

# Corporate Governance Statement

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In line with the provision of Article 70 (5) of the Companies Act, Luka Koper, d. d. issues the following Corporate Governance Statement relating to the period from 1 January 2017 to 31 December 2017.

## **CODES AND MANAGEMENT PRACTICE**

In the period from 1 January to 31 December 2017, the Company observed The Corporate Governance Code for public limited companies of 27 October 2016, which was drawn and adopted jointly by the Ljubljana Stock Exchange (Ljubljanska borza, d. d.), Ljubljana, and the Slovenian Directors' Association, and put into force on 1 January 2017. The code is available on the Ljubljana Stock Exchange website <http://www.ljse.si/cgi-bin/jve.cgi?doc=8377>.

The Corporate Governance Code for Companies with Capital Assets of the State (first the version adopted in March 2016, then the updated version adopted in May 2017) which is available on the Slovenian Sovereign Holding website <https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents>, and Recommendations and expectations of the Slovenian Sovereign Holding (first the version adopted in February 2016, then the updated version adopted in May 2017)), also available on the Slovenian Sovereign Holding website <https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents> also applied to the Company. The Company adopted no corporate governance of its own. The governance is carried out in compliance with the provisions of the Companies Act, and the codes and recommendations mentioned above.

On 20 April 2010, the Management Board adopted the Corporate Governance Policy that the Supervisory Board approved on 13 May 2010. In 2016, the Company prepared a new corporate governance policy that the Management Board adopted on 6 December 2016 and the Supervisory Board approved on 16 December 2016, and is available on the Company's website <https://luka-kp.si/eng/corporate-documents>. A revision of the Corporate Governance Policy is planned for 2018.

In its corporate governance, the Company voluntarily decided to apply the Slovenian corporate integrity guidelines that are available on the website [http://www.korporativna-integriteta.si/Smernice/Smernice\(SSKI\).aspx](http://www.korporativna-integriteta.si/Smernice/Smernice(SSKI).aspx), based on which it adopted its own Corporate Integrity Strategy of the Luka Koper group companies and the Code of Ethics of the Luka Koper Group that are available on the Company's website <https://luka-kp.si/eng/corporate-documents>. The Company has also adopted the Rules of Procedure of the corporate integrity officer and the committee addressing reported violations of corporate integrity of the Luka Koper Group.

## 1. Governance of Luka Koper, d. d.

In governance, the Company observes the provisions of applicable codes; major derogations are stated and/or explained below.

- The remuneration of the Management Board members is paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Due to this fact the Company's Supervisory Board did not prepare a special remuneration policy proposal for the Management Board and submit it to the General Meeting of Shareholders for adoption (derogation from the Corporate Governance Code of Public Limited Companies, Items 8.7 and 12.10).
- Remuneration of chairpersons of Supervisory Board committees had not been harmonized with the Corporate Governance Code for Companies with Capital Assets of the State from May 2017 until 29 December 2017, as they were receiving a supplement for carrying out their function amounting to 50% of the basic payment for carrying out the function of a Member of the Supervisory Board instead of 37.5% of the basic payment for carrying out the function of a Member of the Supervisory Board (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 6.9.1).
- The Corporate Governance Code of Public Limited Companies revised in October 2016, introduced for the first time in 2017 the requirement for adequacy of management declarations to be assessed externally at least once every three years, which has not yet been ensured within the Company. However, it will be provided in the future at the level of the Luka Koper Group (derogation from the Corporate Governance Code of Public Limited Companies, Item 5.7).
- The company has an established a system of internal controls, which, however, does not yet allow comprehensive risk management. Therefore, the system is being constantly improved with the aim of ensuring the efficiency of the system of internal controls and high quality of risk management (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 9.2, and from the Corporate Governance Code of Public Limited Companies, Item 26).
- The Corporate Governance Policy has not been revised since December 2016, however, a revision is planned for 2018 (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 3.2, and from the Corporate Governance Code of Public Limited Companies, Item 2).

- The diversity policy as envisaged in the Corporate Governance Code for Companies with Capital Assets of the State (in force since May 2017) has not been established by the end of 2017. It is expected to be adopted in 2018 (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 3.6, and from the Corporate Governance Code of Public Limited Companies, Item 4). A detailed description of the Diversity policy is given in the Sustainability Report, section **7.6 Diversity Policy**.
- No formal succession plan has been devised in the Company with regard to the company management, however, it is expected to be developed in the future (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 6.1, and from the Corporate Governance Code of Public Limited Companies, Item 20.1).
- Members of the Supervisory Board elected as employee representatives as required by law, communicate with the Workers' Council on matters relating to the operations of the company (partial derogation from the Corporate Governance Code of Public Limited Companies, Item 7).
- The Supervisory Board has not conducted self-assessment for 2017. Self-assessment based on the self-assessment questionnaire of the Audit Committee as proposed by the Slovenian Directors' Association was only carried out for 2017 by the Audit Committee of the Supervisory Board, which also adopted the action plan of improving the quality of its operations (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 6.12, and from the Corporate Governance Code of Public Limited Companies, Item 14).
- The benefit for liability insurance of company bodies and managers is charged to the Supervisory Board members and is considered the only benefit (derogation from the Corporate Governance Code for Companies with Capital Assets of the State. Item 6.9.3).
- The Chairperson of the Supervisory Board is also the Chairperson of the Personnel Committee for two days (partial derogation from the Corporate Governance Code for Companies with Capital Assets of the State. point 6.15.1).
- In case of delays in the implementation of the internal audit recommendations, the reasons are to be stated and explained (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 9.2.7).
- The function of corporate integrity officer established in 2016 has not yet been provided the required organisational autonomy. The Company intends to arrange for the said function to operate autonomously and independently in 2018 (derogation from the Corporate Governance Code for Companies with Capital Assets of the State, Item 10.2)

- Due to a change of management, the 2018 operational plan was not adopted by the end of 2017. The Company submits data to SDH to be published in accordance with the principle of equal treatment of shareholders (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding. Items 1.1 and 1.6)
- The Company devises quarterly, half-yearly and annual periodic reports on its operations, which have to be approved by the Supervisory Board. Each periodic report is then published on the SEO-net, and when publicly available (the principle of equal treatment of shareholders), the report is submitted to SDH using the required form, whereby only publicly available data is submitted (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 2.1 and 2.5, pursuant to the agreement between Company Luka Koper, d. d. and SDH).
- As a rule, the Company does not conclude any lump-sum agreements. The only exceptions are examples where such a method of cooperation is more economical due to the nature of the service performance (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding Item 3.7).
- With respect to good operating results, Luka Koper, d. d. paid out the 13th salary in 2017 in line with the Company's collective agreement in the amount of 100% of the average monthly salary of an employee (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.3.2.).
- The Company's collective agreement has not been made public as its publication has not been agreed to by both parties (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.5).
- Having first used the EFQM excellence model of the European Foundation for Quality Management in 1998, the Company was upgrading the model application and regularly implementing self-assessment processes every two years until 2009. After not applying the excellence model for a long period of time, when changes occurred in the Company and to the model, the Company has now assessed to have made considerable development steps in the meantime, and can now make an overall assessment of its level of excellence. The "Self-assessment based on the excellence model" project was thus devised in November 2017, comprising the following objectives: To perform self-assessment, to devise a self-assessment report stating opportunities for improvement, and to form a proposal of measures to improve essential matters, which will be completed in 2018 (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 5.1).

## 2. Governance of subsidiaries

The Corporate Governance Code for Companies with Capital Assets of the State (adopted in March 2017) and Recommendations and expectations of the Slovenian Sovereign Holding (adopted in May 2017) also apply to subsidiaries in the Luka Koper Group where Luka Koper, d. d. is a controlling company. In compliance with the above, Luka Koper, d. d. gives a report on observance of the provisions of the Code and Recommendations mentioned also for its subsidiaries, i.e. Adria Terminali, d. o. o., Luka Koper Pristan, d. o. o., Adria Investicije, d. o. o., Luka Koper INPO, d. o. o., Logis Nova, d. o. o., and TOC, d. o. o. In governance, subsidiaries follow the provisions of the Code and the Recommendations; major derogations are stated and explained below.

- On the basis of the results achieved, in line with the Collective agreement and the conditions met for the payment of the 13th salary, the subsidiaries Luka Koper INPO, d. o. o., Adria Terminali, d. o. o. and TOC, d. o. o. paid the 13th salary to the employees in the amount of the average salary, whereas the subsidiary Luka Koper Pristan, d. o. o., based on the Rules on salaries and the conditions met, paid out the Christmas bonus in 2017 (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.3.2.).
- The collective agreements of Luka Koper INPO, d. o. o. and Adria Terminali, d. o. o. have not been made public as their publication has not been agreed to by both parties (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.5).
- The subsidiaries did not conduct self-assessment in line with the EFQM model as the re-introduction of this approach has been in progress at the level of the controlling company - Luka Koper, d. d. (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 5.1 and 5.4).

## 3. Corporate integrity

Corporate integrity is reported in detail in the Sustainability Report, section **7 Corporate integrity, human rights and operations compliance.**

## 4. Risk control system

Risks are reported in detail in the Sustainability Report, **3.11 Risk control system in the Luka Koper Group.**

## INTERNAL CONTROLS AND RISK CONTROL RELATED TO FINANCIAL REPORTING

The Luka Koper Group controls risks related to financial reporting, implementation of guidelines and internal control procedures adopted. The purpose of internal controls is to ensure accuracy, reliability and completeness of acquiring data on transactions and preparation of financial

statements that give a true and fair view of the financial position, profit or loss, cash flows and changes in equity in accordance with the applicable laws, International Accounting Standards and other external and internal regulations. Risks related to consolidated financial statements of the Group have also been controlled through a centralised accounting function in a uniform IT system in the controlling company that includes all the subsidiaries and the majority of associated companies.

Having been designed in accordance with the principle of reality and division of responsibility, the accounting controls focus on the control of accuracy and completeness of data processing, reconciliation of the balance presented in the books of account, and the actual balance, separation of records from conducting transactions, professionalism of accountants and independence. Internal controls in accounting are also related to controls in the field of IT that ensure limitations and supervision over the access to the network, data and applications as well as accuracy and completeness of data acquisition and processing.

### **DATA PURSUANT TO ARTICLE 70 (6) OF THE COMPANIES ACT**

Luka Koper, d. d. as a company subject to the application of the act regulating acquisitions, states data as at 31 December 2017 and all the required explanations in line with the provision of Article 70 (6) of the Companies Act:

#### **Structure of the Company's share capital**

The Company shares are ordinary no-par value shares that grant to their holders the right to participate in the Company management, the right to profit sharing - dividend payments, and the right to a proportionate amount of remaining assets after winding up or bankruptcy of the Company. All the shares are registered shares, of one class and issued in book-entry form. The Company shares are freely transferable and listed on the Ljubljana Stock Exchange, first listing. Detailed data about the share and ownership structure is presented in Section [The LKPG share](#).

#### **Share transfer limitations**

All company shares are freely transferable.

#### **Qualified shares pursuant to the Takeovers Act**

Pursuant to Article 77 (1) of the Takeovers Act, achievement of the qualified share on 31 December 2017 was as follows:

- The Republic of Slovenia held 7,140,000 shares issued by Luka Koper, d. d., which accounted for 51.00% of the initial capital of the issuer of the shares,
- Slovenian Sovereign Holding (Slovenski državni holding, d. d.) held 1,557,857 shares issued by Luka Koper, d. d., which accounted for 11.13% of the initial capital of the issuer of the shares.

### **Holders of securities granting special control rights**

The Company issued no securities that would grant special control rights.

### **Employee Share Scheme**

The Company has no employee share scheme.

### **Limitation of voting rights**

There is no limitation of voting rights.

### **Agreements among shareholders that may result in limitation of share transfer or voting rights**

The Company has not been informed of any such agreements.

### **The Company's rules on appointments or replacements of members of management and supervisory bodies**

The Management Board of the Company has a President and up to three members, of which one is the Workers Director. The President of the Management Board and other Management Board members are appointed and dismissed by the Supervisory Board. The Workers Director as a member of the Management Board is appointed and dismissed by the Supervisory Board on a proposal of the Workers' Council. The term of office of the President of the Management Board, Management Board members and the Workers Director is five years with the possibility of re-appointment. The Supervisory Board has the right and competence to dismiss the entire Management Board or an individual member of the Management Board.

The Supervisory Board can dismiss the President of the Management Board, members of the Management Board and the Workers Director early for the reasons set out in the law. The quorum of the Supervisory Board when appointing or dismissing the President of the Management Board, a member of the Management Board or the Workers Director requires the presence of at least half of the members of the Supervisory Board and at least half of the present Supervisory Board members have to be representatives of the capital, of which the Chairperson of the Supervisory Board and deputy Chairperson of the Supervisory Board are to be present as well.

The President and members of the Management Board shall have at least university education, a thorough knowledge of one world language, and at least five years of work experience in decision-making positions in large companies in accordance with the criteria as defined by law governing companies. More detailed conditions and criteria for the president and members of the Management Board are determined by the Supervisory Board. The terms of appointment of the Workers Director are jointly determined by the Supervisory Board and the Workers' Council.

The Supervisory Board has a Personnel Committee that carries out preliminary procedures relating to the selection of candidates for the Management Board of the Company and proposes the most suitable candidates for the Management Board members to the Supervisory Board. Before submitting the proposal, it verifies whether the candidates suggested meet the legal and statutory criteria for the members of the Management Board.

The Supervisory Board of the Company consists of nine members, of which six are elected by the General Meeting by a simple majority of the shareholders present and three members are elected by the Workers' Council. One of six Supervisory Board members can be proposed to Supervisory Board by the municipality or municipalities in the port area. By decision, the General Meeting establishes the election and discharge of the members of the Supervisory Board elected by the Workers' Council. The decision on an early discharge of members of the Supervisory Board has to be taken by a three-quarters majority of the votes submitted in the General Meeting. Members of the Supervisory Board elected out of the employees can be discharged before the expiry of their term of office by the Workers' Council. By decision, the General Meeting only establishes their discharge. After expiry of their term of office, each elected member of the Supervisory Board may be proposed and re-appointed as a member of the Supervisory Board.

The Management and the Supervisory Boards have not formulated the diversity policy with respect to representation in management and control bodies of the Company as defined by the new Companies Act and the new Slovenian Corporate Governance Code of public limited companies adopted on 27 October 2016, which entered into force on 1 January 2017. Notwithstanding the above, the Company has pursued the objective of diversity with respect to representation in management and control bodies. This is also reflected in the fact that in recent years, gender diversity has significantly improved in management and control bodies and intergenerational diversity and educational diversity have also been observed. A diversity policy is expected to be adopted in 2018.

### **The Company's rules concerning changes in the Articles of Association**

The General Meeting of Shareholders decides on the changes in the Articles of Association with three-quarters majority of the initial capital represented.

### **Powers of members of the Management Board, in particular with regard to own shares**

Powers of members of the Management Board are defined in the Section COMPANY MANAGEMENT. The Management Board has no special powers relating to the issue or purchase of own shares



## **Relevant agreements that are put into effect, are changed or terminated on the basis of a change in the Company's control as a result of a public takeover offer**

The Company has not been informed of any such agreements.

## **Agreements between the Company and the members of its management or control body or employees who foresee compensation if they resign, are dismissed without valid grounds or their employment contract expires because of the offer stipulated by the Takeovers Act**

There have been no agreements in accordance with the Takeovers Act.

## **MANAGEMENT SYSTEM**

Luka Koper, d. d. operates under a two-tier management system, under which the Company has three management bodies: the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The competencies of individual bodies and the rules on their operation, appointment, discharge and the changes in the Articles of Association have been laid down by the Companies Act, the Articles of Association of the Company, and the Rules of Procedure on the Work of the Supervisory Board, Management Board and the General Meeting of Shareholders. Specific provisions on the operation of the Management Board are also stated in other general acts on internal company regulation. The Articles of Association of the Company are available at <https://luka-kp.si/eng/corporate-documents>.

## **GENERAL MEETING OF SHAREHOLDERS**

The General Meeting of Shareholders is the highest body of the Company, deciding on its status changes, appropriation of the profit, the appointment or discharge of Members of the Supervisory Board and all other issues. It makes decisions in accordance with the Companies Act and the Articles of Association of Luka Koper, d. d. The ownership structure of Luka Koper, d. d. is presented in the Section [The LKPG share](#).

### **Convening the General Meeting of Shareholders**

The Management Board shall convene the General Meeting of Shareholders once a year as a general rule, or several times, if necessary. The convening of the General Meeting of Shareholders is published at least one month earlier on the AJPES website, in the electronic system of the Ljubljana Stock Exchange SEOnet, and on the Company's website. The Company's website <https://luka-kp.si/eng/general-assembly> includes the entire material with the proposals for decisions, which is also made available to shareholders at the Company's head office. In compliance with the rules of the Ljubljana Stock Exchange, all decisions taken at the General Meeting of Shareholders are published.

## Participation and voting rights

Shareholders may take part in the General Meeting and exercise their voting right if their presence is reported to the Management Board by the end of the fourth day prior to the General Meeting and if shares or a share certificate is submitted for inspection.

The Company has no limitations relating to the voting rights, as all shares of Luka Koper, d. d. provide voting rights in line with the legislation.

Luka Koper, d. d. has issued no securities that would grant their holders any special control rights.

## Decisions of the General Meeting of Shareholders

In 2017, the shareholders met at two meetings:

- 28th General Meeting of Shareholders that took place on 30 June 2017, and
- 29th General Meeting of Shareholders that took place on 28 December 2017.

At the 28th General Meeting of 30 June 2017, the shareholders:

- Were informed about the adopted Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2016, the auditor's opinion and the Report of the Supervisory Board about the verification of the annual report of Luka Koper, d. d. and the Luka Koper Group for 2016,
- Decided on the proposal for the appropriation of the accumulated profit for 2016 in the amount of EUR 20,321,602.99, where it was defined that:
  - a portion of accumulated profit in the amount of EUR 19,600,000.00 is to be used for dividend payout in the gross value of EUR 1.40 per ordinary share,
  - the residual amount of accumulated profit in the amount of EUR 721,602.99 to remain unappropriated,
- Did not grant discharge to the Management Board for 2016,
- Granted discharge to the Supervisory Board for 2016 with the exception of Alenka Žnidaršič Kranjc, PhD, and Mladen Jovičić.
- Appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d. o. o. as the auditor for the financial years 2017, 2018 and 2019.
- Recalled the following members of the Supervisory Board from their position as of 30 June 2017: Alenka Žnidaršič Kranjc, PhD, Elen Twrdy, PhD, Andrej Šercer, MSc, Žiga Škerjanc, Rado Antolovič,
- Appointed the following as members of the Company's Supervisory Board for a term of four years beginning on 1 July 2017: Rado Antolovič, Andraž Lipolt, MSc, Uroš Ilić, MSc, Milan Jelenc, Barbara Nose.
- Appointed the audit firm PriceWaterhouseCoopers, podjetje za revizijo in druge finančno računovodske storitve, d. o. o., Ljubljana as a special auditor to review the management of

operations concluded by the Company with port service providers in the period of the last three years from the date of adoption of this Decision.

At the 29th General Meeting of 28 December 2017, the shareholders:

- Adopted the decision on the amount of payment for the performance of the function and attendance fees to be paid to members of the Supervisory Board and of Committees of the Supervisory Board, thereby revoking the Decision No 6 of the 26th General Assembly of 21 August 2015.
- Were informed of the findings from the special audit report regarding the management of individual transactions of the Company with port service providers,
- Passed a vote of no confidence against Dragomir Matić, President of the Management Board, and Irena Vinček and Andraž Novak, members of the Management Board.
- The resolution No. 5 on the appointment of the auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o. as auditor of the Company's and Luka Koper Group's financial statements for the financial years 2017, 2018 and 2019, as adopted at the Company's 28th General Meeting of Shareholders held on 30 June 2017, shall be annulled and the company BDO Revizija d.o.o., družba za revidiranje shall be appointed as auditor of the Company's and Luka Koper Group's financial statements for the financial years 2017, 2018 and 2019.

## **SUPERVISORY BOARD**

The Supervisory Board oversees the running of the Company's operations. Other tasks and powers of the Board, in accordance with the law and the Company's Articles of Association, are: appointing and dismissing the Management Board, determining the amount of Management Board's remuneration, approval of the annual report, preparing proposals for the appropriation of the accumulated profit, and convening the General Meeting of Shareholders

### **Composition of the Supervisory Board**

The Supervisory Board of Luka Koper, d. d. consists of nine members. Six are elected by the General Meeting of Shareholders, and three from among employees are elected by the Workers' Council of the Company. The term of office of members of the Supervisory Board shall be four years.

### **Composition of the Supervisory Board of Luka Koper, d. d. as at 31 December 2017:**

Representatives of shareholders:

**Uroš Ilić, MSc**, Chairperson of the Supervisory Board from 29 Dec 2017 onwards (until 29 Dec 2017: Deputy Chairperson of the Supervisory Board)

Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting of Shareholders)

Employed: ODI o.p., d. o. o. - Managing partner  
Membership in other management or supervisory bodies: /

**Mag. Andraž Lipolt**, Deputy Chairperson of the Supervisory Board  
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting of Shareholders)  
Employed: Petrol, d. d., Director of technical support  
Membership in other management or supervisory bodies: /

**Capt. Rado Antolovič MBA**, member of the Supervisory Board (Chairperson of the Supervisory Board until 29 Dec 2017)  
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting of Shareholders)  
Employed: Managing Director of P&O Maritime (DP World)  
Membership in other management or supervisory bodies: Maritime Services Division, DP World, managing director; P&O Maritime, CEO; P&O Ports, CEO

**Milan Jelenc, MSc**, member of the Supervisory Board  
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting of Shareholders)  
Employed: Adviser to Managing director of the Slovenian Railways  
Membership in other management or supervisory bodies: Adriakombi, d. o. o. - Chairperson of the Supervisory Board; CKTZ, d. d. - member of the Supervisory Board

**Barbara Nose**, member of the Supervisory Board  
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting of Shareholders)  
Employed: Constantia plus, d. o. o., Managing Director / certified auditor  
Membership in other management or supervisory bodies: /

**Sabina Mozetič**, member of the Supervisory Board  
Beginning of a 4-year term of office: 21 August 2015 (26th General Meeting of Shareholders)  
Employed: Municipality of Koper, Director of municipal administration  
Membership in other management or supervisory bodies: Member of the General Meeting of Rižanski vodovod Koper, d. o. o., Member of the Council of the Koper Health Centre

#### **Representatives of the employees:**

**Mladen Jovičić**, member of the Supervisory Board  
Beginning of a 4-year term of office: 8 July 2017 (28th General Meeting – informing of shareholders)

**Marko Grabljevec**, member of the Supervisory Board  
Beginning of a 4-year term of office: 18 January 2016 (27th General Meeting – informing of shareholders)

**Rok Parovel**, member of the Supervisory Board

Beginning of a 4-year term of office: 12 September 2016 (28th General Meeting – informing of shareholders)

### **External member of the Audit Committee of the Supervisory Board**

**Mateja Kupšek**, External Member of the Audit Committee of the Supervisory Board

Appointed for the period from 30 August 2017 until revoked.

### **Supervisory Board's work**

The work of the Supervisory Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure on the work of the Supervisory Board, the Management Code for publicly traded companies, Corporate Governance Code, Corporate Governance Code for Companies with Capital Assets of the State, Recommendations and expectation of the Slovenian Sovereign Holding and Recommendations of the Slovenian Directors' Association.

In 2017, the Supervisory Board worked in the above composition. Work, decisions, and viewpoints of the Supervisory Board and the Committees of the Supervisory Board are reported in detail in the [Report on the Supervisory Board for 2017](#).

Each member of the Supervisory Board, taking into account the provisions 8 and 17.2 of the Corporate Governance Code of public limited companies, signed a declaration at the beginning of 2017 stating that in the year 2017 there was no conflict of interest that would imply that an individual member

- Was an executive director or member of the management board of a company or an associated company or had occupied such a position for the previous five years,
- Worked for a company or an associated company and had occupied such a position for the previous three years,
- Received significant additional remuneration from the Company or an associated company apart from a fee received as a member of the Supervisory Board,
- Was the majority shareholder and represented the majority shareholder/majority shareholders,
- Had important business contacts with a company or an associated company in the last year, either directly as a partner, shareholder, managing director or manager in a body,
- Is or has been within the last three years, a partner or employee of the present or former external auditor of the Company or an associated company;
- Was executive director or member of the management board of another company, of which the executive director or member of the management board was a member of the supervisory board, or was in any way related to the executive director or members of the management board through cooperation in other companies or bodies,
- Was a member of the Supervisory board for more than three terms of office (or over 12 years),

- Was a close family member of a member of the management board or of persons occupying positions referred to in items above,
- Was a members of the wider management board of an associated company,
- Participated in drawing up the proposed content of the Company's annual report.

Statements are also available at <https://luka-kp.si/slo/pomembni-dokumenti-208>.

### **Committees of the Supervisory Board**

Since 10 January 2018, the Supervisory Board has had three committees:

- Personnel Committee,
- Audit Committee
- Operating Committee.

The committees carry out professional tasks in aid to the Supervisory Board.

The Personnel Committee is composed of Uroš Ilić, MSc (Chairperson), Barbara Nose (member), Milan Jelenc, MSc (member), and Rok Parovel (member).

The Audit Committee is composed of Barbara Nose (Chairperson), Uroš Ilić, MSc (member) and Marko Grabljevec (member). As of 30 August 2017, Polona Pergar Guzaj (external member) was removed from office and Mateja Kupšek was appointed the external member.

The Operating Committee is composed of Andraž Lipolt (Chairperson), Capt. Rado Antolovič (member), Milan Jelenc, MSc (member), Sabina Mozetič (member), Mladen Jovičić (member) and Rok Parovel (member).

### **Remuneration of the Supervisory Board**

Members of the Supervisory Board and of Committees of the Supervisory Board are entitled to attendance fees and payments for performing the functions. The amount of attendance fees and payments shall be determined by the General Meeting of Shareholders. Members of the Supervisory Board and of Committees of the Supervisory Board are also entitled to a refund of travel expenses and other arrival- and attendance-related expenses. Remuneration of the Supervisory Board and the amounts are detailed in the Accounting Report of Luka Koper, d. d. in Note No 31 Related party transactions and in the section [Report of the Supervisory Board for 2017](#), and their ownership of shares is discussed under section [The LKPG Share](#).

## THE MANAGEMENT BOARD OF THE COMPANY

The work of the Management Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure on the work of the Management Board, the Management Code for publicly traded companies, Corporate Governance Code for Companies with Capital Assets of the State, and Recommendations and expectation of the Slovenian Sovereign Holding. Pursuant to the Companies Act and the Articles of Association, the Management Board manages and represents the Company.

### Composition of the Management Board

The Management Board of Luka Koper, d. d. worked in the following composition until 28 December 2017:

- Dragomir Matić (President of the Management Board), appointed on 23 May 2014 for a period of five years, assumed office on 10 June 2014,
- Andraž Novak, member of the Management Board, beginning of a 5-year term of office: 10 June 2014,
- Irena Vincek, member of the Management Board, beginning of a 5-year term of office: 21 August 2015,
- Stojan Čepar, Workers Director, beginning of a 5-year term of office: 30 November 2015.

At its regular session on 29 December 2017, the Supervisory Board removed Dragomir Matić from his position of President of the Management Board, and Irena Vincek and Andraž Novak from their positions of members of the Management Board. To fill these positions, it appointed for a term of five years Dimitrij Zadel as President of the Management Board, Irma Gubanec as member of the Management Board in charge of Finance and Accounting and Metod Podkrižnik as member of the Management Board.

As at 31 December 2017, the Management Board of Luka Koper, d. d. consisted of:

- Dimitrij Zadel, President of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Metod Podkrižnik, member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Irma Gubanec, MSc, member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Stojan Čepar, Workers Director, beginning of a 5-year term of office: 30 November 2015.

At its regular session on 16 February 2018, the Supervisory Board concluded a consensual termination of the contract on management operations with Stojan Čepar, whose term of office as member of the Management Board - Workers Director thus expired on the same day. Based on a proposal of the Workers' Council, the Supervisory Board appointed Vojko Rotar to fill this position.

As at 16 February 2018, the Management Board of Luka Koper, d. d. consisted of:

- Dimitrij Zadel, President of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Metod Podkrižnik, member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Irma Gubanec, MSc, member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Vojko Rotar, Workers Director, beginning of a 5-year term of office: 16 February 2018.

#### **Composition of the Management Board of Luka Koper, d. d. as at 26 April 2018:**

##### **■ Dimitrij Zadel**

*President of the Management Board:*

Dimitrij Zadel, born 29 September 1967, graduated in mechanical engineering and subsequently expanded his expertise in business abroad. He began his career in the product development department of Lama, a producer of furniture fittings. Between 1994 and 2003, he occupied key positions in the company Trgoavto d. o. o. As a commercial vehicle sales manager, he was responsible for the IVECO sales and service centre. Between 2001 and 2003, after being promoted to director general, he was in charge of the company's restructuring and modernisation, aimed at increasing the company's sales volumes and achieving its business optimisation. In 2003, he sought new career challenges in the OMV Group. He was director of OMV Slovenija, d. o. o. and, in line with the Group's strategy, also in charge of restructuring and reorganisation of OMV subsidiaries in Croatia, Bosnia-Herzegovina and Italy, in preparation for their planned disposal. Between 2013 and 2017, while performing the function of director and retail manager of OMV companies in the Czech Republic and Slovakia, he introduced important measures aimed at improving the companies' performance. Following the decision of the company's Supervisory Board, he commenced his five-year term of office as president of the Management Board of Luka Koper, d. d. on 29 December 2017.

##### **■ Metod Podkrižnik**

*Member of the Management Board*

Metod Podkrižnik, born 23 March 1971, graduated in mechanical engineering and obtained a Master's Degree in economics. He began his career in Gorenje, d. d. where he was in charge of the interior furnishings production line. Between 1999 and 2006, he was employed with the Agency of the Republic of Slovenia for Commodity Reserves, where he was responsible for a project aimed at establishing 90-day oil-product reserves in Slovenia and for their efficient maintenance. Between 2006 and 2008 he worked as deputy general manager at Holding Slovenske elektrarne (the state-owned power-generation company), where he managed the development department and performed other executive functions aimed at improving the holding's performance, including risk management. Between 2008 and 2015, he continued his business career at the OMV Group, where he was in charge of product supplies, sales, customer support, logistics and other key business functions in the Group's subsidiaries in Slovenia, Bosnia-Herzegovina, Croatia, Hungary, the Czech Republic and Slovakia. During his employment with OMV, he was appointed procurator



in several of the group's subsidiaries and performed the function of director general at OMV Slovakia for two and a half years. In 2016, he joined the logistics company Fersped, d. o. o. as company director. Following the decision of the company's Supervisory Board, he commenced his five-year term of office in Luka Koper, d. d. on 29 December 2017.

- **Irma Gubanec, MSc**

*Member of the Management Board*

Irma Gubanec, MSc, born 9 July 1968, completed her master's studies in business policy and organisation at the Faculty of Economics, University of Ljubljana. She began her career as independent finance consultant at the Development Fund of the Republic of Slovenia, where she was subsequently promoted to director of the Finance Department. Between 1999 and 2000, she worked at the Ministry of Economic Affairs as state secretary responsible for assets and finance. She subsequently sought new career challenges in the company P&S Svetovanje in analyze as independent finance consultant in charge of company valuations and company mergers and acquisitions. Between 2001 and 2010, she held the position of deputy director general responsible for business economics at the national public broadcasting company RTV Slovenia, where she was responsible for finance, accounting, controlling and RTV subscription calculation. In 2010, she joined the media company Delo, d. o. o., where she occupied several key positions. Between 2013 and 2017, she held the position of president of the management board and director general responsible for meeting the company's strategic targets, including the company's financial, personnel and business restructuring. Following the decision of the company's Supervisory Board, she commenced her five-year term of office in Luka Koper, d. d. on 29 December 2017.

- **Vojko Rotar,**

*Workers Director*

Vojko Rotar, born 17 June 1976, graduated in economics. He began his career in 1995 in Avico, a freight forwarding company from Ljubljana, and continued to work in logistics, later also international trade until 2003. He gained a wealth of experience with respect to the port as a transit point where international trade flows are being transferred. His insight into the general economic environment and the subjects operating within it paved him the way to various positions in the field of media and communications, where he worked as editor, journalist, correspondent, photo-reporter and web reporter for several Slovenian media. In the last four years, he was in charge of public relations and marketing in the Marjetica Koper public corporation, while also nearing a number of areas related to the promotion of good environmental practices and cooperation with the local community. He commenced his five-year term of office in Luka Koper, d. d. as member of the Management Board - Workers Director on 16 February 2018, following the decision of the Company's Supervisory Board,

A member of the Management Board has to disclose any conflict of interest to the Supervisory Board and inform other members of the Management Board accordingly.

Presentation of members of the Management Board is also available at <https://luka-kp.si/eng/management>.

## **Management Board's work**

The Management Board autonomously directs the operations of the Company in its best interests, and assumes sole responsibility for its actions. It performs its work in accordance with the regulations, the Articles of Association and the binding decisions of the Company bodies.

The Company is represented by Members of the Management Board, who are in charge of the following areas:

### **Tasks of the President of the Management Board:**

- Secretariat of the Management Board (Adviser to the Board, Secretary of Bodies, Office of the Management Board),
- Human resources,
- Legal affairs,
- Public relations,
- Port security,
- Investments,
- Purchasing and maintenance,
- Strategic development,
- Marketing.

### **Tasks of the Member of the Management Board:**

- PC General Cargo Terminal,
- PC Container Terminal,
- PC Car & Ro-Ro terminal,
- PC Dry Bulk and Liquid Bulk Terminal,
- PC Cruise Terminal,
- Operations Department.

### **Tasks of the Member of the Management Board in charge of Finance and Accounting:**

- Finance and Accounting,
- Controlling,
- Management and development of business processes,
- Entities in which Luka Koper, d. d. has a capital share or corporate rights.

### **Tasks of the Member of the Management Board - Workers Director:**

- Representation of interests of the employees relating to personnel and social issues,

- Health protection and ecology,
- Monitoring of observance and implementation of written agreements and cooperation in concluding agreements between employees and employers (participating agreement and other agreements).

#### **All members of the Management Board**

- Internal Auditing,
- Corporate integrity and operations compliance officer,
- Cooperation with the Secretary of the Supervisory Board.

#### **Remuneration of the Management Board**

Remuneration paid to members of the Management Board consists of the fixed and variable component. They are determined in fixed-term management operation employment contracts for members of the Management Board, in annexes to employment contracts and in decisions of the Supervisory Board. Employment contracts and annexes concluded between individual members of the Management Board and the Supervisory Board; also specify refunds and benefits. When concluding contracts and annexes for members of the Management Board, the Supervisory Board is represented by its Chairperson. Remuneration of the Management Board is presented in the Accounting Report of Luka Koper, d. d. in Note No. 31 Related party transactions, and ownership of shares is presented in the section [The LKPG Share](#).

### **MANAGEMENT AND GOVERNANCE OF COMPANIES IN THE LUKA KOPER GROUP**

Luka Koper, d. d. has established a corporate governance system which includes the controlling company and 21 companies – from single-person limited companies to the companies with the share of less than 1%. With respect to the method of management, all investments are divided into four groups:

- Strategic investments are investments in shares and stakes of the companies engaged in activities directly associated with strategic orientations of the controlling company. They are managed in accordance with the principle of the group operation.
- Other strategic investments are investments in shares and stakes of the companies engaged in activities relevant for the controlling company due to wider social and sustainable motives. They are managed in accordance with the principle of investment trust.
- Portfolio investments are investments in shares of the companies which are listed on the stock exchange, investment funds, deposits and other money market instruments. They are managed for the purpose of ensuring and managing the liquidity of the Luka Koper, d. d. and the Luka Koper Group.
- Non-strategic investments are investments in shares and stakes of the companies engaged in activities not directly linked to the strategic orientation of the controlling company, and

are not portfolio investments. They are managed in accordance with the principle of investment trust. These investments will be subject to various types of disinvestment.

The dividend policy follows the classification of an individual investment: when acting as a shareholder in non-strategic investments, we strive to achieve the objective of maximised profit payment, and when acting as a shareholder in strategic and other strategic investments, we pursue the objective of a balanced profit payment under consideration of the investment-development company cycles.

Objectives in the field of investment management were set in the strategic business plan of the Company and the Group for the period 2016-2020 by upgrading the corporate governance system, particularly in cases of strategic investments. Business control will be established by organising regular periodic meetings of management boards of the companies with the Management Board of the controlling company.

### Management and governance of subsidiaries in the Luka Koper Group as at 31 December 2017

Company	Managing Director	Share of the controlling company in ownership (in %)
Luka Koper INPO, d. o. o.	Boris Kranjac	100.00
Adria Terminali, d. o. o.	Aleš Miklavec	100.00
Luka Koper Pristan, d. o. o.	Darko Grgič	100.00
Adria Investicije, d. o. o.	Boris Jerman	100.00
Logis Nova, d. o. o.	Larisa Kocjančič	100.00
TOC, d. o. o.	Ankica Budan Hadžalič	68.13

### INTERNAL AUDIT

The internal audit activity in Luka Koper, d. d. has been performed on the basis of the adopted fundamental internal audit document for the field of internal audit. The purpose of the internal audit is to carry out the function of internal auditing for the public limited company - Luka Koper, d. d. and subsidiaries. It is an independent organisational unit subordinated in function to the Supervisory Board, and in organisation to the Management Board of the Company. It operates independently and in accordance with the Rules on the operation of the internal audit that has been based on International Standards for the Professional Practice of Internal Auditing, Code of Internal Audit Principles of the Slovenian Institute of Auditors, and Code of Ethics of an internal

auditor of the Slovenian Institute of Auditors. In accordance with the applicable definition, the internal audit activity helps implement the objectives of the Company and the Group by systematic and methodical assessment and improvement in the efficiency of risk control, control of procedures and their management. It operates with the aim of adding value with more reliable achievement of the objectives set.

In 2017, the internal audit carried out internal audit engagements and other activities in accordance with the adopted annual plan of work. New engagements planned this year and unfinished engagements from the previous year were carried out to a great extent, and two unplanned engagements were also conducted.

In implementing the planned transactions, the risks identified in the preparation of the annual plan served as guidance, and were also supplemented in the phase of detailed observation of each audit area and initial risk assessment. The greater part of the service assurance included verification whether internal controls have been devised appropriately and whether they function in accordance with pre-defined objectives and standards. Based on identified deficiencies, recommendations were made for their improvement. Based on our assessment that the current level of maturity of the risk control system does not fully allow for assurances on risk management processes to be given, internal auditing of this area mostly comprises identification of policies and promoting further development.

In addition to the planned and unplanned auditing, after-audit activities were performed on a quarterly basis; the aim of which was to review the implemented measures for a better management of risks perceived during the internal audit work. Consulting activity was primarily focusing on assistance in the development of internal controls and risk management, and was related to cooperation with providers of external controls.

The internal audit reported on each individual engagement to the management of the audited unit the Management Board and the Audit Committee of the Supervisory Board; and quarterly, it submitted a report on the implementation of internal audit recommendations to the Management Board and the Audit Committee. The internal audit reports to the Supervisory Board on an annual basis.

The development of the internal audit has been implemented by means of the programme for the provision and improvement in quality. Its purpose is to ensure to all the interested parties that operation of the internal control is in compliance with the applicable rules of the profession and that its operation is successful and efficient. The last external audit of the internal audit quality operation that confirmed these facts was carried out in 2017, and until the next one, the quality and improvement in its operation shall be provided by internal audits.

## **EXTERNAL AUDIT**

At the 29th meeting of 28 December 2017, the General Meeting of Shareholders appointed the audit firm BDO Revizija, d. o. o., družba za revidiranje, Cesta v Mestni log 1, Ljubljana for the audit of the financial statements of Luka Koper, d. d. and the Luka Koper Group in the financial year 2017.

The costs of audit services performed for Luka Koper, d. d. and its subsidiaries are presented in the consolidated accounting report, Note 33: Transactions with the audit firm.



Dimitrij Zadel

President of the Luka Koper, d. d. Management Board



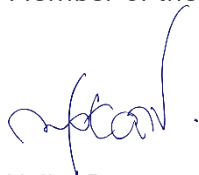
Metod Podkrižnik

Member of the Luka Koper, d. d. Management Board



Irma Gubanec, MSc

Member of the Luka Koper, d. d. Management Board



Vojko Rotar

Member of the Luka Koper, d. d. Management Board – Workers Director