

# Corporate Governance Policy of the Ljubljana Stock Exchange



**LJUBLJANSKA BORZA**  
*LJUBLJANA Stock Exchange*

Ljubljana, 21 January 2019



Pursuant to the Corporate Governance Code for Listed Companies, which is in force from 1 January 2017 onwards, the Management Board of the Ljubljana Stock Exchange (hereafter: Exchange) adopted in its meeting on 21 January 2019, with the consent of the Supervisory Board granted in its 24th Correspondence Session of 24 January 2019, the following document:

# Corporate Governance Policy of the Ljubljana Stock Exchange

The Corporate Governance Policy of the Ljubljana Stock Exchange (hereafter: CG Policy) sets out the principal guidelines concerning the governance of the Exchange, taking into consideration its long-term objective. In the CG Policy the Management Board and the Supervisory Board, pursuant to legislative and statutory provisions, commit to and publicly disclose how they will supervise and run the company.

The Management Board and the Supervisory Board with this document publicly disclose how they will supervise and run the company in the period from adoption of this CG Policy until its each relevant amendment. The document is available on the Exchange's website. All versions amended with current corporate governance guidelines shall also include the date of the last amendment.

## 1. Main Corporate Governance Guidelines

The Ljubljana Stock Exchange is a private joint-stock company, which aims to be a modern and efficient operator of the local organised market as part of the regional Central and Eastern European market.

As at 30 December 2015 the Exchange is in 100% ownership of Zagrebačka burza d. d. (hereafter: Zagreb Stock Exchange) and is operated by a two-tier system of governance, where the Management Board runs the business and is monitored by the Supervisory Board.

### 1.1. Mission

Our primary task and long-term mission is to ensure a smooth and transparent operation of the regulated stock market. We shall continue to perform this role with the highest level of integrity. In addition to operating the stock market, the Exchange shall actively work on the development of the local capital market in the segment of small and medium sized enterprises (hereafter: SMEs). We wish to bring the Exchange and the mechanisms, with which SMEs can more easily achieve their economic and financial goals, closer to SMEs.

### 1.2. Vision

We wish to become the information and financial intersection point for the local and regional capital market. We wish to offer the highest quality services to all users of our services and business partners, to constantly improve and supplement them, and to put them ahead of the competition. Our vision is to become the most modern and the fastest growing stock exchange of the South-Eastern Europe.



### 1.3. Values

The Exchange and its team are committed to high ethical and professional standards, which always put the users of our services and all other stakeholders of the local capital market at the forefront. By joining the United Nation's SEE initiative, we have committed to long-term development of sustainable economy and uplifting the moral values of the society. In accordance with the commitments, we have assumed the role of a custodian of the development of the local capital market for both small and large companies, of incentives in the field of financing ecologically sustainable projects, of companies' corporate governance transparency and equal treatment of employees, regardless of age, gender, racial or religious affiliation.

## 2. Reference Corporate Governance Code

Within its corporate governance structure the Exchange takes into account the corporate governance and monitoring needs of the Zagreb Stock Exchange as its parent company. As the reference corporate governance code, the Exchange decided to comply with the Slovenian Corporate Governance Code for Listed Companies that was adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 27 October 2016. The CG Code is available in the English and Slovene languages on the Exchange's website <http://www.ljse.si/>.

## 3. Strategies of Communication and Collaboration with Individual Groups of Stakeholders

The main stakeholders of the Exchange with whom we strive to achieve the set goals of the company are member firms, issuers, advisors, employees, the controlling company and sole shareholder, the Securities Market Agency, the media, investment community, suppliers and outsourcers.

The purpose of communication with the main stakeholders is to provide information. At the same time, we are aware that the reputation and credibility of a financial institution and even capital market in general depend on public opinion. We thus strive to strengthen the reputation of and restore confidence in the Ljubljana Stock Exchange and the capital market in general through the communication strategy with main stakeholders and by addressing the local and wider community. We are confident that a proactive and positive communication when informing all stakeholders will greatly contribute to this goal.

In connection to the new initiative and role, which the Exchange assumed in the field of stimulating the economy of the SME sector, further public communication shall be based on raising the awareness of both the corporate as well as investment community. Raising the visibility of the Exchange's new role and the public awareness of the Exchange's new services is crucial for the long-term development of the entire local capital market. In addition to general information and publicity, the communication strategy will be based on an individual approach – presenting our operations to individual stakeholders and inviting them to participate in or join the capital ecosystem of the Exchange.

### 3.1. Member Firms, Issuers, Advisors

The Exchange is aware that attitude towards our partners – member firms and issuers – is the key driver of business success. In addition, the Exchange is in direct contact with its partners to ensure efficient



operations of the regulated market and SI ENTER market. Thus, the Exchange informs them of all activities on both markets in the following ways:

- Through the electronic information system – SEO – about all activities on the markets operated by the Exchange;
- Through direct circulars or notices intended solely for member firms or issuers;
- In events of substantial amendments to the rules and recommendations governing the obligations of member firms and issuers, they are invited to submit their comments on the regulations of the Exchange;
- On events organised by the Exchange, such as financial and investment conferences and other professional meetings;
- Through organisation of social events, where the informal environment allows for creating informal connections.

The Exchange discusses important professional and development issues regarding member firms, issuers and regulated securities market also through two counselling bodies – Board of Members and Board of Issuers. The members of both bodies act in the best interest of all member firms and issuers of the market and in the interest of the capital market development.

Advisors on the PROGRESS segment of the SI ENTER market are important messengers and facilitators of the further development of the local capital market in the segment of SMEs. The advisor status is given to companies which cooperate daily and, in any way, advise companies on adopting a diverse set of business decisions. Most of them are linked to financing, transfers of ownership and business optimisation, which coincides with the purpose of the MTF market for SMEs (Progress and Advance segments).

### **3.2. Employees**

In order to achieve the set goals, the employees represent the most important value. Therefore, the Exchange, together with its employees, is building a culture of mutual trust, respect, cooperation and team work. Concern for good interpersonal relations, quality of life and work, optimal working conditions, interesting work challenges, social security and care for safe working environment are the foundation of a stimulating working environment in which we can connect individuals' goals and needs with the goals of the company.

We realise that an open and two-way communication is all the more important in a company with a small number of employees. The communication is carried out in the following ways:

- In daily morning meetings of senior staff, who discuss current operational activities and address development issues for improving the quality of the Exchange's services;
- In extended Management Board meetings, which deal with current and strategic issues;
- By informing employees after Supervisory Board meetings when employees also learn about the views and orientations of the owner;
- At annual employee interviews with the direct supervising manager or the Management Board where personal satisfaction and management's expectations are discussed, and personal objectives of employees are set;
- Through employee representative, who represents employees in the Supervisory Board;
- At informal gatherings organised by the company for team building and strengthening of mutual relations.



### **3.3. Controlling Company and Sole Shareholder**

The Zagreb Stock Exchange is a 100% owner of the Ljubljana Stock Exchange and is thus its sole shareholder. From a corporate perspective the companies are in dependant – controlling company relationship.

As at 31 August 2016 the Zagreb Stock Exchange is a public limited company whose shares are listed on the Zagreb Stock Exchange market. Both exchanges thus concluded a special agreement regarding disclosure of business information of the Ljubljana Stock Exchange which could potentially be price sensitive for the shares of the Zagreb Stock Exchange.

The Ljubljana Stock Exchange communicates with the Zagreb Stock Exchange as the sole shareholder by publishing its notices on the public website of the Exchange, directly by sending registered mail on notifications regarding the convening of the General Meeting and adopted resolutions, and at the General Meeting.

### **3.4. Securities Market Agency**

Securities Market Agency (hereafter: SMA) performs oversight over the Exchange's operations and operating of the stock market and SI ENTER market. The Exchange regularly reports to SMA in accordance with the law and directly applicable European legislation. Outside the regulatory obligations, the Exchange has established a mutual professional relationship with its regulator, which enables all key stakeholders to effectively perform their tasks and fulfil the set goals.

Additionally, the Exchange works with other state authorities for good and comprehensive cooperation and respect for their decisions.

### **3.5. Media**

The Exchange communicates with the general public through its webpage and the media, with which it maintains regular contacts, and sends them press releases about important events or organises press conferences. The Management Board and the person authorised by the Management Board are responsible for communication with the media.

### **3.6. Investment Community**

The Ljubljana Stock Exchange and partners - the Central Securities Clearing Corporation (KDD), its issuers, member firms and other partners - have organized or financially supported successful investor conferences in Slovenia and abroad. The chief purpose of these investor conferences has been to increase the visibility of Slovenia's top issuers internationally and thus attract international institutional investors to the Slovene capital market, as well as to enhance liquidity on the LJSE.

Investor conferences showcasing top Slovene issuers take place across several European and world financial centres, where the companies present themselves through individual presentations and one-on-one meetings, and speak of their future business and development.

### **3.7. Suppliers and Outsourcers**

Operating the Exchange's markets is a complex activity. The Exchange thus outsourced the operational execution of some of its functions to experienced and professional external providers. The mutual rights



and obligations of contractual parties for outsourcing purposes are defined in mutually concluded agreements.

The Exchange builds a partner relationship with its suppliers and outsourcers, which is based on long-term business relationships that ensure the Exchange stability of operations and performance of its services. We are aware that only a consistent implementation and fulfilment of its obligations towards its suppliers and outsourcers strengthens the Exchange's reputation in the business environment and among investment community.

#### **4. Transaction Policies between the Company and Affiliated Companies, Including Their Members of the Management Board and Supervisory Board**

The Ljubljana Stock Exchange conducts business with the Zagreb Stock Exchange as its controlling company on a commercial basis. Within the framework of the report on relations with the controlling company Zagreb Stock Exchange or its affiliates for the previous financial year, the Exchange evaluates and discloses whether any loss or damage was incurred in individual legal transactions and whether any acts occurred that the company carried out or failed to carry out at the initiative or in the interest of the controlling company or its affiliates.

Report on Relations with Affiliated Companies is audited and discussed in a Supervisory Board meeting together with the auditor's report on the financial statements. A summary of explanations on the relations with the controlling company is also included in the Annual Report.

The Members of the Management Board and the Director of Legal Affairs and Compliance of the Zagreb Stock Exchange serve as members of the Supervisory Board of the Ljubljana Stock Exchange.

#### **5. Commitment to Set up a System Detecting Conflicts of Interest and Independence in Members of the Management/Supervisory Board**

When performing their tasks and making decisions, Members of the Management Board and the Supervisory Board must avoid circumstances and acts which could lead to a conflict of interest between the Exchange's interests and personal interests of a member or a person who has shared economic, political or other interests with this member, and which is reflected in the joint appearance and operation of this member and this person. In taking action and making decisions, members of the Supervisory and Management Board take account of the Exchange's interests and subordinate to them the potentially different individual own interests or individual interests of the Management Board, shareholders, the public, and other persons.

In the event of an existence of a conflict of interests or circumstances which could lead to a conflict of interest, the Supervisory Board and the Management Board must, without delay, take appropriate measures in order to eliminate the conflict of interest or to establish control over circumstances that could lead to conflicts of interest.

An established conflict of interest may also be a cause for dismissal of a member of the Supervisory Board if the Supervisory Board establishes a significant conflict of interest, which the member of the Supervisory Board cannot eliminate, and, in accordance with this finding, cannot take appropriate measures and/or



impose penal sanctions and/or damages against the member of the Supervisory Board. Therefore, members of the Supervisory Board are even more aware of their duties to inform the Supervisory Board of the existence of a conflict of interest.

## 6. Commitment of the Supervisory Board to Assess its Efficiency

Once a year, the Supervisory Board evaluates its composition, performance and potential conflicts of interests of its individual members, conflicts of the Exchange's interest with the interests of the stock market, conflicts of interest between the Exchange and its controlling company, circumstances that may influence the change in the assessment of the suitability of members of the Supervisory Board, the functioning of individual members and the supervisory board as a whole, the functioning of supervisory board committees, and its cooperation with the management board. In this regard, the Supervisory Board determines possible measures to improve its efficiency (composition, education, dynamics and attendance at meetings, information and preparation for meetings, etc.), potential conflicts of interests of individual members, the work of the Supervisory Board and cooperation with the Management Board.

## 7. Statement on Established Supervisory Board Committees

In accordance with the Articles of Association and the Rules of Procedure of the Ljubljana Stock Exchange Supervisory Board, the Supervisory Board may establish special supervisory board committees, which may be set up for the entire mandate of the board or only at extraordinary events, to effectively resolve complex issues. The supervisory board committees may prepare draft resolutions for the Supervisory Board and ensure their implementation but may not decide on issues falling under the power of the Supervisory Board. The Supervisory Board also determines the composition and members of individual committees.

For purposes of appointing a new member of the Management Board or Supervisory Board, the Supervisory Board may, in accordance with the Policy on the Assessment of the Suitability of Members of the Management and Supervisory Board, set up a Nomination Committee, which prepares an assessment of the suitability of a candidate for a new member of the Management Board or Supervisory Board.

In 2019, the Exchange will establish an Audit Committee and a Risk Committee to comply with the new Market in Financial Instruments Act.

## 8. Definition of Governance System

The Exchange is operated by a two-tier system of governance, where the Management Board runs the business and is monitored by the Supervisory Board. The Management Board and the Supervisory Board cooperate closely.

The governing bodies of the Exchange are the General Meeting, the Supervisory Board and the Management Board. In addition, the Exchange has two counselling bodies – Board of Members and Board of Issuers, which have no direct impact on the governance of the Exchange but with their advisory function indirectly contribute to the achievement of its mission and strategy.



The company's Articles of Association, as the basic legal act, are complementary to cogent statutory provisions and determine in more detail the division of responsibilities between the Management Board and the Supervisory Board and the manner of their cooperation. The Exchange's Articles of Association are available on the Exchange's public website <http://www.ljse.si/> in Slovene and English languages. The work of these bodies is also guided by the provisions of applicable Rules of Procedure in force.

The Management Board informs the Supervisory Board of all decisions which could have a significant impact on the company's business, financial or legal status.

The presidents of both bodies communicate regularly, while the Management Board and the Supervisory Board coordinate their views on regular Supervisory Board meetings.

The Management Board runs the company independently and at its own risk.

## 9. Protection of Interests of the Company's Employees

In managing human resources, we are aware that only motivated and satisfied employees will be able to achieve highly ambitious goals. The Exchange thus has in place an efficient remuneration and promotion system, ensures continuous education, training and development of employees and monitors employee satisfaction.

Since there is no development without knowledge, we try to offer our staff training and education in accordance with the business process needs and therefore give them the opportunity to grow and advance both personally and professionally.

The Exchange considers a safe and healthy working environment for its employees to be of great importance. We realise that such an environment is a prerequisite for efficient and quality work, and we have therefore worked toward further reducing all risks resulting from work processes that our staff are faced with.

We realise that an open and direct communication is all the more important in a company with a small number of employees. Through communication we strive to create a productive working environment, increase the sense of belonging, respect and trust.

## 10. Final Provisions

The CG Policy represents the description of the existing governance method and was adopted by the Management Board on 21 January 2019 and was approved by the Supervisory Board on its session on 24 January 2019.

It shall enter into force on the day of the approval by the Supervisory Board and shall remain in force until its amendment.

Interested public is informed of its adoption and content through a public announcement on the Exchange's website [www.ljse.si](http://www.ljse.si). The document is published on the website in Slovene and in its English version.



Ljubljana, 21 January 2019

Ljubljana Stock Exchange

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