

# 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 2018 to 31 December 2018.

## **CODES AND MANAGEMENT PRACTICE**

In the period from 1 January to 31 December 2018, the company observed the Slovene Corporate Governance Code for Listed 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>.

In the period from 1 January to 31 December 2018, the company also observed The Corporate Governance Code for State-Owned Enterprises (adopted in May 2017) which is available on the Slovenian Sovereign Holding (SDH) website <https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents>. In addition, the company observed the Recommendations and expectations of the Slovenian Sovereign Holding (adopted in May 2017), and the revised Recommendations and expectations of the Slovenian Sovereign Holding (adopted in March 2018), which are available on the Slovenian Sovereign Holding website <https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents>. 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 modernised Corporate Governance Policy is being planned.

In its corporate governance, the company voluntarily decided to apply the Slovenian corporate integrity guidelines, which are available on the website [http://www.korporativna-integriteta.si/Smernice/Smernice\(SSKI\).aspx](http://www.korporativna-integriteta.si/Smernice/Smernice(SSKI).aspx), and 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, which 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. Any derogation is stated and/or explained below.

- The Slovene Corporate Governance Code for Listed Companies, revised in October 2016, introduced for the first time in 2017 the requirement for adequacy of governance statements to be assessed externally at least once every three years, which has not yet been ensured within the Company. However, it will be ensured in the future at the level of the Luka Koper Group (derogation from the Slovene Corporate Governance Code for Listed Companies, Item 5.7).
- 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, one member of the supervisory board is a member of the executive committee of the trade union, while two members of the supervisory board are members of the board of directors of the trade union (partial derogation from the Slovene Corporate Governance Code for Listed Companies, Item 7 and partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.6).
- The Council of Workers' reports on the situation in the field of employee involvement in management did not address the Supervisory Board because the Council of Workers did not intervene for discussion (derogation from the Slovene Corporate Governance Code for Listed Companies, Item 12.4).
- The Supervisory Board only uses information technology partially for the distribution of materials, references and implementation of sessions (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 12.5).
- 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 Slovene Corporate Governance Code for Listed Companies, Items 8.7 and 12.10).
- The Corporate Governance Policy has not been revised since December 2016; however, a revision is planned in the future (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 3.2, and from the Slovene Corporate Governance Code for Listed Companies, Item 2).

- 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 State-Owned Enterprises, Item 6.1, and from the Slovene Corporate Governance Code for Listed Companies, Item 20.1).
- Members of the Supervisory Board are entitled to the liability insurance benefit of company bodies and managers, which is their only benefit (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.9.3).
- The Supervisory Board has not conducted the self-assessment procedure for 2018 (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.12, and from the Slovene Corporate Governance Code for Listed Companies, Item 14).
- The President of the Supervisory Board is also the Chair of the HR Committee (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.15.1 and from the Slovene Corporate Governance Code for Listed Companies, Item 15.3).
- In its annual report, the Company did not disclose remuneration from employment of Members of the Supervisory Board who are workers' representatives since it did not receive their consent for this (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 8.3.).
- 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 State-Owned Enterprises, Item 9.2, and from the Slovene Corporate Governance Code for Listed Companies, Item 26).
- The Sustainability Report is prepared in accordance with GRI standards for the second year. The first report prepared in accordance to the GRI standards (2017 report) was submitted to the external verification of GRI reporting to the Slovenian Institute of Quality and Metrology (SIQ). The report for 2018 was not submitted for external verification (partial derogation from the Slovene Corporate Governance Code for Listed Companies, Item 29.2).
- In case of delays in the implementation of internal audit recommendations, the reasons are to be stated and explained (derogation from the Corporate Governance Code for State-Owned Enterprises, 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 the future (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 10.2).
- The Company devises business plans for the Company as well as the Group, which have to be approved by the Supervisory Board. Each periodic report is then published on SEOnet, and when publicly available (the principle of equal treatment of shareholders), the data is submitted to SDH using the required form, whereby only publicly available data is submitted (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 1.1, 1.2, 1.5).
- The Company adopts strategic business plans for five-year periods, the reason being that according to the provisions of the Concession Agreement, the Company is liable to prepare the programme of port infrastructure development for five-year periods. Once business plans are published on SEOnet, the Company submits data on extracts of business plans to SDH (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 1.3, 1.4, 1.9 pursuant to the agreement between Company Luka Koper, d. d. and SDH).
- The Company has not adopted a special policy on communicating with shareholders. The Company publishes data on SEOnet as required by the legislation in force and stock exchange rules (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 1.10).
- The Company devises quarterly and half-yearly periodic reports, which the Supervisory Board must acquaint with and annual periodic reports on its operations, which have to be approved by the Supervisory Board. Each periodic report is then published on SEOnet, 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 2.4, 2.8 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 3.2).
- The Company did not publish data on the total value of transactions that relate to the service contract, but the Company publishes contracts concerning the service contract in a way that it immediately publishes data on the type of transactions, the date of conclusion, contractual

partners, contractual value and duration of the contract (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 3.7).

- The company's collective agreement has not been made public as its publication has not been agreed to by two trade unions who are parties to the agreement (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.5).
- In the decade of actively using the EFQM excellence model of the European Foundation for Quality Management, i.e. between 1998 and 2009, when the Company eventually took part in the competition for the European Recognised for Excellence Award based on its self-assessment report, Luka Koper, d. d. had reached in its business practice a level of using the model comparable to the best companies in Europe. After 2009, the Company gradually abandoned the use of the model, and particularly of self-assessment procedures. However, it has not neglected the principles of the excellence model as they have been reflected in numerous business practices, processes and sectors. In the final quarter of 2017, the excellence model began to be used actively again and a special project was devised to this end (project definition was formed). In future, model presentations will be carried out as workshops, and other types of training if required (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 5.1, 5.2, 5.3, 5.4).

## 2 Governance of subsidiaries

The Corporate Governance Code for State-Owned Enterprises (adopted in May 2017) and the Recommendations and Expectations of the Slovenian Sovereign Holding (adopted in May 2017 and revised in March 2018) 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 the Recommendations mentioned also for the subsidiaries of the Group, 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.

- 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 any of the two parties of both listed companies (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 model had not been introduced 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, section **3.11 Risk control in the Luka Koper Group**.

## **INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING**

The Luka Koper Group manages risk related to financial reporting and the implementation of the guidelines and internal control procedures adopted. The purpose of internal controls is to ensure the 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. Risk management related to the Group's consolidated financial statements has also been provided through a centralised accounting function in a uniform IT system in the controlling company, which 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 the 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 2018 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 2018 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 Worker Director. The President of the Management Board and other Management Board Members are appointed and dismissed by the Supervisory Board. The Worker 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 Worker 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 Worker 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 Worker 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 President of the Supervisory Board and deputy President 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 the 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 Worker Director are jointly determined by the Supervisory Board and the Workers' Council.

The Supervisory Board has a HR 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 the General Meeting by the municipality or municipalities in which the onshore part of the port is located. 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.

In 2018, the Management and the Supervisory Boards have formulated and adopted a 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 for Public Limited Companies adopted on 27 October 2016, which entered into force on 1 January 2017. The Company has thus 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, while intergenerational diversity and educational diversity have also been observed.



## **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 a 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, 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 bodies or employees that foresee compensation if they resign, are dismissed without valid grounds or their employment contract expires because of an offer made in compliance with 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 Company's articles of association, and the Rules of Procedure on the Work of the Supervisory Board, the 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 Company's articles of association 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 announced at least one month in advance on the AJPES website, in the SEOnet electronic system of the Ljubljana Stock Exchange, 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 also 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 are 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**

On 29 June 2018, the shareholders of Company Luka Koper, d. d., gathered for the 30th General Meeting. At the meeting, the shareholders:

- took a decision on the proposal for the appropriation of the accumulated profit for the year 2017 in the amount of EUR 17,261,910.95 (a counter-proposal of the Small Shareholders' Association of Slovenia and the Slovenian Sovereign Holding as the proposing parties was adopted):
  - a portion in the amount of EUR 17,220,000.00 is to be used for dividend pay-out in the gross value of EUR 1.23 per ordinary share,
  - the residual amount of accumulated profit in the amount of EUR 41,910.95 is to remain unappropriated;
- granted discharge for the year 2017 to the Management Board and Members of the Supervisory Board, except for Mladen Jovičić,

- took note of the adopted Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2017, 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 2017,
- took note of the Report on court proceedings against former Members of the Management Board and the Supervisory Board.

## **SUPERVISORY BOARD**

The Supervisory Board oversees the running of the Company's business. 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, approving 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. has nine members. Six are elected by the General Meeting of Shareholders, and three from among employees are elected by the Workers' Council. The Board members' term of office is four years.

### **Composition of the Supervisory Board of Luka Koper, d. d. as at 31 December 2018**

#### **Representatives of shareholders:**

Uroš Ilić, President of the Supervisory Board

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

Employed: ODI o.p., d. o. o., managing partner

Membership in other management or supervisory bodies: /

Andraž Lipolt, Deputy President of the Supervisory Board

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

Employed: Petrol, d. d., director of technical support

Membership in other management or supervisory bodies: /

Rado Antolovič PhD, Member of the Supervisory Board

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

Employed: P&O Maritime (DP World), president of the management board

Membership in other management or supervisory bodies: Maritime Services Division, DP World, managing director; P&O Ports, CEO; Dubai Dry Dock World, president of the management board.

Milan Jelenc, Member of the Supervisory Board

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

Employed: SŽ, d. o. o., consultant

Membership in other management or supervisory bodies: Adriakombi, d. o. o., president 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)

Employed: Constantia plus, d. o. o., managing partner

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)

Employed: Municipality of Koper, director of municipal administration

Membership in other management or supervisory bodies: /

#### **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 Supervisory Board Audit Committee**

Mateja Kupšek, External member of the Supervisory Board Audit Committee

Appointed for the period from 30 August 2017 until revoked.

#### **Changes in the composition of the Supervisory Board Audit Committee**

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

As of 22 February 2019, the Supervisory Board of Luka Koper, d. d., appointed a new External member of the Supervisory Board Audit Committee, Mateja Traven, to replace the former External member of the Supervisory Board Audit Committee, Mateja Kupšek.

## Supervisory Board's work

The work of the Supervisory Board is governed by statutory regulations, Company's articles of association and the Rules of Procedure on the Work of the Supervisory Board, the Slovene Corporate Governance Code for Listed Companies, Corporate Governance Code for State-Owned Enterprises, Recommendations and expectation of the Slovenian Sovereign Holding and Recommendations of the Slovenian Directors' Association.

In 2018, 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 Section [Report on the Supervisory Board for 2017](#).

Each Member of the Supervisory Board, taking into account the provisions 8 and 17.2 of the Slovene Corporate Governance Code for Listed Companies, signed a declaration at the beginning of 2018 stating that in the year 2018 there was no conflict of interest that would imply that an individual member:

- Was executive director or member of the management board of the company or an associated company or had occupied such a position in the previous five years,
- Worked for the company or an associated company and had occupied such a position in the previous three years,
- Received significant additional remuneration from the company or an associated company except for the 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 the 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 member 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**

Three committees operate under the Supervisory Board:

- HR Committee,
- Audit Committee
- Business Operations Committee.

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

The HR Committee is composed of Uroš Ilić, (Chair), Barbara Nose (Member), Milan Jelenc (Member), and Rok Parovel (Member).

In 2018, the Audit Committee was composed of Barbara Nose (Chair), Uroš Ilić, (Member), Marko Grabljevec (Member) and Mateja Kupšek (External Member). At its 16<sup>th</sup> meeting on 26 November 2018, the Supervisory Board appointed Milan Jelenc (Member) to replace the President of the Supervisory Board Uroš Ilić as Member of the Audit Committee.

The Business Operations Committee is composed of Andraž Lipolt (Chair), Rado Antolovič (Member), Milan Jelenc, (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. 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. Additional information on remuneration of the Supervisory Board and on related levels is given in the Accounting Report of Luka Koper d. d., Note 29 Related party transactions, and in the section Report of the Supervisory Board for 2018, and the ownership of shares is presented in the section [The LKPG Share](#).

## **THE MANAGEMENT BOARD OF THE COMPANY**

The work of the Management Board is governed by statutory regulations, the Company's articles of association and the Rules of Procedure on the Work of the Management Board, the Slovene Corporate Governance Code for Listed Companies, the Corporate Governance Code for State-Owned Enterprises, and Recommendations and Expectations of the Slovenian Sovereign Holding.

Pursuant to the Companies Act and the Company's 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 16 February 2018:

- 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, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Stojan Čepar, Worker 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 a Member of the Management Board – Worker 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 31 December 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, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Vojko Rotar, Worker Director, beginning of a 5-year term of office: 16 February 2018.

### Composition of the Management Board of Luka Koper, d. d. as at 31 December 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 in 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 and 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

*Member of the Management Board*

Irma Gubanec, born 9 July 1968, completed her master's studies in business policy and organisation from 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 analize 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**  
*Worker 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 channelling international trade flows. 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, photojournalist and web reporter for various Slovenian media. In the last four years, he was in charge of public relations and marketing in the Marjetica Koper public corporation, while also coming into contact with 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 - Worker 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:**

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

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

- PC General Cargo Terminal,
- PC Container Terminal,
- PC Car & RO-RO Terminal,
- PC Bulk and Liquid Cargo Terminal,
- PC Cruise Terminal,
- Operations,
- Sales.

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

- Finance and Accounting,
- Controlling,
- Management and development of business processes,
- Entities in which Luka Koper, d. d., has an equity participation or corporate rights.

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

- Representation of the interests of employees relating to HR and social issues,
- Health protection and ecology,
- Monitoring observance and implementation of written agreements and participation in concluding agreements between employees and employers (participating agreement and other agreements).

#### **All Members of the Management Board jointly:**

- Internal Audit,
- Corporate integrity and operations compliance,
- Collaboration 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 components. 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. Concluded between individual Members of the Management Board and the Supervisory Board, employment contracts and annexes also specify refunds and benefits. When concluding contracts and annexes for Members of the Management Board, the Supervisory Board is represented by its President. Remuneration of the Management Board is presented in the Accounting Report of Luka Koper, d. d. in Note No. 29 Related party transactions, and the 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, after the sale of the share in Aerodrom Portorož, d. o. o. includes the controlling company and 20 companies – from single-person limited companies to the companies with the share of less than 1%. The Investment Management Strategy was adopted in 2018, under which financial investments are divided into two categories with respect to four key areas (integration in operations, maximization of flexibility and minimization of risk, financial aspect and other externalities):

- Strategic investments are investments in shares and stakes of the companies engaged in activities that are of importance for the future development and operation of the parent company, and contributing to risk control and increased added value. They are managed in accordance with the principle of the group operation.
- Non-strategic investments are investments in shares and stakes of the companies not engaged in activities that are of importance for the future development and operation of the parent company, and not contributing to risk control and increased added value. The aim is to maximise profit payment or bring about other positive impacts for the owner. They are managed in accordance with the principle of investment trust.

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 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 investment. As the Investment Management Strategy has been adopted, guidelines for the decision-making and managing aspects of management of strategic investments were also set.

### Management and governance of subsidiaries in the Luka Koper Group as at 31 December 2018

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 Miklavac	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

## 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. This 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 have been based on International Standards for the Professional Practice of Internal Auditing, the Code of Internal Audit Principles of the Slovenian Institute of Auditors, and Code of Ethics for Internal Auditors 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 systematically and methodically assessing and improving the efficiency of risk management, control of procedures and their management. It operates with the aim of adding value through more reliable achievement of the objectives set.

In 2018, the internal audit carried out internal audit engagements and other activities in accordance with the adopted annual plan of work and its future updates. New engagements planned this year and (two) unfinished engagements from the previous year were carried out, and two unplanned engagements were also conducted. What served as a guideline in implementing the planned transactions were the risks identified in the preparation of the annual plan, which were amended in the phase of detailed observation of each audit area and initial risk assessment. The greater part of the assurance provision 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 initially, and monthly in the second part of the year; the aim of which was to report promptly on the measures taken for a better management of risks. Having monitored recommendations implementation, the Company reported on delays and a decreased share of implemented recommendations in 2018.

The internal audit reported on each individual engagement to the management of the audited unit, the Management Board and the Supervisory Board Audit Committee; and also reported on the implementation of internal audit recommendations to the latter two. The internal audit reports to the Supervisory Board on an annual basis.

The development of internal audit has been implemented by means of a quality provision and improvement programme. 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 operation quality that confirmed these facts was carried out in 2015, and until the next one, the quality of and improvement in its operation shall be provided by internal audits as well as monitoring and measuring the internal audit operation. In 2018, the achieved values of ratios for measuring the performance of internal audit were as planned.

## 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 32: Transactions with the audit firm.



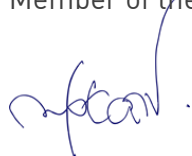
Dimitrij Zadel  
President of the Management Board of Luka Koper, d. d.



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



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



Vojko Rotar  
Member of the Luka Koper, d. d. Management Board - Worker Director