

1 CORPORATE GOVERNANCE STATEMENT

In the previous year corporate governance of the company Luka Koper, d.d. and the Luka Koper Group was carried out with due regard to of the applicable legislation and internal organisational regulations. We followed the guiding principles for the provision of transparency of operation for the shareholders, employees and the wide public prescribed by the Management Code for publicly traded companies and recommended by the Association of Supervisors of Slovenia, we observed the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014) and followed the orientations of the company management that the Supervisory Board adopted in May 2010.

STATEMENT ON THE COMPLIANCE WITH THE PROVISIONS OF CODES

Pursuant to Article 70, paragraph 5 of the Companies Act and the provisions of the Code of Ethics of the Luka Koper Group (adopted by Luka Koper, d.d. on 14 February 2012), Management Code for publicly traded companies (adopted on 8 December 2009) and the Governance Code for Capital Investments of the state (adopted on 19 December 2014), Luka Koper, d.d. provides the following statement on the management of Luka Koper, d.d., which is available also on the website www.luka-kp.si/slo/za-vlagatelje/poslovna-porocila.

1. Statement on the compliance with the provisions of the Code of Ethics of the Luka Koper Group

Luka Koper, d.d. follows the recommendations of the Code of Ethics of the Luka Koper Group that the Management Board adopted on 14 February 2012.

2. Statement on the compliance with the provisions of the Management Code for publicly traded companies

Luka Koper, d.d. follows the recommendations of the Management Code for publicly traded companies that Ljubljanska borza, d.d., the Association of Supervisors of Slovenia and the Managers' Association of Slovenia adopted on 8 December 2009, which are available on the website of the Ljubljana Stock Exchange www.ljse.si.

The Management and Supervisory Boards of the company declare that, in 2015, they complied with the provisions of the Management Code for publicly traded companies, except the issues stated below.

Derogation from the certain sections of individual provisions of the Management Code for publicly traded companies (adopted on 8 December 2009)

In 2015, Luka Koper, d.d. did not follow the following principles and recommendations of the Management Code for publicly traded companies or followed them only to a certain extent:

Principle 5.2: The company shall provide the public disclosure of the information on the persons who collect powers of attorney for voting in a General Meeting of Shareholders in an organised manner

Luka Koper, d.d. did not follow this principle in 2015, but will provide the public disclosure of the information on persons who collect powers of attorney for voting in a General Meeting of Shareholders and all other information of Principle 5.2 in an organised manner on its website in 2016.

3. Statement on the compliance with the provisions of the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014)

Luka Koper, d.d. follows the recommendations of the Governance Code for Capital Investments of the state (adopted on 19 December 2014), and other individual recommendations, which are available on the website www.sdh.si.

The Management and Supervisory Boards of company declare that, in 2015, they followed the principles and recommendations of the Governance Code for Capital Investments of the state (adopted on 19 December 2014), except the issues stated below.

Derogation from the certain sections of individual provisions of the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014)

In 2015, Luka Koper, d.d. did not follow the principles and recommendations of the Governance Code for Capital Investments of the state or followed them only to a certain extent:

Principle 6.7: Procedure of selecting candidates for the Supervisory Board members

Luka Koper, d.d. follows this principle only to a certain extent as the procedure of selecting new members of the Supervisory Board is determined in the Rules on the Work of the Supervisory Board of Luka Koper, d.d. The Code is transparent, as it provides adequate mechanisms for the selection and evaluation of candidates for the Supervisory Board members. There is no Appointment Committee in the company and the Supervisory Board performs this work in cooperation with the HR Committee. The Supervisory Board estimates that in this way efficient and transparent operation is carried out in the interest of the company, because all Supervisory Board members participate in the procedures of selecting and evaluating candidates for the Supervisory Board members.

6.8.8.: Members of the Supervisory Board are not entitled to benefits

Luka Koper, d.d. does not follow this principle as the benefit for the company bodies and manager's indemnity insurance is charged to the Supervisory Board members.

Principle 7.3.: The Supervisory Board of the company prepares a proposal for the policy of emoluments of the management bodies and submits it to the General Meeting of Shareholders for adoption

Luka Koper, d.d. does not follow the principles as it precisely observes the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities concerning the emolument policy of the management bodies of the company.

4. Statement on the compliance with the provisions of Recommendations and expectations of the Slovene Sovereign Holding (adopted in December 2014)

The Management and Supervisory Boards of the company declare that, in 2015, they followed the principles of Recommendations and expectations of the Slovenian Sovereign Holding (adopted in December 2014), except the issues stated below.

Derogation from the certain sections of individual Recommendations and expectations of the Slovenian Sovereign Holding (adopted in December 2014)

In 2015, Luka Koper, d.d. did not follow the following individual recommendations and expectations of the Slovenian Sovereign Holding or followed them only to a certain extent:

Recommendation No. 1.1.: Three-year planning of the company/Group

Luka Koper, d.d. prepares 5-year business plans. With respect to the provisions of the Concession Agreement the company has to prepare a 5-year annual programme of the port development and therefore it pursues the time synchronisation of both documents.

Recommendation No. 3.7.: Transparency of transaction conclusion procedures, which concern the company's expenditures

The company follows this recommendation only to a certain extent. In certain cases conclusion of lump sum agreements is more economical and feasible than the conclusion of other kinds of agreements (i.e. marketing services in a foreign market, tax consulting and media monitoring). Certain lump sum agreements were cancelled in 2015.

Recommendation No. 4.2.2.: Optimisation of labour costs in 2015 relating to the payment of the 13th salary

In line with the Corporate Collective Agreement Luka Koper, d.d. paid the 13th salary amounting to 100% of the average monthly salary of an employee.

Recommendation No. 4.3.: The company publicly disclosed the data on the intended payments

Luka Koper, d.d. publicly disclosed the data on the amount of the holiday pay and the 13th salary in accordance with the Recommendation No. 4.4., when the amount of an individual payment was known or the payment was made.

Recommendation No. 4.5.: The company published the texts of the applicable Collective Agreements for the company and the Group and the agreements with the employee representatives relating to the payment for work on its public website.

Luka Koper, d.d. does not follow this recommendation. At the end of 2011 the company invited the two leading trade unions to agree on the publication of the text of the Collective Agreement of Luka Koper, d.d. on the website of Luka Koper, d.d. The trade unions did not agree with the public disclosure of the text.

Recommendation No. 5.1.: Attainment of quality and excellence of performance of the Company /Group

In 2015, Luka Koper, d. d. carried out the training for process entities of self-assessment in line with the proven European EFQM excellence model. Further activities will be performed in 2016 by formulating the

self-assessment approach in line with the EFQM model adjusted to the company and. Self-assessment will be carried out most probably in 2017.

TWO-TIER 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 are determined in the Companies Act, Articles of Association of the company, Rules of Procedure on the Work of the Supervisory Board, Management Board and the General Meeting of Shareholders in the Companies Act and stipulated in greater detail in the Company's Articles of Association and the Rules of Procedure of the General Meeting of Shareholders, the Supervisory Board and the Management Board. Individual provisions on the operation of the Management Board are available also in other general acts on internal company regulation. The Articles of Association of the Company are available at www.luka-kp.si/slo/o-podjetju.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest body of the Company and decides on its status changes, profit-sharing, the appointment or discharge of Members of the Supervisory Board. 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 Section [The LKPG Share](#).

Convening the General Meeting of Shareholders

The Management Board usually convenes the General Meeting of Shareholders once a year or more, if necessary. The convening of the General Meeting of Shareholders is published at least once a month on the AJPES website, on the electronic system of the Ljubljana Stock Exchange SEOnet, and on the Company's website. The Company's website <http://www.luka-kp.si/slo/za-vlagatelje/skupscine-delnicarjev> includes the complete material with proposals for decisions, which is also made available to shareholders at the Company's registered office. In compliance with the rules of the Ljubljana Stock Exchange, all decisions taken at the General Meeting of Shareholders are 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 set for the General Meeting and if shares or a share certificate is 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 no securities that would give any special control rights to their holders.

Decisions taken by the General Meeting of Shareholders

In 2015, shareholders had one General Meeting:

- 26th General Meeting on 21 August 2015.

In the 26th General Meeting of 21 August 2015 the shareholders:

- were informed about the adopted Annual Report of the Luka Koper Group and Luka Koper, d.d. for 2014, 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 2014,
- decided on the proposal for the appropriation of the accumulated profit for 2014 in the amount of EUR 14,598,947.31, where it was defined that:
 - part of the accumulated profit amounting to EUR 13,160,000.00 shall be used for the payout of dividends in the gross amount of EUR 0.94 per ordinary share,
 - the rest of the accumulated profit amounting to EUR 1,438,947.31 remains unappropriated,
- granted discharge to the Management and Supervisory Boards for 2014,
- appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. as the auditor for the financial year 2015,
- decided on the amount of payment for the performance of the function and attendance fees paid to the Supervisory Board Members and Members of the Committees of the Supervisory Board for the period until revoked,
- adopted amendments to the Articles of Association of Luka Koper, d.d.,
- established that the 4-year term of office of the Supervisory Board Member Sabina Mozetič expired on 12 July 2015,
- re-appointed Sabina Mozetič the Supervisory Board Member for a 4-year term of office that started on the date of appointment by the General Meeting of Shareholders.

THE SUPERVISORY BOARD

The Supervisory Board oversees the running of the Company's operations. 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 emoluments, approval of the annual report, preparing proposals for the allocation of accumulated profit, and convening the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board of Luka Koper, d.d. consists of nine members. Six are elected by the General Meeting of Shareholders, and three by the Workers' Council of the Company. The Members of the Supervisory Board are elected for a term of four years.

Composition of the Supervisory Board of Luka Koper, d.d. as at 31 December 2015:

Representatives of shareholders:

Dr Alenka Žnidaršič Kranjc, Chairperson of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: Executive Director of Prva osebna zavarovalnica, d.d., President of the Management Board of Skupina Prva, zavarovalniški holding, d.d., Chairperson of the Supervisory Board of Deos, d.d.

Dr Elen Twrdy, Deputy-Chairperson of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: Dean of the Faculty of Maritime Studies and Transport, Member of the Supervisory Board of Primorske novice, d.o.o.

Capt. Rado Antolovič MBA, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: President of the Management Board of P&O Maritime, Supervisor in Repasa S. A.

Andrej Šercer, MSc, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Žiga Škerjanec, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Sabina Mozetič, Member of the Supervisory Board

Beginning of a 4-year term of office: 21 August 2015 (26th General Meeting of Shareholders)

In 2015, she was the Member of the Supervisory Board from 1 January to 12 July when her 4-year term of office expired. She was re-appointed for the new 4-year term of office on 21 August 2015, as mentioned above.

Membership in other management or supervisory bodies: Member of the General Meeting of Rižanski vodovod Koper, d.o.o., Member of the Council of the Health Centre in Koper

Representatives of employees:

Mladen Jovičič, Member of the Supervisory Board

Beginning of a 4-year term of office: 18 March 2013 (21st General Meeting – informing of shareholders)

Stojan Čepar, Member of the Supervisory Board

Pursuant to the law his term of office expired on 30 November 2015, when he became the member of the Management Board - Employee Director.

Nebojša Topić, Member of the Supervisory Board

Beginning of a 4-year term of office: 28 July 2012 (20th General Meeting – informing of shareholders)

Marko Grabljevec, Member of the Supervisory Board

Beginning of a 4-year term of office: 18 November 2015 (Information will be given in the 27th General Meeting of Shareholder)

External member of the Audit Committee of the Supervisory Board:

Barbara Nose, External Member of the Audit Committee of the Supervisory Board

Appointed for a period 22 August 2014 – 7 October 2017 on 22 August 2014 (8th meeting of the Supervisory Board)

Membership in other management or supervisory bodies: Member of the Audit Committee of the Supervisory Board of Alta Skupina, d.d., Member of the Audit Committee of the Supervisory Board of Telekom Slovenije, d.d., Member of the Audit Committee of the Supervisory Board of Aerodrom Ljubljana, d.d., Member of the Audit Committee of the Supervisory Board of Zavarovalnica Triglav, d.d., Member of the Council of the Primary School - OŠ Trnovo, Managing Director of Constantia Plus, d.o.o., Managing Director of Shramba, d.o.o.

Work of the Supervisory Board

The work of the Supervisory Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure on the work of the Supervisory Board, the Management Code for publicly traded companies, Corporate Governance Code, Governance Code for Capital Investments by the Republic of Slovenia, Recommendations and expectation of the Slovenian Sovereign Holding and Recommendations of the Association of Supervisors of Slovenia.

In 2015, the Supervisory Board worked in the composition described upper. Work, decisions, and viewpoints of the Supervisory Board and the Committees of the Supervisory Board are reported in detail in the [REPORT ON THE SUPERVISORY BOARD FOR 2015](#).

Each individual member of the Supervisory Board signed a statement, taking into account the provisions 8. and 17.2 of the Governance Code for Capital Investments by the Republic of Slovenia and at the beginning of 2016 it signed a statement of no conflict of interest in 2015 that would imply that an individual member:

- performed the function of an executive director or member of the management board of a company and related party or performed such functions in the last five year,
- worked for a company or related party and held such a position in the last three years,
- received high extra pays from the company or related party, except the pay it received as the Supervisory Board Member,
- was a majority shareholder and represented the majority shareholder/majority shareholders,
- had important business contacts with a company or related party in the last year, either directly as a partner, shareholder, managing director or manager in a body,
- is or was a partner or employee of the present or former external auditor in the company or related party now or in the last three years,
- was the executive director or member of the management board of another company, where it was the executive director or member of the management board of the company, 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 and industries,
- was a member of the Supervisory board for longer than three terms of office (or over 12 years),

- was a close family member of the members of the management board or persons holding positions mentioned in the previous indents,
- was a member of the wider management board of a related party,
- participated in the preparation of the proposal for the annual report of the company.

Statements are also available at <https://luka-kp.si/slo/pomembni-dokumenti-208>.

Committees of the Supervisory Board

The Supervisory Board has three committees:

- the HR Committee,
- the Audit Committee,
- the Committee for Infrastructure and Operations.

The committees perform specific tasks to help the Supervisory Board.

On 16 October 2013 the HR Committee was appointed in the following composition: Capt. Rado Antolovič MBA (Chairman), Andrej Šercer, MSc (Member), Sabina Mozetič (Member) and Stojan Čepar (Member). At the beginning of 2015 the HR Committee worked in the composition: Capt. Rado Antolovič MBA, Andrej Šercer, MSc, Stojan Čepar and Sabina Mozetič. During the year 2015 changes were made in the members of the HR committee, as its member Stojan Čepar was replaced by Nebojša Topič. In the period 12 July 2015 – 18 October 2015 the HR Committee worked only with three members including the Chairman Capt. Rado Antolovič, MBA and the members Andrej Šercer, MSc, and Stojan Čepar, because the term of office of the Member of Supervisory Board Sabina Mozetič expired on 12 July 2015. She was re-appointed the Member of the Supervisory Board of Luka Koper, d.d. on 21 August 2015, and the Member of the HR Committee of the Supervisory Board on 18 October 2015.

In 2015, the Audit Committee comprised of Žiga Škerjanc (Chairman), Dr Alenka Žnidaršič Kranjc (Member), Barbara Nose (External Member) and Mladen Jovičič (Member).

In 2015, the Committee for Infrastructure and Operations comprised of Dr Elen Tvrdy (Chairperson), Capt. Rado Antolovič MBA (Member), Stojan Čepar (Member) and Andrej Šercer, MSc (Member). On 30 November 2015 the term of office of Stojan Čepar in the Supervisory Board ended and therefore the term of office in the Committee for Infrastructure and Operations expired as well.

Emoluments of the Supervisory Board

The Members of the Supervisory Board and Members of Committees of the Supervisory Board are entitled to the attendance fees and pay for the performance of functions. The General Meeting of Shareholders determines the amount of attendance fees and pays. The Members of the Supervisory Board and Members of the Committees of the Supervisory Board are also entitled to the refund of travel expenses and other costs relating to the arrival and participation in the meetings. Emoluments of the Supervisory Board and their amounts are presented in the Accounting Report of Luka Koper, d.d., in Note No. 35 and

Section [REPORT OF THE SUPERVISORY BOARD FOR 2015](#), and the ownership of shares is discussed under Section [The LKPG Share](#).

THE MANAGEMENT BOARD OF THE COMPANY

The work of the Management Board is regulated by the statutory provisions, Articles of Association, Rules of Procedure on the work of the Management Board, Management Code for publicly traded companies, Governance Code for Capital Investments of the Republic of Slovenia, and Recommendations and Expectations of the Slovenian Sovereign Holding. Pursuant to the 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 31 January 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Jože Jaklin (Member of the Management Board),
- Matjaž Stare (Member of the Management Board- Employee Director).

At the ordinary meeting of 4 July 2014 the Supervisory Board was informed about the letter of resignation of the member of the Management Board Jože Jaklin and then appointed a new member of the Management Board in charge of finance at the ordinary meeting of 21 November 2014. Tine Svoljšak started his 5-year term of office on 1 February 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 1 February – 30 June 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Tine Svoljšak (Member of the Management Board),
- Matjaž Stare (Member of the Management Board-Employee Director).

In the meeting of 22 May 2015 the Supervisory Board discussed and accepted the letter of resignation of the member of the Management Board for Finance and Accounting Tine Svoljšak, who performed the function to 30 June 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 1 July – 20 August 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Matjaž Stare (Member of the Management Board-Employee Director).

On 21 August 2015 the Supervisory Board of the company appointed Irena Vincek the Member of the Management Board for Finance and Accounting.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 21 August – 17 October 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting),
- Matjaž Stare (Member of the Management Board-Employee Director).

A 5-year term of office of the Employee Director Matjaž Stare expired on 17 October 2015. The members of the Workers' Council appointed Stojan Čepar as the new Employee Director on 1 October and his appointment was approved by the Supervisory Board on 30 November 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 18 October – 29 November 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting).

The Management Board of Luka Koper, d.d. worked in the following composition in the period 30 November – 31 December 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting),
- Stojan Čepar (Member of the Management Board-Employee Director).

Composition of the Management Board of Luka Koper, d.d. as at 31 December 2015:



Management Board of Luka Koper, d.d., left to right: Stojan Čepar, Irena Vincek, Dragomir Matić, Andraž Novak

- **Dragomir Matić**, born 1964

President of the Management Board

Mr Matić holds a BSc in Transport Technology. He gained his work experience in a forwarding agency and started working for Luka Koper d.d. in 1987. Initially, he worked as a transport worker in the port and gradually climbed the ladder to the position of the Executive Director for Operations and Logistics. From 2012 to the appointment as the President of the Management Board of Luka Koper, d.d. he worked as the assistant to the director in the company for international forwarding. On June 2014 he started his five-year term of office at the invitation of the Supervisory Board and based on the decision on the appointment of the President of the Management Board.

- **Andraž Novak**, born 1966

Member of the Management Board

After several years of service in the merchant navy, where he achieved the position of first officer, Mr Novak obtained the title of marine engineer at the Faculty of Maritime Studies and Transport in Portorož in 1995. Since 1995 Mr Novak has occupied various managerial positions at Luka Koper, d.d., including director of the Dry Bulk Terminal and the General Cargo Terminals. In 2008, he completed specialist post-graduate studies at the Faculty of Maritime Studies and Transport. On 10 June 2014 he started his five-year term of office at the invitation of the Supervisory Board and based on the decision on the appointment of the President of the Management Board.

- **Irena Vincek**, born 1972

Member of the Management Board in charge of Finance and Accounting

Ms Vincek graduated from the Faculty of Economics in Ljubljana in 1996. In 1996, she got her first employment in Intereuropa, d.d., where she worked in the controlling department and then kept the ledger. In 2000, she continued her career with the audit firm Ernest & Young, and in 2004 started working for Istrabenz d.d. She was an assistant to the Management Board responsible for accounting for five years and then worked as an assistant to the Management Board responsible for Accounting and Controlling for two years. She got employed at Luka Koper, d.d. in 2012 as an internal auditor and in September 2014 she started managing finance and accounting. On 21 August 2015 the Supervisory Board appointed her the Member of the Management Board for finance and accounting for a 5-year term of office.

- **Stojan Čepar**, born 1977

Employee Director

After his studies at the Technical Colleague Josef Stefan in Trieste, focusing on electronics – electrical engineering he started his career in Kobilarna Lipica and BTC Terminal in Sežana where he was responsible for various specialist projects. In 2002, he got employed at Luka Koper, d.d. as an operator of cranes and other machinery. In 2008, he was elected in the Workers' Council and in April 2009 he was appointed a representative of employees in the Supervisory Board of the Company, where he is also a member of the HR Committee and the Committee for Infrastructure and Operations. He performed his function to November 2015. The Members of the Workers' Council appointed him the new Employee Director on 1 October 2015 and the Supervisory Board confirmed his appointment and the beginning of a five-year term of office on 30 November 2015.

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.

Presentation of the Management Board Members is available also at <https://luka-kp.si/slo/vodstvo-druzbe-193>.

Work of the Management Board

The Management Board autonomously directs the operations of the Company in its best interests, and assumes the 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 the Members of the Management Board, who were in charge of the following areas:

Tasks of the President of the Management Board:

- Office of the Management Board,
- Secretary of the bodies,
- Operations and sales (profit centres, operations),
- Marketing,
- HR,
- Legal affairs,
- Public relations,
- Port safety.

Tasks of the Member of the Management Board:

- Investments,
- Purchasing and maintenance,
- Strategic development.

Tasks of the Member of the Management Board in charge of Finance and Accounting:

- Finance and accounting,
- Controlling,
- Management and development of business processes.

Tasks of the Member of the Management Board – Employee Director:

- Representation of interests of the employees relating to HR and social issues,
- health protection and ecology,
- activities related to written agreements between employees and employers (participating agreement and other agreements).

All members of the Management board jointly harmonise and manage the field of internal audit.

Emoluments of the Management Board

The emoluments of the Members of the Management Board consist of fixed and variable parts. They are determined in employment contract concluded for a definite time of managing the company for a Member of the Management Board, in annexes to the employment contracts and decisions of the Supervisory Board. The employment contracts and annexes are concluded between individual members of the Management and Supervisory Boards; they specify also refunds and benefits. When concluding contracts and annexes for the Members of the Management Board the Chairperson of the Supervisory Board represents the Supervisory Board. Emoluments of the Management Board are presented in the Accounting Report of Luka Koper, d.d., in Note No. 35, o the ownership of shares is presented in 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 includes the controlling company and 21 companies – from single-person limited companies to the companies with the shares lower than 1%. With respect to the method of management all investments are divided into four groups:

- **Strategic investments** are investments in shares and stakes of the companies engaged in activities directly associated with strategic orientations of the controlling company. They are managed in accordance with the principle of the group operation.
- **Other strategic investments** are investments in shares and stakes of the companies engaged in activities relevant for the controlling company due to wide social and sustainable motives. They are managed in accordance with the principle of investment trust.
- **Portfolio investments** are investments in shares of companies which are listed on the stock exchange, investment funds, deposits and other financial instruments. They are managed for the purpose of ensuring and managing the liquidity of the Luka Koper, d. d. and the Luka Koper Group.
- **Non-strategic investments** are investments in shares and stakes of the companies engaged in activities not directly linked to the strategic orientation of the controlling company, and are not portfolio investments. They are managed in accordance with the investment trust. These investments will be subject to various types of disinvestment.

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 the role of a shareholder in strategic and other strategic investments we pursue the objective of a balanced profit payment under consideration of the investment-development company cycles.

The objectives in the field investment management are also set in the strategic business plan of the company and the Group; the corporate governance system will be upgraded especially in cases of strategic investments. Business control will be established for them by organising regular periodic meetings of management boards of the companies with the Management Board of the controlling company and by harmonising business processes based on the determination of minimal standards of key business processes.

Corporate governance of subsidiaries in the Luka Koper Group as at 31 December 2015

Company	Managing Director	Share of the controlling company in ownership (in %)
Luka Koper INPO, d.o.o.	Mirko Pavšič	100.00
Adria Terminali, d.o.o.	Aleš Miklavec	100.00
Luka Koper Pristan, d.o.o.	Darko Grgič	100.00
Adria Investicije, d.o.o.	Mojca Černe Pucer	100.00
Logis Nova, d.o.o.	Mirko Pavšič	100.00
TOC, d.o.o.	Ankica Budan Hadžalič	68.13

INTERNAL AUDIT

Internal audit of Luka Koper is performed by the Internal Audit Department on the basis of the fundamental internal audit document. The Internal Audit Department was established for the purpose of internal auditing for Luka Koper, d. d. and the subsidiaries. It is an independent organisational part, which remains directly responsible to the Management Board of the Company. Its organisational independence is successfully realised through the functional responsibility and reporting to the Supervisory Board.

The work of the Internal Audit is determined in the Rules on the Internal Audit's Work, which has been prepared in accordance with the applicable definition of internal auditing, in the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Internal Audit has been established to efficiently achieve the objectives of the Company and the Group with the systematic and methodological assessment as well as with the improvement of risk management and control procedures and their management. It adds value to the more reliable achievement of the objectives set.

In 2015, the Internal Audit carried out internal audit activities and other activities in accordance with the approved annual plan of work. Seven new audits were conducted and one audit from the year 2014 was completed. One unplanned audit was carried out. During these audits we checked the existence and operation of internal controls as well as risk management; recommendations for their improvement were provided. In addition to the planned and unplanned audits, we also carried out post-audit activities on a quarter basis in order to check the implemented measures for a better management of the risks identified during internal audit. The advisory activity provided help, primarily in the development of the internal control system and risk management.

The Internal Audit reported about each performed task to the management board of the audited entity and the Management Board of the Company and collectively about the performed tasks, the suitability of internal controls and the implementation of internal audit recommendations to the Management Board and the Audit Committee of the Supervisory Board every quarter of year. It reports to the Supervisory Board on an annual basis.

The development of the Internal Audit has been encouraged by the quality assurance and quality improvement programme. Its purpose is to provide the successful and efficient operation of internal audit

in line with the applicable professional rules to the interested parties. Provision of on-going improvement is the objective of the programme.

The external audit of the internal audit quality was conducted with the aim to assess the compliance of work of Internal Audit with the identification of internal audit, International Standards for the Professional Practice of Internal Auditing, Code of internal audit principles and Code of Ethics of an internal auditor, efficiency and success of the internal audit. The result of the audit was positive.

INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

The Luka Koper Group manages risk related to financial reporting, implementation of the orientations and internal control procedures adopted. The purpose of internal control is to provide 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. All has been provided also by the centralised accounting function in a uniform IT system in the controlling company that includes all the subsidiaries and the majority of associated companies.

The accounting controls have been designed in accordance with the principle of reality and division of responsibility and focusing 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 related also to the controls in the field of IT that provide also limitations and supervision over the access to the network, data and applications as well as accuracy and completeness of data acquisition and processing. The Luka Koper Group manages risks related to the consolidated financial statements also by the audit and review of the annual financial statements of all the subsidiaries and associates included in the consolidated financial statements of the Group.

EXTERNAL AUDIT

At its 26th ordinary meeting held on 21 August 2015 the General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana for auditing of the financial statements of Luka Koper, d.d. and the Luka Koper Group in the financial year 2015.

The costs of audit services of Luka Koper, d.d. and its subsidiaries are presented in the Consolidated Accounting Report, in Note No. 36: Transactions with the audit firm.

DATA ABOUT THE LEGISLATION REGULATING ACQUISITIONS

Luka Koper, d. d., as an entity that is subject to the act that regulates takeovers, provides information as at the last day of the fiscal year 2015 in compliance with provisions of Article 70, Paragraph 6 of ZGD-1:

Share capital structure

Company's shares are ordinary shares that give their owners the right to participate in the management process and the right to profit sharing or dividends, the right to the adequate portion of assets remaining upon the Company's liquidation or bankruptcy. All shares are registered, of one class and issued in a dematerialized form. Company's shares are freely transferable and first listed at the Ljubljana Stock Exchange. Detailed information on the share and ownership structure is provided in the chapter [THE LKPG SHARE](#).

Restrictions to the transfer of shares

Company's shares are freely transferable.

Qualifying holding under the Takeovers Act

In compliance with Article 77, Paragraph 1 of the Takeovers Act and as for achieving the qualifying holding at 31 December 2015:

- the Republic of Slovenia holds 7,140,000 shares of Luka Koper, d. d., representing a 51.00 percent of the issuer's share capital,
- the Slovenski državni holding, d. d. holds 1,557,857 shares of Luka Koper, d. d., representing 11.13 percent of the issuer's share capital.

Holders of securities that provide special controlling rights

The Company issued no securities that would provide special controlling rights.

Employee share scheme

The Company has no employee share scheme.

Restrictions to voting rights

No restrictions to voting rights exist.

Agreements among shareholders that may result in restrictions to transfer of shares and voting rights

The Company is not aware of any such agreements.

Rules on appointing and replacing members to the Management and Supervisory Board

Company's Management Board comprises its President and not more than three members, whereof one is the Employee Director. The President of the Management Board and its other members are appointed and

discharged by the Supervisory Board. The Employee Director as member of the Management Board is appointed and discharged by the Supervisory Board on a proposal from the Workers Council. The term of office of the Management Board's President, its members and the Employee Director is five years with the option of reappointment. The Supervisory Board is entitled and empowered to recall the entire Management Board or its individual members.

The Supervisory Board may terminate prematurely the Management Board's President, its members and the Employee Director for reasons as stipulated by the applicable legislation. The Supervisory Board's quorum when appointing and recalling the Management Board's President, its members or the Employee Director, requires the presence of not less than 50 percent of the Supervisory Board's members of the voting capital, whereof also the President of the Supervisory Board or its Vice President must be present.

The President to the Management Board and its members, apart from the Employee Director, are required to have a university degree and at least five years of work experience on the executive level of major companies in compliance with criteria defined by the law that regulates companies. Detailed terms and conditions for the Management Board's President and its members, except the Employee Director, are determined by the Supervisory Board.

The Supervisory Board has an HR Committee that is engaged in transitional procedures for selecting candidates to the Company's Management Board and in this connection suggest to the Supervisory Board the most suitable candidates. Prior to submitting its proposal, the HR Committee verifies whether the proposed candidates meet the legally and statutory requirements that are applicable for Management Board members.

Company's Supervisory Board comprises nine members, whereof six are elected by the General Meeting of Shareholders based on the majority of shareholders present, and three are selected by the Company's Workers Council. One of the six members to the Supervisory Board can be proposed by the municipality or the municipality in which the onshore part of the port is located. Based on a resolution, the General Meeting of Shareholders establishes the appointment and recall of Supervisory Board members, who were elected by Company's Workers Council. The resolution on the early recall of Supervisory Board members must be adopted by a three-quarters majority of votes cast. Each elected member to the Supervisory Board can upon the mandate's expiry be reappointed and re-elected as member to the Supervisory Board.

Supervisory Board members can be prior to the expiry of their mandates be recalled by the General Meeting of Shareholders based on a three-quarters majority of votes cast. Supervisory Board members representing the employees can prior to the expiry of their mandates be recalled by the Workers Council, with the General Meeting of Shareholders establishing this fact in a resolution.

Company's rules on amending the Articles of Association

Decisions regarding the amendments to the Articles of Association are adopted by the General Meeting of Shareholders with a three-quarters majority during the representation of the voting capital.

Authorizations of Management Board members, particularly in view of own shares

The authorisations of Management Board members are defined in the section COMPANY'S MANAGEMENT BOARD. The Management Board, on the other hand, has no specific authorisations regarding the issue or purchase of own shares.

Significant agreements that become effective, change or cease to apply on the basis of the changed control in the Company as the result of a public takeover bid

The Company is not aware of any such agreements.

Agreements between the Company and members of its Management or Supervisory Board or employees, who anticipate a compensation should they, as the result of the takeover bid as defined by the takeover legislation, resign from office, or are dismissed without valid reason or their employment relationship is terminated

No agreements exist in compliance with the Takeovers Act.



Dragomir Matić
President of the Management Board of Luka Koper, d.d.



Dr Alenka Žnidaršič Kranjc
Chairperson of the Supervisory Board of Luka Koper, d.d.