

# Corporate Governance Policy of Luka Koper d.d.

This document, which represents a commitment for future operations, pertains to the parent company Luka Koper d.d. (hereinafter: Public Limited Company) and its subsidiary companies (hereinafter: Luka Koper).

## 1. Indication of the Reference Corporate Governance Code

The reference code applied by Luka Koper is the amended Slovene Corporate Governance Code for Joint Stock Companies adopted on 27<sup>th</sup> October 2016 by the Ljubljana Stock Exchange, the Slovenian Association of Supervisory Board Members and the Managers' Association of Slovenia, as well as the Corporate Governance Code for Companies with a State Capital Investment adopted by the Slovenian Sovereign Holding in March 2016.

## 2. Basic Principles of Corporate Governance

Governance and management of Luka Koper are implemented in compliance with the applicable legislation and in-house administrative regulations. The basic principle in assuring the transparency of governance and management is the respect of best domestic and international practices, and therein the Slovene Corporate Governance Code for Joint Stock Companies and recommendations of the Slovenian Association of Supervisory Board Members.

The public limited company applies a two-tier system of governance, by way of which the company has three bodies of management: **Shareholders' Assembly, Management Board** and **Supervisory Board**. The individual competencies of these bodies are regulated by the Companies Act, and are defined in more detail in the Articles of Association of Luka Koper d.d., the Rules of procedure regulating the work of the Shareholders' Assembly, the Rules of procedure regulating the work of the Supervisory Board and the Rules of procedure regulating the work of the Management Board. In their activities, the bodies of the company are committed to upholding the provisions of the Slovene Corporate Governance Code for Joint Stock Companies, which is accessible at [www.ljse.si](http://www.ljse.si), the provisions of Corporate Governance Code for Companies with a State Capital Investment, accessible at [www.sdh.si](http://www.sdh.si) as well as recommendations of the Slovenian Association of Supervisory Board Members which are available at [www.zdruzenje-ns.si](http://www.zdruzenje-ns.si).

## Business and Quality Policies

Luka Koper identifies the long-term opportunities for the company's successful operation and considers the maximising of value of the public limited company as its main target. As socially responsible company, it creates the conditions and an environment favourable to achieving the satisfaction of its clients, employees, shareholders, local and wider community as well as to fulfilling its responsibility towards the natural environment.

It implements its business policies through:

- achieving ambitious operational results, which ensure an independent financing of timely performed investments in company's capacities and meeting of shareholders' expectations;
- maintaining the governance model applied to the port;
- ensuring ongoing and systematic improvement of the quality of its operations;
- ensuring competent governance and promoting organisational climate aimed at achieving a performance efficiency of the motivated employees and a positive social dialogue;
- carefully selecting qualified and well-motivated staff, who constantly advance their knowledge and skills;
- establishing adequately ambitious goals in its business plans;
- consistently complying with the provisions of legislation, internal acts, management system documents together with other pertinent regulations in every field of its activities;
- fostering team work and a spirit of innovation, as well as awarding the latter;
- reducing negative impacts on the environment and promoting the rational use of energy;
- maintaining health and safety at work through compliance with safety procedures and the provision of plans and immediately deployable resources in the event of an emergency;
- compliance with food safety standards;
- protection of confidential information and provision of a flow of accurate information to those who may require it for the implementation of their tasks and obligations.

Business policy is an orientation facilitating the realisation of goals aimed at ongoing improvement in accordance with set objectives. It contains all elements of a uniform management system. Quality policy is an integral part of business policy and as such represents the compass of business excellence; it also fosters achievement as well as the ongoing introduction of improvements in all fields of operation and endeavour.

**Vision:** Luka Koper will become the leading port system for global logistics solutions of the Central Europe.

**Mission:** In line with the requirements of the economy and most demanding customers, global logistics solutions to the heart of Europe are supported by a reliable and well-developed range of port services.

## **Five Strategic Orientations:**

### **Luka Koper is**

- **flexible, modern and competitive bidder of port services**, capable of realising its identified market potentials by exerting control over the markets and establishing partnerships with its clients.
- **reliable and efficient contractor of quality port services**, able to achieve high operational efficiency through the improvement of process productivity, by

establishing synergies between the terminals and achieving an optimum deployment of capacities.

- **successful business system of long-term stability**, providing consistency between its main activity and support functions, as well as striving for the improvement of rates of return and assuring a growth in the value of assets.
- **promotor of complete logistic solutions**, responsible for establishing connections of different partners within the logistics chain and in the port community, with the objective of creating integrated transport solutions.
- **diligent institutional stakeholder of sustainable development**, committed to long-term sustainable development of natural and social environment, supporting the port's development in the broader regional- and international context.

On the basis of such fundamental VALUES – COOPERATION, RESPONSIBILITY, RESPECT, COMMITMENT and CREATIVITY – the company actualises its orientations through the implementation of well-considered ACTIVITIES IN THE CORE SPHERES OF ITS OPERATIONS; these encompass:

- product and service development and marketing,
- infrastructural and technological development,
- organisation, processes, IT support and human resource development,
- financial management,
- institutional, natural and social environments

Commitment to sustainable development represents the fundamental strategic orientation in the sphere of social responsibility of Luka Koper. This means that Luka Koper respects the human rights and applies them in all its operations, by providing a fair treatment of all company's employees, clients and suppliers. In addition, the Luka Koper provides a strong support to the community, especially the local community in which the company operates. It actively provides for a balanced treatment of the company's existing and future development needs and the needs of the community and the natural environment.

### **3. Groups of Stakeholders and Communication and Collaboration Strategy**

- **Shareholders** exercise their management rights via the Shareholders' Assembly. The Assembly's competencies and other matters directly related to it, are regulated by the Companies Act, the company's Articles of association and the Rules of procedure regulating the work of the Shareholders' Assembly.

For its communication with the shareholders, the public limited company utilises the following communication channels:

- ordinary shareholders' assemblies,
- SEOnet - the online information system of the Ljubljana Stock Exchange,
- the Luka Koper website, under "Investors" section,

- participation by company's representatives at investor conferences, both at home as well as abroad,
  - monthly release of the company's newsletter "Luški glasnik" and its version adapted for external communication,
  - annual release of the brochure "Luški delničar" addressed to all shareholders,
  - press conferences on company's business performance, and
  - meetings at the company's headquarters.
- **Clients** dictate ongoing flexibility as well as the introduction of adaptations and enhancements in company operations. Client satisfaction is a fundamental principle which underlies the activities of the entire personnel of the company. Commencing with the initial contact with a prospective client, through the provision of services, and the resolution of potential complaints, the company is crucially aware that customer satisfaction lies at the centre of its being able to achieve the vision and mission of Luka Koper. The customer satisfaction is measured by Luka Koper on ongoing basis. The clients' demands are met with prompt responses, and they are accordingly provided with services of the utmost quality, aided with efficient IT solutions as well as all other requisite support. The existing governance model of the port represents a basis for equal treatment of all clients.
- **Port community** is involved in changes implemented on the level of the port system operation as a whole. The port community is an informal association of all interested parties whose business activity is directly linked to the performance of port services. On the one hand, it is formed by the clients, i.e. forwarders, agents and carriers who are organised in professional organisations, as well as by the representatives of inspection companies, inspection bodies and state institutions who together formulate their expectations in relation to Luka Koper, with the intention to ensure most coherent operation at the port's access and exit which is an important element in the entire logistic chain. Luka Koper deals with these requests by harmonising them and communicating them to the interested stakeholders.
- Business excellence and reputation of Luka Koper are also reliant upon the operations of its **suppliers**. It is thus respectful and highly appreciative of the efforts of all its business partners which, through the provision of their products and services, contribute to the company's operations and thus help it achieve its goals.
- **Employees** are motivated to perform their tasks to the utmost of their abilities, and the most successful are especially rewarded. The culture of partner relations with personnel is predicated upon knowledge, collaboration, entrepreneurial spirit, as well as the

respect and responsibility of each individual. Particular attention is paid to in-house communication which also provides the basis of a comprehensive communication network. Employees are presented news, internal documents and other information by way of e-mail notices and notice boards, as well as through the monthly in-house journal "Luški Glasnik" and the corporate intranet. Personnel with no immediate computer access are able to obtain information through terminals located at operational centres throughout the company. The company particularly encourages direct communication between employees by promoting work- and operational meetings, quality teams, coordination meetings, annual interviews between employees and their superiors, conferences and other forms of team operation. The employees are encouraged to take part at trainings courses on ongoing basis. Based on company's development plans, the career and critical competences of each employee are analysed and harmonised with the company's long-term development needs.

- Commitment to sustainable development is one of the company's fundamental strategic orientations. It is focused on the establishment and maintenance of partnership relations with the **local community as well as broader social milieu**. By way of this, the successful development of employees, strong support to the community, as well as enhanced concern for the preservation of nature and the environment, are all ensured. By granting sponsorships and donations, the company supports education, sport, culture and humanitarian projects. Once a year, the company "opens wide the port's door" and by organising the Port's Day, it gives the opportunity to the visitors from both the local and wider environment to visit the port, its piers, elevators, machinery, as well as the transshipping of goods and other activities.
- **State authorities:** The State is aware that as the country's sole seaport, Luka Koper is of crucial importance to the entire economy. In 2008, the Republic of Slovenia granted a concession to the public limited company for the provision of port services, as well as the development, management and regular maintenance of infrastructure at the Port of Koper. The key elements of this concession agreement are as follows:
  - the duration of the concession agreement,
  - the mode of concession-fee calculation;
  - an agreement between contracting parties on investments in port infrastructure;
  - rules of governance, management and operations at the port;
  - assurance as to the openness of the port to all those who wish to use it;
  - the rights and obligations of the contracting parties upon the cancellation or termination of the concession relationship.

The **duration of concession agreement** is 35 years, as is also stipulated in the Maritime Code of the Republic of Slovenia.

The **agreed concession fee** amounts to 3.5 percent of company's operating revenues not inclusive of port duties. Through payment of the concession fee, the public limited

company in its capacity as concessionaire, also settles issues pertaining to rents and building rights; it is also exempt from the payment of further fees or levies for the use of the port facilities. The concession fee also includes all water rights, water dues, and other duties related to the use of the sea.

On the basis of the agreed 5-year Development plan for the Port of Koper, **investments in port infrastructure** are performed by the concessionaire in concord with the Republic of Slovenia.

**Port governance, management and operations** have been apportioned by the state as consignee and the concessionaire, while the manner by way of which the goals of the concession relationship shall be co-ordinated and realised in the interests of both parties, have also been agreed.

**Assurance as to the openness of the Port of Koper** is an obligation and objective of both contracting parties. The company is thus obliged to provide services to any party that meets the conditions compliant with the principles of the EU acquis. The company's goal is that the Port of Koper should develop into the primary entrepôt serving the countries of Central and Eastern Europe.

- **The media:** The public limited company is open to the public at large. Inquiries by the media are answered promptly, and the media is provided with regular releases in relation to the company's operations and news. Information is also published online via the company's website <http://www.luka-kp.si> as well as at <http://www.zivetispristaniscem.si/>- the Living with the Port website, which provides a deal of environmental and developmental information to interested publics. The company provides the media with press releases, organises press conferences and invites them to important business events and visits.

#### **4. Policies of Transactions Between Luka Koper d.d. and its Subsidiaries**

The operations of Luka Koper's subsidiaries are compliant with pertinent legislation and contractual obligations in all spheres of business.

The company's Management Board represents the public limited company in its capacity as shareholder of its subsidiaries; this assures enhanced connection and supervision of performance in relation to the operation of subsidiaries. The Management Board of the public limited company meets with the company's directors on regular basis.

The public limited company exercises its management rights in group's subsidiaries by enabling the subsidiaries to

- take part in the process of strategic- and annual planning, with the aim of enabling them to follow the long-term development orientations of the public limited company and the group;

- to participate in the processes of the public limited company, in particular in the field of finance, accounting and reporting, as well as recruitment, development, IT support and quality control;
- take part in the uniform quality control system.

## **5. Commitment to Identify Conflict of Interests and Independence of Management/Supervisory Board Members**

**The Supervisory Board:** Members of the Supervisory Board are obliged to inform the Supervisory Board as to any conflict of interests which occurred or may occur in the performance or in relation to the performance of their supervisory function, and this extends to a liability to inform as to their eventual membership of the supervisory or management bodies of other companies. Supervisory Board members are aware that the existence of any substantive or evident conflict of interest shall be a reason for the termination of their mandate.

The Supervisory Board is also committed to consider the eventual conflict of interest in the selection of candidates: a candidate who already has a conflict of interests due to inclusion of his personal economic interest, the interest of his family, its members, political or national (non)preference or any other interest related to other natural or legal person which are of such a nature that might influence his actions or decisions, shall not be proposed to the Supervisory Board.

In performing his function, a Member of the Supervisory Board does not depend on the opinions or instructions of those who have proposed or appointed him, but assumes full responsibility for performing his function. He shall act and adopt decisions exclusively on the basis of what he considers appropriate and what is in the interest of the company. In the event of the occurrence of facts which influence the independent functioning of the Member of the Supervisory Board, he shall immediately inform the Supervisory Board. All Supervisory Board members equally enjoy the same rights and obligations and sign an Independence Statement.

**The Management Board:** The Management Board manages the company in a manner to ensure a long-term achievement of company's goals. Since the company's interest is of crucial importance, the Management Board shall avoid any and all actions in which interests of individual Management Board members or interests of persons related to them or interests of third parties that are contrary to the interests of the company, would prevail. Owing to this, each decision adopted by the Management Board shall be based on expert knowledge and principle of diligent master. Implementation of objectives which are in the company's interests includes also guaranteeing social responsibility where the benefit of the company and the benefit of its environment are considered.

Every year Management Board members complete a questionnaire on related parties which serves as an examination as to the potential existence of other business relations between the company and its employees. The findings are disclosed in the annual report. The Management Board member is liable to promptly disclose a potential conflict of interests to the Supervisory Board and other members of the Management Board. In principle, members of the Management Board of Luka Koper are not members of supervisory bodies outside the Luka Koper Group, which additionally reduces the possibility of any conflict of interests.

## **6. Supervisory Board's Commitment to Evaluate its Own Performance**

The Supervisory Board of the public limited company assesses its performance and in the annual report discloses to what extent such a self-assessment has contributed to changes in the actions of the Supervisory Board. By way of the assessment, the Supervisory Board instigates the following:

- Evaluating the work of the Supervisory Board or its Committees, as well as formation of opinions with regard to requisite improvements.
- Assessment as to whether the communication and collaboration between Supervisory and Management Boards has been adequate.
- Assessment as to the contribution of individual Board members, their attendance at Supervisory Board sessions, as well as their participation in discussions and decision-making.
- Examination as to the existence of circumstances which might lead to conflicts of interest or dependence of individual members.
- Assessment as to the current composition of the Supervisory Board, with regard to the requirements emanating from the objectives set forth by Luka Koper.

## **7. Supervisory Board Committees and Definition of Roles**

Due to its supervisory function within the company, the Supervisory Board may appoint one or more committees and engage experts or rapporteurs. Any such appointments should be warranted both professionally and cost-wise, and should not inflict any excessive or unnecessary costs upon the company. Committees appointed by the Supervisory Board may not intervene in the management of the company, or interfere with the competencies of the company's Management Board. The public limited company has the following standing committees appointed by the Supervisory Board:

- Human resources committee
- Audit committee
- Infrastructure and operations committee.

Resolutions on the appointment of committee members, the competencies and scope of work of committees, as well as the engagement of experts and the tasks of rapporteurs shall be adopted by the Supervisory Board. Committees appointed by the Supervisory Board

prepare proposals in relation Supervisory Board resolutions, provide for their implementation and perform other expert tasks in relation to their assistance of the Supervisory Board.

The Supervisory Board in cooperation with the company's Management Board provides the Committees with all material and documents required for the Committee's work.

## **8. Delegation and Apportionment of Responsibilities and Competencies of Management and Supervisory Board Members**

The company is managed by the Management Board, whilst the actions of management are overseen by the Supervisory Board. The Management and Supervisory Boards co-operate closely and they work mutually for the benefit of the company. The legislation and the Articles of Association of Luka Koper d.d. define in detail the apportionment of responsibilities between the Management and Supervisory Boards, as well as the manner of their co-operation.

The Management and Supervisory Boards should strive to reach consensus in relation to the adoption of the most significant or far reaching decisions which might substantially affect business or the financial or legal state of Luka Koper d.d. The consensus shall not in any way affect the quality of the company's management or control.

The Management Board shall maintain regular contacts with the company's Supervisory Board and shall inform it on regular basis, consistently and entirely on all relevant issues related to the company's strategy, planning, operation and risk management.

The President of the Supervisory Board should maintain regular contacts with the President of the Management board. The President of the Management Board shall inform the President of the Supervisory Board with regard to events which may be necessary in any assessment of the situation, outcomes and company's direction. Likewise, the President of the Supervisory Board is obliged to report on relevant events to the Supervisory Board, and, where necessary, convene extraordinary sessions.

The tasks and competencies of the **Supervisory Board** are, in particular, as follows:

- Control over the management of company's business deals;
- Appointment and discharge of the Management Board;
- Supervision of Management Board operation;
- Proposal to the Shareholders' Assembly as to the appointment of an auditor;
- Proposal to the Shareholders' Assembly as to the appointment of Supervisory Board members;
- Convening of Shareholders' Assembly meeting;
- Proposal to the Shareholders' Assembly as to the allocation of distributable profits in conjunction with the Management Board;
- Decisions as to amendments of the Articles if it is mandated for such by the Shareholders' Assembly, and if the amendment refers exclusively to the harmonisation of the Articles' text with validly adopted resolutions;

- Provision of consent for the issue of new share capital;
- Provision of consent for the issue of shares for in-kind contributions;
- Provision of consent for the implementation of business deals, as stated in the company's Articles;
- Examination and adoption of annual reports, and performance of other tasks mandated by law which are related to the annual report;
- Provision of consent in relation to the company's development strategy and annual business plans;
- Decisions on all other matters for which it is defined as being competent in accordance with the regulations, save for those individual matters and issues for which the Shareholders' Assembly has explicitly defined its competence with regard to decision making.

The **Management Board** is responsible for the autonomous management of the company and directs the company on its own responsibility. It is obliged to operate in accordance with the objectives of Luka Koper in order to attain the maximum benefits and returns for shareholders, taking in consideration the principles of sustainable development as well as interests of other stakeholders. The administration of business deals may not be delegated by the Management Board to any other body.

The tasks and competencies of the **Management Board** are, in particular, as follows:

- Organisation and management of company operations;
- Representation of the company in relation to third parties;
- Liability for the legitimacy of operations;
- Adoption of development strategy;
- Adoption of the annual business plan;
- Following-up of implementation of development plans and taking of necessary measures for their realisation;
- Decision-making in relation to establishment, co-establishment and termination of subsidiary enterprises, as well as the acquisition and disposal of holdings in other companies;
- Adoption of normative acts;
- Adoption of security policy;
- Decision-making on other management matters in accordance with the law, the Articles and other acts (this with the exception of those matters which are – pursuant to the Articles – the exclusive competence of the Shareholders' Assembly or the Supervisory Board);
- Creation and delivery of reports to the Supervisory Board in relation to the operations and the performance of Luka Koper d.d. and the Luka Koper Group; preparation of the proposal of the annual report and business report and its submitting, together with the auditor's report and the proposal for the allocation and disbursement of distributable profits, to the Supervisory Board;
- Provision of information to the Supervisory Board on issues which relate to the performance of Luka Koper and associated companies;
- Effecting the company's macro-organisation and definition of its micro-organisation;

- Convening of Shareholders' Assembly meetings;
- Implementation and Realisation of Shareholders' Assembly resolutions.

The performance of the Management Board, and the distribution of areas of competence and tasks between its individual members, is regulated in detail in the Rules of procedure regulating the work of the Management Board.

## **9. Communication Strategies**

The Management Board of Luka Koper d.d. shall manage the company transparently and provide maximum accessibility to information germane to individual groups outside the company which are comprised of individual publics who are directly or indirectly affected by the company's operations. The company communicates with such groups in a number of ways in order to establish and maintain appropriate relationships as well as uphold the good name and reputation of Luka Koper in relation to its operations, performance as well as the accomplishment of its development plans. The company's Public Relations Department is in charge of organisation and performance of communication, an activity which it performs in accordance with requirements and in the context of attaining the company's goals.

Further to its location and impact on environment and the fact that Slovenia's sole seaport is administered by a company which is in the majority ownership of the state, Luka Koper d.d. is of constant interest to a broad range of external publics. The reputation of Luka Koper is constantly assessed and submitted to the critical eye of the media, as well as those who live in our vicinity. Thus, the company's Management Board is liable - by way of the PR Department - to promptly respond to any activity or event, as well as provide adequate information and explanation by way of reply.

The Management Board respects the legislation and is obliged to inform shareholders and other interested parties as to its general performance as well as relevant business events in due time as well as in the prescribed manner. The public announcements are clear, comprehensible and not misleading.

The company's personnel are promptly informed as to basic data in relation to company performance, development plans, relevant events within the company, as well as its position in the broader socio-economic environment. The distribution of pertinent information to employees is an important motivational factor in their work, and in particular qualifies them for their role as representatives in the broader community. The company also stimulates its employees to deliver their reservations as to the accuracy and fairness of the financial reporting without personal consequence.

The company implements rules stipulating the confidentiality of business secrets and information. Such is particularly applicable in relation to management, the members of its management and supervisory bodies, as well as other individuals who have access to internal information during and after their term of office or employment. To this end, the

company has adopted Rules on Business Secrets and the Rules on Trading with Luka Koper d.d. Shares.

### **9.1. Response in the event of rumours and articles related to Luka Koper**

In principle, Luka Koper provides no comment in relation to either rumours or articles published about it. This is due to the fact that the company promptly and on a regular basis publishes all relevant information which might affect the business or other decisions of investors and interested publics. By commenting on rumours or articles Luka Koper would indirectly foster a mode of communication which would not contribute to the distribution of better quality information. In order to protect the company's reputation, Luka Koper responds to irregularities by applying the provisions of the Media Act.

### **9.2. Investor communication**

Communication with investors is the responsibility of the President of the Management Board, the Member of the Management Board responsible for finance and accounting and the individual appointed as responsible for investor relations.

### **9.3. Disclosure of business reports and financial statements**

Luka Koper d.d. complies with the highest standards of business report disclosure as stipulated in the Financial Instruments Market Act RS, the Guidelines on Disclosure and the Rules of the Ljubljana Stock Exchange. The company publishes an annual financial calendar, listing the dates of upcoming business notices and events, on its website.

## **10. Protecting the Interests of Employees**

Through company's Workers Council, and in the interests of both labour and capital, employees co-operate with management in the accomplishment of common goals. These are expressed in the collective effort to attain best performance as well as the company's success in general, and are accomplished in the context of the satisfaction of personnel and the attainment of a favourable working climate. The Workers' Council is not entitled to intervene in the regulation of the rights, obligations and responsibilities of employees which arise from their contracts of employment, but instead attends to ensuring the most effective realisation of their broader interests in relation to their work within the company.

Modes of employees' co-operation in management and the implementation of rights are prescribed by the Worker Participation in Management Act RS and regulated by the Agreement on Worker Participation in Management (participation agreement). This Agreement does not interfere with the regulation of employees' rights and obligations arising from their employment and stipulated in the collective agreements, but should rather be understood and interpreted using the principle of co-operativity and the desire that personnel and management collaborate in order to achieve the best business results of the public limited company. Their common effort should be aimed at building humane relations

in the workplace and the accomplishment of other objectives common to the company and its employees.

The operation of the Workers' Council is regulated by the Rules of procedure regulating the work of the Workers' Council which stipulate the ways in which a session may be convened, the quorum, the manner of decision-making, elections to the Workers' Council, the election of the President and Deputy President of the Workers' Council, as well as workers' representatives in the Supervisory Board, the drawing up of minutes, the manner of convening the Workers' Assembly as well as the formation of Workers' Council committees.

## **11. Final Provisions**

The Corporate Governance Policy comes into force as of the day of its adoption by both the Supervisory Board and the Management Board of Luka Koper. Through its adoption, the Corporate Governance Policy becomes binding upon the public limited company and its subsidiaries. Shareholders and interested public are informed as to its adoption and content by way of public notice within the online SEOnet information system as well as simultaneous disclosure via the Luka Koper website.

The Corporate Governance Policy is a public document published on the company's website in the Slovenian and English languages.

Management Board

Supervisory board

December 2016