2019 Corporate Governance Conformity Declaration

| **Corporate Governance** | **Observation** |
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| **I GENERAL MEETING** |  |
| **1.1 Exercise of rights by shareholders** |  |
| 1.1.1. All shareholders shall be granted the right to participate in the general meeting, speak up on the items presented in the agenda during the general meeting, and submit reasoned questions and make proposals.  The exercise of rights by shareholders has been ensured in a manner such as not to be hindered by unreasonable formalities or rendered inconvenient for shareholders in any other manner, above all relating to the time and location of the general meeting, the accessibility of data, and holding the meeting. The general meeting is held at the seat of the issuer at a reasonable time and in a location that ensures that the majority of the shareholders are able to participate in the meeting. The issuer shall also permit shareholders to submit questions concerning the items set out in the agenda the day before the general meeting is held. In the notice of calling a general meeting, the issuer shall indicate the address or e-mail address to which shareholders are able to submit questions. The issuer shall ensure responding to reasoned questions either when the respective item is being discussed during the general meeting or before the general meeting is held, ensuring that the shareholder has a reasonable period of time for examining the response. If possible, the issuer shall already respond to any submitted questions before the general meeting is held and publish the question and the response on the website of the issuer. The controlling shareholder shall refrain from unreasonably damaging the rights of other shareholders during the general meeting, as well as in the organisation of the management of the issuer, and refrain from abusing its position. | Complied with. The Company has one shareholder and therefore the questions and answers are not published on the website as the shareholder is fully informed and there cannot be unequal treatment of shareholders |
| 1.1.2. The articles of association of the issuer shall not permit granting rights to different types of shares that would bring about the unequal treatment of the shareholders upon voting (e.g. the necessity of the approval of holders of certain types of shares in order to adopt a resolution during the general meeting). | Complied with. All shares are owned by one shareholder |
| 1.1.3. The issuer shall facilitate the personal participation of shareholders in the general meeting while refraining from posing any obstacles to the participation of and voting by representatives in the general meeting. The issuer shall inform shareholders of the date, time and address of holding a general meeting as precisely as possible.  If the issuer organises the representation of a shareholder in a general meeting by themselves or via its employees/representatives, it shall do so in a manner that ensures that the orders given by the shareholder with respect to voting are complied with. The representative chosen by the issuer shall participate in the general meeting and shall be available for shareholders during the general meeting. | Complied with |
| 1.2. **Calling a general meeting and information to be published** |  |
| 1.2.1. The notice of calling a general meeting is made available on the website of the issuer simultaneously to the submission thereof to shareholders and/or its publication in a national daily newspaper.  The issuer shall inform shareholders immediately of the call for an extraordinary meeting after making a decision on the calling of the meeting. The respective notice shall indicate the reason for calling the extraordinary meeting and the bodies or persons making the proposal for calling the meeting (management board, supervisory board, shareholders or auditors). Information related to the extraordinary meeting shall also be immediately made available on the website of the issuer. | Condition does not apply as the company has a sole shareholder and any information is communicated directly to the sole shareholder |
| 1.2.2. The management board and the supervisory board shall, simultaneously with calling a general meeting, submit to the shareholders all the important information accessible to them or submitted to them that is required in order to pass resolutions during the general meeting. When calling a general meeting, the issuer shall present the reasoning and explanations for all items included in the agenda with the content thereof constituting important changes for the issuer (e.g. amending the articles of association, issuing additional shares or other securities related to shares, or extraordinary transactions with the content thereof constituting the sale of all assets, the majority of the assets or the sale of the company itself, or transactions that have been concluded with a person related to the issuer). If a general meeting is called by the shareholders, the supervisory board or auditors, or if an item is included in the agenda at the request of the management board or a shareholder, the bodies or persons who requested that the general meeting be called or an item be included in the agenda shall present their own reasoning and explanations. Shareholders shall also be allowed to examine information on what shareholders have asked from the issuer in relation to holding the general meeting, if such information is related to an item included in the agenda of the general meeting. The management board or the supervisory board may refuse to present such information, if this is in contradiction with the interests of the issuer. In this instance, the management board and the supervisory board shall provide their reasoning for refusing to present the information. Information shall also be presented to shareholders in Estonian. | Complied with |
| 1.2.3. In parallel to complying with the conditions for calling a general meeting as provided in legislation, the management board shall publish, on the website of the issuer, any important information related to the agenda that has been submitted to the board or is accessible in another manner.  Depending on the agenda of the general meeting, the following shall constitute important information: a profit distribution proposal, draft articles of association if the articles of association are to be amended, along with marking the respective amendments, significant terms and conditions related to the issue of securities or other transactions related to the company (merger, sale of assets, etc.), contracts or drafts thereof, information concerning a proposed member of the supervisory board or a proposed auditor, etc. Data concerning a proposed member of the supervisory board shall include their participation in the work of the supervisory boards, management boards or the executive management of other companies. | Condition does not apply as the company has a sole shareholder and any information is communicated directly to the sole shareholder |
| 1.2.4. The supervisory board shall publish its proposals concerning the items on the agenda on the website of the issuer within a reasonable time before the general meeting.  If shareholders submit substantive proposals concerning the items on the agenda or suggest proposals that differ from the proposals of the supervisory board during the respective period, the issuer shall publish such proposals on its website. | Condition does not apply as the company has a sole shareholder and any information is communicated directly to the sole shareholder |
| 1.3. **Holding a general meeting** |  |
| 1.3.1. The chair of the general meeting shall ensure the smooth (fast) holding of the meeting while ensuring that the interests of all interested parties are taken into consideration. The general meeting shall be held in Estonian.  The chairman of the supervisory board or members of the management board shall not be elected as the chair of the general meeting. | Partially complied with. Information on meeting available in both English and Estonian. |
| 1.3.2. Members of the management board, chairman of the supervisory board, members of the supervisory board (if possible), and at least one auditor shall participate in a general meeting.  Proposed members of the supervisory board who have not been a member of the supervisory board of the issuer before and proposed auditors shall participate in the general meeting. | Partially complied with. Auditors do not participate in the general meeting. |
| 1.3.3. The issuer shall render possible the observation of and participation in the general meeting via means of communication (e.g. the internet) provided that the respective technical equipment exists and it is not too expensive for the issuer. | The company has a sole shareholder. There is no need to comply with this condition. |
| 1.3.4. Profit distribution shall be discussed in the general meeting as a separate item and a separate resolution shall be adopted with respect to this. | Complied with |
| **II MANAGEMENT BOARD** |  |
| 2.1. **Duties** |  |
| 2.1.1. The management board shall make day-to-day management decisions independently without taking into account any personal interests and/or interests of the controlling shareholder.  When making decisions, the management board shall proceed from the best interests of the issuer and all shareholders and ensure the sustainable development of the issuer pursuant to the established objectives and strategies. | Complied with |
| 2.1.2. The management board shall make every effort to ensure that the issuer and all the companies belonging to the group of the issuer comply with applicable legislation in their activities. | Complied with |
| 2.1.3. The management board shall ensure suitable risk management and functioning of internal controls in the activities of the issuer based on the area of activity of the issuer.  In order to ensure well-functioning risk management and internal controls, the management board shall: - analyse the risks related to the operational and financial objectives of the issuer (including environmental, competitive and legal risks); - prepare the respective internal procedure rules; - prepare forms for drawing up financial reports and codes of conduct for drawing up such reports; - organise the control and reporting system. | Complied with |
| 2.2. **Composition and remuneration** |  |
| 2.2.1. The management board shall have more than one (1) member. The chairman of the management board shall be elected from among the members.  The management board or the supervisory board shall determine the field of responsibility of each and every member of the management board, defining the duties and powers of every member of the management board as accurately as possible. Furthermore, the grounds for cooperation between the members of the management board shall be determined. The chairman of the supervisory board shall enter into a contract of service with the member of the management board for the performance of the duties of the latter. | Complied with |
| 2.2.2. A member of the management board shall not simultaneously be a member of the management board of more than two issuers or the chairman of the supervisory board of another issuer. A member of the management board may be the chairman of the supervisory board of an issuer belonging to the same group as the issuer. | Complied with |
| 2.2.3. The grounds for the remuneration of the management board are clear and transparent. The supervisory board shall regularly discuss and review the grounds for the remuneration of the management board.  Upon deciding on the remuneration of the management board, the supervisory board shall proceed from the assessment of the activities of the members of the management board. When assessing the activities of the members of the management board, the supervisory board shall above all take into consideration the duties of a specific member of the management board, their activities, the activities of the entire management board, the economic situation of the issuer, the current status of commercial activities and future trends in comparison with the same indicators of companies belonging to the same economic sector. The remuneration of a member of the management board, including the bonus system, must motivate the person to act in the best interests of the issuer and ensure that they refrain from acting in personal interests or in the interests of other persons. | Complied with |
| 2.2.4. The use of long-term bonus systems (e.g. options or pension programmes) shall be related to the activities of the member of the management board and be based on specific and comparable, previously determined characteristics. The characteristics serving as the basis for determining the bonus system shall not be changed retroactively.  In exceptional cases that could not have been foreseen when determining the bonus system, the supervisory board shall be entitled to limit a previously determined bonus system. | There are no long-term bonus systems. |
| 2.2.5. The bonus system of a member of the management board that is related to the securities of the issuer, as well as any changes to such a bonus system, shall be approved by the general meeting of the issuer. The term for the exercise of the share options issued to the members of the management board shall be determined by the general meeting of the issuer.  When issuing share options, the issuer shall proceed from the Rules and Regulations of Nasdaq Tallinn. | Complied with (no such system). |
| 2.2.6. The severance pay of a member of the management board shall be related to their earlier work results and not subject to payment if this could damage the rights of the issuer. | The severance pay of members of the management board is regulated with the State Assets Act. |
| 2.2.7. The basic salary, performance pay, severance pay and other benefits related to office and bonus systems as well as their significant characteristics (including those based on comparison, motivating characteristics as well as risk characteristics) are published in a clear and unambiguous format on the website of the issuer and in the report on Corporate Governance. The data to be published shall be clear and unambiguous if they directly express the amount of the expense for the issuer or the probable amount of the expense as of the date of publication.  The chairman of the supervisory board shall introduce the most important aspects of the remuneration of the management board and any changes therein to the general meeting. If the remuneration of a certain member of the management board has taken place on the basis of other grounds than usual, the respective discrepancies along with the reasoning therefor shall be introduced to the general meeting. | Partially complied with. The respective information is published as aggregate amounts. |
| 2.3. **Conflict of interests** |  |
| 2.3.1. The members of the management board shall avoid any conflicts of interests in their activities. Members of the management board shall not make decisions based on their personal interests or use the commercial offers aimed at the issuer for their personal interests.  A member of the management board shall inform the supervisory board and other members of the management board of the existence of a conflict of interest before entering into the contract of service, and immediately upon any occurrence thereof later on. A member of the management board shall immediately inform other members of the management board and the chairman of the supervisory board of any commercial offers that are related to the economic activities of the issuer and are made to the member of the management board, a person close to them, or a person related to them. A person close to a member of the management board means their spouse, minor children, or persons who have, as of the respective moment, shared a household with them for at least one year. A person related to a member of the management board means a civil law partnership or a legal person managed by them or a person close to them, as well as a civil law partnership or a legal person whose management is significantly affected by them or a person close to them, or which has been founded for the benefit or in the interests of them or a person close to them, or whose economic interests are particularly similar to the economic interests of them or a person close to them. | Complied with |
| 2.3.2. The supervisory board shall decide on the conclusion of transactions with a member of the management board or persons close to or related to them that are important for the issuer and determine the terms and conditions of such transactions.  Transactions between the issuer and a member of the management board or persons close to or related to them approved by the supervisory board are published in the report on Corporate Governance. | Complied with (no such transactions were concluded). |
| 2.3.3. Members of the management board shall strictly comply with the restriction on competition provided in the Commercial Code (§ 312 of the Commercial Code) and immediately inform the supervisory board of their intention to either directly or indirectly participate in business in the same area of activity as the issuer.  Members of the management board may perform other duties in addition to performing the obligations of a member of the management board only upon the approval of the supervisory board. | Complied with |
| **III SUPERVISORY BOARD** |  |
| 3.1. **Duties** |  |
| 3.1.1. The supervisory board is tasked with regularly inspecting the activities of the management board. The supervisory board participates in making the decisions related to the activities of the issuer. The supervisory board acts independently and in the best interests of the issuer and all shareholders. | Complied with |
| 3.1.2. The supervisory board determines and regularly reviews the strategy of the issuer, its general activity plan, risk management principles, and the annual budget. In cooperation with the management board, the supervisory board ensures the long-term planning of the activities of the issuer.  The chairman of the supervisory board is regularly in touch with the management board, particularly with the chairman of the management board, and discusses matters related to the strategy of the issuer and its economic activities and risk management with them. The chairman of the management board shall inform the chairman of the supervisory board immediately of any significant events that may affect the development and management of the issuer. The chairman of the supervisory board shall inform the supervisory board of the latter and, where necessary, call an extraordinary meeting of the supervisory board. | Complied with |
| 3.1.3. The supervisory board shall regularly assess the activities of the management board upon implementing the strategy of the issuer. The supervisory board shall also assess the financial status of the issuer, its risk management system, the legality of the activities of the management board, and whether important information relating to the issuer has been duly and properly made available to the supervisory board and to the public.  Upon the creation of committees (Audit Committee, Remuneration Committee, etc.) by the supervisory board, the issuer shall disclose their existence, duties, composition and position in the organisation of the issuer on its website. Upon any changes in the circumstances related to committees, the issuer shall, in the same format, publish the content of the changes and the time of completion thereof. | Complied with |
| 3.1.4. The chairman of the supervisory board shall organise the work of the supervisory board. | Complied with |
| 3.2. **Composition and remuneration** |  |
| 3.2.1. Persons with sufficient knowledge and experience for participating in the work of the supervisory board shall be elected as members of the supervisory board. When electing a member of the supervisory board, the nature of the supervisory board and the activities of the issuer are considered, as well as the potential hazard for a conflict of interests, and the age of the person, if necessary. The composition of the supervisory board must be sufficiently small in order to ensure efficient management and sufficiently large in order to ensure that the required amount of know-how is present. | Complied with |
| 3.2.2. At least half of the members of the supervisory board of the issuer must be independent. If the supervisory board consists of an odd number of members, it is permitted to have one fewer independent member than dependent members. An independent member is a person who has no business, family or other relations with the issuer, the company controlled by the issuer, the controlling shareholder of the issuer, companies belonging to the group of the issuer or the members of the managing bodies of such companies which could, due to a conflict of interests, affect their decisions. The characteristics of independence are provided in the Appendix to Corporate Governance. No more than two former members of the management board may simultaneously be a member of the supervisory board if they were a member of the management board of the issuer or a company controlled by the latter less than three (3) years ago. | Complied with |
| 3.2.3. Members of the supervisory board, especially the chairman of the supervisory board, shall ensure that they have sufficient time in order to perform the duties of a member of the supervisory board. | Complied with |
| 3.2.4. When deciding on the remuneration of the members of the supervisory board and the procedure for the payment thereof, the general meeting shall take into consideration the duties of the supervisory board and the extent thereof, as well as the economic situation of the issuer. Based on the nature of the work of the supervisory board, the discrepancies related to the work of the chairman of the supervisory board may also be taken into account when deciding on the amount of remuneration. | Complied with |
| 3.2.5. The amount of remuneration payable to members of the supervisory board as determined in the general meeting shall be published in the report on Corporate Governance, separately indicating the basic salary and additional remuneration (including severance pay and other benefits related to office). | Partially complied with. The respective information is published as aggregate amounts. |
| 3.2.6. If a member of the supervisory board has, in a single financial year, participated in fewer than half of the meetings of the supervisory board, it shall be separately noted in the report on Corporate Governance. | Complied with |
| 3.3. **Conflict of interests** |  |
| 3.3.1. The members of the supervisory board shall avoid any conflicts of interests in their activities. In their activities as a member of the supervisory board, a member of the supervisory board shall prefer the interests of the issuer to personal interests or the interests of third parties. Members of the supervisory board shall not use commercial offers aimed at the issuer in their personal interests. In its activities, the supervisory board shall act in the best interests of the issuer and all shareholders. | Complied with |
| 3.3.2. A proposed member of the supervisory board shall, before their appointment, inform the other members of the supervisory board of the existence of a conflict of interests, and immediately inform the supervisory board thereof after the creation thereof after appointment. A member of the supervisory board shall immediately inform the chairman of the supervisory board and the management board of any commercial offers that are related to the economic activities of the issuer and are made to the member of the supervisory board, a person close to them, or a person related to them. The report on Corporate Governance shall indicate the conflicts of interests that have arisen during the financial year along with the solutions therefor in every specific instance.  A person close to a member of the supervisory board means their spouse, minor children, or persons who have, as of the respective moment, shared a household with them for at least one year. A person related to a member of the supervisory board means a civil law partnership or a legal person managed by them or a person close to them, as well as a civil law partnership or a legal person whose management is significantly affected by them or a person close to them, or which has been founded for the benefit or in the interests of them or a person close to them, or whose economic interests are particularly similar to the economic interests of them or a person close to them. | Complied with |
| 3.3.3. A member of the supervisory board shall resign or be removed if their conflict of interests is of an important and long-lasting nature. | Complied with |
| 3.3.4. Members of the supervisory board shall strictly comply with the restriction on competition provided in the Commercial Code (§ 324 of the Commercial Code) and immediately inform other members of the supervisory board of their intention to participate in business in the same area of activity as the issuer. | Complied with |
| **IV COOPERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD** |  |
| 4.1. The management board and the supervisory board shall be engaged in close cooperation for the purpose of protecting the interests of the issuer as best as possible. Cooperation shall above all be based on an honest exchange of opinions between the management board and the supervisory board as well as privately inside the management board and inside the supervisory board. The management board and the supervisory board shall jointly elaborate the operational objectives and strategy of the issuer. Upon managing the issuer, the management board shall proceed from the strategic instructions provided by the supervisory board and discuss strategic management matters with the supervisory board after certain periods of time. The management board and the supervisory board shall disclose their mutual division of labour under the management of the issuer in an extent not provided in the articles of association of the issuer. Upon changing the division of labour, the content of the change, its impact on the issuer and the time of implementation shall be disclosed. | Complied with |
| 4.2. The management board and the supervisory board shall take joint steps in order to ensure sufficient and efficient exchange of information. The management board shall regularly inform the supervisory board of any and all significant circumstances that are related to planning the activities of the issuer and its commercial activities, the risks related to its activities, and the management of these risks. The management shall separately point out any changes in the commercial activities of the issuer that deviate from formerly established plans and goals, and provide the reasons for such deviations. The aforesaid information shall be communicated immediately and it shall encompass any and all significant circumstances. The supervisory board shall determine the conditions and content for communication of data by the management board in detail. Information that is required by the supervisory board for making decisions, including the annual accounts, the annual accounts of the consolidation group and the auditor’s report shall be submitted by the management board to the supervisory board with sufficient time to spare before the meeting of the supervisory board takes place. | Complied with |
| 4.3. Upon organising the mutual exchange of information, the members of the management board and the supervisory board shall comply with confidentiality requirements that above all ensure control over the communication of price-sensitive information. The management board shall also ensure compliance with confidentiality requirements by the employees of the issuer who come into contact with such information. | Complied with |
| **V DISCLOSURE OF INFORMATION** |  |
| 5.1. The issuer shall treat all the shareholders equally and equally inform all shareholders of significant circumstances. When informing shareholders and investors, the issuer shall use suitable information channels, including its own website. The principle of equal treatment of shareholders shall not deprive the issuer of the right to delay the disclosure of inside information or the communication of undisclosed inside information to persons entitled to receive it. | Complied with |
| 5.2. The issuer’s website shall have a clear structure and any information subject to publication shall be easy to find. Data to be disclosed shall be available in English as well. The issuer shall publish the dates of publication of information subject to publication over the year (including the annual report, interim reports and notice for calling a general meeting) in a separate notice at the beginning of the financial year, in the so-called financial calendar. The issuer shall also publish the aforesaid notice on its website. | Complied with; a notice for calling a general meeting is not disclosed as the company has a sole shareholder. |
| 5.3. The issuer’s website shall make the following available to shareholders: - report on Corporate Governance; - date and time of the general meeting, agenda and other information related to the general meeting; - articles of association; - general strategic aims of the issuer as approved by the supervisory board; - composition of the management board and the supervisory board; - information on auditors; - annual report; - interim reports; - agreements between shareholders that are related to approved exercise of shareholder rights (if these have been entered into and the issuer is aware of them); - other data subject to disclosure on the basis of Corporate Governance. | Complied with; a notice for calling a general meeting is not disclosed as the company has a sole shareholder. |
| 5.4. In the annual report to be presented to the general meeting, the management board and the supervisory board shall describe the management practices of the issuer, including the compliance thereof with Corporate Governance. If the management of the issuer differs from that described in Corporate Governance, the management board and the supervisory board shall provide the reasoning for such differences. Furthermore, the management board and the supervisory board shall describe the circumstances required by Corporate Governance in the report to be presented to the general meeting. Corporate Governance shall be submitted as a separate chapter of the management report. | Complied with |
| 5.5. If the issuer notifies financial analysts or other persons of any facts or assessments related to the issuer, the issuer shall also disclose such information for its shareholders on its website. When disclosing inside information that has not been disclosed before upon answering the questions of shareholders or disclosing it in another manner in a general meeting, the issuer shall publish it immediately after holding the general meeting. | Partially complied with. As the company has a sole shareholder, informing shareholders via the website is not necessary. Significant financial and operational information has been disclosed on the website of the company. |
| 5.6. The issuer shall prudently and carefully organise the exchange of information with journalists and analysts. When communicating with analysts, the issuer shall refrain from any activities that could jeopardise the independence of the analyst or the issuer’s independence from the analyst. The issuer shall publish the times and locations of meetings with analysts and the presentations made and press conferences held with analysts, investors or institutional investors on the issuer’s website. The issuer shall enable the shareholders to participate in the aforesaid events and make the presentations public on its website. The issuer shall not organise meetings with analysts or presentations to be made to investors immediately before the dates of publication of financial reporting (interim reports and the annual report). | Complied with |
| **VI FINANCIAL REPORTING AND AUDITING** |  |
| 6.1. **Reporting** |  |
| 6.1.1. The issuer shall publish the annual report and, during the financial year, its interim reports every year. The management board shall prepare the annual accounts, which shall be inspected by auditors and the supervisory board. In the meeting of the supervisory board during which the annual report is reviewed, the issuer’s auditor shall participate at the invitation of the supervisory board. The members of the management board of the issuer and other persons belonging to executive management shall leave the meeting of the supervisory board for the time during which the auditor presents the most important conclusions of the audit. Shareholders shall be presented the annual report to be reviewed. The report shall be signed by the members of the management board and the supervisory board. Along with the annual report, the supervisory board shall make available to the shareholders a written report of the supervisory board thereon as provided in subsection 333 (1) of the Commercial Code. | Partially complied with. Auditors have made no significant observations. The supervisory board warrants and represents that it has reviewed the annual report and approved it in the report of the supervisory board to be presented to the general meeting for approval.  Intrerim financial information is provided on the webpage, no abbreviated interim accounts are compiled |
| 6.1.2. The issuer shall disclose a list of companies not belonging to the issuer’s group in which the shareholding of the issuer is of significant importance to the issuer as a note to the annual accounts. The issuer shall disclose the business name, registered office, amount of shareholding, area of activity, amount of share capital and net profit or loss for the previous financial year in the case of such companies. | Complied with |
| 6.1.3. In the notes to the annual accounts, the connections of the issuer to shareholders who are considered to be related persons for the purposes of the International Financial Reporting Standards referred to in subsection 17 (2) of the Accounting Act shall be disclosed. | Complied with |
| 6.2. **Choosing the auditor and auditing the annual accounts** |  |
| 6.2.1. Along with the notice of calling the general meeting, the supervisory board shall make available for shareholders the information concerning the proposed auditor, including the information on their business links. If an auditor who has audited the reports of the issuer in the previous financial year is proposed as an auditor, the supervisory board shall deliver an assessment considering their activities. Before the supervisory board proposes an auditor for appointment by the general meeting, the supervisory board shall request that the proposed auditor present an overview of any professional, economic or other connections that may affect the independence of the auditor with respect to the auditor, its managing bodies and lead auditors, as well as the issuer and its managing bodies. The assessment to be given by the supervisory board concerning the activities of the auditor shall *inter alia* describe services (including consultation services) that the auditor has provided to the issuer in the previous year or shall begin to provide to the issuer in the following year. The fee that the issuer has paid or shall pay to the auditor for such services shall likewise be disclosed. If the supervisory board suggests that a new auditor be appointed, it shall explain the reasons for terminating the contract with the previous auditor to the general meeting. | Complied with |
| 6.2.2. Before entering into an audit services contract with an auditor, the management board shall present the draft contract to the supervisory board for approval. In the contract to be entered into with an auditor, the duties of the auditor, schedule and fee shall above all be agreed on. The issuer shall not enter into a contract pursuant to which the disclosure of the fee payable for auditing constitutes a breach of the contract. On the basis of the contract, the auditor shall immediately inform the chairman of the supervisory board of any hazards posed to the independence of the auditor or the level of professionalism of the work which becomes apparent in the course of auditing unless such a hazard is immediately eliminated. On the basis of the contract, the auditor shall immediately inform the supervisory board of any significant circumstances it has become aware of which may affect the work of the supervisory board and the management of the issuer. The contract to be entered into with the auditor may not pose any obstacles whatsoever for the auditor when auditing the activities of the issuer. | Complied with partially. The main terms and conditions of auditing are introduced to the supervisory board if required. |
| 6.2.3. Upon organising the rotation of auditors, the issuer shall proceed from Guidelines of the Financial Supervision Authority dated 24 September 2003 “Rotation of Auditors for Certain Subjects of State Financial Supervision”. | Complied with |
| 6.2.4. On the basis of the contract, the auditor shall disclose to the supervisory board and the general meeting any circumstances it has become aware of in the course of a regular audit which refer to non-compliance with Corporate Governance by the management board or by the supervisory board. The auditor shall draw up a memorandum concerning these circumstances, which shall be presented to the issuer along with the auditor’s report. In the memorandum, the auditor shall not reflect on any circumstances which the management board has explained in the report on Corporate Governance. | Complied with |
| 6.2.5. The general meeting, the supervisory board and the management board shall enable the auditor to conduct the auditing pursuant to international auditing standards. | Complied with |
| 6.2.6. Upon introducing the audit conclusions to the supervisory board, the auditor shall *inter alia* present: - an overview of the course of auditing, cooperation with internal control employees and the management board, as well as important topics discussed with the management board and proposals that the management board did not take into consideration when preparing the annual accounts; - an overview of the independence of the auditor and absence of a conflict of interests during auditing; - an analysis of changes in equity and circumstances that are not reflected in the report to be published, but which are important in order to understand the financial situation and results of the issuer; - the auditor’s opinion on one-off entries, the accounting policies used with respect thereto in accounting and the impact thereof; - the auditor’s opinion on the financial estimates made and the quality of the budget. The auditor shall present the overview, analysis and opinion described above to the supervisory board in writing. | Complied with |
| **APPENDIX.** **Characteristics of independence** |  |
| Members of the supervisory board are considered to be independent if they: |  |
| (a) are not a member of the supervisory board, management board or executive management of the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer and have not worked in the aforesaid position within the last three (3) years; | Complied with |
| (b) are not an employee of the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer; | Complied with |
| (c) do not receive any significant remuneration from the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer, except for the remuneration paid as a member of the supervisory board of the issuer; | Complied with |
| (d) have not directly or indirectly represented the controlling shareholder; | Complied with |
| (e) are not and have not been, in the last year, either personally or via a company under their control, been in significant business relationships with the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer. Business relationships also mean the acquisition, use or sale of goods or services (including financial, legal, counselling or consultation services) against direct or indirect monetary payments in a significant extent; | Complied with |
| (f) are not and have not been, in the last three (3) years, an auditor auditing the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer, or an auditor performing a client agreement of an auditing company, lead auditor or an employee engaged in performing an audit; | Complied with |
| (g) are not a member of the management board or a person belonging to the executive management of a company in which a member of the management board or a person belonging to the executive management of the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer acts as a member of the supervisory board, and do not have any other significant relationships with the members of the management board of the issuer via other companies or persons; | Complied with |
| (h) have not been an independent member of the supervisory board for more than ten (10) years; | Complied with |
| (i) are not a person close to a member of the management board, a person in the executive management or a person set out in clauses (a) to (h) herein of the issuer, the shareholder controlling the issuer or a company belonging to the group of such a shareholder or of a company controlled by the issuer. | Complied with |