

Corporate Governance Policy of Luka Koper d.d.

This document, which represents a commitment for future operations, pertains to *Luka Koper d.d.*, the parent company of the *Luka Koper Group* of companies, which comprises *Luka Koper d.d.* and its subsidiary enterprises.

1. Indication of the Reference Corporate Governance Code

The reference code applied by *Luka Koper d.d.* is the *Slovene Corporate Governance Code* adopted on 8th December 2009 by the *Ljubljana Stock Exchange Inc.*, the *Slovenian Directors' Association* and the *Managers' Association of Slovenia*.

2. Basic Principles of Governance

Governance and management of *Luka Koper d.d.* and the *Luka Koper Group* is 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* and recommendations of the *Slovenian Directors' Association*.

Luka Koper d.d. applies a two-tier system of governance, by way of which the company has three bodies of management: **Shareholders' Assembly**, **Supervisory Board** and **Management Board**. The individual competencies of these bodies are regulated by the *2006 Companies Act RS (ZDG-1)*, and is defined in more detail in the company's Statute as well as the rules of procedure of the Supervisory and Management Boards. The General Assembly (of shareholders) is the highest body of the company; it adopts changes in the company's status, decides as to the distribution of profits as well as the appointment or recall of Supervisory Board members. The Supervisory Board ensures diligent supervision of the actions of Management; it appoints or recalls the individual members of the Management Board and motivates performance, as well as scrutinises and endorses management reports, including the annual report. The Management Board is responsible for running the company's operations. In their various activities, the bodies of the company are committed to upholding the provisions of the *Corporate Governance Code*, which is accessible at www.ljse.si, as well as recommendations of the *Slovenian Directors' Association* which are available at www.zdruzenje-ns.si.

Business and Quality Policies

The fundamental challenge for the company is to achieve its key objectives: the satisfaction of its clients, employees and shareholders, as well as its obligations of responsibility towards the environment.

The company implements its business policies through:

- achieving a good operational performance and an adequate return on invested capital;
- systematic and ongoing improvement of the quality of its operations;
- meticulous recruitment of 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, 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;
- promoting the rational use of energy and reducing negative impacts on the environment;
- 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.

Facilitating the realisation of goals aimed at ongoing improvement in accordance with set objectives, business policy is an orientation that contains all elements of a uniform management system. Quality policy is an integral part of this 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: To become the leading port and logistics provider for the countries of Central Europe.

Mission: To facilitate the establishment of commercial ties through the provision of comprehensive range of port and logistics services via a hub which serves the shortest maritime route to the heart of the European continent.

Strategic Orientations:

- **Distinctive logistics service provision:** Managing all the elements and links in the transport chain.
- **Maintaining an efficient port system and distribution centre:** Optimisation of processes in terms of technology and a variety of cargo types, together with the generation of added value.
- **Successful and enduring business system:** Developing modern and harmonised internal operations which improve rates of return and assure a growth in the value of assets.

- **Ensuring sustainable development:** Balancing operations with the demands of customers, clients other stakeholders and the institutional environment, with the expectations of other interest groups and the needs of the environment.

On the basis of such fundamental values as *Knowledge, Entrepreneurial Spirit, Partnership, Responsibility and Respect* – the company actualises its orientations through the implementation of well-considered **strategies in the core spheres of its operations**; these encompass:

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

Commitment to sustainable development is one of the company's fundamental strategic orientations, with particular focus on the establishment and maintenance of partnership relations with all stakeholders. This also ensures the successful development of employees, the provision of strong support to the community, as well as enhanced concern for the environment in which the company operates.

3. Stakeholders and Communication and Collaboration Strategy

- **Shareholders** exercise their management rights via the Shareholders' Assembly (AGM etc.). The Assembly's competencies and other matters directly related to it in relation to ownership and management, are regulated by the *Companies Act RS* and the *Luka Koper, d.d. Statute*.

In addition, regular Shareholders' Assemblies and other meetings at the company headquarters, communication with shareholders as well as potential investors and other interested publics, utilises such communication channels as:

- *Notice* - the company's regular e-magazine
<http://www.luka-kp.si/eng/investors/e-magazine---notice-->
- *SEOnet* - the online information system of the Ljubljana Stock Exchange
http://seonet.ljse.si/default_en.aspx?language=en
- participation at conferences, both at home as well as abroad; and
- the *Luka Koper* website <http://www.luka-kp.si/eng/>
- **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 *Luka Koper d.d.*. 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 long-term success. 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 company is aware that business excellence, as well as its reputation, 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.
- 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.
- *Luka Koper d.d.* is open to the public at large, and, accordingly, also the **media**. Inquiries are answered promptly, and in addition to being invited to press conferences as well as business events and visits, 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/eng/> 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 **state**, as the largest shareholder in the operator of the country's sole seaport, is well aware of the company's importance to the entire economy. In 2008, the Republic of Slovenia signed a 35-year Concession Agreement with *Luka Koper* in relation to the provision of port services, as well as the development, management and maintenance of

infrastructure at the Port of Koper. The key elements of this Concession Agreement are as follows:

- the duration – 35 years;
- 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*. This is a reasonable period for a concessionaire to accomplish its development plans as well as realise a return on its investments.

The **Concession fee** amounts to 3.5 percent of company's operating revenues not inclusive of port duties. Through payment of the Concession Fee, the 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, harbour dues, and other duties related to the use of the sea.

On the basis of the agreed development plans for the Port of Koper, **investments in port infrastructure** are performed by the concessionaire - *Luka Koper d.d.* - in concord with the Republic of Slovenia.

Port governance, management and operations have been apportioned by the state as consignee and the concessionaire, *Luka Koper d.d.*, 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.

4. Luka Koper d.d., its Subsidiaries and the Luka Koper Group

The operations of *Luka Koper's* subsidiary enterprises, whose operations support and complement those of the core business, are compliant with pertinent legislation, contractual obligation as well as other mandatory internal regulations and instructions. *Luka Koper d.d.'s* Management Board represents the general assemblies of the subsidiaries; this assures enhanced connection and supervision of performance in relation to the operation of the *Luka Koper Group* of companies. *Luka Koper d.d.'s* control of the enterprises which comprise the

Group also exists at the operational level, in particular in the field of finance, accounting and reporting, as well as recruitment, development, IT support and quality control.

5. Identification of Conflicts of Interests and the Independence of Management and Supervisory Board Members

The Supervisory Board

Members of the Supervisory Board are obliged to inform as to any conflict of interests which occur or may occur 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 conflict of interests 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 has a conflict of interests which might influence their actions or decisions shall not be proposed to or by the Supervisory Board. Such also applies to the work of individual Supervisory Board members, who shall not be bound by the opinions or instructions of those who voted, proposed or appointed them, but take full personal responsibility for the performance of their function. All Supervisory Board members equally enjoy the same rights, responsibilities and liabilities.

The Management Board

Every year Management Board members complete a questionnaire which serves as an examination as to the potential existence of other business relations. 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. As a rule, members of the Management Board of *Luka Koper* d.d. are not members of supervisory or management bodies outside the *Luka Koper Group*, which additionally reduces the possibility of any conflict of interests.

6. Self-Assessment and Evaluation of the Performance of Supervisory Board

The *Luka Koper* Supervisory Board 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 and 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, contrary to the mandatory independence 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 specialist committees and engage experts or auditors to further examine aspects of the company's operations. 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 impinge upon the competencies of the company's Management Board.

Luka Koper has the following standing committees appointed by the Supervisory Board:

- Human resources committee
- Audit committee
- Infrastructure investment committee.

Resolutions on the appointment of committee members, the competencies and scope of work of committees, as well as the engagement of experts and auditors, together with the prescription of their mandates, shall be adopted by the Supervisory Board. Committees appointed by the Supervisory Board, report to and prepare proposals in relation Supervisory Board resolutions; at the behest of the Supervisory Board they also attend to the implementation of proposals as well as perform other experts tasks in relation to their assistance of the Supervisory Board.

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

The company and its operations are administered and controlled by the Management Board, whilst the actions of Management are overseen and superintended by the Supervisory Board. The Management and Supervisory Boards co-operate closely; they work mutually for the benefit of the company and forever act in its best interests. The *Luka Koper Statute*, together with the Management and Supervisory Boards rules of procedure, define in detail the delegation and 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*.

The Management Board President should maintain regular contacts with the President of Supervisory Board, and consult with him in relation to such issues as strategy, operations and risk management, as well as with regard to the company's management and events in relation to operations, together with any other factors which may be necessary in any assessment of the situation, outcomes and corollaries. Likewise, the Supervisory Board President is obliged to report on relevant events in relation to the work of 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 profits (in conjunction with the Management Board);
- Decisions as to amendments of the *Luka Koper Statute* (if it is mandated for such by the Shareholders' Assembly, and if the amendment refers exclusively to the harmonisation of the *Statute's* 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;
- Adoption and endorsement of annual reports, and performance of other tasks mandated by law which are related to the annual report;
- Examination of 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. 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 involving the company shall also be undertaken by the Management Board, and may not be delegated 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 and implementation of development strategy;
- Adoption of the annual business plan;
- Adoption and implementation of necessary measures for the realisation of development plans, and the monitoring thereof;
- 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 *Luka Koper Statute* and other acts (this with the exception of those matters which are – pursuant to the *Statute* – 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 business reports and the proposal of the annual report together with the auditor's report, which, together with a proposal as to the allocation and disbursement of profits, is submitted 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 *Management Board's Rules of Procedure*.

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 external communication, an activity which it performs in accordance with requirements and in the context of attaining the company's goals.

Further to its location, environs, operations 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 submitted to the critical eye of the media, as well as those who live in the vicinity of the Port of Koper, or have concerns as to its impact on the environment. 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 is responsible for ensuring that the company's operations remain congruent with all pertinent legislation. In due time as well as in the prescribed manner it is obliged to inform shareholders and other interested parties as to its general performance as well as relevant business events.

Luka Koper 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. *Luka Koper* 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. 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.

9.2. Investor communication

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

9.3. Disclosure of business reports and financial statements

Luka Koper complies with the highest standards of business report disclosure as stipulated in the *Financial Instruments Market Act RS* and the *Guidelines on Disclosure* adopted by 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 the 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 decision-making. Indeed, paramount performance shall be attained through their common effort, as is the building of humane relations in the workplace and the accomplishment of other objectives common to the company and its employees.

The operation and activities of the Workers' Council is regulated by the *Workers' Council Rules of Procedure* 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 is enforced on the day of its adoption by both the Supervisory Board and the Management Board of *Luka Koper d.d.* Through its adoption, the *Corporate Governance Policy* becomes binding upon all the companies within the *Luka Koper Group*. 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
Luka Koper, d.d.

Supervisory Board
Luka Koper, d.d.

May 2010