



## **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 2018 Annual Report. It is available at company website at [www.mercatorgroup.si](http://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 2018 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, which is in the process of adoption. However, diversity policy is already implemented 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 Agrokor d.d. and the second largest shareholder Sberbank of Russia hold a combined total of 88.11% of ownership, they independently communicate their intents regarding the management policy for the investment into the publicly traded stock corporation, and therefore, the company did not make any additional invitations to shareholders to publicly disclose their management policies with regard to their investment in this publicly traded stock corporation.

**Shareholders Assembly (Recommendation 8.5):** In the materials for the 25th regular Shareholders Assembly, and at the 25th regular Shareholders Assembly, the company Poslovni sistem Mercator d.d. provided information about the work experience of the proposed Supervisory Board candidates. Moreover, the candidates provided their written statements declaring that there were no circumstances opposing their appointment pursuant to the provisions of the Companies Act (ZGD-1). However, an assessment of any conflict of interests on the part of the candidates, pursuant to the criteria of independence as laid down in the Corporate Governance Code for Publicly Traded Companies (the LJSE Code) was not conducted, since all candidates were proposed 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, 18.7, 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 and the company Sberbank of Russia holds 18.54% of shares. Thus, the company

Supervisory Board and the Supervisory Board committees also include members with close economic ties to the said shareholders.

**Procedure of selecting the Supervisory Board member candidates (Recommendation 10.1):** Some Supervisory Board members have not produced documentation (Supervisory Board members who are foreign citizens, and labour representatives) 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 2018, Management Board member receipts only included the fixed part, while the decision on the variable part of the reward to Management Board members is adopted by the Supervisory Board based on the performance in the preceding 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 for Supervisory Board members, which are also attended by the Supervisory Board members.

**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.

**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](http://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 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. It will look to implement as far as possible the non-binding recommendations and this to improve its corporate governance system.