



CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



THE ZAGREB STOCK EXCHANGE



C O R P O R A T E G O V E R N A N C E C O D E



2 CORPORATE GOVERNANCE CODE

CORPORATE GOVERNANCE CODE PREFACE



The implementation of the Corporate Governance Code represents a peak of corporate governance culture, at the same time classifying corporate managers as top managers. The Code is more than just a list of rules for good conduct – it serves as an instrument for protecting shareholder rights, helping managers increase their efficiency, but also for preserving company stability.

Companies implementing the Code support business transparency, which provides information enabling a better analysis of business operations. Such analysis reduces risks in investment decision making, which results in lower rate discounting, and consequently in higher share prices. Herein lies the actual significance of the implementation of the Code and the importance of corporate governance.

The Croatian Financial Services Supervisory Agency made a first step towards its inclusion in the corporate governance area by establishing and keeping a Register of Prescribed Information, which is publicly available and serves all capital market participants. Our final objective is the commencement of the preparation of the regular Corporate Governance Annual Report on behalf and for the benefit of shareholders, corporate managers, regulators and the general investing public.

This amended Code represents a strong support for achieving our common goal.

Ante Samodol

President of the Management Board of the Agency



The exposure of business processes to an extremely rapidly changing environment has been dominating business operations in the last several decades maybe more than ever before, causing the ability to react to those changes to become almost a key success factor of a company. Accordingly, the development of corporate governance culture has been facing big challenges, and the need for clearly defined corporate governance principles has become increasingly urgent. Therefore, this revised Code represents a highly valuable guideline for joint-stock companies admitted to a regulated market in the ever more demanding local and global, economic and political circumstances which form our business environment.

Creating a healthy corporate culture is a complex and lasting process, subject to continuous analyses, reviews and improvements, the purpose of which is the establishment of the balance between the need of a company to be competitive, to grow and to develop on the one hand, and the interests of all other stakeholders on the other hand.

Despite its relatively rigid form, the Code should not be perceived as a restriction, but as a tool enabling a company to develop an easier and more consistent system for sending its unique message about the values it cherishes, objectives it strives to achieve, as well as about its business success, which comes as a logical result of its endeavours to comply with the highest standards of all elements of corporate governance and transparency.

Tomislav Gračan

Member of the Management Board of the Zagreb Stock Exchange



CORPORATE GOVERNANCE CODE CONTENTS

PART ONE - INTRODUCTORY PROVISIONS 6

PART TWO - CORPORATE GOVERNANCE BODIES 6

TITLE I - SHAREHOLDERS AND GENERAL ASSEMBLY 6

Chapter 1 - Equal treatment of shareholders 6

- 1.1 Equal position and protection of shareholders' rights 6
- 1.2 Treatment of shareholders 6
- 1.3 Data dissemination 6
- 1.4 Confirmation of the "One Share-One Vote" Principle 7
- 1.5 Limitation on voting rights 7
- 1.6 Changes in initial capital, disposal and acquisition of own shares and pre-emption rights of shareholders 7

Chapter 2 - General assembly 7

- 2.1 Convening the general assembly 7
- 2.2 Right to participate at the general assembly 7
- 2.3 Conditions of participation 7
- 2.4 Agenda 7
- 2.5 Proxies 7
- 2.6 Usage of modern communication technology 7
- 2.7 Key decisions 7
- 2.8 Dividend 8

Chapter 3 - Requirements related to reports to be submitted to the general assembly 8

- 3.1 Reports submitted by the Supervisory Board or Management Board 8
- 3.2 Annual report on the condition of the company 8
- 3.3 Publication of decisions 8

TITLE II - MANAGEMENT AND SUPERVISORY BODIES 8

Chapter 1 - Supervisory Board 8

- 4.1 Criteria for the selection or appointment of the Supervisory Board members 8
- 4.2 Composition 9
- 4.3 Tasks and responsibilities 9
- 4.4 Time required to perform duties in the Supervisory Board 10
- 4.5 Conflict of interest 10
- 4.6 Reporting on conflict of interest 10
- 4.7 Remuneration 10
- 4.8 Relations with the management 10
- 4.9 Transactions between related parties 11
- 4.10 Competition ban 11
- 4.11 Contracts between members of the Supervisory Board and the company 11
- 4.12 Committees 11
- 4.12.1 Appointment committee 11
- 4.12.2 Remuneration committee 12
- 4.12.3 Audit committee 12
- 4.13 Rules of procedure for Supervisory Board meetings 13
- 4.14 Members in Supervisory or Management Boards or management of other companies 13
- 4.15 Education of Supervisory Board members 14
- 4.16 Performance appraisal 14

Chapter 2 - Management Board 14

- 5.1 Selection or appointment of Management Board members 14
- 5.2 Tasks and responsibilities 14
- 5.3 Executive directors 14
- 5.4 Relations between the Management Board and executive directors 14
- 5.5 Time required to perform committee obligations 15



5.6	Conflict of interests	15
5.7	Reporting on conflict of interest	15
5.8	Remuneration	15
5.9	Transactions between related parties	15
5.10	Competition ban	15
5.11	Contracts between members of the Management Board and the company	15
5.12	Committees	15
5.13	Membership in Supervisory and Management Boards of other companies	16
5.14	Education of Management Board members	16
5.15	Performance appraisal	16

Chapter 3 - Management **16**

6.1	Tasks and responsibilities	16
6.2	Structure	17
6.3	Remuneration	17
6.3.1	Structure	18
6.3.2	Methods of determining remuneration	18
6.3.3	Publication	18
6.4	Responsibility	19
6.5	Conflict of interest	19
6.5.1	Transactions between the company and members of the management	19
6.5.2	Competition ban	19
6.5.3	Membership in Supervisory or Management Boards of other companies	19
6.6	Reporting on conflict of interest	19
6.7	Relations with the Supervisory Board	19
6.8	Additional responsibilities when the company is part of a group of companies	20

PART THREE - AUDIT AND INTERNAL CONTROL MECHANISMS **20**

TITLE I - EXTERNAL AUDITOR **20**

TITLE II - INTERNAL AUDITORS **20**

PART FOUR - BUSINESS TRANSPARENCY AND DISCLOSURES **21**

TITLE I - PUBLIC DISCLOSURE **21**

Chapter 1 - Public disclosures **21**

Chapter 2 - Material facts **21**

Chapter 3 - Inside information **21**

Chapter 4 - Financial statements **22**

Chapter 5 - Annual, semi-annual and quarterly reports **22**

Chapter 6 - Calendar of important events **22**

Chapter 7 - Ownership structure **22**

7.1	Cross-shareholding	22
7.2	Shares in the ownership of members of the management, Management Board and Supervisory Board	22

Chapter 8 - Risk factors **22**

TITLE II - RELATIONS WITH INVESTORS **22**

Chapter 1 - Strategy **22**

Chapter 2 - Internet usage **23**

Chapter 3 - Stakeholders **23**

PART FIVE- APPLICATION OF THE CODE **23**

ANNUAL QUESTIONNAIRE **24**



PART ONE INTRODUCTORY PROVISIONS

The objective of this Code, representing a set of rules and principles, is to establish high standards of corporate governance and business transparency of joint stock companies for the purpose of facilitating access to capital with lower costs, with regard to the clearly defined procedures of corporate governance based on recognizable international standards being one of the basic criteria for investment decision making.

The objective of this Code is to protect, through sound and responsible management and the supervision of business and management functions of joint stock companies, first of all investors, as well as other stakeholders.

The basic principles of this Code are:

- business transparency;
- clearly defined procedures for the activities of the Supervisory Board, management, and other bodies and structures making important decisions;
- avoidance of the conflict of interest;
- efficient internal control;
- efficient responsibility system.

The provisions of this Code are aimed at upgrading corporate relations arising from relevant legal provisions, internationally accepted principles and best practices in corporate governance.

This Code and its recommendations are based on the “Comply or Explain” Principle.

The company shall state, within the prescribed form (the annual questionnaire, which constitutes an integral part of the Code), whether it complies with all the recommendations stated in this Code. If the company fails to apply some of the recommendations of this Code, it shall provide an explanation in the annual questionnaire as to why it departed from or failed to apply a recommendation.

The annual questionnaire makes an integral part of this Code. The company shall publish the completed annual questionnaire on its website.

Any interpretation of the provisions of this Code shall be based on the adherence to the stated principles and objectives.

PART TWO

CORPORATE GOVERNANCE BODIES

Title I

SHAREHOLDERS AND GENERAL ASSEMBLY

Chapter I

Equal treatment of shareholders

1.1 Equal position and protection of shareholders' rights

Companies shall ensure equal position and protection of shareholders' rights and take measures aimed at encouraging shareholders to actively participate in activities and decision-making during the general assembly, especially by: regulating, in their by-laws, issues concerning the position and rights of the shareholders in a comprehensive manner establishing systems for consistent and efficient enforcement and supervision of enforcement of companies' by laws enabling comprehensive and timely provision of information to the shareholders on all issues relevant for exercising their rights and position, establishing systems for preventing and solving potential conflicts between the shareholders and the company.

1.2 Treatment of shareholders

The company shall treat all the shareholders equally, providing equal conditions for all of them, irrespective of the number of shares they hold, country of their origin and their other characteristics. This relates in particular to the obligation to treat equally individual and institutionalized investors.

1.3 Data dissemination

The company shall develop and implement efficient methods for providing information to the shareholders, enabling all the shareholders to be informed, under equal conditions, of:

- their rights and obligations, and the methods of exercising and protecting their rights
- issues regarding the business activities of the company
- significant changes in the shareholder structure of the company
- other issues regarding the protection of the position and interests of the shareholders.

Efficient data dissemination shall enable shareholders to exercise their rights, and to become, in a timely manner, fully acquainted with all the facts necessary to make the right decision during the general assembly.

While informing the shareholders, the company shall use modern data exchange technology, especially the Internet.



1.4 Confirmation of the “One Share – One Vote” Principle

The voting right shall cover all the shareholders of the company so as to make the number of the votes belonging to them in the general assembly equal to the number of the shares they hold, regardless of the class of shares.

1.5 Limitation on voting rights

In the case where the company issues non-voting shares or shares with limitations on voting rights, it shall publish in a timely manner all relevant data on the content of all rights resulting from such shares in order to enable investors to make the right decision relating to the purchase of these financial instruments.

1.6 Changes in initial capital, disposal and acquisition of own shares and pre-emption rights of shareholders

The company shall enable all shareholders to participate in the increase in the initial capital of the company in proportion to their shares in the earlier initial capital, in the form of financial instruments containing the pre-emption right, in order to protect interests of the shareholders who at the time of issue cannot subscribe and buy new shares.

The intention to issue new shares shall be published at least 10 days prior to the day set as the date for defining the status in the register of shares, which will be relevant for determining which shareholders are entitled to pre-emption right while acquiring newly issued shares, as mentioned in the preceding paragraph.

In the case where the company acquires or disposes of own (treasury) shares or other financial instruments, it shall do it on an open market and in the manner not favouring any shareholder or investor or group of shareholders or investors. The public shall be informed of each acquisition or disposal of own shares.

Chapter 2 General assembly

2.1 Convening the general assembly

The management or executive directors of the company shall convene the general assembly once a year.

The assembly shall also be convened each time it is in the interest of the company.

The company shall convene the general assembly if the shareholders who jointly hold shares amounting to 5% of the initial capital of the company request it to be convened in writing, and if they state the purpose and reason for convening the assembly.

2.2 Right to participate at the general assembly

When convening the general assembly, the company management shall set the date for defining the status in the register of shares, which will be relevant for exercising voting rights at the general assembly of the company.

That date shall be set prior to the day of holding the general assembly, and not earlier than 6 days prior to the day of holding the general assembly.

2.3 Conditions of participation

The company shall encourage participation of shareholders at the general assembly, and shall not set any additional conditions for participating or using voting rights, apart from the conditions prescribed by law or the statute.

2.4 Agenda

The agenda, as well as all relevant data and documentation with explanations relating to the agenda, shall be published on the company's website, and shall be at the disposal of shareholders on the company's premises as of the date of the first publication of the agenda, in order to enable shareholders to form their opinion on agenda items on time.

The agenda and the relevant data and documentation shall be published on the website of the company in English as well.

2.5 Proxies

The company shall enable shareholders to vote through proxy voting. The procedure for issuing power of attorney shall be fully simplified and shall include no strict formal requirements.

The company shall provide proxies for the shareholders of the company who, for whatever reason, are not able to vote in person, with no extra costs for these shareholders. The proxies shall vote in accordance with instructions received from the shareholders.

2.6 Usage of modern communication technology

The shareholders shall be allowed to participate, and especially to vote, at the general assembly using modern communication technology.

2.7 Key decisions

The decisions having a significant effect on the assets, financial position, business results, ownership structure and management of the company shall be made exclusively at the general assembly of the company by the stipulated majority.



2.8 Dividend

Each decision on dividend payment or advance dividend payment shall include information on the date when shareholders acquire the right to receive the dividend, and information on the date or period during which the dividend, i.e. advance dividend will be paid.

The date when shareholders acquire the right to receive the dividend shall be not earlier than 10 days after the date of the decision on dividend payment.

The date of dividend payment shall be not later than 30 days after the date of decision making.

No shareholders shall be favoured while receiving their dividends.

The decision on dividend payment defining the above-mentioned dates shall be published and submitted to the Stock Exchange not later than within 2 days after it was made.

Chapter 3

Requirements related to reports to be submitted to the general assembly

3.1 Reports submitted by the Supervisory Board or Management Board

The Supervisory Board or Management Board shall submit to the general assembly a report in which, apart from providing information prescribed by law, it shall evaluate total business performance of the company and activities of the company's management, and where it shall make comment on its cooperation with the management.

The Supervisory Board or Management Board shall also inform the assembly of the conflict of interests, if any, involving its members and members of the management, as well as of the measures taken with regard thereto.

3.2 Annual report on the condition of the company

The annual report on the condition of the company shall be prepared in a clear and comprehensible manner; it shall include all aspects of business activities during the whole year in comparison to the preceding years, as well as the exact, complete and fair presentation of assets and expenditures, the financial position of the company, and the future business plan.

3.3 Publication of decisions

The company management shall, at its earliest convenience, publish the decisions of the general assembly, as well as the data on legal actions, if any, challenging those decisions.

Title II

MANAGEMENT AND SUPERVISORY BODIES

Chapter 1

Supervisory Board

4.1 Criteria for the selection or appointment of the Supervisory Board members

The basic criteria for the selection of the Supervisory Board members shall ensure:

- that the structure of the Supervisory Board represents a combination of various types of knowledge and professional and practical experience, which reflects the balance of qualifications aligned with the structure and main business operations of the company
- that the Supervisory Board consists of persons possessing appropriate personal qualities reflecting high moral standards and willingness to participate in the activities and decision-making process of the Supervisory Board in an active and unbiased manner,
- that the Supervisory Board members include a certain number of persons having special professional knowledge relating to company management,
- that no conflict of interests arises between Supervisory Board members and the company.

In order to be able to decide whether the criteria for the membership in the Supervisory Board are met, shareholders shall be provided with sufficient information on nominated candidates before adopting the decision on their membership in the Supervisory Board. Such information shall include:

- personal data on candidates, including data on education and specific professional skills,
- data on work experience and duties they perform,
- data on membership in Supervisory Boards and Management Boards of other companies,
- references, if any, by persons or companies they cooperated with,
- information on the existence and nature of the relation between candidates and the company and persons related to the company.



All candidacies for members of the Supervisory Board elected at the assembly shall be published on the website of the company, not later than on the date of the publication of the advertisement convening the general assembly at which the candidates are elected. The candidacies shall be accompanied by the above-mentioned data necessary to make the right decision on the election.

The above-mentioned data shall also be published when appointing Supervisory Board members not elected by the general assembly of the company.

4.2 Composition

The majority of Supervisory Board members shall be independent, and shall not be in business, family or any other relations with the company, majority shareholder or group of majority shareholders or members of the management or the Supervisory Board of the company or the majority shareholder.

An independent member of the Supervisory Board shall be considered to be a person who:

- is not related to the company, is not a majority shareholder, and does not represents a majority shareholder or a group of majority shareholders; is not a member of the group of majority shareholders, a spouse, or a relative or in-law to the second degree of any person from the above-mentioned group; and is not in any relation with the companies related to the majority shareholder
- has not been a member of the management of the company or any of its dependent or related companies for at least five years
- has not been an employee of the company, or of any of its dependent or related companies for at least three years
- does not and did not receive any other significant payment from the company except for the remuneration for Supervisory Board activities, excluding any dividends (which especially relates to bonuses and other types of remuneration which depend on the company's business results, such as stock options, but which does not relate to earnings resulting from the pension scheme for the previous employment in the company)
- is not and has not been, for the period of at least one year, in any significant business relation with the company or its associated companies, directly or indirectly as a partner, shareholder, member of the management or the Supervisory Board or a senior manager of an organization which has significant business relations with the company, including significant indirect or direct suppliers and/or buyers of goods and/or services of the company (including financial, legal, advisory and consulting services) and organizations receiving significant income from the company or its associated companies
- is not, and has not been in the last three years, a partner or an employee of an audit company which provides or provided audit services to the company or its associated companies
- is not a member of the management of another company in which a member of the company's management is a member of the Supervisory Board, and does not have any significant relations with members of the company's management through participation in other organizations, bodies or companies
- has not been a member of the Supervisory Board for more than 12 years
- is not a spouse or a close relative or in-law of any of the members of the management or natural persons holding the above-mentioned positions.

If a member of the Supervisory Board is subject to pressure or restrictions imposed by the majority shareholder, which affect the performance of his/her duties, he/she shall inform the Supervisory Board thereof, and shall, in spite of that, take an independent position when voting, or resign, depending on the current circumstances.

An independent member of the Supervisory Board exercising that function for more than two mandates shall provide a written statement confirming his/her independence.

4.3 Tasks and responsibilities

The main tasks of the Supervisory Board shall be the appointment and dismissal of the management, supervision of the management's activities relating to managing business of the company, and submission of reports on the supervision.

Supervisory Board members' mandate shall not be binding, meaning that every member of the Supervisory Board performs his/her duties entirely independently and at his/her own responsibility, irrespective of who nominated or appointed him/her for the position.

Supervisory Board members shall perform their duty with the due diligence of prudent businessmen and shall keep business secrets of the company.

The Supervisory Board shall adopt a decision on the master plan of its activities, which shall include the list of regular meetings and data to be made available to Supervisory Board members, regularly and in a timely manner.

The Supervisory Board shall pass its internal code of conduct, which shall not restrict the freedom of every single member to act independently. None of the Supervisory Board's documents may prevent or hinder Board members from acting in compliance with the law. At the same time, each member shall avoid abusing those powers and shall always strive to coordinate his/her activities with the activities of other members of the Supervisory Board.



4.4 Time required to perform duties in the Supervisory Board

Members of the Supervisory Board shall be able to dedicate enough time to their duties in the Supervisory Board in order to exercise their functions properly.

4.5 Conflict of interest

A conflict of interest occurs in the case where a member of the Supervisory Board is not impartial with regard to an issue being decided upon, or where his/her relations with other companies, persons or business activities lead to the assumption that he might have interests not necessarily being equal to the interests of the company, which may result in his/her making a decision based on the interests or preferences not necessarily corresponding with the interests of the company.

Members of the Supervisory Board shall not be permitted to make decisions based on personal interests or based on interests of persons connected with Supervisory Board members.

In the case where a member of the Supervisory Board believes that he/she or another Board member is involved in a conflict of interest with regard to a certain decision-making procedure, he/she shall promptly inform the Supervisory Board thereof.

4.6 Reporting on conflict of interest

Members of the Supervisory Board shall inform the company of each acquisition or disposal of shares of the company or of the possibility to exercise voting rights arising from the company's shares not later than on the next business day after such a change occurs, whereas the company shall publish such a change within the shortest possible time.

In the case where a member of the Supervisory Board believes that he/she or another Board member is involved in a conflict of interest with regard to a certain decision-making procedure, he/she shall promptly inform the Supervisory Board thereof.

The Supervisory Board shall keep a record of all notifications relating to conflicts of interest.

4.7 Remuneration

Members of the Supervisory Board may be paid according to their contribution to the company's business performance. In the case where such remuneration exists, it shall be determined, at the proposal of the management or a remuneration committee, by the shareholders at the general assembly or it shall be stipulated in the articles of association of the company.

The remuneration to the members of the Supervisory Board shall:

- adequately reflect the time, effort and experience in relation to their functions in the Supervisory Board and committees
- ensure adequate stimulus which shall balance the interests of the Supervisory Board members with the shareholders' interests
- be determined so as not to endanger the capabilities of the Supervisory Board members to make decisions in the best interest of the company and its shareholders.

It is recommended that the remuneration for Supervisory Board members should be determined according to the same hourly rate as used for members of the management, including benefits and privileges in proportion to real time related to their function.

The remuneration to the Supervisory Board members shall consist of:

- a fixed part, which does not depend on operating results, unless operating results of the company show that the payment of fixed remuneration would be undeserved and in great disproportion with operating results
- a variable part, which depends on operating results during a certain past or future period.

Detailed records on all remunerations and other earnings of each member of the Supervisory Board received from the company or other persons related to the company, including the structure of such remuneration, shall be made public. The statement on the remuneration policy for the Supervisory Board members and the remuneration received by each member of the Supervisory Board shall be prepared in the manner described in the part of this Code relating to the management of the company.

4.8 Relations with the management

The Supervisory Board and management shall cooperate in the best interest of the company, in accordance with the provisions of the relevant legislation and company's by-laws.

Taking this into account, Supervisory Board meetings shall be attended by all the members of the management, unless when the Supervisory Board discusses issues directly related to the management or some of the members of the management, and especially when it discusses dismissal, responsibility, or remuneration of the members of the management,

The Supervisory Board shall ensure that there is a long-term succession plan, thus enabling a prudent and timely appointment of a successor to any of the members of the company's management. This process shall also include members of the management.

4.9 Transactions between related parties

All transactions involving members of the Supervisory Board or persons related to them and the company or persons related to it shall be based on the current market situation, especially with regard to time limits, interest, guarantees etc., and shall be clearly presented in the company's reports. Such transactions shall be confirmed by an independent estimate of experts independent as regards the participants in the said transaction.

4.10 Competition ban

Members of the Supervisory Board may not, for their own or other persons' account, personally or through third parties, conduct activities belonging to the type of business conducted by the company, nor may they provide advice to persons who might be considered as the company's competition.

Members of the Supervisory Board shall publish information on the size of holdings they own and all changes in such holdings in companies which might be considered as the company's competition.

4.11 Contracts between members of the Supervisory Board and the company

The Supervisory Board shall give prior approval for all contracts or agreements between members of the Supervisory Board and the company, whereas important parts of all such contracts or agreements shall be included in the annual report. A member of the Supervisory Board involved in such a contact or agreement shall not be allowed to participate in the approval procedure.

4.12 Committees

Supervisory Board committees shall consist of at least three members. The Supervisory Board shall stipulate in detail the mandate and power of the committees it establishes.

Persons who are not committee members shall participate in committee meetings only at the invitation of a committee. A committee may invite to, or request the presence of certain experts or employees of the company at its meetings.

Committees shall regularly inform the Supervisory Board of their work and results. Once a year, the company shall prepare and publish a report on the work, structure, number of meetings and presence at the meetings of the Supervisory Board's committees.

The president of each committee shall have the possibility of direct communication with the shareholders. Situations in which such communication is necessary shall be defined in the document prepared by the Supervisory Board for the purpose of stipulating the mandate and power of the committee.

The Supervisory Board shall establish the following committees:

- appointment committee
- remuneration committee
- audit committee.

In the case of smaller companies with smaller number of Supervisory Board members, activities related to appointment and remuneration may be conducted by one committee (the appointment and remuneration committee).

4.12.1 Appointment committee

The majority of the appointment committee members shall be selected from the group of independent members of the Supervisory Board.

The appointment committee shall be obliged to:

- find and recommend to Supervisory Board those candidates who may fill vacancies in the management and the Supervisory Board, and to evaluate their knowledge, skills and experience; prepare the list of requirements and activities related to each appointment, as well as estimate the time for the performance thereof
- evaluate, at least once a year, the structure, size, membership and quality of work of the Supervisory Board and the management and to prepare appropriate recommendations for the Supervisory Board
- evaluate, at least once a year, the knowledge, skills and experience of each member of the Supervisory Board, and to inform the Supervisory Board thereof
- analyse problems related to the planning of work continuity of the Supervisory Board and the management,



- analyse the policy of the management on the employment of senior management.

The appointment committee shall analyse proposals of the management and shareholders and consult the president of the management, who may submit proposals to the appointment committee, especially with regard to issues related to members of the management and to senior management.

4.12.2 Remuneration committee

The majority of the remuneration committee members shall be selected from the group of independent members of the Supervisory Board.

The remuneration committee shall be obliged to:

- propose to the Supervisory Board the remuneration policy for the management, which shall include all types of remuneration, especially its fixed part, variable part dependent on business results, pension scheme and severance pay. In the case of variable part of remuneration dependent on business results, the proposal shall include recommendations for determining impartial criteria for assessing efficiency, and remuneration for the management shall be aligned with long-term interests of the shareholders and objectives of the company set by the Supervisory Board
- propose to the Supervisory Board the amount of remuneration for each member of the management, in compliance with the company's remuneration policy and evaluation of business performance of each member of the management
- propose to the Supervisory Board additional contents of contracts with members of the management
- monitor the amount and structure of remuneration to senior management and make general recommendations to the management thereon
- as regards the part of the remuneration to the management representing stimulus, in the case where it consists of stock options or other arrangements based on share acquisition, it shall analyse the general policy on such type of remuneration and propose to the Supervisory Board appropriate solutions, as well as analyse information published thereon in the annual report, prior to the publication
- consult at least the president of the Supervisory Board and the president of the management on their views on the remuneration to the members of the management
- provide suggestions on the manner of remunerating and the amount of the remuneration to the members of the Supervisory Board.

4.12.3 Audit committee

The Supervisory Board shall establish the audit committee for the purpose of analysing financial statements in detail, offering support to the company's accounting department, and establishing efficient and high quality internal control system in the company.

The majority of the audit committee members shall be selected from the group of independent members of the Supervisory Board.

As regards policies and rules of procedure adopted within the company, the audit committee shall:

- monitor the integrity of the financial information of the company, especially the correctness and consistency of the accounting methods used by the company and the group it belongs to, including the criteria for the consolidation of financial reports of the companies belonging to the group
- at least once a year, assess the quality of the internal control and risk management system, with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks related to the compliance with regulations), as well as managing those risks in an adequate manner
- ensure the efficiency of the internal audit system, especially by preparing recommendations for the selection, appointment, reappointment and dismissal of the head of the internal audit department, and with regard to funds at his/her disposal, and the evaluation of the actions taken by the management after findings and recommendations of the internal audit (if there is no internal audit system in the company, the committee shall consider the need to establish it once a year).

As regards the external auditor, the audit committee shall:

- make recommendations to the Supervisory Board on the selection, appointment, reappointment and replacement of the external auditor and on terms and conditions of his/her employment
- monitor the independence and impartiality of the external auditor, especially with regard to the rotation of authorised auditors within the audit company and the fees the company is paying for services provided by external auditors
- monitor the nature and quantity of services other than audit, received by the company from the audit company or from persons related to it, in which case the audit company shall, among other things, submit information on all the fees paid by the company to the audit company and to persons related to it
- prepare the rules defining which services may not be provided to the company by the external audit company and persons related to it, which services may be provided only with, and which without prior consent of the committee
- analyse the efficiency of the external audit and actions taken by the senior management with regard to recommendations made by the external auditor
- examine the circumstances related to the dismissal of the external auditor and make adequate recommendations to the Supervisory Board.



The term of office of the audit committee may be limited to a continuous period of 4 years and/or by limiting the number of committees in other companies a member may be elected to.

The audit committee shall maintain open and unlimited communication with the management and Supervisory Board and shall be accountable for its work to the Supervisory Board.

External and internal auditors shall have the possibility of establishing a direct communication with the audit committee. The management shall submit to the audit committee timely and periodic presentations of financial statements and related documents prior to their publication; data on changes in accounting principles and criteria; accounting procedures accepted for the majority of operations; data on all major differences between the book and real value by items, as well as all the correspondence with the internal audit department or external auditors.

The management shall especially be obliged to inform the audit committee of the methods used for booking significant and unusual transactions and business events in cases when booking of such events may be done in different ways. Special attention shall be paid to company's activities and legitimacy of such activities in off-shore centres and through special purpose vehicles.

The audit committee shall discuss with the external auditor the following:

- changes in or adherence to current accounting principles and criteria
- application of regulations
- important estimates and conclusions during the preparation of financial statements
- methods of risk assessments and results
- high risk areas of business operations
- major deficiencies and significant shortcomings in the internal audit system
- effects of external factors (economic, legal and industrial) on financial statements and audit procedures.

The audit committee shall also regularly evaluate other important aspects of its relations with third parties, such as professional ability and independence, and shall, whenever necessary, ask for a second opinion on the work carried out by those persons.

The audit committee shall ensure the submission of high quality information by dependent and associated companies, as well as by third parties (such as expert advisors), considering the influence of such information on consolidated financial statements.

4.13 Rules of procedure for Supervisory Board meetings

The president of the Supervisory Board shall be in charge of defining the schedule of and convening regular annual meetings, as well as of convening extraordinary meetings whenever necessary.

The frequency of Supervisory Board meetings shall be determined in accordance with the needs of each company. In order to ensure the efficiency of the Supervisory Board's work, those meetings shall be held often enough, but at least every three months.

In order to ensure the efficiency of Supervisory Board meetings, relevant documentation shall be provided to all members of the Supervisory Board on time.

Supervisory Board meeting minutes shall be drawn up in a clear manner, and data on all decisions shall be accompanied by data on voting results, along with information on votes of each individual member.

Rules of procedure shall ensure the examination and official verification of minutes from the preceding meeting at each following meeting of the Supervisory Board. Minutes shall be filed and stored along with the documentation of the Supervisory Board kept by the management.

4.14 Membership in Supervisory or Management Boards or management of other companies

Each member of the Supervisory Board shall inform the company of his/her membership in Supervisory or Management Boards or management of other companies.

A member of the Supervisory Board may not be a member of the Supervisory or Management Board in another company which might be considered as the company's competition.

The company shall keep a record of all companies employing its members of the Supervisory Board, Management Board or management. Such record shall be updated on a regular basis.



4.15 Education of Supervisory Board members

The company shall encourage training and education of Supervisory Board members with the aim of refreshing and improving their knowledge and skills, especially as regards fields of activity of the company.

4.16 Performance appraisal

Every year, the Supervisory Board shall evaluate its performance in the preceding period. Such evaluation includes, in particular, evaluation of the contribution and competence of individual members, as well as of joint activities of the Board; it shall evaluate work of the committees established by the Supervisory Board, as well as of the company's objectives reached in comparison with the objectives set.

Once a year, the Supervisory Board shall submit the report on the appraisal of its performance in the preceding period to the general assembly.

Chapter 2 Management Board

5.1 Selection or appointment of Management Board members

Where the company's articles of association stipulate that the company has a Management Board instead of the management and Supervisory Board, provision 4.1. of this Code shall apply appropriately to the selection and appointment of Management Board members.

The Management Board consists of executive and non-executive directors.

Provision 4.2. of this Code shall apply appropriately to the selection and appointment of non-executive directors of the Management Board.

Provision 6.2. of this Code shall apply appropriately for the selection and appointment of executive directors of the Management Board.

5.2 Tasks and responsibilities

The Management Board shall manage the company, set up the basis for conducting business, monitor the manner company's activities are conducted and represent the company in relation to the company's executive directors.

Management Board members shall perform their duty with the due diligence of prudent businessmen and shall keep business secrets of the company.

During the decision-making process, and while implementing business policy and monitoring business activities, the main duty of the Management Board shall be to take care of company's long-term interest and to ensure an increase in economic efficiency to the shareholders' benefit.

The Management Board shall adopt a decision on the master plan of its activities, which shall include the list of regular meetings and data to be made available to Management Board members, regularly and in a timely manner.

The Management Board shall pass its internal code of conduct. None of the Management Board's documents may prevent or hinder Board members from acting in compliance with the law. At the same time, each member shall avoid abusing those powers and shall always strive to coordinate his/her activities with the activities of other members of the Management Board.

5.3 Executive directors

The Management Board shall appoint one or more executive directors for a term of office defined by the articles of association or legislation. In the case where the Management Board appoints more directors, one of them shall be appointed as chief executive director.

Members of the Management Board may be appointed as executive directors, provided that the majority of the members of the Management Board are non-executive directors. In the case where non-members of the Management Board are appointed as executive directors, those persons shall meet the requirements defined by the relevant legal provisions.

Executive directors shall manage company activities.

The power given to the Management Board by law may not be transferred to executive directors.

5.4 Relations between the Management Board and executive directors

The Management Board and executive directors shall fully cooperate in the best interest of the company and shall jointly discuss strategic guidelines for the company's business operations.



Executive directors shall submit timely and comprehensive reports to the Management Board on all the facts and circumstances which might influence business activities, financial position and assets of the company and its daughter companies.

5.5 Time required to perform committee obligations

Members of the Management Board shall be able to dedicate enough time to their duties in the Management Board in order to exercise their functions properly.

5.6 Conflict of interests

A conflict of interest occurs in the case where a member of the Management Board is not impartial with regard to an issue being decided upon, or where his/her relations with other companies, persons or business activities lead to the assumption that he might have interests not necessarily being equal to the interests of the company, which may result in his/her making a decision based on the interests or preferences not necessarily corresponding with the interests of the company.

Members of the Management Board shall not be permitted to make decisions based on personal interests or based on interests of persons they have close relations with.

5.7 Reporting on conflict of interest

Members of the Management Board shall inform the company of each acquisition or disposal of shares of the company or of the possibility to exercise voting rights arising from the company's shares not later than on the next business day after such a change occurs, whereas the company shall publish such a change within the shortest possible time.

In the case where a member of the Management Board believes that he/she or another Board member is involved in a conflict of interest with regard to a certain decision-making procedure, he/she shall promptly inform the Management Board thereof.

The Management Board shall keep a record of all notifications relating to conflicts of interest.

5.8 Remunerations

Provision 6.3 of this Code shall apply appropriately for remuneration of Management Board members.

5.9 Transactions between related parties

All transactions involving members of the Management Board or persons related to them and the company or persons related to it shall be based on the current market situation, especially with regard to time limits, interest, guarantees etc., and shall be clearly presented in the company's reports. Such transactions shall be confirmed by an independent estimate of experts independent as regards the participants in the said transaction.

5.10 Competition ban

Members of the Management Board may not, for their own or other persons' account, personally or through third parties, conduct activities belonging to the type of business conducted by the company, nor may they provide advice to persons who might be considered as the company's competition.

Members of the Management Board shall publish information on the size of holdings they own and all changes in such holdings in companies which might be considered as the company's competition.

5.11 Contracts between members of the Management Board and the company

The Management Board shall give prior approval for all contracts or agreements between members of the Management Board and the company, whereas important parts of all such contracts or agreements shall be included in the annual report.

A member of the Management Board involved in such a contact or agreement shall not be allowed to participate in the approval procedure.

5.12 Committees

In order to increase the efficiency and quality of its work, the Management Board may establish committees, representing expert advisory bodies of the Management Board.

The role of the committees is to assist the Management Board during the decision-making process on certain issues, so as to:

- enable the Management Board to deal with a larger number of complex issues in a more efficient manner with the support provided by experts appointed as committee members,



- enable the Management Board to develop expert skills needed for business activities of the company in special areas,
- increase the impartiality and independence of the Management Board's opinions.

Provision 4.12. of this Code shall apply appropriately for the establishment of Management Board committees.

5.13 Membership in Supervisory and Management Boards of other companies

Each member of the Management Board shall inform the company of his/her membership in Supervisory or Management Boards of other companies.

A member of the Management Board may not be a member of the Supervisory or Management Board in another company which might be considered as the company's competition.

Executive directors shall obtain prior approval from the Management Board of their company for membership in Supervisory Boards of other companies, but an executive director may not be a member of the Supervisory Board in more than seven companies. Within the meaning of the limitation referred to in the previous sentence, a position of the president of the Supervisory Board shall be considered as membership in two Supervisory Boards.

5.14 Education of Management Board members

The company shall encourage training and education of Management Board members with the aim of refreshing and improving their knowledge and skills, especially as regards fields of activity in which certain, if any, weaknesses and the need for their remedy were established.

5.15 Performance appraisal

Every year, the Management Board shall evaluate its performance in the preceding period. Such evaluation includes, in particular, evaluation of the contribution and competence of individual members, of the performance of executive directors as well as of joint activities of the Board; it shall evaluate work of the committees established by the Management Board, as well as of the company's objectives reached in comparison with the objectives set.

Once a year, the Management Board shall submit the report on the appraisal of its performance in the preceding period to the general assembly.

Chapter 3 Management

6.1 Tasks and responsibilities

The management of the company shall manage company activities independently and on its own responsibility, and shall make all decisions using exclusively its own judgment. Consent of other bodies of the company shall not eliminate the responsibility of the management to manage company activities with the due diligence of a prudent businessman.

While managing company activities, the management of the company shall not be bound to follow the instructions of other bodies of the company, not even the instructions given by majority shareholders or the Supervisory Board.

The management shall always act exclusively in the interest of the company and the shareholders, taking account of interests of its employees and the general public, with the aim of increasing the company's value.

The management may not transfer its power to manage company's business to any other body of the company. Procuration shall not be considered as transfer of power to manage company's business.

Activities of the management shall be defined by the rules on the work of the management, in order to clearly define its powers and duties. Those rules shall cover the following issues:

- scope of activities and objectives
- rules of procedure
- rules for solving conflicts of interest
- management secretariat
- manner of convening and conducting meetings, adopting decisions, agenda, taking minutes and drawing up other documents
- co-operation with the Supervisory Board.

Members of the management may, if necessary, consult experts from different business areas (legal advisors, auditors, tax experts, human resources experts, etc).



6.2 Structure

The management of the company shall consist of several members, one of whom shall be appointed as the president of the management. The articles of association or the rules on the work of the management, approved by the Supervisory Board, shall define the co-operation among its members.

Members of the management shall be focused on managing business of the company, and shall, in addition to the requirements prescribed by law, meet other conditions, in accordance with the requirements of the position of a member of the management in each company, which may be defined by the company's articles of association or by a decision of the Supervisory Board.

When forming the management, the goal shall be to include members with different experience and education, including:

- experience in managing business
- experience in crisis management
- experience in recognising and monitoring risk
- finance knowledge
- accounting knowledge
- knowledge of the scope of activity of the company
- knowledge of the national and international market
- connecting all interests within the company.

Members of the management shall:

- be capable of reading and understanding reports on company management and financial statements
- not be involved in any conflict of interests
- coordinate their objectives with the objectives of the company
- be familiar with good practices in corporate governance
- have personal integrity
- have enough time at their disposal
- be motivated
- be capable of team work and
- have a strategic vision.

In addition to meeting the said conditions, the president of the management shall have organizational skills and experience in business management, as well as the reputation of an acknowledged and good businessman in a wide business environment.

Each member of the management shall permanently, accurately and without delay inform the president of the management of all important issues falling within his/her competence, significant for the assessment of the current situation and development, as well as for company management.

Members of the management shall strive to achieve maximum independence in relation to individual shareholders, groups of shareholders or other stakeholders, and shall be aware that, once appointed, they are accountable to all the shareholders of the company.

If a member of the management is subject to pressure or restrictions imposed by shareholders, which affect the performance of his/her duties, he/she shall, in spite of that, take an independent position when voting, or resign, depending on the current circumstances.

6.3 Remuneration

The company shall publish a statement on the remuneration policy for the management and Supervisory Board as part of the annual report. The statement on the remuneration policy for the management shall be permanently available on the website of the company.

The statement on the remuneration policy shall, first of all, include the company's remuneration policy for the management for the next business year, and if appropriate, for the following years, as well as an outline of the manner in which the remuneration policy for the management was implemented in the past year. Significant changes in the remuneration policy in comparison with the past year shall be especially pointed out.

The statement on remuneration policy shall include the following parts:

- an explanation of the relative share and of the importance of fixed and variable components of remuneration
- sufficient information on efficiency criteria, the fulfilment of which the right to acquire stock options, shares or other form of variable part of remuneration is based on
- sufficient information on the connection between the amount of remuneration and efficiency
- basic indicators and reasons for payments of annual bonuses or benefits which are not cash



- abbreviated overview of contracts with management members, which shall include data on contract duration, notice periods and especially severance pays. Every type of remuneration for members of the management and the Supervisory Board which consists of stock options or other rights to acquire shares, or if remuneration is based on the price of company shares, shall be approved by the general assembly of the company prior to becoming effective. This approval relates to remuneration principles and not to the approval of remuneration for individual members of the management or the Supervisory Board.

6.3.1 Structure

Members of the management shall be remunerated for their work, and such remuneration will be determined by the Supervisory Board of the company.

The remuneration to members of the management shall:

- adequately reflect the time, effort and experience in relation to their functions
- ensure adequate stimulus which shall balance the interests of members of the management with the shareholders' interests
- be determined so as not to endanger the capabilities of members of the management to make decisions in the best interest of the company and its shareholders.

The remuneration for members of the management shall consist of:

- a fixed part, which does not depend on operating results
- a variable part, which depends on operating results in a certain business year
- stock options, as well as similar instruments having the effect of long-term stimulus.

Detailed records on all remunerations and other earnings of each member of the management received from the company shall be published in the annual report of the company.

6.3.2 Methods of determining remuneration

Methods of determining the amount and adequacy of remuneration shall take into account elements such as:

- scope of power of an individual member of the management
- personal efficiency in performing business activities
- size and financial position of the company
- economic environment in which the company operates
- efficiency of the company in relation to other companies involved in the same area of business
- fulfilling strategic and annual plans
- remuneration to members of the management in associated companies.

6.3.3 Publication

All forms of remuneration to members of the management and the Supervisory Board, including options and other benefits of the management, shall be made public, broken down by items and persons, in the annual report of the company.

The statement on remuneration to members of the management shall include the following data on each member of the management who exercised that function in the year which the statement relates to:

- total amount of the salary payment, irrespective of whether it has already been paid or not
- remuneration or benefits received from associated companies
- remuneration in the form of participation in profit or bonuses and the reasons for its payment
- any other additional remuneration paid to members of the management for activities they conducted for the company outside the usual scope of duties of a management member
- compensation that was or should be paid to a former member of the management due to cessation of exercise of his/her duties during the year which the statement relates to
- as regards the remuneration in shares or stock options or other forms of remuneration based on acquisition of shares, the following shall also be presented:
 - the number of options or shares approved by the company in the year which the statement relates to and terms and conditions of their disposal
 - the number of options exercised in the year which the statement relates to, and for each of them, the number of shares and the price it was exercised at, or the value of shares distributed to the members of the management at the year-end
 - the number of options not exercised at the end of the year, the price they can be exercised at, the exercise date and the main conditions relating to the exercise
- each change related to the change in conditions of exercise of the existing options which occurred in the company in the year which the statement relates to



- each loan (including the debt balance and the interest rate), advance payment or a guarantee paid to members of the management by the company and its associated companies included in consolidated financial statements
- any receipt of a gift of significant value.

6.4 Responsibility

The management shall be responsible for the implementation and efficiency of the decisions it makes. Members of the management shall be jointly responsible for damage that occurred as a consequence of breach of their duty, except if they prove that they have performed their duties fairly and conscientiously.

6.5 Conflict of interest

A conflict of interest occurs in the case where a member of the management is not impartial with regard to an issue being decided upon, which may result in his/her making a decision based on interests differing from the interests of the company.

Members of the management shall not be permitted to make decisions based on personal interests or based on interests of their related persons.

In the case where a member of the management believes that he/she or another member is involved in a conflict of interest with regard to a certain decision-making procedure, he/she shall promptly inform the Supervisory Board thereof.

6.5.1 Transactions between the company and members of the management

All transactions involving members of the management or persons related to them and the company or persons related to it shall be based on the current market situation, especially with regard to time limits, interest, guarantees etc., and shall be clearly presented in the company's reports. Such transactions shall be confirmed by an independent estimate of experts independent as regards the participants in the said transaction.

6.5.2 Competition ban

Members of the management may not, for their own or other persons' account, personally or through third parties, compete with the company in any way.

Members of the management may not own a significant holding in the companies which might be considered as the company's competition.

6.5.3 Membership in Supervisory or Management Boards of other companies

Members of the management shall obtain prior approval from the Supervisory Board of their company for membership in Supervisory or Management Boards of other companies, but a member of the management may not be a member of the Supervisory Board in more than seven companies. Within the meaning of the limitation referred to in the previous sentence, a position of the president of the Supervisory Board shall be considered as membership in two Supervisory Boards.

6.6 Reporting on conflict of interest

Members of the management shall inform the Supervisory Board of the company of each change relating to the acquisition or disposal of shares of the company or to the possibility to exercise voting rights arising from the company's shares not later than on the next business day after such a change occurs, whereas the company shall publish such a change within the shortest possible time.

In the case where a member of the management believes that he/she or another member is involved in a conflict of interest with regard to a certain decision-making procedure, he/she shall promptly inform the Supervisory Board thereof.

The Management shall keep a record of all notifications relating to conflicts of interest.

6.7 Relations with the Supervisory Board

The management shall submit timely and comprehensive reports to the Supervisory Board on all the facts and circumstances which might influence business activities, financial position and assets of the company and its daughter companies.

The management and Supervisory Board shall always reach an agreement relating to strategic guidelines of the company and the implementation of such strategy.

The management shall allow its members and members of the Supervisory Board a simple and timely access to all facilities and premises of the company, as well as to all records, files and all other documents necessary for the performance of their duties.



6.8 Additional responsibilities when the company is part of a group of companies

The management of the parent company of a group of companies shall be responsible for strategic management and long-term performance of the entire group, and shall supervise, through membership in Supervisory Boards of daughter companies, their business activities and investments of the group in daughter companies.

As a result, the management of the parent company shall ensure adequate cooperation within the group, taking account of the timely and efficient exchange of information between the companies in the group.

PART THREE

AUDIT AND INTERNAL CONTROL MECHANISMS

Title I

EXTERNAL AUDITOR

The company shall have independent external auditors, representing an important instrument of corporate governance. Their basic function shall be to ensure that financial statements adequately reflect the real position of the company as a whole. An auditor shall be considered to be an independent external auditor if he/she is not, in terms of ownership or interests, related with the company and does not provide, him/herself or through related persons, any other services to the company.

Independent external auditors shall, unambiguously and as clearly as possible, give their opinion on whether the financial statements prepared by the management adequately present the balance of capital and financial situation of the company, as well as the results relating to a certain period of time.

The audit committee shall define a work plan with independent external auditors, and shall propose the remuneration for auditors' work. The audit committee shall submit to the Supervisory Board proposals and recommendations for the selection of independent external auditors, and extension and termination of co-operation with auditors.

Independent auditors shall directly inform the audit committee of the following issues:

- discussions on the main accounting policy
- major deficiencies and significant shortcomings in the internal audit system and procedures
- alternative accounting procedures
- disagreement with the management
- risk assessment, and
- analysis, if any, of fraud and/or abuse.

Procedures carried out by the audit company shall reflect its independence and objectiveness, especially if employees of the same audit company also provide other professional, especially advisory, services. The audit committee shall be acquainted with all the services provided by the independent audit company, as well as with charges paid for those services, in order to eliminate any doubt on the independence of auditors and to avoid possible conflicts of interest.

In the case where there are circumstances suggesting that auditors' independence might be endangered, the Supervisory Board shall recommend the general assembly to hire new business advisors or auditors.

The company shall publish the amount of charges paid to independent external auditors for the audit carried out, as well as for other services provided.

Title II

INTERNAL AUDITORS

The task of internal auditors shall be supervision of the internal control system, as well as verifying compliance with regulations, guidelines and instructions. Internal auditors shall submit reports on their results directly to the audit committee i.e. the Supervisory Board of the company.

The Supervisory Board shall approve the internal auditors' annual work plan, analyse their results and monitor the implementation of their recommendations.

In the case where internal audit is carried out by freelancers, they may not, in any case, be independent external auditors of the company.

The audit committee and the Supervisory Board shall actively participate in planning of activities of internal auditors. The president of the management shall be in charge of establishing the internal control system, which serves for structuring



and monitoring the flow of exact, specific and complete data on company organization, such as data on fulfilling the financial, business and legal obligations which might present a significant risk for the company. The internal auditor shall analyse and verify the efficiency of such a system at least once a year.

PART FOUR

BUSINESS TRANSPARENCY AND DISCLOSURES

Title I

PUBLIC DISCLOSURE

Chapter 1

Public disclosures

The company shall, in a clear and unambiguous manner, publish all data which may be considered important as regards the company, its financial position, business results, ownership structure and management.

When publishing such information, the company shall use terminology understandable for the target group, and shall ensure equal and timely access for all interested parties.

All information which may influence the decision-making process relating to investments in company's financial instruments shall immediately be made public and available at the same time to all persons who might be interested, including equally positive and negative information, in order to give recipients of the information full insight into and proper assessment of the company's position.

The main medium for public disclosure of data shall be the web site of the company.

When publishing material facts, the company shall primarily take into account the content of the information, and not the publication format.

Chapter 2

Material facts

Apart from data which the company is obliged to publish in accordance with the law and other regulations, the company shall, within the shortest time possible, publish and make available to all interested parties important data on the work and activities of the company, as well as all data on facts and circumstances which might strongly influence the price of company shares or related derivatives. The possibility of a strong influence exists in the case where a reasonable investor would probably consider this information as part of the basis for making his/her investment decision (material facts).

Material facts shall be considered especially those facts defined as such by the Capital Market Act and Rules of the Stock Exchange where the company's financial instruments are admitted to trading.

Undisclosed material facts shall be considered inside information and shall be protected by special safekeeping methods.

Chapter 3

Inside information

Using inside information (information of a precise nature which has not been made public and which, if it were made public, would be likely to have a significant effect on the price of issuers' shares or on the price of related derivatives) shall be completely prohibited to all persons having access to such information, as it would result in those persons (insiders) gaining an unfair advantage when trading in company's financial instruments, regardless of whether such information is used by insiders themselves or any other persons on the basis of information received from insiders.

The prohibition of using insider information shall refer to all shareholders, members of the management, members of the Management and Supervisory Boards, external advisors of the company, as well as to all persons considered insiders due to their position in or outside the company.

The company shall establish:

- mechanisms for ensuring that the nature and importance of inside information and limitations concerning its usage are
- explained to persons having or being able to access such information, and
- supervision of the flow of inside information and its potential abuse.



Chapter 4

Financial statements

The company shall prepare its financial statements in compliance with the International Financial Reporting Standards (IFRS), taking into account the latest international tendencies in financial reporting, as well as market requirements. Financial statements of the company shall be published on its website as well.

Chapter 5

Annual, semi-annual and quarterly reports

Annual, semi-annual and quarterly reports shall be the most important and most comprehensive source of information on the company, and shall therefore not be limited only to containing data in accordance with legal provisions and financial reporting standards, but shall include strategic objectives, business plans for future periods, comprehensible analysis and the attitude of the management on business performance in the past period, as well as the explanation of the management with regard to possible significant discrepancies in relation to planned results and achieved strategic objectives.

Annual reports shall be published in English as well, and annual, semi-annual and quarterly reports shall be available to shareholders on a daily basis at the headquarters and business address of the company, as well as on the company's website.

Chapter 6

Calendar of important events

By the end of the current business year, the company shall publish on its website the calendar of important events expected to happen in the next business year, such as the expected date of the publication of financial results, date of holding the general assembly of the company, date of obtaining the right on dividend, dividend payment date etc.

In the same manner, the company shall publish each change in the calendar of important events at least 30 days in advance, or, if it is not possible, immediately upon the occurrence of the circumstances causing the change.

Chapter 7

Ownership structure

7.1 Cross-shareholding

The company shall publish data on cross-shareholding. Two joint-stock companies shall be considered to be in a cross-shareholding relationship if each of those companies holds more than a 5% share in the initial capital of the other company.

7.2 Shares in the ownership of members of the management, Management Board and Supervisory Board

The company shall present in its annual report data on shares and other financial instruments of the company in the ownership of each member of the management, Management Board or Supervisory Board.

In addition to presenting such data in the annual report, the company shall publish on its website and on the Stock Exchange each change in the amount of company's financial instruments held by individual members of the management, Management Board or Supervisory Board, within 24 hours after having learned of the change.

Chapter 8

Risk factors

The management of the company shall establish, on time, and adequately publish data on the main risks the company is exposed to, such as political risks, economic risks, industry risks etc., as well as the assessment of the probability of risks occurrence.

Title II

RELATIONS WITH INVESTORS

Chapter 1

Strategy

The management of the company shall ensure that investors have access to balanced data relating to both positive and negative sides of the company's business activities, in order to enable investors to properly understand and assess the situation of the company, and to make their investment decisions based on that information.

Investors shall always have the possibility to request in writing and receive on time all relevant records from the management of the company or from the person in the company responsible for investor relations.



The management of the company shall not provide information or answer questions only to fulfil its obligations, but shall also provide information on its own initiative and, if it finds appropriate and necessary for an understanding of an answer, beyond the scope of the question, since efficient information exchange, especially when it is spontaneous, clear and fast, builds trust between investors and the company.

The management of the company shall also regularly, as well as upon a request, organise special conferences with investors.

Chapter 2 **Internet usage**

The company shall ensure an efficient and practical information exchange on its publicly available web pages.

The company shall publish on its website all information which it must publish in accordance with the law or its articles of association.

Apart from that information, the company shall publish on its website all material facts not regarded as inside information, financial statements, calendar of important events, ownership structure, CVs of the members of the management, Management Board and Supervisory Board, and data on the contact person in charge of investor relations.

For the purpose of treating all shareholders equally, regardless of their country of origin, the company shall publish all data on its website both in Croatian and in English.

Chapter 3 **Stakeholders**

For the purpose of this Code, stakeholders shall be considered to be persons taking on certain direct or indirect risks in relation to the company and with regard to the company.

Apart from shareholders, stakeholders shall also be, among others, employees, buyers and users of company services, suppliers, creditors, local community and bodies of state authority.

The management of the company shall bear the responsibility for transparent and quality relationships between the company and stakeholders, and shall also ensure that the company respects all rights of stakeholders based on the law and good business practices.

No one shall suffer negative consequences for pointing out to the competent authorities or bodies in the company or outside it shortcomings in the application of rules or ethical norms within the company.

PART FIVE

APPLICATION OF THE CODE

The Corporate Governance Code shall be intended for all issuers whose shares are admitted to trading on a regulated market, except for closed-end investment funds.

The application of the Code shall also be recommended to other companies whose intention is improving their organisation and business operations in accordance with the rules of good corporate governance practice.

The application of this Code shall imply:

- that companies must align their organisation and business operations with the recommendations referred to in the Code,
- that companies must, not later than the date of delivery of their annual reports, submit completed questionnaires on corporate governance containing information on the application of the recommendations referred to in the Code, or explanations for reasons for failing to apply them (the "Comply or Explain" Principle),
- that companies must, at the request of the Stock Exchange, submit additional written information and reports related to the application of the provisions of the Code to the Stock Exchange.

The application of the Code shall be monitored by professional services of the Stock Exchange, who shall check and analyse:

- structure, content, timeliness and completeness of the information made publicly available by companies in accordance with the current provisions and recommendations of the Code,
- annual questionnaires, information and reports on the application of the Code submitted to the Stock Exchange at its request,
- shortcomings noticed in the application of the Code.

Once a year, the Stock Exchange shall publish information on the companies with the highest level of compliance of their business activities with the provisions of the Code on its website.



C O R P O R A T E G O V E R N A N C E C O D E A N N U A L Q U E S T I O N N A I R E

All the questions contained in this questionnaire relate to the period of one year to which annual financial statements also relate.

1. Does the company have its website?

- if so, what is its address?
- if not, why?

2. Are the semi-annual, annual and quarterly reports available to the shareholders?

- at the headquarters and business address of the company (If not, why?)
- on the website of the company (If not, why?)
- in the English language (If not, why?)

3. Has the company prepared the calendar of important events? (If not, why?) If so,

- has the calendar of important events been published on the website of the company? (If not, why?),
- is the calendar of important events properly and timely updated? (if not, why?)

4. Is the company in a cross-shareholding relationship with another company or other companies? If so,

- which companies are those?
- are the data on cross-shareholding publicly announced and how? (If not, why?)

5. Does the company publish in its annual report data on financial instruments issued by the company and owned by members of the Supervisory or Management Board or the management of the company? (If not, why?)

6. Does the company publish on its website data on financial instruments issued by the company and owned by members of the Supervisory or Management Board or the management of the company, and are those data regularly updated (within 24 hours)? (If not, why?)

7. Does the company determine and publicly announce risk factors? (If not, why?)

8. Has the company established mechanisms to ensure:

- that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it? (If not, why?)
- supervision of the flow of inside information and possible abuse thereof (If not, why?)

9. Does each share of the company have one voting right? If not,



- have all relevant data on non-voting shares been made public on time? (If not, why?)
- how were these data published?

10. Have the lists of all candidates for members of the Supervisory or Management Board elected or appointed at the assembly, including their CVs, been published on the website of the company? (If not, why?)

11. Does the company treat all shareholders equally? (If not, why?)

12. Has the company issued any new shares? If so,

- Were all shareholders allowed to participate in the increase in the initial capital of the company in proportion to their shares in the earlier initial capital, in the form of transferable financial instruments containing the pre-emption right, in order to protect interests of the shareholders who at the time of issue cannot subscribe and buy new shares? (If not, why?)
- Was the intention to issue new shares published at least 10 days prior to the day set as the date for defining the status in the register of shares, which will be relevant for determining which shareholders are entitled to pre-emption right while acquiring newly issued shares? (If not, why?)

13. Has the company acquired or disposed of any own (treasury) shares? If so, was the acquisition or disposal made

- on an open market? (If not, why?)
- in the manner not favouring any shareholder or investor or group of shareholders or investors? (If not, why?)

14. Has the procedure for issuing power of attorney for voting at the general assembly been fully simplified and free of any strict formal requirements? (If not, why?)

15. Has the company ensured that the shareholders of the company who, for whatever reason, are not able to vote at the assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders? (If not, why?)

16. Did the management or Management Board of the company, when convening the assembly, set the date for defining the status in the register of shares, which will be relevant for exercising voting rights at the general assembly of the company, by setting that date prior to the day of holding the assembly and not earlier than 6 days prior to the day of holding the assembly? (If not, why?)

17. Does the decision on dividend payment or advance dividend payment include information on the date when shareholders acquire the right to dividend payment, and information on the date or period during which the dividend will be paid? (If not, why?)

18. Is the date of dividend payment or advance dividend payment set to be not later than 30 days after the date of decision making? (If not, why?)

19. Was the decision on dividend payment or advance dividend payment defining the above-mentioned dates published and submitted to the Stock Exchange not later than within two days after it had been made?

20. Were any shareholders favoured while receiving their dividends or advance dividends? (If so, why?)

21. Were the agenda of the assembly, as well as all relevant data and documentation with explanations relating to the agenda, announced on the website of the company and put at the disposal of shareholders on the company's premises as of the date of the first publication of the agenda? (If not, why?)

22. Were the agenda of the assembly and all relevant data and documentation published on the website of the company in English as well? (If not, why?)

23. Have the conditions been defined for participating at the general assembly by voting through proxy voting (irrespective of whether this is permitted pursuant to the law and articles of association), such as registration for participation in advance, certification of powers of attorney etc.? (If so, why?)



24. Does the report to be submitted by the Supervisory or Management Board to the general assembly include, apart from minimum information defined by law, the evaluation of total business performance of the company, of activities of the management of the company, and a special comment on its cooperation with the management? (If not, why?)

25. Are the shareholders allowed to participate and to vote at the general assembly of the company using modern communication technology? (If not, why?)

26. Did the management of the company publish the decisions of the general assembly of the company, as well as the data on legal actions, if any, challenging those decisions? (If not, why?)

27. Has the Supervisory or Management Board adopted a decision on the master plan of its activities, including the list of its regular meetings and data to be made available to Supervisory Board members, regularly and in a timely manner? (If not, why?)

28. Has the Supervisory or Management Board passed its internal code of conduct? (If not, why?)

29. Please provide the names of the Supervisory Board and Management Board members.

30. Please provide information on other companies whose members of the Supervisory or Management Board or management are also members of the Supervisory Board of the company. Also, provide information on whether some of those companies are considered as the company's competition.

31. Is the Supervisory Board composed of, i.e. are non-executive directors of the Management Board mostly independent members? (If not, why?)

32. Which members of the Supervisory Board and which non-executive directors of the Management Board are independent?

33. Is there a long-term succession plan in the company? (If not, why?)

34. Is the remuneration received by the members of the Supervisory or Management Board entirely or partly determined according to their contribution to the company's business performance? (If not, why?)

35. Is the remuneration to the members of the Supervisory or Management Board:

- determined by a decision of the general assembly
- stipulated in the articles of association of the company
- determined in some other way (if so, in which way?)

36. Have detailed records on all remunerations and other earnings of each member of the Supervisory or Management Board received from the company or from other persons related to the company, including the structure of such remuneration, been made public? (If not, why?) (If so, where?)

37. Does every member of the Supervisory or Management Board inform the company of each change relating to their acquisition or disposal of shares of the company, or to the possibility to exercise voting rights arising from the company's shares, not later than on the next business day after such a change occurs (If not, why?)

38. Please provide information on all transactions involving both members of the Management or Supervisory Board or persons related to them, and the company or persons related to it.

39. Were all transactions involving members of the Supervisory or Management Board or persons related to them and the company and persons related to it:

- concluded based on the current market situation (especially with regard to time limits, interest, guarantees etc.)? (If not, why and which transactions were those?)
- clearly presented in reports of the company (If not, why and which transactions were those?)



- confirmed by an independent estimate of experts independent as regards the participants in the said transaction? (If not, why and which transactions were those?)

40. Are there any contracts or agreements between members of the Supervisory or Management Board and the company? If so,

- did they obtain prior approval of the Supervisory or Management Board? (If not, why?)
- are important elements of all such contracts or agreements included in the annual report? (If not, why?)

41. Have the Supervisory or Management Board established the appointment committee? (If not, why?) If so,

- has the committee evaluated the structure, size, membership and quality of work of the Supervisory Board and the management, and prepared appropriate recommendations for the Supervisory Board? (If not, why?)
- has the committee evaluated the knowledge, skills and experience of each member of the Supervisory Board and informed the Supervisory Board thereof? (If not, why?)
- has the committee analysed problems related to the planning of work continuity of the Supervisory Board and the management? (If not, why?)
- has the committee analysed the policy of the management on the employment of senior management? (If not, why?)

42. Have the Supervisory or Management Board established the remuneration committee? If so,

- has the majority of the committee members been selected from the group of independent members of the Supervisory Board? (If not, why?)
- has the committee proposed to the Supervisory Board the remuneration policy for the management, which shall include all types of remuneration, especially its fixed part, variable part dependent on business results, pension scheme and severance pay? (If not, why?)
- in the case of variable part of remuneration dependent on business results, did the proposal of the committee include recommendations for determining impartial criteria for assessing efficiency? (If not, why?)
- has the committee proposed to the Supervisory Board the amount of remuneration for each member of the management, in compliance with the company's remuneration policy and evaluation of business performance of each member of the management? (If not, why?)
- has the committee proposed to the Supervisory Board the appropriate form and content of contracts with the members of the management? (If not, why?)
- has the committee monitored the amount and structure of remuneration to senior management and made general recommendations to the management thereon? (If not, why?)
- as regards the part of the remuneration to the management representing stimulus, in the case where it consists of stock options or other arrangements based on share acquisition, has the commission analysed the general policy on such type of remuneration and proposed to the Supervisory Board appropriate solutions, as well as analysed information published thereon in the annual report, prior to the publication?

43. Have the Supervisory or Management Board established the audit committee? (If not, why?) If so,

- has the majority of the committee members been selected from the group of independent members of the Supervisory Board? (If not, why?)
- has the committee monitored the integrity of the financial information of the company, especially the correctness and consistency of the accounting methods used by the company and the group it belongs to, including the criteria for the consolidation of financial reports of the companies belonging to the group? (If not, why?)
- has the committee assessed the quality of the internal control and risk management system, with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks related to the compliance with regulations), as well as managing those risks in an adequate manner? (If not, why?)
- has the committee worked at ensuring the efficiency of the internal audit system, especially by preparing recommendations for the selection, appointment, reappointment and dismissal of the head of internal audit department, and with regard to



funds at his/her disposal, and the evaluation of the actions taken by the management after findings and recommendations of the internal audit? (If not, why?)

- if there is no internal audit system in the company, has the committee considered the need to establish it? (If not, why?)
- has the committee made recommendations to the Supervisory Board on the selection, appointment, reappointment and replacement of the external auditor, and on terms and conditions of his/her employment? (If not, why?)
- has the committee monitored the independence and impartiality of the external auditor, especially with regard to the rotation of authorised auditors within the audit company and the fees the company is paying for services provided by external auditors? (If not, why?)
- has the committee monitored the nature and quantity of services other than audit, received by the company from the audit company or from persons related to it? (If not, why?)
- has the committee prepared rules defining which services may not be provided to the company by the external audit company and persons related to it, which services may be provided only with, and which without prior consent of the committee? (If not, why?).
- has the committee analysed the efficiency of the external audit and actions taken by the senior management with regard to recommendations made by the external auditor? (If not, why?)
- has the committee examined the circumstances related to the dismissal of the external auditor, and made adequate recommendations to the Supervisory Board? (in a case of such dismissal)? (If not, why?)
- Does the committee maintain open and unlimited communication with the Supervisory Board and the management? (If not, why?)
- Who is the committee accountable to for its work?
- Does the committee maintain open and unlimited communication with the internal and external auditor? (If not, why?)
- Does the management submit to the audit committee:
 - timely and periodic presentations of financial statements and related documents prior to their publication (If not, why?)
 - data on changes in accounting principles and criteria (If not, why?)
 - accounting procedures accepted for the majority of operations (If not, why?)
 - data on all major differences between the book and real value by items (If not, why?)
 - all the correspondence with the internal audit department or independent auditors (If not, why?)
- Has the management informed the audit committee of the methods used for booking significant and unusual transactions and business events in cases when booking of such events may be done in different ways? (If not, why?)
- Has the audit committee discussed with the independent auditor issues related to:
 - changes in or adherence to current principles and criteria (If not, why?)
 - application of regulations (If not, why?)
 - important estimates and conclusions during the preparation of financial statements (If not, why?)
 - methods of risk assessment and results (If not, why?)
 - high risky areas of business operations (If not, why?)
 - major deficiencies and significant shortcomings in the internal audit system (If not, why?)
 - effects of external factors (economic, legal and industrial) on financial statements and audit procedures (If not, why?)
- has the audit committee ensured the submission of high quality information by dependent and associated companies, as well as by third parties (such as expert advisors)? (If not, why?)



44. Has the documentation relevant for the work of the Supervisory Board been submitted on time to all members? (If not, why?)

45. Do Supervisory Board or Management Board meeting minutes contain all adopted decisions, accompanied by data on voting results, along with information on votes of each individual member? (If not, why?)

46. Have the Supervisory or Management Board evaluated their work in the preceding period, including evaluation of the contribution and competence of individual members, as well as of joint activities of the Board, evaluation of the work of the committees established, and evaluation of the company's objectives reached in comparison with the objectives set?

47. Please provide the names of the members of the Management Board or executive directors.

48. Have rules been established for the work of the management or executive directors, covering the following issues:

- scope of activities and objectives
- rules of procedure
- rules of solving conflicts of interest
- management secretariat
- manner of convening meetings, adopting decisions, agenda, taking minutes and delivering documents
- cooperation with the Supervisory Board. (If not, why?)

49. Has the company published a statement on the remuneration policy for the management, Management Board and the Supervisory Board as part of the annual report? (If not, why?)

50. In the case where remuneration policy has been defined, does it include the following parts:

- significant changes in comparison with the remuneration policy in the past year (If not, why?)
- explanation of the relative share and of the importance of fixed and variable components of remuneration (If not, why?)
- sufficient information on efficiency criteria, the fulfilment of which the right to acquire stock options, shares or other form of variable part of remuneration is based on (If not, why?)
- sufficient information on the connection between the amount of remuneration and efficiency (If not, why?)
- basic indicators and reasons for payments of annual bonuses or benefits which are not cash (If not, why?)
- abbreviated overview of contracts with management members, which shall include data on contract duration, notice periods and especially severance pays. Every type of remuneration for members of the management and the Supervisory Board which consists of stock options or other rights to acquire shares, or if remuneration is based on the price of company shares, shall be approved by the general assembly of the company prior to becoming effective. This approval relates to remuneration principles and not to the approval of remuneration for individual members of the management or the Supervisory Board. (If not, why?)

51. Is the statement on the remuneration policy for the management or executive directors permanently available on the website of the company? (If not, why?)

52. Have detailed data on all earnings and remunerations received by each member of the management or each executive director from the company been published in the annual report of the company? (If not, why?)

53. Have all forms of remuneration to the members of the management, Management Board and Supervisory Board, including options and other benefits of the management, been made public, broken down by items and persons, in the annual report of the company? (If not, why?)

54. Does the statement on remunerations to the members of the management or Management Board include the following data on each member who exercised that function in the year which the statement relates to:



- total amount of the salary payment, irrespective of whether it has already been paid or not (If not, why?)
- remuneration or benefits received from associated companies (If not, why?)
- remuneration in the form of participation in profit or bonuses and the reasons for its payment (If not, why?)
- any other additional remuneration paid to the members of the management for activities they conducted for the company outside the usual scope of duties of a management member (If not, why?)
- compensation that was or should be paid to a former member of the management due to cessation of exercise of his/her duties during the year which the statement relates to (If not, why?)
- total estimated value of non-cash benefits considered as remuneration, but not listed in the items above (If not, why?)
- as regards the remuneration in shares or stock options or other forms of remuneration based on acquisition of shares:
- the number of options or shares approved by the company in the year which the statement relates to and terms and conditions for their disposal (If not, why?)
- the number of options exercised in the year which the statement relates to, and for each of them, the number of shares and the price it was exercised at, or the value of shares distributed to the members of the management at the year-end (If not, why?)
- the number of options not exercised at the end of the year, the price they can be exercised at, the exercise date and the main conditions relating to the exercise (If not, why?)
- each change related to the change in conditions of exercise of the existing options which occurred in the company in the year which the statement relates to (If not, why?)
- each loan (including the debt balance and the interest rate), advance payment or a guarantee paid to members of the management by the company and its associated companies included in consolidated financial statements (If not, why?)

55. Did every member of the management or executive director inform the Supervisory or Management Board of the company of each change relating to their acquisition or disposal of shares of the company or to the possibility to exercise voting rights arising from the company's shares not later than on the next business day after such a change occurs, whereas the company has the obligation to publish such a change within the shortest possible time? (If not, why?)

56. Please provide information on all transactions involving both members of the management or executive directors and persons related to them, and the company or persons related to it.

57. Were all transactions involving members of the management or executive directors and persons related to them and the company and persons related to it:

- concluded based on the current market situation (especially with regard to time limits, interest, guarantees etc.)? (If not, why and which transactions were those?)
- clearly presented in reports of the company (If not, why and which transactions were those?)
- confirmed by an independent estimate of experts independent as regards the participants in the said transaction? (If not, why and which transactions were those?)

58. Do any members of the management or executive directors own a significant holding in the companies which might be considered as the company's competition? (If so, which members, where do they own holdings, and what is the size of those holdings?)

59. Are any members of the management or executive directors also members of the Supervisory Boards of other companies? (If so, provide the names of those members of the management, names of the companies in which they are members of the Supervisory Board, and functions they exercise in those Supervisory Boards).



60. Does the company have an external auditor (If not, why?)**61. Is the external auditor of the company:**

- related with the company in terms of ownership or interests (If so, state in which way)
- providing to the company, him/herself or through related persons, other services? (If so, provide information on those services and on how much it costs the company)

62. Have the independent auditors directly informed the audit committee of the following issues:

- discussions on the main accounting policy
- major deficiencies and significant shortcomings in the internal audit system,
- alternative accounting procedures,
- disagreement with the management
- risk assessment, and
- analysis, if any, of fraud and/or abuse. If not, why?

63. Has the company published the amount of charges paid to the independent external auditors for the audit carried out and for other services provided? (If not, why?)**64. Does the company have internal auditors and an internal audit system established? (If not, why?)****65. Do investors have the possibility to request in writing and receive on time all relevant records from the management of the company or from the person in the company responsible for investor relations? (If not, why?)****66. How many meetings did the management of the company hold with investors?****67. Has anyone suffered negative consequences for pointing out to the competent authorities or bodies in the company or outside it shortcomings in the application of rules or ethical norms within the company? (If so, why?)****68. Do all the members of the management, Management Board and Supervisory Board agree that the answers provided in this questionnaire are, to the best of their knowledge, truthful in their entirety? (If not, please provide names of the members of the management and the Supervisory Board who do not agree with some of the answers, list the answers they do not agree with and explain why.)**



HANFA

HRVATSKA AGENCIJA ZA NADZOR FINANCIJSKIH USLUGA
CROATIAN FINANCIAL SERVICES SUPERVISORY AGENCY



ZAGREBAČKA BURZA
THE ZAGREB STOCK EXCHANGE