

Elektrotim Spółka Akcyjna [*joint-stock company*]

Information regarding the application of the Company
of recommendations and rules included in the Best
Practices of WSE listed Companies 2016

According to the current state of applying Best Practices, the Company does not apply 2 recommendations: III.R.1. and IV.R.2.

According to the current state of applying Best Practices, the Company does not apply 11 detailed rules:

I.Z.1.11., I.Z.1.15., I.Z.1.16., I.Z.1.20., II.Z.7., II.Z.8., III.Z.3., III.Z.4., III.Z.5., III.Z.6., and IV.Z.2.

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.

The Principle is applied.

Company's Remark: The Company publishes on its website information on its position regarding disseminating in media untrue information which may significantly affect its evaluation, immediately after becoming aware of the fact.

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 applied.

Company's Remark: The Company pursues sponsorship, charity or other similar activities and it publishes information about the relevant policy in its annual activity report. The Company for the first time published relevant information in its Activity Report for 2014 and still plans to publish information regarding the Corporate Social Responsibility

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 applied.

Company's Remark: Upon publication of each periodical report the Company organizes meetings and it allows investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest.

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.

The Principle is applied.

Company's Remark: The Company makes effort to prepare and publish financial results in a possibly shortest time after the end of a reporting period.

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:

basic corporate documents, in particular the company's articles of association;

The Principle is applied.

Company's Remark: The Company runs the corporate web page and publishes there information required by the provisions of law and information referred to in "Best Practice for GPW Listed Companies 2016", in a legible form, in a separate place in tab Investor Communications.

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 applied.

Company's Remark: The Company publishes on its web pages the composition of the Board and the supervisory Board, as well as professional CVs of the members of these bodies together with the information on the fulfilment of the criteria of independence, subject to the fact that the criterion of independence, which is included in the Articles of Association of the Company, is regulated differently from the independence criterion described in Principle II.Z.4.

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;

The Principle is applied.

Company's Remark: The Company publish on its web page a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z. 1.

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 applied.

Company's Remark: The Company publish on its web page 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.

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;

The Principle is applied.

Company's Remark: The Company publish on its web page current and periodic reports and information memoranda with annexes, published by the company

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 applied.

Company's Remark: The Company published on its web page, in tab Investor Communications/Information for investors/calendar where the following is included: a) dates of publishing periodic reports in 2016, b) dates of press conferences after publishing the periodic reports in 2016, c) closed period for purchasing/selling shares of ELEKTROTIM S.A. in relation to publishing the periodic reports in 2016

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

The Principle is applied.

Company's Remark: The Company posts on its web page published financial results.

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 applied.

Company's Remark: The Company publishes on its web page selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data.

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 applied.

Company's Remark: The Company published on its web page, in tab Investor Communications/Information for investors/dividend 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;

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 applied.

Company's Remark: The Company decided not to publish financial forecasts. In the opinion of the Board, the present uncertainty does not allow to present forecasts with the acceptable precision. The Company informs about the above-mentioned data in its annual and semi-annual periodic report.

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 not applied.

Company's Remark: The Company has not developed a rule of changing the company authorised to audit financial statements. The substantive document shall be developed and published.

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

The Principle is applied.

Company's Remark: The Company publishes a statement on compliance with the corporate governance principles contained in the last published annual report.

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 applied.

Company's Remark: The Company published on its web page, in tab Investor Communications/Information for investors/corporate governance 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.

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 applied.

Company's Remark: In the Report of the Supervisory Board for 2015, handed over to the General Meeting, evaluations, reports, and opinions indicated in principle II.Z.10. are included.

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.

Company's Remark: When employing workers for the management of the Company and for the key positions the Company applies the requirements in the scope of: 1. knowledge, 2. skills, 3. motivation, 4. diligence, and 5. professional experience.

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.

Company's Remark: The Company does not plan broadcasting the General Meetings.

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 time frame enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The Principle is applied.

Company's Remark: The Company publishes on its web page justifications to the draft resolutions of the General Meetings.

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 applied.

Company's Remark: The Company publishes on its web page 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.

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 applied.

Company's Remark: The Company publishes 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,

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

The Principle is not applied.

Company's Remark: The Company does not record audio or video and does not publish on its web page the course of the General Meeting due to the lack of consent of people participating in the GMS to share their image.

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 applied.

Company's Remark: The communication with investors takes place via e-mail address: relacje.inwestorskie@elektrotim.pl The President of the Board, Andrzej Diakun, shall be liable for communication with investors via e-mail: relacje.inwestorskie@elektrotim.pl and telephone: 71 352 13 41

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 does not apply to the Company.

Company's Remark: The Company's shares are not qualified to the WIG20 or mWIG40 stock market indexes. The Company runs a web page in the scope of Investor Communication also in English, however, not in the full scope specified in provisions described in I.Z.1.

II. Management Board, 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 others 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.

The Principle is applied.

Company's Remark: Persons representing high social competences, high qualifications, and experience are appointed members of the Board and the 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 applied.

Company's Remark: Persons making decision to elect members of the management board or the supervisory board of a company strive for ensuring that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

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 Principle is applied.

Company's Remark: Functions on the management board of a company should be the main area of the professional activity of management board members.

II.R.4. Supervisory board members must be able to devote the time necessary to perform their duties.

The Principle is applied.

Company's Remark: Supervisory board members devote the time necessary to perform their duties.

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 Principle is applied.

Company's Remark: 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.

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 Principle is applied.

Company's Remark: 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.

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 Principle is applied.

Company's Remark: 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.

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.

The Principle is applied.

Company's Remark: The diagram of division of responsibilities in the Board of the Company is available on the Company's web page.

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 applied.

Company's Remark: The Supervisory Board gives its consent for the Members of the Board to have a seat in boards and supervisory boards of companies not being part of the Group of Companies of the Company.

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 applied.

Company's Remark: Two members of the supervisory board meets the criteria of being independent referred to in principle II.Z.4. The Company, in its Articles of Association, specified different criteria of independence than those included in principle II.Z.4.

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 significant relationship with any shareholder who holds at least 5% of the total vote in the company.

The Principle is applied.

Company's Remark: Due to the change of the Articles of Association by the General Meeting on 07.06.2016, the Articles of Association now include regulations regarding independence criteria, referred to in principle II.Z.4. Currently, the process of registering the change in the Articles of Association by the registration court is carried out.

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 applied.

Company's Remark: 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.

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 applied.

Company's Remark: The supervisory board identifies any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria in conformity with principle II.Z.4.

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 not applied.

Company's Remark: No separate committees function in the Supervisory Board. The Supervisory Board performs the function of an audit committee. In the light of the foregoing, the provisions of Annexe I to the Commission Recommendations shall not apply.

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The Principle is not applied.

Company's Remark: The Supervisory Board performs the function of an audit committee. The Chairperson of the Supervisory Board does not fulfil the criterion of independence specified in 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.

The Principle is applied.

Company's Remark: The Board of the Company ensures the supervisory board access to information on matters concerning the company in order to allow it to carry out its tasks.

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 applied.

Company's Remark: The materials handed over to the General Meeting by the Supervisory Board for 2015, all of the above-mentioned elements were included (Report of the Supervisory Board for 2015).

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 applied.

Company's Remark: The Report on activities of the Supervisory Board for 2015 all of the above-mentioned information were included.

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 applied.

Company's Remark: The Supervisory Board, in its Report for 2015, submitted to the General Meeting 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.

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 applied.

Company's Remark: The Supervisory Board, in its Report for 2015, submitted to the General Meeting, the assessment of rationality of policy run by the Company, referred to in Recommendation I.R.2.

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 applied.

Company's Remark: The above-mentioned principle is applied in the Company.

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.

The Principle is not applied.

Company's Remark: In the Company's structure no formalized unit responsible for carrying out tasks in particular systems: of supervising compliance and in the internal audit, was distinguished.

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.

The Principle is applied.

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 applied.

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 applied.

Company's Remark: Currently, there is no person managing the internal audit in the Company due to lack of distinguishing in the structure the formalised unit responsible for the internal audit.

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 not applied.

Company's Remark: Due to lack of distinguishing in the structure the formalised unit responsible for the internal audit and due to lack of a person liable for the internal audit, the assessment of efficiency of functioning of the systems and functions referred to in principle III.Z.1. has not yet been presented to the Supervisory Board.

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 not applied.

Company's Remark: The Supervisory Board has not received the periodic report from monitoring of efficiency of systems and functions in the scope of compliance and in the scope of the internal audit, as well as has not carried out the annual assessment of efficiency of functioning of compliance and the internal audit. Since 2016 the Supervisory Board will have the possibility of monitoring efficiency of compliance and the internal audit.

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 not applied.

Company's Remark: The formalised internal audit has not been organizationally separated in the Company. The Supervisory Board shall carry out the assessment whether it is necessary to make such a separation.

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.

The Principle is applied.

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.

Company's Remark: The Company does not apply the above-mentioned principle due to the risk of appealing the resolutions of the GMS related to possible intervals in the two-way communication, lack of broadcasting audio and video or lack of technical possibility of voting safe. The Company does not broadcast the GMS in real time due to lack of consent of participants of the meeting to share their image.

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 does not apply to the Company.

Company's Remark: Shares of ELEKTROTIM S.A. are subject to trade on regulated market, only on the Giełda Papierów Wartościowych S.A. [Warsaw Stock Exchange].

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.

The Principle is applied.

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.

Company's Remark: The Company does not broadcast the GMS in real time due to lack of consent of participants of the meeting to share their image.

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

The Principle is applied.

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 applied.

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 applied.

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 applied.

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 applied.

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 applied.

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 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 applied.

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 applied.

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 applied.

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 applied.

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 applied.

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 applied.

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 time frame necessary for investors to make decisions.

The Principle is applied.

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 applied.

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 applied.

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 applied.

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.

The Principle is applied.

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.

The Principle is applied.

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 applied.

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 applied.

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 applied.

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 applied.

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 applied.

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.

The Principle is applied.

Company's Remark: The Company endorsed "The Policy of Remunerations for 2016-2018" for the members of the Company's bodies, i.e. for the Members of the Board and the Members of the Supervisory Board. The consolidated document of the "Policy of Remuneration" has been developed applying recommendations resulting from the "Best Practices 2016".

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 Principle is applied.

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

The Principle does not apply to the Company.

Company's Remark: The Remuneration Committee does not operate in the Supervisory Board of 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.

The Principle is applied.

Detailed Principles

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 applied.

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 applied.

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 applied.

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 applied.