

EBI Current Report

Number: 01/2019
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Issuer: XTPL S.A., a joint stock company with its registered office in Wrocław

Topic:

Report on the scope of application of the Best Practice by XTPL S.A.

Legal basis: Para. 29(3) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A.

Contents of the Report: Pursuant to para. 29(3) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange), XTPL S.A. hereby submits a report on non-compliance with certain detailed principles set out in the document "Best Practice for WSE Listed Companies 2016".

Disclosure Policy, Investor Communications

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 not applicable.

At the moment, the Company does not pursue any sponsorship, charity or other similar activities.

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 not applicable.

At the moment, the Company has not decided to publish financial projections.

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 applied.

The Company does not have a formalised 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 transmission of a general meeting, not later than 7 days before the date of the general meeting.

The principle is not applied.

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

The principle is not applied.

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.

Management Board, Supervisory Board

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 applied.

Comments of the Company : The Company does not have a formalised 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.

II.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 applied.

Comments of the Company : 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).

Internal Systems and Functions

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 principle is not applied.

Comments of the Company : 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. The existing structure ensures proper control in this respect. However, in the future the Company might consider setting up relevant separate organisational units, if it is justified by the size or type of business carried on by the Company.

General Meeting, Shareholder Relations

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 a plenipotentiary.

The principle is not applied.

Comments of the Company : 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.

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 applied.

The current ownership structure of the Company does not justify the need to ensure publicly available real-time broadcasts of general meetings. The principle is not followed by the Company also 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. This ensures proper and effective exercise of rights from shares, and sufficiently safeguards the interests of all shareholders, including minority shareholders.

IV.Z.3. Presence of representatives of the media should be allowed at general meetings.

The principle is not applied.

The Company might 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 imposed on listed companies in accordance with the applicable laws, comprehensively and reliably, and operates an intensive communication policy.

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 applied.

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 meeting, are available on the Issuer's website from the day of their publication through the ESPI system, the Management Board will not present those data in detail during general meetings. Instead, the Management Board will answer shareholders' questions.

Remuneration

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 not applied.

The incentive scheme currently in force at the Company is not based on options or other financial instruments linked to the Company's shares. In the Company's situation, achieving long-term business, economic and financial objectives of the Company by implementing incentive schemes based on options or other financial instruments linked to the Company's shares does not require the Company prior introduction of a fixed period between the allocation of such instruments and their exercisability. Accordingly, if an incentive scheme based on options or other financial instruments is introduced at the Company, the above principle will not be followed.

Appendix:

– A statement on the company's compliance with the corporate governance recommendations and principles contained in the Best Practice for GPW Listed Companies 2016.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES:

Maciej Adamczyk
Management Board Member