

Information on the recommendations and principles followed by XTPL S.A., contained in the document Best Practice for GWP Listed Companies 2016

In accordance with the Rules of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange, WSE), companies listed on the WSE main market should follow the corporate governance principles set out in the document “Best Practice for WSE Listed Companies 2016” (“Best Practice 2016”).

The WSE Rules and resolutions of the WSE management board and supervisory board determine how GPW listed companies should provide information on their compliance with the corporate governance principles and the scope of information provided. Where a particular principle is not followed by a WSE listed company on a permanent basis or has been breached incidentally, the company is obliged to provide information about this fact in the form of a current report.

In addition, a WSE-listed company is required to have its annual report accompanied by a report containing information about the scope of its application of the Best Practice 2016 in the particular financial year.

XTPL S.A. (the “Company”) seeks to ensure the highest possible transparency of its activities, quality communication with investors and protection of shareholders’ rights also in any matters not regulated by law. Accordingly, the Company has taken the necessary steps to ensure the broadest possible implementation of the principles contained in the Best Practice 2016 document.

The Company’s Management Board follows and intends to follow most of the principles contained in the “Best Practice of WSE Listed Companies 2016”, except for specified principles. Details on the application of the Best Practice 2016 are presented below.

RECOMMENDATION

I. R.1.

Where a company becomes aware that untrue information is disseminated in the media, which significantly affects its evaluation, it should immediately publish on its website a communiqué containing its position on such information, unless in the opinion of the company the nature of such information and the circumstances of its publication give reasons to follow a more adequate solution.

The principle is followed

RECOMMENDATION

I. R.2.

Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle is followed

RECOMMENDATION

I. R.3.

Companies should allow investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a company.

The principle is followed

RECOMMENDATION

I. R.4.

Companies should use best efforts, and take all steps well in advance as necessary to prepare a financial report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

The principle is followed

DETAILED RULE

I. Z.1.

A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

I.Z.1.1. basic corporate documents, in particular the company's articles of association;

The principle is followed

I.Z.1.2. the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;

The principle is followed

I.Z.1.3. a chart showing the division of roles and responsibilities among members of the management board drawn up according to principle II.Z.1;

The principle is followed

I.Z.1.4. the current structure of shareholders indicating those shareholders that hold at least 5% of the total vote in the company according to information provided to the company by shareholders under the applicable legislation;

The principle is followed

I.Z.1.5. current and periodic reports, prospectuses and information memoranda with appendices, published by the company at least in the last 5 years;

The principle is followed

I.Z.1.6. information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions;

The principle is followed

I.Z.1.7. information materials published by the company concerning the company's strategy and its financial results;

The principle is followed

I.Z.1.8. selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;

The principle is followed

I.Z.1.9. information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

The principle is followed

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle is followed

I.Z.1.11. information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule;

The principle is followed

I.Z.1.12. a statement on compliance with the corporate governance principles contained in the last published annual report;

The principle is followed

I.Z.1.13. a statement on the company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the company should report under the applicable legislation;

The principle is followed

I.Z.1.14. materials provided to the general meeting, including assessments, reports and positions referred to in principle II.Z.10, tabled to the general meeting by the supervisory board;

The principle is followed

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is not followed. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website – The principle is not followed. The Company does not have a diversity policy. The company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance. Decisions regarding appointment to the Management Board or the Supervisory Board are not motivated by gender. Therefore, the Issuer cannot ensure a balanced participation of men and women in management and supervisory positions.

I.Z.1.16. information about the planned broadcast of a general meeting, not later than 7 days before the date of the general meeting;

The principle is not followed. The company operates a corporate website and publishes on it, in a legible form and in a separate section, in addition to information required under the legislation: information about the planned broadcast of a general meeting, not later than within 7 days before the date of the general meeting – The principle is not followed. The principle is not followed by the Company due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle – such cost would be out of proportion to the potential benefits that might flow to shareholders. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy;

I.Z.1.17. justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The principle is followed

I.Z.1.18. information about the reasons for cancellation of a general meeting, change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks;

The principle is followed

I.Z.1.19. shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

The principle is followed

I.Z.1.20. an audio or video recording of a general meeting;

The principle is not followed. The company operates a corporate website and publishes on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of the general meeting – The principle is not followed. The Issuer does not publish any audio or video recording of its general meetings. In the opinion of the Issuer, proper performance of information obligations related to general meetings, i.e. in particular the publication of current reports via the ESPI system and providing relevant information on the company's website, provides shareholders with full access to information on general meetings. The decision not to follow the above rule is a cost avoidance measure. However, the Issuer declares that it will abide by this corporate governance principle in that it will publish on its website an audio record of its general meetings provided that the Company's shareholders, including minority shareholders, (stock investors) so desire;

I.Z.1.21. contact details of the company's investor relations officers including the full name and e-mail address or telephone number;

The principle is followed

DETAILED PRINCIPLE

I. Z.2.

A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The principle is followed

RECOMMENDATION

II. R.1.

To ensure the highest standards of the management board and the supervisory board of a company in efficient fulfilment of their obligations, the management board and the supervisory board should have members who represent high qualifications and experience.

The Recommendation is followed.

RECOMMENDATION

II. R.2.

Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is not followed. Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience – The principle is not followed. The Company does not have a diversity policy. The company employs people with appropriate qualifications and professional experience, without differentiating them by age or gender. At present, only the men are members of the Issuer's bodies, but historically women also had functions on the Supervisory Board. When selecting candidates for members of the supervisory and management bodies, the Company's competent bodies follow the best interest of the Company and its shareholders, taking into account the candidates' qualifications, skills and performance. Decisions regarding appointment to the Management Board or the Supervisory Board are not motivated by gender. Therefore, the Issuer cannot ensure a balanced participation of men and women in management and supervisory positions.

RECOMMENDATION

II. R.3.

Functions on the management board of a company should be the main area of the professional activity of management board members. Additional professional activities of management board members must not require so much time and effort that they could adversely affect proper performance of functions in the company. In particular, management board members should not be members of governing bodies of other entities if the time devoted to functions in such other entities prevents their proper performance in the company.

The Recommendation is followed.

RECOMMENDATION

II. R.4.

Supervisory board members must be able to devote the time necessary to perform their duties.

The Recommendation is followed.

RECOMMENDATION

II. R.5.

If a supervisory board member resigns or is unable to perform his or her functions, the company should immediately take steps necessary to ensure substitution or replacement on the supervisory board.

The Recommendation is followed.

RECOMMENDATION

II. R.6.

Being aware of the pending expiration of the term of office of management board members and their plans of further performance of functions on the management board, the supervisory board should take steps in advance to ensure efficient operation of the company's management board.

The Recommendation is followed.

RECOMMENDATION

II. R.7.

A company should allow its supervisory board to use professional and independent advisory services necessary for the supervisory board to exercise effective supervision in the company. In its selection of the advisory service provider, the supervisory board should take into account the financial standing of the company.

The Recommendation is followed.

DETAILED PRINCIPLE

I. Z.1.

The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

The principle is followed

DETAILED PRINCIPLE

I. Z.2.

A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not followed. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board – The principle is not followed. The Articles of Association and the Company's internal documents do not impose information obligations on Management Board members in this regard. Nevertheless, pursuant to Article 18 of the Issuer's Articles of Association, the Supervisory Board may remove or suspend a Management Board member only for important reasons. An important reason is, inter alia, engaging – without the Supervisory Board's prior consent – in a business that is in competition against the Company, in particular by holding or purchasing shares in or joining a competitor as a partner or a member of its executive or non-executive bodies, or representing a competitor as its attorney (excluding subsidiaries as defined in the Code of Commercial Companies);

DETAILED PRINCIPLE

II.Z.3.

At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

The principle is followed

DETAILED PRINCIPLE

II.Z.4.

Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members.

Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and 9 significant relationship with any shareholder who holds at least 5% of the total vote in the company.

The principle is followed

DETAILED PRINCIPLE

II.Z.5.

Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The principle is followed

DETAILED PRINCIPLE

II.Z.6.

The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

The principle is followed

**DETAILED PRINCIPLE
II.Z.7.**

Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

The principle is followed

**DETAILED PRINCIPLE
II.Z.8.**

The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is followed

**DETAILED PRINCIPLE
II.Z.9.**

To enable the supervisory board to perform its duties, the company's management board should give the supervisory board access to information on matters concerning the company.

The principle is followed

**DETAILED PRINCIPLE
II.Z.10.**

In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:

II.Z.10.1. an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;

The principle is followed

II.Z.10.2. a report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfilment of the independence criteria;
- number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

The principle is followed

II.Z.10.3. an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

The principle is followed

II.Z.10.4. an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.

The principle is followed

**DETAILED PRINCIPLE
II.Z.11.**

The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.

The principle is followed

**RECOMMENDATION
III.R.1.**

The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.

The Recommendation is not followed. The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity – for the time being, the Company's structure does not include a separate unit that would be responsible for risk management, internal audit and compliance. All tasks resulting related to those areas are performed directly by the Management Board;

**DETAILED PRINCIPLE
III.Z.1.**

The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

The principle is followed

**DETAILED PRINCIPLE
III.Z.2.**

Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The principle is followed

**DETAILED PRINCIPLE
III.Z.3.**

The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is not followed. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks –the Company does not follow the above principle. At present, there is no person at the Company to manage the internal audit function as the Company has no formal unit responsible for internal audit;

**DETAILED PRINCIPLE
III.Z.4.**

The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is followed

**DETAILED PRINCIPLE
III.Z.5.**

The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's 12 management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is followed

**DETAILED PRINCIPLE
III.Z.6.**

Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

The principle is followed

**RECOMMENDATION
IV.R.1.**

Companies should strive to hold an ordinary general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

The principle is followed

**RECOMMENDATION
IV.R.2.**

If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through an attorney-in-fact.

The Issuer does not follow the above recommendation. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through: (i) real-life broadcast of the general meeting; (ii) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; (iii) exercise of the right to vote during a general meeting either in person or through an attorney-in-fact. – The Issuer does not follow the above recommendation. Application of the above recommendation may involve organisational, technical and legal risks that might lead to an attempt to challenge validity of the general meetings held. In addition, adoption of this principle would expose the Company to additional costs connected with ensuring technical conditions for participation in the General Meeting. The rules for convening and holding general meetings that arise from law and the Terms of Reference of the General Meeting create sufficient possibilities for shareholders to participate in the General Meeting in person and use their rights in this respect, and the Company calls general meetings by setting such days and times as to allow broad participation by shareholders. At the same time, shareholders may participate in the General Meeting by a proxy;

**RECOMMENDATION
IV.R.3.**

Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.1.**

Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.2.**

If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not followed. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings. – The principle is not followed. The principle is not followed by the Company due to the high cost of ensuring appropriate equipment and the technical resources needed to meet the obligations implied by this principle – such cost would be out of proportion to the potential benefits that might flow to shareholders. In this regard, the Company complies with the applicable provisions of its Articles of Association and law, and operates an appropriate information policy;

DETAILED PRINCIPLE

IV.Z.3.

Presence of representatives of the media should be allowed at general meetings.

The principle is not followed. Presence of representatives of the media should be allowed at general meetings. – The Company will allow presence of media representatives at general meetings subject to prior authorisation. Irrespective of the above, in the case of any questions regarding general meetings addressed to the Company by media representatives, the Company immediately provides relevant answers. The Company fulfils the information obligations of listed companies in accordance with the applicable laws, comprehensively and reliably, and operates an intensive communication policy;.

DETAILED PRINCIPLE

IV.Z.4.

If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is followed

DETAILED PRINCIPLE

IV.Z.5.

The rules of general meetings and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.

The principle is followed

DETAILED PRINCIPLE

IV.Z.6.

Companies should strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is followed

DETAILED PRINCIPLE

IV.Z.7.

A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

The principle is followed

DETAILED PRINCIPLE

IV.Z.8.

A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.9.**

Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of 15 the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

The principle is followed.

**DETAILED PRINCIPLE
IV.Z.10.**

Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.11.**

Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.12.**

The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is not followed. The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting – due to the fact that the Company's financial results and other key details contained in the financial statements, subject to approval by the General Meetings, are available on the Issuer's website from the day of their publication by the ESPI system, the Management Board will not present those data in detail during general meetings. Instead, the Management Board will answer shareholders' questions;

**DETAILED PRINCIPLE
IV.Z.13.**

If a shareholder request information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.14.**

Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the rights of shareholders pursuant to such events.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.15.**

A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.16.**

The dividend record date and the dividend payment date should be set so as to ensure that the period between them is not longer than 15 business days. A longer period between these dates requires a justification.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.17.**

A resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.

The principle is followed

**DETAILED PRINCIPLE
IV.Z.18.**

A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.

The principle is followed

**RECOMMENDATION
V.R.1.**

In order to achieve the highest standards in the performance of the company's management board's and supervisory board's duties in an effective manner, the management board and supervisory board are composed of people representing high qualifications and experience.

The principle is followed

**DETAILED PRINCIPLE
V.Z.1.**

No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.

The principle is followed

**DETAILED PRINCIPLE
V.Z.2.**

Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

The principle is followed

**DETAILED PRINCIPLE
V.Z.3.**

Members of the management board or the supervisory board must not accept any benefits which might affect their impartiality and objectivism in making decisions or reflect unfavourably on the assessment of the independence of their opinions or judgements.

The principle is followed

DETAILED PRINCIPLE

V.Z.4.

Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she may request that the minutes of the management board or the supervisory board meeting show his or her position.

The principle is followed

DETAILED PRINCIPLE

V.Z.5.

Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

The principle is followed.

DETAILED PRINCIPLE

V.Z.6.

In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is not followed. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise. – For the time being, the Company does not specify any internal regulations that would define the criteria and circumstances under which a conflict of interest may arise in the Company, as well as the rules of conduct where a conflict of interest has arisen or may arise. However, the Company's intention is to develop and adopt such regulations. The Company plans to introduce the indicated internal regulations as of 1 January 2019;

**RECOMMENDATION
VI.R.1.**

The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

The Company does not follow the above recommendation. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.
– For the time being, the Company does not follow the above recommendation, but it plans to introduce a formalised remuneration policy as of 1 January 2019, as this will be the beginning of a new settlement period. At present, the remuneration of Management Board members is determined by Supervisory Board based on the Company's Articles of Association, and corresponds to the qualifications and scope of duties of the respective Management Board members. Pursuant to the Code of Commercial Companies, the remuneration of Supervisory Board members is determined by the General Meeting. The remuneration of individual members of the Supervisory Board as well as senior managers depends on their respective roles and responsibilities;

**RECOMMENDATION
VI.R.2.**

The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

The Recommendation is followed.

**RECOMMENDATION
VI.R.3.**

If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

The Recommendation is followed.

**RECOMMENDATION
VI.R.4.**

The remuneration levels of members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. Remuneration should be adequate to the scope of tasks delegated to individuals, taking into account additional functions, for instance on supervisory board committees.

The Recommendation is followed.

**DETAILED PRINCIPLE
VI.Z.1.**

Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and longterm shareholder value creation as well as the company's stability.

The principle is followed

**DETAILED PRINCIPLE
VI.Z.2.**

To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

The principle is followed

**DETAILED PRINCIPLE
VI.Z.3.**

The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

The principle is followed.

**DETAILED PRINCIPLE
VI.Z.4.**

In this activity report, the company should report on the remuneration policy including at least the following:

1. general information about the company's remuneration system;
2. information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3. information about non-financial remuneration components due to each management board member and key manager;
4. significant amendments of the remuneration policy in the last financial year or information about their absence;
5. assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The principle is not followed. In this activity report, the company should report on the remuneration policy including at least the following: 1) general information about the company's remuneration system; 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group; 3) information about non-financial remuneration components due to each management board member and key manager; 4) significant amendments of the remuneration policy in the last financial year or information about their absence; 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

– The Company does not follow points 4 and 5 of the above recommendation due to the lack of the adopted remuneration policy. Given the size and scope its operations, the Company does not require a formal remuneration policy yet.