



Declaration of Compliance with the Corporate Governance Code for Publicly Traded Companies

Reference to the Corporate Governance Code

The governance of the company Poslovni sistem Mercator d.d., is based on legal provisions, sound business practice, and the principles of the Corporate Governance Code.

Management and Supervisory Board of the company Poslovni sistem Mercator d.d., hereby submit this statement of compliance with the Code, which is also a constituent part of the 2017 Annual Report. It is available at company website at www.mercatorgroup.si.

Compliance with the provisions of the Code

Management Board and Supervisory Board of the company Poslovni sistem Mercator d.d., reviewed in 2017 the corporate governance at the company Poslovni sistem Mercator d.d., and the Mercator Group, and the compliance thereof with the Code, and prepared a new statement which reflects the actual situation of corporate governance at the company Poslovni sistem Mercator, d.d., and the Mercator Group.

It was found that corporate governance at the company Poslovni sistem Mercator d.d., and the Mercator Group complies with the provisions of the Code, with particular deviations explained below:

Diversity policy (Recommendation 4): The company Poslovni sistem Mercator d.d. is developing a document on diversity policy. However, diversity policy is already conducted in practice in the managerial and supervisory bodies in terms of the following aspects: gender, age, education, and professional experience.

Relations with shareholders (Recommendation 6.2): Given the fact that majority shareholder communicates its intents regarding the management policy for the investment into the publicly traded stock corporation, the company did not make additional invitations to shareholders separately to publicly disclose their management policies with regard to their investment in this publicly traded stock corporation.

Shareholders Assembly (Recommendation 8.1): The company publicly announced on its official website all information about lodging proxies for voting at particular Shareholders Assemblies; in addition, each shareholder was informed individually in this regard. However, the company did not announce on its website the information on the cost of organized lodging of voting proxies at particular Shareholders Assemblies (or general meetings). The cost of organized collection of proxy authorizations (excluding postal services) for the 24th Shareholders Assembly amounted to EUR 1,773.

Shareholders Assembly (Recommendation 8.5): In the materials for the 24th regular Shareholders Assembly and at the 24th regular Shareholders Assembly, the company Poslovni sistem Mercator d.d. disclosed the information on work experience of the proposed candidates. Moreover, the candidates submitted their written statements that there were no circumstances that would,

pursuant to the provisions of the Companies Act (ZGD-1) oppose or preclude their appointment. However, no assessment of potential conflict of interests on the part of the candidates was conducted, pursuant to the criteria for independence as laid down in the Corporate Governance Code, since all candidates are employed by the majority shareholder of the company Poslovni sistem Mercator d.d.

Shareholders Assembly (Recommendation 8.6): The company does not disclose the process of recruitment, nomination and assessment of Supervisory Board candidates, since the candidates are proposed by the majority shareholder based on their own selection processes.

Supervisory Board, independence (Recommendations 9.2, 9.3, 22, 23): In the current ownership structure of the company Poslovni sistem Mercator d.d., the company Agrokor d.d. holds 69.57% of total company shares. Thus, the Supervisory Board includes more than one half of the members with close economic ties to the said shareholder.

Procedure of selecting the Supervisory Board member candidates (Recommendation 10.1): Some Supervisory Board members have not produced documentation (labour representatives and Supervisory Board members who are Croatian citizens) to prove their specialized professional or expert competencies for Supervisory Board membership. Nevertheless, they qualify for such engagement on account of their professional competencies or experience.

Statement of independence (Recommendation 11): All Supervisory Board members have signed a special statement specifying their position on meeting each of the independence criteria. The company has not released the signed statements on the company's official website since compliance with respective independence criteria is a matter of personal integrity of every Supervisory Board member.

Supervisory Board tasks and payment to the Management Board (Recommendations 12.10 and 21.1): In 2017, Management Board member receipts only included the fixed part, since most candidates assumed their respective terms of office in April 2017, while decision on the variable part of the reward to Management Board members is adopted by the Supervisory Board based on the performance in the previous year.

Supervisory Board member training (Recommendation 13.1): The Supervisory Board does not specify its annual plan for Supervisory Board and committee member training, since Supervisory Board members take part in training and education programs based on the needs of every member. The company Poslovni sistem Mercator d.d. is a member of the Slovenian Directors' Association that also offers training and education courses that are also attended by the Supervisory Board members. In 2017, education titled "Standard Knowledge and Skills for Supervisory Board Members" was carried out for the Supervisory Board and committee members.

Supervisory Board member chairman (Recommendation 15.2): At the 16th regular Supervisory Board session on June 15, 2017, a new Supervisory Board chairman was appointed due to the resignation of the previous Supervisory Board chairman. Considering the highly concentrated ownership structure of the company Poslovni sistem Mercator d.d., the extraordinary commissioner of the majority shareholder was appointed Supervisory Board chairman.

Composition and appointment of the Management Board (Recommendation 20.7): Pursuant to the adopted Act on Conditions for Appointment of Extraordinary Management Board Member in Companies of Systemic Importance to the Republic of Slovenia, the District Court of Ljubljana entered ex officio into the court register the extraordinary Management Board member at the company Poslovni sistem Mercator d.d. Gregor Planteu. The duration of his contract depends on the Act on Conditions for Appointment of Extraordinary Management Board Member in Companies of Systemic Importance to the Republic of Slovenia.

Payment to the Management Board (Recommendation 21.3): On April 5, 2017, Anton Balažič was relieved of duty as the Management Board president, without any fault-based grounds or liability, and received severance pay of 12 monthly salaries in 2017.

Independence of Supervisory Board and committee members (Recommendation 23.5): In the course of 2017, a potential conflict of interests arose with regard to one of the Supervisory Board members, of which the Supervisory Board was promptly informed, and the office of the Supervisory Board member was terminated based on his statement of resignation.

Public disclosure of important information (Recommendation 29.9): The company released its Rules of Procedure for the Supervisory Board, Rules of Procedure for the Audit Committee, and Rules of Procedure for the Human Resource Committee on its website at www.mercatorgroup.si, in Slovenian and English. The company does not release Rules of Procedure for the Shareholders Assembly, which the company does not need, since every Shareholders Assembly (general meeting) is presided over by a renowned attorney at law, in compliance with the relevant legislation.

The company Poslovni sistem Mercator d.d., shall continue to observe the recommendations of the Code in the future, looking to implement as far as possible the non-binding recommendations and this to improve its corporate governance system.