

Inpro Spółka Akcyjna

Statement on the Company's compliance with the principles and recommendations contained in the Best Practice for WSE Listed Companies 2016

As per the current status of compliance with the Best Practice, the Company does not follow 3 recommendations: III.R.1., VI.R.1., VI.R.2.

As per the current status of compliance with the Best Practice, the Company does not follow 8 detailed principles: I.Z.1.20., II.Z.7., III.Z.1., III.Z.2., III.Z.3., III.Z.4., III.Z.5., V.Z.6.

I. Disclosure Policy, Investor Communications

Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

Recommendations

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.

This principle is followed.

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.

This principle is followed.

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.

This principle is followed.

I.R.4. Companies should use best efforts, including taking all steps well in advance as necessary to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

This principle is followed.

Detailed principles

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 (statutes),

This 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,

This principle is followed.

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

This 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,

- This principle is followed.*
- I.Z.1.5.** current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 5 years,
This 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,
This principle is followed.
- I.Z.1.7.** information materials published by the company concerning the company's strategy and its financial results,
This 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,
This 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,
This 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,
This 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,
This principle is followed.
- I.Z.1.12.** a statement on compliance with the corporate governance principles contained in the last published annual report,
This 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,
This 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,
This 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,
This principle is followed.
- 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,
This principle is followed.
- 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,
This principle is followed.
- I.Z.1.18.** information on the reasons for the cancellation of a general meeting, a change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks,
This 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,
This principle is followed.
- I.Z.1.20.** an audio or video recording of a general meeting,
This principle is not followed.
Company's comments: *The above principle will not be followed as the sessions of the general meeting (assembly) are not audio or video-recorded. At the moment, non-registration of the sessions is due to the lack of recording media of sufficient quality which could reflect the course of a general meeting without the risk of an image defect. Moreover, in compliance with the binding provisions of law, general meeting sessions are minuted by a notary, and the resolutions adopted during those sessions published by the Company. In the Company's opinion, non-compliance with this principle is not related to any risk as the procedures for the convocation of general meetings and recording their course in compliance with the binding provisions of law ensure that the shareholders have both the opportunity to participate in the sessions of the Meeting and become familiar with its course later. The Company does not, however, rule out steps to procure and implement technical measures which may audio or video-record the course of a general meeting.*
- I.Z.1.21.** contact details of the company's investor relations officers including the full name and e-mail address or telephone number.
This principle is followed.

- 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.
This principle is not applicable to the Company.
Company's comments: The above principle I.Z.2 does not apply with regard to the extent specified in principle I.Z.1 as the Company's shares do not participate in WIG20 or mWIG40 exchange indices. The compact structure of shareholders and the scope of activity do not support the application of that principle, either.

II. Management Board and Supervisory Board

A listed company is managed by its management board, whose members act in the interest of the company and are responsible for its activity. The management board is responsible among other things for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

A company is supervised by an effective and competent supervisory board. Supervisory Board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

Recommendations

- 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.
This principle is followed.
- 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 other things in terms of gender, education, age and professional experience.
This principle is followed.
- 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.
This principle is followed.
- II.R.4.** Supervisory board members must be able to devote the time necessary to perform their duties.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.

Detailed principles

- II.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.
This principle is followed.
- 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.
This principle is followed.
- II.Z.3.** At least two members of the supervisory board should meet the criteria of being independent as referred to in principle II.Z.4.
This principle is followed.
- II.Z.4.** Annex II to the Commission Recommendation 2005/162/EC 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 significant relationship with any shareholder who holds at least 5% of the total vote in the company.
This principle is followed.

- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is not followed.
Company's comments: *The committees mentioned in Annex I to the Commission Recommendation of 15 February 2005 i.e. the nomination committee and the remuneration committee do not operate at the Company at the moment. In view of the amendments made on 28 September 2017 to the Company's Statutes during the Extraordinary General Assembly of INPRO S.A, which amendments were caused by the requirements of the Act of 11 May 2017 on statutory auditors, audit companies and public supervision (Dz.U. [Journal of Laws] of 2017, No. 1089, the separate Audit Committee will operate at the Company. In view of the Company's size, the Management Board is of the opinion that the current regulations on the election of management board members appointed by the Supervisory Board and the principles of election of Supervisory Board members by the General Meeting are the correct and sufficient regulation in that regard and carry no risk of the lack of transparency and clarity of action and no risk of action violating the shareholders' equal rights. Moreover, the Company informs that the Statutes stipulate that at least two members of the Supervisory Board must be independent, the status as set out in the current wording of the Statutes. The By-Laws of the Supervisory Board stipulate that if the independent member's status is lost by a Supervisory Board member, such a person shall notify the Chairperson of the Supervisory Board and the President of the Company's Management Board immediately. Moreover, in conformity with the provision of § 9 item 7 of the By-Laws of the General Meeting, a candidate for member of the Supervisory Board shall, at the General Meeting at which he or she is to be appointed, make a statement on compliance or non-compliance with the status of an independent Supervisory Board member. The remuneration policy has not been created or endorsed at the Company. In conformity with the Company's Statutes, the remuneration of the Supervisory Board members is fixed by the General Meeting and the remuneration of the Management Board members by the Supervisory Board. Moreover, the Company publishes information on the remuneration of the members of governing and managing bodies in compliance with the binding provisions of law. Owing to that circumstance the lack of the remuneration policy does not actually cause the violation of the above-mentioned recommendations, and salaries at the Company are transparent and so there is no risk or negative implications of non-compliance with that principle.*
- II.Z.8.** The chairperson of the audit committee should meet the independence criteria referred to in principle II.Z.4.
This principle is followed.
Company's comments: *In view of the amendments made on 28 September 2017 to the Company's Statutes during the Extraordinary General Assembly of INPRO S.A, which amendments were caused by the requirements of the Act of 11 May 2017 on statutory auditors, audit companies and public supervision (Dz.U. [Journal of Laws] of 2017, No. 1089, the separate Audit Committee will operate at the Company, thus this principle will be able to be followed at present. All the independence criteria allowed for by principle II.Z.4 are prescribed by the Company's Statutes and the By-Laws of the Supervisory Board. The Company indicates that, at the moment, two Supervisory Board members, including the chairperson of the Supervisory Board, have the independence status set out in conformity with the criteria contained in the current Company's Statutes and in the By-Laws of the Supervisory Board. The chairperson of the Audit Committee will meet the independence criterion prescribed by principle II.Z.4.*
- 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.
This principle is followed.
- 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;
This 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;
- This 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 information submitted by the issuers of securities;
This 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.
This principle is followed.
- II.Z.11.** The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.
This principle is followed.

III. Internal Systems and Functions

Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity.

Recommendations

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.

This principle is not followed.

***Company's comments:** In view of the size and kind of activity, the Company's structure does not include separate units responsible for the performance of tasks in individual systems or functions. The current methods of control in the Company were detailed in comments on principle III.Z.1.*

Detailed principles

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.

This principle is not followed.

***Company's comments:** The Company indicates that the Management Board is responsible for the control of the Company's operating activity, including the control of the internal processes of its activity, along with risk management processes. At the Company there are, however, no formalised procedures, systems (instructions) or specialised units for managing internal control, risk and compliance processes. At the moment, the Management Board can see no need for the introduction of such processes unless the assessment conducted by the Supervisory Board indicates the need for doing so. The Company indicates that in view of its size and object the Company considers the current control, audit and risk management system to be sufficient. In accordance with the recommendations concerning the credibility and reliability of the financial statements, including the requirements set out in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information submitted by the issuers of securities [. . .], the Company uses the control and risk management mechanisms with regard to the process of preparation of financial statements and consolidated financial statements: The Company's Management Board is responsible for the correct preparation of separate and consolidated financial statements. That is the governing body approving the Company's financial documentation. Materials for the statements are prepared by an organisational unit of the Company's enterprise – the Finance and Accounting Department. That department is involved, among other things, in accounting, the Company's reporting, the Group's consolidated reporting (for the years from 2007 to 2015), financial analysis, controlling, and budget preparation. Those tasks are within the powers of various employees of the Finance and Accounting Department. The Department is managed by the Chief Accountant who is also the Finance Director. The Group's consolidated statements commencing from the annual statements for 2016 have been made by a third party entity on the basis of the materials prepared by the Finance and Accounting Department. Internal control with regard to accounting documentation is exercised in the following way: invoices are reviewed at the Company's various departments from the activity of which those costs arise (material control), by the Finance and Accounting Department (formal and accounting control) and by the Chief Accountant (payment approval). Invoices are also reviewed by the Company's Management Board. At the Company, there is also a position for the material control of agreements entered into by the Company. A budget and programme broken down by months, both updated on an ongoing basis, are prepared by the Production Department for each property development project pursued by the Company. A site manager on a given project provides the Finance and Accounting Department and the Management Board on a monthly basis with a report containing the value of the works performed at the site in a given month divided into the scope of the works, with information on the progress of various items and of the entire project. Every month, the Company's Sales Department prepares a report containing the number and value of agreements concluded and terminated with the acquirers of the premises. The Sales Director makes a programme showing the planned receipt of advances in relation to the purchase of premises and the number of premises delivered to customers in a given month for the purposes of various projects. Based on the above-mentioned programmes (production and sales), annual financial plans broken down to various projects are prepared. The financial plan is approved by the Management Board. During the year, the plan is analysed and updated on an ongoing basis (including from the point of view of the reports by Production and Sales Departments). The Company prepares separate and consolidated financial statements in conformity with the International Financial Reporting Standards ("IFRS") approved by the European Union, the Accounting Act of 29 September 1994, the Regulation of the Minister of Finance of 25 September 2009 on the detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies and with the Commercial Companies Code. The Company also has the accounting policy containing, among other things, the definition of the financial year and reporting period comprised by it, the way of keeping the books of accounts (the chart of accounts, a schedule of the books of accounts, the description of the data processing system), the definition of the system designed for the protection of data and their sets including accounting vouchers, the books of accounts and other documents forming the basis of making entries in them. The Company's accounts are kept with the help of the Comarch ERP Optima accounting programme. Access to the data in the programme is available to the specified persons. That software is used for book keeping, making analyses, schedules, financial statements etc. The data obtained owing to the accounting software is analysed every month and then, based on those analyses, decisions in the risk management process are made. Financial statements (annual, semi-annual, separate and consolidated) are subject to an audit (review) by an independent statutory auditor. Irrespective of the above, the Company is assisted by an independent lawyers' office which reviews the Company's activities subjected to the assessment by that office for compliance with the provisions of law. The Company has an agreement with a tax consultancy office. In view of the above, in the Company's opinion, non-compliance with the above principle will not adversely affect the Company's activity and the systems described above eliminate the negative consequences, if any, of the Company's non-compliance with that 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.

This principle is not followed.

Company's comments: As it was already indicated with reference to the substantiation of non-compliance with principle III.Z.1, no units involved in risk management, internal audit and compliance were established at the Company; that is why the above rule in its literal sense is not followed. The Company indicates, however, that among the practices used by it at the moment, which are detailed in the substantiation of non-compliance with principle III.Z.1 above, the Finance Director (Chief Accountant) is directly responsible before the President of the Management Board. Moreover, the directors of various divisions at the Company report directly to the members of the Company's Management Board too. External entities providing advisory services, including legal consultancy, and entities conducting audits have constant and direct contact with the Company's Management Board. The Company has no mechanisms forbidding the submission of reports directly to the Supervisory Board. In this state of affairs, in the Company's opinion, the current organisational structure ensures the correct information flow and supervision over the activity of various persons as part of the activities described above.

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.

This principle is not followed.

Company's comments: The Company has no separate internal audit unit and there is no separate position for the person heading that unit. The Company follows the principles detailed in the substantiation of current non-compliance with principle III.Z.1 above. In the Supervisory Board there is the Audit Committee, which was discussed in detail above in the comments on principle II.Z.7. At least two Supervisory Board members and the chairperson of the Audit Committee meet the independence requirements described in the Company's Statutes and in the By-Laws of the Supervisory Board. Moreover, persons performing the audits and statutory auditors are independent of the Company. If an internal audit unit is established at the Company, the person who will be given the function of the manager of that unit will meet the requirements described in this 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.

This principle is not followed.

Company's comments: As it was already indicated in the substantiation of current non-compliance with principle III.Z.3 above, the Company has no separate internal audit unit and no separate position for a person heading that unit; in relation to that the Supervisory Board will not be presented by such entities with the assessment of the efficiency of the systems and functions referred to in that principle. The Management Board submits a report of the Company's activity to the General Meeting and Supervisory Board every year. At the moment, the Company will follow the principle under discussion with regard to the reports of the Management Board adequate to the current mechanisms described above and existing at the Company.

III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among other things on the basis of reports provided periodically by the persons responsible for the functions and the company's 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.

This principle is not followed.

Company's comments: As it was already indicated in the substantiation of non-compliance with principle III.Z.1 above, at the Company there are no formalised procedures, systems (instructions) or specialised units for managing internal control, risk and compliance processes. In view of the above, compliance with principle III.Z.5 will be based on the assessment by the Supervisory Board of the activities described in the substantiation to item III.Z.1 with reports described in the substantiation to principle III.Z.4 above taken into account, and also on the basis of the activities of the Audit Committee.

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.

This principle is followed.

IV. General Meeting, Shareholder Relations

The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting.

The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders.

Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.

Recommendations

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.

This principle is followed.

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-time 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.

This principle is not applicable to the Company.

Company's comments: *The above recommendation is not applicable because of the costs of related services and the need to ensure not only bilateral communication, but also the safety of such broadcasts and the need to develop the technical capacity to conduct voting and verify the rights of participation in a general meeting. The Company will consider the possibility of following recommendation IV.R.2 of the Best Practice for WSE Listed Companies 2016 in the future. In the event that the above-mentioned principle is introduced when the Company obtained necessary means and telecommunication and computer devices have complied with the requirements stated in that principle, INPRO S.A. will immediately give relevant information to the public. In the Company's opinion, non-compliance with that principle is not, at the moment, related to any risk as the procedures for the convocation of General Meetings in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Meeting. Moreover, the relatively compact structure of shareholders of the Company does not require the use of such forms of broadcast of the sessions of a general meeting.*

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.

This principle is not applicable to the Company.

Company's comments: *The Company's shares are traded on the domestic market only.*

Detailed principles

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.
This principle is followed.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

This principle is not applicable to the Company.

Company's comments: *The current relatively compact structure of shareholders of the Company does not require the use of such forms of broadcast of the sessions of a general meeting. In the Company's opinion, non-compliance with that principle is not, at the moment, related to any risk as the procedures for the convocation of General Meetings in compliance with the mandatory provisions of law ensure that the shareholders have the opportunity to participate in the sessions of the Meeting.*

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

This principle is followed.

IV.Z.4. If the management board becomes aware of 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.

This principle is followed.

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.

This principle is followed.

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.

This principle is followed.

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.

This principle is followed.

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.

This principle is followed.

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 chairperson of 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.

This principle is followed.

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.

This principle is followed.

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.

This principle is followed.

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. *This principle is followed.*

IV.Z.13. If a shareholder requests 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.

This principle is followed.

- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.

V. Conflict of Interest, Related Party Transactions

For the purpose of this Section, ‘related party’ is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

Recommendations

- V.R.1.** Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the company, and where a conflict of interest arises, immediately disclose it.
This principle is followed.

Detailed principles

- V.Z.1.** No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.
- 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.
This principle is followed.
- 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 operating activities 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.
This principle is followed.
- 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 other things 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.
This principle is not followed.

Company's comments: The Company informs that as at the date of entry into force of the "Best Practice for GPW Listed Companies 2016," that being an appendix to Resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015, i.e. as at 1 January 2016, the Company will not have a list of internal regulations meeting the requirements of the regulation described above. The Company has taken steps to check the possibility of a conflict of interest with regard to the Company's activity and to prepare a relevant document. Following the preparation and endorsement of such a document by the Company, the above principle will be followed. The Company will use the existing relevant regulations, in particular the provisions of the Statutes requiring the expression of consent by the Supervisory Board to the conclusion of an agreement with a related party, the provisions of the By-Laws of the Supervisory Board regarding the obligation of a Supervisory Board member to report the rise or the possible rise of a conflict of interest and to abstain from taking the floor in a discussion or voting on a resolution in which such a conflict has or could have arisen, and also regarding the obligation on the Supervisory Board members to report their relations with the company's shareholders representing not less than 5% of the total vote at the General Meeting. It should also be indicated that in conformity with the provision of §10 of the By-Laws of the Management Board, its members are also obliged to advise the Management Board of the existing or potential conflict of interest and to exclude themselves from resolving the matters comprised by such a conflict. If a conflict of interest arises in relation to the employees of the Company or persons acting upon its instruction, the Management Board will review each reported or noticed instance of such an existing or potential conflict of interest and attempt to resolve it.

VI. Remuneration

A company should have a remuneration policy applicable at least to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.

Recommendations

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

This principle is not followed.

Company's comments: In view of the size and kind of its activity, the Company does not have a formalised remuneration policy. In conformity with the Company's Statutes, the remuneration of the Supervisory Board members is fixed by the General Meeting and the remuneration of the Management Board members by the Supervisory Board. Moreover, each year the Company publishes information on the remuneration of the members of governing and managing bodies in compliance with the binding provisions of law. The remuneration of the managers is fixed on the basis of the Remuneration Rules prepared in conformity with the requirements of the Labour Code. Owing to that circumstance the remuneration principles at the Company are transparent and there is no risk or negative implications of non-compliance with that principle.

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.

This principle is not followed.

Company's comments: As indicated in the comments on recommendation VI.R.1, the Company does not have a remuneration policy. The remuneration principles at the Company comply, however, with the requirements specified in recommendation VI.R.2.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

This principle is not applicable to the Company.

Company's comments: A remuneration committee does not operate at the Company.

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.

This principle is followed.

Detailed principles

VI.Z.1. Incentive schemes should be constructed in a way necessary among other things 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 long-term shareholder value creation as well as the company's stability.

This principle is not applicable to the Company.

Company's comments: The Company does not have any incentive schemes at the moment. The principles regarding the remuneration of the Company's employees are specified in the Remuneration Rules binding at the Company. The form and structure of the remuneration of the Management Board members is, however, fixed by the Supervisory Board, which should be guided by its best knowledge and will. The amount of the remuneration for the Supervisory Board is fixed by the shareholders at a general meeting. The Management Board declares, however, that if incentive schemes are introduced, they will be constructed on the basis of the above 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.

This principle is not applicable to the Company.

Company's comments: The Company does not have any incentive schemes at the moment. The principles regarding the remuneration of the Company's employees are specified in the Remuneration Rules binding at the Company. The form and structure of the remuneration of the Management Board members is, however, fixed by the Supervisory Board, which should be guided by its best knowledge and will. The amount of the remuneration for the Supervisory Board is fixed by the shareholders at a general meeting. The Management Board declares, however, that if incentive schemes are introduced, they will be constructed on the basis of the above 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.

This principle is followed.

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.

This principle is followed.