

At its session of 26th January 2016, the Management Board of Luka Koper d.d. adopted on behalf of LUKA KOPER d.d. as the sole stakeholder and the assembly of

- LUKA KOPER INPO d.o.o.
- ADRIA TERMINALI d.o.o.
- LOGIS NOVA d.o.o.
- ADRIA INVESTICIJE d.o.o.
- LUKA KOPER PRISTAN d.o.o.

the following

CORPORATE INTEGRITY STRATEGY FOR THE LUKA KOPER GROUP OF COMPANIES

1. INTRODUCTION

On 14th October 2014, through its official endorsement of the Slovenian Corporate Integrity Guidelines, Luka Koper d.d. became a corporate integrity ambassador, which obliges the company to systematically regulate this field.

The company's goal is to generate entrepreneurial value and respect social values as a means of safeguarding and enhancing the company's success.

The Luka Koper Group of companies (hereinafter Luka Koper) has already realised a number of activities in order to build corporate integrity and ensure operations congruent with legislation, statute, recommendations, internal regulations, good business practice and ethical values. The 2012 Code of Ethics (hereinafter the Code), the foundation of an ethical board and the adoption of internal regulations which both directly and indirectly accomplish corporate integrity, are worthy of mention in relation to this objective.

2. DEVELOPMENT OF CORPORATE INTEGRITY

The management and supervisory bodies of Luka Koper are fully aware of the need to implement and consistently upgrade the Group's corporate integrity system. Luka Koper Group companies explicitly state that the corporate integrity strategy applies not only to Luka Koper d.d. but to all the companies consolidated within the Group. Corporate integrity shall be a principal element of the culture of Luka Koper Group companies. The corporate integrity system cannot work if it is not implemented by all the enterprises within the Group; any failure by individual company to properly implement the system shall throw bad light on the entire Luka Koper Group.

The corporate integrity system has to enable all Luka Koper Group companies to equally realise their business interests and utilise all their advantages within the Group; however, in no way whatsoever shall this involve the exploitation of the position of an individual company in relation to another enterprise within the Group. Minimal standards in this area involve consistent respect for corporate statute and its enhancement in accordance with the ethical principles of mutual respect as well as collaboration in furthering the common interests of Luka Koper Group companies. There shall be zero tolerance of illegal or unethical conduct on the part of employees,

and this must be implemented across all levels of the company. Executive management has to serve as a positive example to all subordinates in the execution of these processes.

3. OBJECTIVES OF CORPORATE INTEGRITY

3.1 Primary objectives

Luka Koper employees shall abide by the following basic guidelines:

- legal and ethical actions (compliance of operations) as part of business policy,
- ethics and the prevention of corruption as part of business strategy,
- strategy of social responsibility and compliance of operations,
- commitment to and respect for corporate integrity.

The Luka Koper Group shall comprehensively implement the corporate integrity system across all related fields.

Transparency and compliance of operations shall be guaranteed within the Luka Koper Group with respect to legislation, statute and other regulations applicable to Luka Koper Group companies, as well as the internal regulations of the individual companies themselves (hereinafter compliance with the Law).

Operational compliance is only one of the perspectives of corporate integrity that facilitates compliance with the Law, but this in itself isn't enough for the efficient creation of an ethical values system within the Group's companies.

Ethical values must be internalised by the management and supervisory bodies as well as all personnel working within Luka Koper companies. The internalisation of ethical values shall involve their implementation with an awareness that they are to the benefit of the company as well as in the Group's best interests, whilst any violation is damaging and thus detrimental to the company. This internalisation of ethical values is a long-term process that surpasses compliance with the Law or the establishment of a corporate integrity system comprising elements of constraint and penalty. Such can only be founded upon the common awareness – of employees, as well as Luka Koper Group management and supervisory authorities – that what they accomplish to the advantage of their companies they also achieve for their own benefit. To this end, collaborative relations and respect, as well acknowledgement of mutual rights and obligations, need to be established and built upon.

In addition to being familiar with their mission within the company, each employee must be individually enabled in implementing the principal interest of ensuring the successful operation of the Luka Koper Group. This requires awareness that sole concern for the exclusive interests of any individual party shall cause damage to the Luka Koper Group, and shall be detrimental to all parties in the long run. Ethical principles are fundamental to the preservation of the good name of Luka Koper and the implementation of successful and sustainable operations compliant with the Group's goals, vision and strategy.

A high degree of professionalism and integrity in relation to other personnel as well as clients, shareholders, the media, suppliers, local and state authorities, together with other partners, is expected of all employees and management in particular. It is important to strive towards ensuring that mutual relations are based on the principles of diligence, fairness and respect of others and that behaviour deters and prevents illegal, corrupt or ethically questionable practice or the acceptance of such in others. Through their establishment and management of adequate internal control systems, Luka Koper Group companies shall strive to protect all assets against fraud and corrupt practice.

It is more expedient, cost-effective and easier to prevent risk than to deal with the consequences or repercussions of an event, thus corporate integrity encompasses risk management. There must be constant awareness as to the harm and consequences of inadequate and deficient corporate integrity, something that shall result in a short- as well as long-term decline in the reputation of management and supervisory bodies as well as the company itself.

Luka Koper considers social responsibility fundamental to its sustainable development, whereby it must necessarily co-ordinate people and the environment with the maintenance of profitability. The company must actively operate and contribute to positive changes for people as well as the local and broader environments in which Luka Koper operates. Consequently, responsible business operations must be pursued in the context of a policy ecological and environmental protection, as well as support to the development of organisations and non-profit associations, institutes and individuals active in the fields of culture, sport, education, health, humanitarian and other activities.

On the 14th October 2014, Luka Koper became a corporate integrity ambassador through its signing of the Slovenian Corporate Integrity Guidelines at the Brdo Economic Summit. This signature is not only a commitment to abide by and strengthen corporate integrity in its business, but also to promote awareness as to the significance of the fundamental principles of socially responsible operations compliant with legislation and ethical standards. Accordingly, the ultimate goal and vision needs to be internalisation of corporate integrity, i.e. employees and management acting with integrity through their own volition, and not solely because it is required or expected under the threat of penalty in the event of violation. Acting with integrity through awareness that this is the correct thing to do shall further promote and strengthen such conduct, as well as clearly signal that the same behaviour is also anticipated and expected from business partners and others.

3.2 Management bodies

The management organisations governing the company's operations shall provide an example upon which other employees shall model their conduct. Accordingly, the management bodies of Luka Koper Group companies must consistently act in the benefit of the long-term development of the company and the Group as a whole. In addition to ensuring the comprehensive market provision of differentiated client-

oriented products and services, management shall demonstrate its intentions, as well as strengthen Luka Koper's position, through its efficient governance of work processes within individual companies. Further to its delegation of obligations and mandates to subordinates, management should be collaborative and facilitate the gathering and exchange of information in relation to operations management as well as the further development of Luka Koper's strategies and policies. Although cost management is important, it must not be the only objective; management must also focus on the incubation and delivery of innovation that shall guarantee that Luka Koper Group companies develop and maintain distinctive visibility in the environment in which they operate.

3.3 Employees

Employees are fundamental to the value of Luka Koper Group companies, and must be guaranteed respect, motivation as well as the possibility of personal development within the Group. In order to fully exploit their potential, employees must be integrated into the ongoing improvement of work processes, while the development of their innovations should be encouraged. Personnel development and promotion is also crucial and, as such, a major concern of the company. To this end, employees should be encouraged and supported in achieving their personal and career goals through the provision of various development programmes in the simultaneous pursuit of professionalism, a basic value of the Luka Koper Group.

Practice congruent with labour law is a starting point that should be enhanced through the application of additional criteria. As with operations, communication must be open and transparent in order that such is regarded an important factor in the operations of Luka Koper. A culture of openness, which promotes the exchange of ideas and information, the seeking of advice or the expression of doubt without fear of intimidation or repercussion, shall be promoted. This culture will promote loyalty to the company and contribute to a reactive and stimulating working environment.

Although conduct compliant with the guidelines of corporate integrity should be self-understood, such is not always the case. Hence, employees shall be encouraged to express their opinions and report any suspicion or concern regarding potential violations of the Code. There shall be no repercussions or negative consequences in relation to any employee who, in good faith, either looks for advice or reports a violation.

3.4 Business partners

Luka Koper Group companies operate in environments in which they come into contact with business partners, who they must treat responsibly, abide by concluded agreements and settle their liabilities. Mutual relations are strengthened through regular contacts, in the context of which the development of interpersonal relationships is important. Relationships with business partners shall be built on legal and ethical principles, as well as on the basis of tolerance, mutual respect and non-discrimination.

Transactions concluded and effected between Luka Koper Group companies and their business partners shall be based on transparency and good practice, and in this context the parties shall be equal. Every such transaction may be predicated on negotiation, and parties shall be capable of making concessions in order to conclude an agreement. However, in the context of corporate integrity, concessions shall have their limits in any negotiation. **Luka Koper Group companies shall have zero tolerance in relation to business partners who propose illegal provisions.**

Luka Koper Group companies cannot entirely ignore the moral and ethical values common to the environments in which their business partners operate; however, transactions shall be precluded in the event that these values run contrary to those of Luka Koper.

The processes of Luka Koper Group companies should be transparent and fair, and actions must aim to avoid and reject any form of corruption, including extortion and bribery.

3.5 Respect for competition

Luka Koper Group companies shall remain aware of the significance of competition; they shall comply with pertinent law and regulations, including competition law, as well as reject unfair business practices.

3.6 Social responsibility

The generation of profit cannot be the sole motive or objective underlying the operations of Luka Koper; social responsibility is also important, for which reason Group companies shall be actively engaged in their local and broader environments, and, accordingly, respond to social needs. Group companies shall also allocate a portion of their profits, within reasonable limits, to the community in which they operate and benefit from. The company shall also initiate ongoing dialogue with such communities as well as accomplish mutual interests to the benefit of all parties.

3.7 Media relations

Luka Koper strives for clear, transparent and objective communication in all its relations with stakeholders, business partners, the media, local communities as well as the public at large. Such communication naturally contributes to the visibility and good name of Luka Koper Group companies. The disclosure of information to interested publics shall only be restrained by legislation and statute, together with other regulations adopted by the company on the basis of effective Law.

3.8 Capital interests

Further to the long-term development of Luka Koper, the generation of profit is a core objective of the Group in relation to its shareholders. To this end, the company must create a profitable, safe and prospective environment for its investors. Such also includes the provision and communication of adequate corporate information. The generation of profit cannot be a motive or reason for not abiding by the Law or violating corporate integrity or the Code of ethics applicable to all companies within the Luka Koper Group. Companies shall prevent internal information being used for the benefit of individuals or third parties. Such conduct may well be profitable for the individuals as perpetrators, but is detrimental to everyone else; it is also damaging to the reputation of Luka Koper in the context of its being a trustworthy business partner or a reliable prospective investment.

3.9 Environmental protection

The operations of Luka Koper Group companies shall be environment-friendly, for which reason they shall implement all reasonable activities to preserve the environment as well as mitigate the impacts of their operations. Special attention shall be paid to energy efficiency.

3.10 Health and safety

Occupational safety is an important field that requires special attention by Luka Koper Group companies, which must endeavour to create and constantly improve conditions that underwrite safety at work for all employees as well as contractors operating in the port zone. Health and safety at work has to be considered comprehensively. The requisite training of personnel and contractors is an important aspect of this, and the integration of such programmes into operations, together with due consideration of all related proposals, are integral to the attainment of health and safety objectives.

3.11 Violations of corporate integrity

Any notification or warning as to a violation of corporate integrity of Luka Koper Group companies, including those made anonymously, shall be thoroughly investigated and based on its subject the person responsible for corporate integrity and the commission responsible for dealing with the notifications will take an appropriate action. In the event they establish that the reported violation requires involvement of other competent institutions, they shall be entitled to report such violation to said institutions, while the confidentiality of the information and anonymity of a reporting party will be guaranteed.

The reporting of violations of corporate integrity and the conduct of the person responsible for corporate integrity as well as the commission responsible for dealing with the notifications as to the violations of corporate identity shall be determined in more detail in the Rules of Procedure.

4. EFFECTING THE STRATEGY FOR THE ESTABLISHMENT OF A CORPORATE INTEGRITY SYSTEM

The corporate integrity strategy is a documented procedure of risk evaluation and measures aimed at enhancing the integrity of Luka Koper through the institution of a corporate integrity system based on the principles of **prevention, detection, remedial action**.

In consideration of items 1 to 4 of the corporate integrity strategy, Luka Koper Group companies shall adopt prescribed measures for the strategy's implementation. In this endeavour they must accomplish the following:

- strengthen the processes of accountable and ethical behaviour and conduct;
- create an environment that promotes integrity;
- eliminate and prevent circumstances that might result in corruption, unethical conduct or a threat to transparency and integrity, i.e. anticipate and evaluate risks;
- educate employees;
- elaborate a system by way of which violations of corporate integrity shall be reported to the person responsible for corporate integrity;
- elaborate a system of reporting the violations of corporate integrity and the conduct of the person responsible for corporate integrity as well as the commission responsible for dealing with the notifications as to the violations of corporate identity.

The corporate integrity strategy is to be implemented in three stages:

Stage One

The first stage of this process shall encompass an upgrade of the 2012 Code of Ethics; this shall be an umbrella document for the implementation of the corporate integrity system, its control and further refinement.

The first stage of the corporate integrity strategy shall be implemented within one month of its adoption.

The 2012 Code of Ethics deals with important aspects of corporate integrity, but it exhibits certain inadequacies. On the basis of the most recent guidelines in the field of corporate integrity, the 2012 Code fails to address in detail the compliance of operations; furthermore, it doesn't provide any clearly determined line between operational compliance and the criteria of ethical operation as two fundamental elements of the corporate integrity system. The provisions addressing conflict of interests and responsible conduct in relation to clients, and the Group's suppliers in particular, have to be elaborated in greater detail. Moreover, the 2012 Code of Ethics lacks detailed provision in the definition of relations between the companies of the Luka Koper Group. In addition, the Code should at least indicate that its individual contents are regulated in more detail by pertinent policies. In addition, the existing

code fails to regulate the mandate and operation of the person responsible for corporate integrity.

The 2012 Code of Ethics establishes an Ethical Board as the body responsible for dealing with Code violations, but doesn't specify any authority that would continuously attend to the implementation of corporate integrity together with its further enhancement and upgrade. This function shall be undertaken by the person responsible for the corporate integrity of Luka Koper Group companies and the commission responsible for dealing with the notifications as to the violations of corporate identity. Said person shall enjoy the autonomous right to report to management bodies and, later, also to supervisory bodies within the company as well as other internal and external supervisory bodies. It is also important that in the event of absence, i.e. sickness, eventual conflict of interests or any other unforeseen situation, a deputy to the person responsible for corporate integrity is appointed.

Stage Two

The second stage shall encompass:

- **Adoption of policies** which define the basic fields with regard to the corporate integrity system of Luka Koper Group companies, in particular the following:
 - a) adoption of the Rules on the acceptance of gifts related to work performance and the creation of a register of accepted gifts;
 - b) definition of conflicts of interest and strategies to avoid them;
 - c) establishment of a system of signed statements on the avoidance of conflicts of interest (also encompassing procurement department personnel and other at-risk divisions);
 - d) a more detailed definition as to the implementation of procurement strategies and procedures.

Said policy adoption shall be initiated not later than three months after the completion of the first stage of the corporate integrity strategy.

- **Implementation of corporate integrity education courses** for management and employees

To be initiated within four months of completion of the first stage.

- **Establishment of an information system for the implementation of the corporate integrity system**

In concord with the management body, the person responsible for corporate integrity shall establish a system that will guarantee an appropriate and efficient response to substantiated reports of irregularities. This shall, together with the protection of the identity of the person reporting the irregularity, facilitate prompt reporting to the management body and also – if necessary – the supervisory body concerning identified and eliminated irregularities. Moreover,

the company shall adopt rules on the responses and procedures of the person responsible for corporate integrity, which shall define the entire procedure from the receipt of any notification of an irregularity to the provision of a final report on the address and elimination of said irregularity.

To be initiated within five months of completion of the first stage.

- **Institution and implementation of a protection programme for persons reporting corruption or other illegal or unethical activities.**

When an employee is in doubt as to what the Code of ethics dictates in specific circumstances, they shall discuss the issue with the person responsible for corporate integrity. Employees who know of a violation or suspect a violation of the Code shall be encouraged to notify the person responsible for corporate integrity. Similar provision shall be extended to both current and former employees, as well as companies, clients, suppliers and third parties in accordance with the provisions of the Code. Notification or reports of such irregularities may be submitted in a variety of ways (such as by post or email, or using the form available via the company's website).

To be initiated within five months of completion of the first stage.

With regard to the above, the person responsible for corporate integrity shall report all substantiated incidents to the management immediately upon completion of an investigation procedure; there shall also be provision for the introduction of an **annual report** to management in relation to the corporate integrity system and breaches of corporate integrity.

Stage Three

There shall be:

- a proactive approach to the detection of problems and irregularities, as well as awareness-raising amongst employees;
- a highlighting of all irregularities together with proposals as to their solution;
- a tracking of all changes to legal provisions governing pertinent issues;
- an upgrade of mechanisms and protocols to reduce the risks of corruption, the conflict of interests, as well as occasions of unethical or illegal conduct;
- regular collaboration with competent supervisory bodies in such fields as corporate integrity, the prevention of corruption, as well as law enforcement agencies;
- a collaboration with professional organisations and associations with the aim of exchanging experiences, knowledge, solutions and the latest measures and accomplishments in ensuring corporate integrity.

All of the above is to be consistently and continuously implemented from the initial adoption of the corporate integrity strategy onwards.

The strategy shall come into force on the date of its adoption.

As to other companies within the Luka Koper Group, this strategy shall come into force upon its adoption by their competent bodies.