

**CODE OF CORPORATE GOVERNANCE**

**MMVII**

# CODE OF CORPORATE GOVERNANCE

## Contents:

<b>1. INTRODUCTION – OBJECTIVES AND BASIC PRINCIPLES .....</b>	<b>1</b>
<b>2. PUBLIC ANNOUNCEMENT .....</b>	<b>1</b>
<b>2.1. PRICE SENSITIVE INFORMATION .....</b>	<b>1</b>
<b>2.2. FINANCIAL STATEMENTS .....</b>	<b>2</b>
<b>2.3. ANNUAL, SEMI-ANNUAL AND QUARTERLY REPORTS .....</b>	<b>2</b>
<b>2.4. CALENDAR OF IMPORTANT EVENTS .....</b>	<b>2</b>
<b>2.5. OWNERSHIP STRUCTURE .....</b>	<b>2</b>
<b>2.5.1. List of shareholders .....</b>	<b>2</b>
<b>2.5.2. Cross-ownership of shares .....</b>	<b>2</b>
<b>2.5.3. Shares in the ownership of the Members of the Management Board and Supervisory Board .....</b>	<b>3</b>
<b>2.6. RISK FACTORS .....</b>	<b>3</b>
<b>2.7. PUBLIC ANNOUNCEMENTS .....</b>	<b>3</b>
<b>2.8. PREFERRED INFORMATION .....</b>	<b>3</b>
<b>3. BODIES OF THE COMPANY .....</b>	<b>4</b>
<b>3.1. GENERAL ASSEMBLY .....</b>	<b>4</b>
<b>3.1.1. Equal treatment of shareholders .....</b>	<b>4</b>
3.1.1.1. Confirmation of "one share - one vote" principle .....	4
3.1.1.2. Limitation of voting rights .....	4
3.1.1.3. Election or appointment of the Supervisory Board members .....	4
3.1.1.4. Different types of shareholders .....	4
3.1.1.5. Data dissemination .....	4
3.1.1.6. Changes in capital, disposition and acquisition of own shares and pre-emption rights of shareholders .....	5
3.1.1.7. Proxies .....	5
<b>3.1.2. Convocation .....</b>	<b>5</b>
<b>3.1.3. Registration dates .....</b>	<b>5</b>
3.1.3.1. Right to participation at the General Assembly .....	5
3.1.3.2. Dividend .....	5
<b>3.1.4. Agenda .....</b>	<b>6</b>
<b>3.1.5. Conditions of participation .....</b>	<b>6</b>
<b>3.1.6. Key decisions .....</b>	<b>6</b>
<b>3.1.7. Requests related to reports to be submitted to the General Assembly .....</b>	<b>6</b>

## CODE OF CORPORATE GOVERNANCE

3.1.7.1. Reports submitted by the Supervisory Board .....	6
3.1.7.2. Report on the status of the company .....	6
<b>3.1.8. Usage of modern communication technology .....</b>	<b>7</b>
<b>3.1.9. Announcement of decisions .....</b>	<b>7</b>
<b>3.2. SUPERVISORY BOARD .....</b>	<b>7</b>
<b>3.2.1. Tasks and responsibilities .....</b>	<b>7</b>
<b>3.2.2. Composition .....</b>	<b>7</b>
<b>3.2.3. Relationship to the Management Board .....</b>	<b>8</b>
<b>3.2.4. Time required to perform committee obligations .....</b>	<b>9</b>
<b>3.2.5. Remunerations .....</b>	<b>9</b>
<b>3.2.6. Reporting of shareholders .....</b>	<b>9</b>
<b>3.2.7. Conflict of interests .....</b>	<b>10</b>
3.2.7.1. Transactions between related parties .....	10
<b>3.2.8. Competition ban .....</b>	<b>10</b>
<b>3.2.9. Contracts between the members of the Supervisory Board and the company .....</b>	<b>10</b>
<b>3.2.10. Reporting .....</b>	<b>10</b>
<b>3.2.11. Committees .....</b>	<b>10</b>
3.2.11.1. Appointment committee .....	11
3.2.11.2. Remuneration committee .....	11
3.2.11.3. Audit committee .....	12
<b>3.2.12. Rules of procedure for Management Board and Supervisory Board meetings .....</b>	<b>14</b>
<b>3.2.13. Membership in the Supervisory Boards of other companies .....</b>	<b>14</b>
<b>3.2.14. Education of the members of the Management Board and Supervisory Board .....</b>	<b>14</b>
<b>3.2.15. Work evaluation .....</b>	<b>14</b>
<b>3.3. MANAGEMENT BOARD .....</b>	<b>15</b>
<b>3.3.1. Tasks and responsibilities .....</b>	<b>15</b>
<b>3.3.2. Composition .....</b>	<b>15</b>
<b>3.3.3. Remuneration .....</b>	<b>16</b>
3.3.3.1. Structure .....	17
3.3.3.2. Determination methods .....	17
3.3.3.3. Announcement .....	18
<b>3.3.4. Responsibility .....</b>	<b>19</b>
<b>3.3.5. Reporting of shareholders .....</b>	<b>19</b>
<b>3.3.6. Conflict of interests .....</b>	<b>19</b>
3.3.6.1. Transactions between the company and the members of the Management Board .....	19
3.3.6.2. Competition ban .....	19
3.3.6.3. Membership in the Supervisory Boards of other companies .....	19
<b>3.3.7. Additional responsibilities when the company is the part of the concern.....</b>	<b>20</b>
<b>3.4. COOPERATION AND RELATIONSHIP BETWEEN THE SUPERVISORY BOARD AND MANAGEMENT BOARD .....</b>	<b>20</b>
<b>4. AUDIT AND INTERNAL CONTROL MECHANISMS .....</b>	<b>20</b>

## CODE OF CORPORATE GOVERNANCE

<b>4.1. INDEPENDENT EXTERNAL AUDITOR .....</b>	<b>20</b>
<b>4.2. INTERNAL AUDITORS .....</b>	<b>21</b>
<b>5. RELATIONSHIP WITH INVESTORS .....</b>	<b>21</b>
<b>5.1. STRATEGY .....</b>	<b>21</b>
<b>5.2. USAGE OF INTERNET .....</b>	<b>22</b>
<b>6. STAKEHOLDERS .....</b>	<b>22</b>
<b>7. ANNOUNCEMENT OF RECORDS ON COMPLIANCE WITH THE CODE PROVISIONS.....</b>	<b>23</b>
<b>ANNUAL QUESTIONNAIRE .....</b>	<b>24</b>

# CODE OF CORPORATE GOVERNANCE

(draft)

## 1. INTRODUCTION – OBJECTIVES AND BASIC PRINCIPLES

The objective of this Code is to establish high standards of corporate governance and business transparency of joint stock companies for the purpose of facilitating easier access to capital with lower cost of capital, 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 with good and responsible management and supervision of business and management functions of the joint stock companies, first of all the investors, and after that also the other stakeholders.

The basic principles of this Code are:

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

Each interpretation of the provisions of this Code has to be guided primarily by adherence to the stated principles and achieving the stated objectives.

## 2. PUBLIC ANNOUNCEMENT

### 2.1. PRICE SENSITIVE INFORMATION

Apart from records which the company is obliged to announce in compliance with the law and other regulations, the company is obliged to publicly announce within the shortest term possible and in such manner to put at disposal to all interested parties important records on work and activities of the company, as also all data on facts and circumstances which might have influence on the share price of this company (price sensitive information).

The elementary media for public announcement of records are the web pages of the Company on Internet.

As price sensitive information are particularly regarded these stated as such in the Securities Market Act, and the rules of the stock exchange on which the companies' securities have been listed.

At public announcement of the price sensitive information the company is obliged to primarily take account of the content of records, and not of the form in which they are given.

## CODE OF CORPORATE GOVERNANCE

The unannounced price sensitive information are considered the confidential information and are subject to the special secrecy provisions.

### **2.2. FINANCIAL STATEMENTS**

The Company is obliged to prepare its financial statements in compliance with the International Financial Reporting Standards (IFRS) taking thereby into the account the contemporary international tendencies in financial reporting, as also the market requirements.

The company has to announce its financial statements also on its web site on Internet.

### **2.3. ANNUAL, SEMI-ANNUAL AND QUARTERLY REPORTS**

The annual, semi-annual and quarterly statements are the most important and most complete source of information of the company, and should therefore not be restricted only to including records in compliance with legal provisions and standards of financial reporting, but they certainly have to include an understandable analysis and the attitude of the Management Board on business in the past period, as also the explanation of the Management Board with regard to possible significant discrepancies in relation to the planned results and realized strategic objectives.

The annual report should certainly be announced in the English language, too, whereas the annual, semi-annual and quarterly reports should be accessible to shareholders on a daily basis to get an insight into it at the headquarters of the Company, as also on the company's website on Internet.

### **2.4. CALENDAR OF IMPORTANT EVENTS**

The company has to until business year end announce on its website the calendar of important events expected to happen in the next business year, as for example, the foreseen financial results announcement date, date of holding the general assembly of the company, dividend payment date and similar.

The company has to announce in the same manner each change in the calendar of important events at least 30 days in advance, and if it is not possible, immediately upon occurrence of the circumstances influencing the change.

### **2.5. OWNERSHIP STRUCTURE**

#### **2.5.1. List of shareholders**

The company has to publicly announce the complete list of shareholders with number and class of shares, as also the list of owners of any other securities issued by that company.

The company has to publicly announce and update the list of shareholders at least twice a month.

#### **2.5.2. Cross-ownership of shares**

The company is obliged to publicly announce records on cross-ownership of shares. It will be considered that there is a cross-ownership of shares relationship between two joint stock companies when these companies are related in such a manner that each of them owns more than 5% of shareholding in the other company.

### **2.5.3. Shares in the ownership of the Members of the Management Board and the Supervisory Board**

The Company is obliged to present in the annual report the records on shares and other securities of the company in the ownership of each of the members of the Management Board or the Supervisory Board.

Apart from presenting these records in the annual report, the company is obliged, within the term of 48 hours from learning of the change, to publicly announce on its web pages on Internet or through the stock exchange each change in quantity of the company's securities hold by a single member of the Management Board or the Supervisory Board.

### **2.6. RISK FACTORS**

The Management Board of the Company is obliged to timely establish and in an appropriate manner publicly announce the records on main risks to which the company has been exposed, as for example political risks, economic risks, activity risks and similar, as also the assessment of probability of potential risks occurrence.

### **2.7. PUBLIC ANNOUNCEMENTS**

The company is obliged to announce in a clear and unambiguous manner all records which might be deemed price sensitive in relation to the company, its financial position, operating results, ownership structure and management.

The company is thereby obliged to use the utterance understandable to a target group, and to enable equal and timely approach to all interested parties.

All information which might have some influence on decision making on investment in securities of the company have to be announced immediately and simultaneously to all persons who might be interested therein, including to the equal extent both positive and negative information, with the objective to enable the information receiver to acquire complete understanding and correct assessment of the company's situation.

### **2.8. PREFERRED INFORMATION**

The use of preferred information (publicly unannounced price sensitive information) has to be absolutely forbidden to everyone to whom such information are available, considering the fact that it could lead to an unfair advantage of the person managing the preferred information (the informed person) at trading securities of the company, regardless of whether the insider being informed uses the preferred information or some third party based on information received from the insider.

The use of preferred information relates to all shareholders, members of the Management Board, members of the Supervisory Board, external advisors of the company, as also all persons who with regard to their positions in the company and outside the company, are deemed to be persons to whom the preferred information are available.

The company is obliged to establish:

- mechanisms which will provide to persons having at their disposal or getting in contact with the preferred information the clarification of the nature and importance of these information and limits with regard to use thereof, as also
- supervision over the flow of preferred information and the possible misuse thereof.

### **3. BODIES OF THE COMPANY**

#### **3.1. GENERAL ASSEMBLY**

##### **3.1.1. Equal treatment of shareholders**

###### **3.1.1.1. Confirmation of "one share – one vote" principle**

The voting right has to include all shareholders of the company in the manner that the number of votes belonging to them in the General Assembly equals the number of shares they hold, regardless of class of shares.

###### **3.1.1.2. Limitation on voting rights**

If the company issues non-voting shares, i.e. shares with limitations on voting rights, it is obliged to publicly and timely announce all relevant records on the content of all rights resulting from such shares in order to enable the investors to make the right decision on purchase of these securities.

###### **3.1.1.3. Election and appointment of Supervisory Board members**

The members of the Supervisory Board have to meet corresponding standards with regard to education and professional experience, they need to have high moral standards and be in a position to invest the time necessary to exercise the function of the Supervisory Board member. All candidacies for members of the Supervisory Board being elected at the Assembly have to be publicly announced on web pages of the company on Internet latest on the date of announcement for convocation of the General Assembly at which they will be elected, as also proven by adequate records (for example: a CV) for making the right decision on election.

The same obligation of public announcement of records also exists at appointment of the Supervisory Board members not being elected by the General Assembly of the company.

###### **3.1.1.4. Different types of shareholders**

The company is obliged to act in the same manner and under the same conditions to all shareholders, independently from the number of shares they hold, country of their origin and their other characteristics. This relates in particular to the obligation of equal treatment of individual and institutionalized investors.

###### **3.1.1.5. Data dissemination**

The management is obliged to provide to shareholders a good quality data dissemination (using thereby modern information technology, especially including Internet) in the manner enabling shareholders to exercise their rights with complete and timely knowledge of all facts important for making the right decision on the agenda of the General Assembly.

**3.1.1.6. Changes of capital, disposition and acquisition of own shares and pre-emption rights of shareholders**

The company is obliged to make possible to all shareholders participation in increase of the share capital of the company in proportion to their shares in the up-to-then share capital, and thus in form of the transferable securities containing pre-emption right, in order to protect the interests of the shareholders who at the time of issuance may not register and buy new shares.

The intention of new shares issuance has to be publicly announced at least 10 days prior to the day set as the date for establishing the status in the register of shares which will be relevant for determining which shareholders are entitled to pre-emption right at acquisition of newly issued shares as mentioned in the prior item.

When the company acquires or disposes the own shares (treasury stocks) it is obliged to perform it in the open market and in a manner not favoring single shareholders or investors or groups of shareholders, i.e. investors.

**3.1.1.7. Proxies**

The company is obliged to make the voting easier to the shareholders through their proxies. To that extent, giving a power of attorney should be simplified to the uttermost and without strict formal requirements.

The company will to the shareholders of the company who due to any reason whatsoever are not in a position to make it themselves, with no special costs for these shareholders, provide proxies who are obliged to vote in compliance with their instructions.

**3.1.2. Convocation**

The Management Board of the company is obliged to convene one annual regular Assembly in the course of each business year.

The extraordinary assembly should be convened every time it has been requested in the interest of the company.

The company is always obliged to convene the General Assembly if the shareholders who together hold shares in the amount of 5% of the share capital of the company request it to be convened, and state the purpose and reason for convening that assembly.

**3.1.3. Registration dates**

**3.1.3.1. Right to participation at the General Assembly**

At convocation of the General Assembly the Management Board of the company is obliged to set the date in relation to which the status in the register of shares will be established that will be relevant for realization of voting rights at the General Assembly of the Company.

That date has to be prior to holding the General Assembly and may be at the most 7 days prior to holding the General Assembly.

**3.1.3.2. Dividend**

Each decision on dividend payment or dividend advance payment has to include the data on which the person being the shareholder acquires the right to payment of dividend, and the date or period during which the dividend, i.e. dividend advance will be paid.

## CODE OF CORPORATE GOVERNANCE

The date on which the person being the shareholder acquires the right to dividend payment has to be at least 10 days upon the date of decision on dividend payment.

The date of dividend payment has to be at least 12, and at most 30 days upon the date of decision making. The period of dividend payment must not last longer than 10 days.

At payment of dividend it has not been permitted to favor single shareholders.

The decision on dividend payment setting the above stated dates has to be announced and submitted to the stock exchange latest 2 days upon its making.

### **3.1.4. Agenda**

The agenda, as also all relevant data and documentation with explanations relating to the agenda, have to be announced on the company's website on Internet, and at disposal of shareholders in the company's premises on the date of the first public announcement of the agenda, in order to enable shareholders to take their position with regard to issues on the agenda on time.

The company will announce the agenda and relevant data and documentation on web sites of the company and in the English language.

### **3.1.5. Conditions of participation**

The company must encourage participation of shareholders at the General Assembly, so the shareholders have not been permitted to set conditions for participation or use voting rights (with no regard whether the same have been permitted in compliance with the law or the Articles of Association) as for example advance registration of participation, certification of powers of attorney, and similar.

### **3.1.6. Key decisions**

The decisions having a significant influence on status of assets, financial position, operating results, ownership structure and management of the company will be made exclusively at the General Assembly of the company by the stipulated majority of votes.

### **3.1.7. Requests related to reports to be submitted to the General Assembly**

#### **3.1.7.1. Reports submitted by the Supervisory Board**

The Supervisory Board submits to the General Assembly the report in which, apart from the content of report defined by law, it is obliged to evaluate the overall efficiency of the company's operating, work of the company's management, as also to present the special reference to its cooperation with the Management Board.

Also, the Supervisory Board is obliged to make the Assembly acquainted with the possible existence of conflict of interests on the side of some of its members and members of the Management Board, as also with the measures undertaken with regard thereto.

#### **3.1.7.2. Report on the status of the company**

The report on status of the company has to be prepared in a clear and easy-to-survey manner; it has to include all aspects of business activities during the whole year in relation to the preceding years, and to state the exact, complete and fair review of the assets and expenditures, the financial position of the company, as also the outline of the future operating.

### **3.1.8. Usage of modern communication technology**

It should be made possible to shareholders to participate and especially to vote at the General Assembly using modern communication technology devices.

### **3.1.9. Announcement of decisions**

The Management Board of the company is obliged, at its earliest convenience, to publicly announce decisions of the General Assembly, as also data on possible action to challenge these decisions.

## **3.2. SUPERVISORY BOARD**

### **3.2.1. Tasks and responsibilities**

The main tasks of the Supervisory Board are appointment and withdrawal of the Management Board, supervision of the Management Board's activities in managing business of the company, and submission of reports on the completed supervision.

The mandate of the Supervisory Board members is not binding, which means that every member of the Supervisory Board performs his/her duties entirely independently and at his/her own responsibility, independently of who proposed or appointed him/her.

The Supervisory Board members should perform their duty with diligence of an orderly and conscientious businessman and keep business secret of the company.

The Supervisory Board should make decision on the master plan of its activities which should include the list of regular meetings and records to be regularly and timely put at disposal of the Supervisory Board members.

The Supervisory Board should pass its internal code of conduct, taking into account that it should not put limits on every member's latitude for independent action. None of Supervisory Board's documents must prevent or put limit on a single member while acting in compliance with the law, but at the same time every member should avoid abuse of these powers and should always make efforts to adjust his activities with the other members of the Supervisory Board.

### **3.2.2. Composition**

Supervisory Board of the company should be composed by the majority of independent members who are not in business, family and other relations with the company, majority shareholder or group of majority shareholders or members of the Management Board or the Supervisory Board of the company or the majority shareholder.

The independent member of the Supervisory Board will be considered a member who:

- has not been related to the company, with the possible exception with regard to a certain small number of shares in the company, is not a majority shareholder, nor it represents the majority shareholder or the group of majority shareholders, nor is he the member of the group of majority shareholders, a spouse, or a bloodline relative or an in-law to the second level of any person from the before mentioned group, or has any relationship with the companies related to majority shareholder;
- is not a member of the Management Board of the company or any of its dependent or with it associated companies for at least five years;

## CODE OF CORPORATE GOVERNANCE

- is not an employee of the company, or of any of its dependent or with it associated companies for at least three years;
- does and did not receive other significant payment from the company except the remuneration for activities in the Supervisory Board, not counting a possible dividend (which especially relates to participation in bonuses and other types of remuneration which depend on company's business results, such as options on stocks, but does not relate to earnings as result of pension scheme for the previous service in the company);
- is and was not in duration of at least one year in the significant business relation with the company or with it associated companies, directly or indirectly as partner, shareholder, member of the Management Board or the Supervisory Board or a member of the high management of the organization being in the significant business relationship with the company, which also includes significant indirect or direct suppliers and/or buyers of goods and/or services of the company (including also the financial, legal, advisory and consulting services) and organizations receiving significant receipts from the company or with it associated companies,
- is not, neither it was in the last three years, a partner or an employee of an audit company which renders or was rendering audit services to the company or with it associated companies;
- is not a member of the Management Board of the other company in which some of the members of the company's Management Board is the member of the Supervisory Board, nor it has significant relations with the members of the company's Management Board through participation in other organizations, bodies or companies,
- is not a member of the Supervisory Board for more than 12 years
- is not a spouse or s bloodline relative or an in-law to the second level to any of the members of the Management Board of physical persons who are at the positions stated in the prior items.

If a member of the Supervisory Board is put under heavy strain or restrictions by the majority shareholder, by which the influence is being made on him performing his duties, he is obliged to inform the Supervisory Board on that, and, in spite of that, to take an independent position at voting, or to resign, depending on what the circumstances force to be done.

The independent member of the Supervisory Board executing this function for more than two mandates, should submit the written statement confirming his independent status.

### **3.2.3. Relationship to the Management Board**

The Supervisory Board and Management Board are obliged to entirely co-operate in the best interest of the company, and to discuss together the strategic guidelines of the company's business.

In that sense, the members of the Management Board are also obliged to be present at the Supervisory Board meetings, except when the issues are being discussed by the Supervisory Board concerning directly the Management Board or some of the Management's members; especially when it is being discussed on withdrawal, responsibility or remuneration for work of the Management Board members.

## CODE OF CORPORATE GOVERNANCE

The Supervisory Board is obliged to ensure the existence of the master succession plan in the company, thus ensuring a careful and timely appointment of the successors for any single member of the company management. This process should also include the members of the management.

### **3.2.4. Time required to perform committee obligations**

The member of the Supervisory Board should be in a position to devote to his duties in the Supervisory Board all time necessary for correct and high-quality filling a post.

### **3.2.5. Remunerations**

The members of the Supervisory Board should be paid according to contribution to company's efficiency, whereas such remuneration should be determined at the proposal of the Management Board or the Remuneration Committee, if it exists, by the shareholders at the General Assembly, and the same should be stipulated in the Articles of Association of the company.

The remuneration to the members of the Supervisory Board should:

- adequately reflect the time, effort and experience in relation to their functions in the Supervisory Board and Committees;
- provide adequate impetus which would balance the interests of the Supervisory Board members with the shareholders' interests;
- be determined in the manner 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 recommendable to determine the remuneration for a Supervisory Board member based on the same hourly wage as used for the Management Board members, including bonuses and privileges in proportion to a real time related to their function.

The remuneration to the Supervisory Board members should include as follows:

- the fixed part which is unchangeable and does not depend on operating results, except if the operating results of the company are such that the payment of the fixed remuneration would be unjust and in large disproportion with operating results;
- the variable part which is influenced by operating results in the certain past or future period;

Detailed records on all remunerations and other earnings from the company or from the other persons related to the company of each member of the Supervisory Board of the company including the structure of such remuneration must be announced publicly. The statement of the policy of remuneration the Supervisory Board members and the remuneration received by each member of the Supervisory Board will be prepared in the manner described in the part of this Code relating to the Management Board of the company.

### **3.2.6. Reporting of shareholders**

Each member of the Supervisory Board is obliged to inform the company on all changes with regard to his ownership of shares of the company latest on the next business day after occurrence of such change, whereas the company is obliged to publicly announce such change within the shortest possible time.

### **3.2.7. Conflict of interests**

A conflict of interests exists for the member of the Supervisory Board who is not neutral in relation to subject of decision making, or it may be assumed based on his connection with the other companies, persons or businesses that he might have interests which are not at the same time necessarily also the interests of the company, and may make influence on decision making based on the interests or preference which do not necessarily correspond with the interests of the company.

The members of the Supervisory Board are not permitted to make decisions based on personal interests or based on interests of persons with whom they have close relationship.

#### **3.2.7.1. Transactions between related parties**

All transactions in which the members of the Supervisory Board take part, or the persons related to them and the company or the persons related to it, should be on a market bases, especially with regard to terms, interests, warranties and similar, and should be clearly stated in the company's reports. Such transactions should be confirmed by independent estimate of the experts being independent in relation to the participants of the subject transaction.

### **3.2.8. Competition ban**

Members of the Supervisory Board must not for their or others' account, personally or through third persons conclude businesses from the activities being performed by the company, as also advise persons who might be considered as competitive with the company.

Members of the Supervisory Board are obliged to publicly announce the volume of shares and all changes of the shares in the companies which might be considered as competitive with the company.

### **3.2.9. Contracts between the members of the Supervisory Board and the company**

The Supervisory Board should priority approve all contracts or agreements between the member of the Supervisory Board and the company, whereas important parts of all such contracts or agreements should be included in the annual report.

### **3.2.10. Reporting**

If some member of the Supervisory Board considers that there is on his side or on the side of the other member a conflict of interest with regard to decision making on a particular issue he is obliged to immediately inform the Supervisory Board on that.

### **3.2.11. Committees**

The committees of the Supervisory Board must have at least three members. Exceptionally in case of companies having the small Supervisory Board (less than seven members) the committees may have two members. The Supervisory Board is obliged to stipulate in detail the mandate and the authorities of the committees it establishes.

The persons who are not the members of the committees participate at the committees' meetings only at the committee's invitation. The committee may invite some experts or employees of the company at its meetings or request their presence. The committees have to regularly inform the Supervisory Board on its work and results. Once a year the company has to prepare and make publicly available the report on work, composition, number of meetings

## CODE OF CORPORATE GOVERNANCE

and the presence at the meetings of the Supervisory Board's committees. The president of each committee must have the possibility of direct communication with the shareholders. The situations in which such communication is necessary should be stated in the act by which the Supervisory Board stipulates the mandate and authorities of the committee.

The Supervisory Board has to establish the following committees:

- Appointment Committee
- Remuneration Committee
- Audit Committee

In case of smaller companies with the smaller number of the Supervisory Board members, it may be justified that the functions related to appointment and remuneration are executed by one committee (Appointment and Remuneration Committee).

### **3.2.11.1. Appointment Committee**

The majority of the members of the Appointment Committee have to be appointed from the independent members of the Supervisory Board. The Appointment Committee is obliged to:

- find and recommend to the Supervisory Board the candidates who may fill the empty posts in the Management Board and the Supervisory Board, at which their knowledge, skills and experience have to be assessed, the list of requirements and activities related to each appointment prepared, and the time for the performance thereof estimated,
- at least once a year evaluate the composition, size, membership and quality of work of the Supervisory Board and the Management Board and to prepare the appropriate recommendations for the Supervisory Board,
- at least once a year prepare the evaluation of the knowledge, skills and experience of the individual members of the Supervisory Board, and inform on that the Supervisory Board,
- analyze problems related to planning of the continuity of the Supervisory Board and the Management Board,
- analyze the policy of the Management Board on employment of the high management.

The Appointment Committee is obliged to analyze the proposals of the Management Board and shareholders and to take advice from the President of the Management Board who may submit proposals to the Appointment Committee, especially with regard to issues related to the members of the Management Board and high management.

### **3.2.11.2. Remuneration Committee**

The majority of members of the Remuneration Committee have to be appointed mostly from the independent members of the Supervisory Board.

The Remuneration Committee is obliged to:

- propose to the Supervisory Board the policy of remuneration of the Management Board which has to relate to all types of remuneration, and especially to the fixed part of remuneration, the variable part of remuneration which is connected to the business efficiency, pension scheme and severance pay. In case of variable part of remuneration related to the business efficiency the proposal has to include the recommendations for determination of objective criteria of efficiency evaluation whereby the remuneration

## CODE OF CORPORATE GOVERNANCE

to the Management Board has to be adjusted to the long-term interests of shareholders and the objectives of the company set by the Supervisory Board,

- propose to the Supervisory Board the remuneration for single members of the Management Board, in compliance with the company's remuneration policy and evaluation of a single director's activity,
- propose to the Supervisory Board the appropriate form and content of the contract with the members of the Management Board,
- follow the amount and structure of remuneration to high management and give general recommendations to the Management Board with regard to that,
- with regard to the incentive part of remuneration to the Management Board, in case it consists of options on stocks or other arrangements based on acquisition of shares analyze general policy of such type of remuneration and propose to the Supervisory Board appropriate solutions, as also analyze records published on that in the annual report, prior to publication,
- to take advice at the very least from the President of the Supervisory Board and the President of the Management Board on their understanding related to the remuneration of the members of the Management Board.

The Supervisory Board has to establish the Remuneration Committee which proposes the content of the contracts with the members of the Management Board, and their remuneration and the remuneration of the members of the Supervisory Board.

### **3.2.11.3. Audit Committee**

The Supervisory Board should establish the Audit committee for the purpose of detailed analysis of financial statements, offering support to the company's accounting, and establishing good and high quality internal control in the company.

The audit committee has to be composed in the manner that the majority is made of independent members of the Supervisory Board.

With regard to policies and rules of procedure adopted within the company, the Audit Committee should:

- follow the integrity of the financial information of the company, and especially the correctness and consistency of the accounting methods used by the company and the group to which it belongs, including the criteria for 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 objective to identify and publicly announce in the appropriate manner the main risks to which the company has been exposed (including also the risks related to compliance with regulations), as also to manage them in the adequate manner;
- ensure the efficacy of the internal audit system, especially through preparing the recommendations at selection, appointment, repeated appointment and dismissal of the head of internal audit department and with regard to resources at his disposal, and the evaluation of the management's actions on the occasion of findings and recommendations of the internal audit (if there is no internal audit function in the company, the Committee is obliged to make once a year the assessment of the need for establishment of such function).

## CODE OF CORPORATE GOVERNANCE

With regard to the external auditor the Audit committee should:

- give to the Supervisory Board the recommendations related to the selection, appointment, repeated appointment and change of the external auditor and on terms and conditions of his engagement,
- supervise independence and objectivity of the external auditor, especially with regard to rotation of the authorized auditors within the audit company and the remunerations the company is paying for external auditor's services,
- follow the nature and the quantity of services which are not the auditing, and are received by the company from the audit company or from with it related persons, whereby is, among others, the audit company obliged to submit the information on all remunerations which the company is paying to the audit company and to with it related persons,
- prepare the rules on which services the external audit company and with it related persons may not render to the company, which services it may render only with the prior consent of the Committee, and which services it may render without the prior consent,
- analyze the efficacy of the external audit and actions of the management with regard to recommendations made by the external auditor,
- examine the circumstances related to dismissal of the external auditor and make adequate recommendations to the Supervisory Board.

The duration of the Audit Committee mandate may be time-limited to 4 years of a continuous mandate and /or by limiting the number of committees in which a member may be elected in other companies.

The Audit Committee should have an open and unlimited communication with the Management Board and Supervisory Board and be responsible for its work to the Supervisory Board.

The external and internal auditors need to have the possibility of direct communication with the Audit Committee.

The Management Board should submit to the Audit Committee timely and periodic presentations of financial statements and related documents prior to public announcement of these records, records on changes in accounting principles and criteria, accounting procedures accepted for the majority of activities, as also each important deviation between the book and real value by single items, as also all correspondence with the internal audit department or independent auditors.

The Management Board is especially obliged to inform the Audit Committee on methods used for booking the significant and unusual transactions and business events in case the book-keeping of such events may be approached in different manners. It is necessary to pay special attention to existence and justifiability of the companies' activities in off-shore centers and through special purpose companies.

The Audit Committee should discuss with the independent auditor as follows:

- changes or retaining accounting principles and criteria;
- application of regulations;
- important estimates and conclusions in preparing financial statements;
- methods of risk estimates and results;

- high-risk areas of activities;
- larger disadvantages and important deficiencies noticed in internal audit;
- effects of external factors (economic, legal and industrial) on financial statements and audit procedures.

The Audit Committee should, also, regularly evaluate other important aspects of its relations with third parties, such as professional qualification and independence, and, always when it is necessary, get the second opinion on the activities performed by these persons.

The Audit Committee should provide submission of high quality information by dependent and associated companies, as also third persons (such as expert advisors), with regard to the influence of such records on consolidated financial statements.

### **3.2.12. Rules of procedure for Management Board and Supervisory Board meetings**

President of the Supervisory Board is obliged to define a calendar of regular annual meetings and convening extraordinary meetings whenever the need therefore appears.

The frequency of holding the Supervisory Board meetings has to be determined in compliance with the needs of each specific company. These meetings should be held often enough to provide efficacy of the Supervisory Board's work, but not more often than once a month, in order to avoid undesirable interference in the activities of managing the company.

In order to ensure efficacy and successfulness of the Supervisory Board meetings it is necessary to deliver the relevant documentation to all members of the Supervisory Board on time.

The minutes of the Supervisory Board meetings have to be written in clear terms, whereas all decisions made should be recorded with voting results, stating how a single member has voted.

### **3.2.13. Membership in the Supervisory Boards of other companies**

Each member of the Supervisory Board is obliged to inform the company on membership in the Supervisory Boards of other companies.

The member of the Supervisory Board must not be a member of the Supervisory Board in the other company which might be considered competitive with the company.

### **3.2.14. Education of the members of the Management Board and Supervisory Board**

The company should, in compliance with its needs and possibilities, encourage and enable permanent improvement and education of the Management Board and Supervisory Board members with the aim to re-establish and improve their knowledge and capabilities.

### **3.2.15. Work evaluation**

The Supervisory Board is obliged to prepare every year the evaluation of its work in the past period. Such evaluation includes, in particular, evaluation of contribution and competency of each member, as also of the joint activities of the committee, evaluation of the activities of committees established by the Supervisory Board, and evaluation of the reached in comparison with the target objectives of the company.

### **3.3. MANAGEMENT BOARD**

#### **3.3.1. Tasks and responsibilities**

The Management Board of the company manages the company activities independently and at its own responsibility, and makes all decisions exclusively at its own judgment. The existence of the consent of other bodies of the company does not exclude the responsibility of the Management Board for performing business with diligence of an orderly and conscientious businessman.

In performing its activities the Management Board of the company is not bound by instructions of the other bodies of the company, and even not by instructions given by majority shareholders or the Supervisory Board.

The Management Board is obliged to always act exclusively in favor of the company and the shareholders, keeping account on interests of employees and the wide community, with the aim to increase the company's value.

The Management Board may not transfer its powers to manage company's business to any other body of the company. Giving procuration will not be considered as transfer of authorities to manage company's business.

The Management Board activities should be defined by the rules of procedure of the Management Board, in order to clarify powers and obligations. The rules should include the following issues:

- area of activities and objectives;
- rules of procedure;
- rules for solving conflicts of interest;
- secretariat of the Management Board;
- meetings, decisions, agenda, minutes and documents;
- co-operation with the Supervisory Board.

The members of the Management Board may, when there is a need, ask for advice from external experts (legal advisors, auditors, tax experts and human resources experts) in order to get certain advice on important issues.

#### **3.3.2. Composition**

The Management Board of the company should consist of several members, one of whom will be appointed for the president of the Management Board. The statute or the rules of procedure of the Management Board, approved by the Supervisory Board, should define the manner of co-operation among members.

The members of the Management Board should be focused on managing business of the company, and should, aside from conditions prescribed by law, also meet other conditions in compliance with the requirements of the position of the Management Board's member in a certain company, which might be defined by the Articles of Association of the company or decision of the Supervisory Board.

At composing the Management Board it should be aimed at members of the Management Board having various experience, education and character, including:

- experience in managing business;
- experience in solving crisis situations;

## CODE OF CORPORATE GOVERNANCE

- experience in recognition and supervision of risk;
- knowledge of finances;
- knowledge of accounting,
- knowledge of area of the company's activities;
- knowledge of national and international market,
- connecting all interests within the company.

Members of the Management Board should:

- be capable to read and understand reports on managing company and financial statements;
- be out of conflict of interests;
- adjust its objectives with the company's objectives;
- be familiar with good practices of corporate governance;
- have personal integrity;
- have enough of time at disposal;
- be motivated;
- be capable of working in team; and
- have a strategic vision.

Besides meeting the stated conditions, the president of Management Board should have well developed organizational skills and experience in management, as also the reputation of an acknowledged and good businessman in a wider business environment.

Each member of the Management Board should permanently, exactly and without delay report to the President of the Management Board on all important events from his authority, significant for assessment of the current situation and development, as also management of the company.

The members of the Management Board should aim at the largest possible independence in relation to individual shareholders, groups of shareholders or other stakeholders, as they also have to be aware that, once appointed, they are accountable to all shareholders of the company.

If a member of the Management Board is put under severe strain or restrictions by shareholders or partners by which the influence is being made on him performing his duties, he is obliged, in spite of that, to take an independent position at voting, or to resign, depending on what the circumstances force to be done.

### **3.3.3. Remuneration**

The company has to announce the statement of the policy of remuneration of the Management Board and the Supervisory Board as part of the annual report. The statement of the policy of remuneration of the Management Board has to be constantly announced on the web pages of the company on Internet.

The statement of the policy of remuneration has to, first of all, include the policy of the company with regard to remuneration of the Management Board for the next business year, and if appropriate, for the following years, as also the overview of the manner in which the policy of remuneration of the Management Board was applied in the past year. It is especially necessary to point out the significant changes in relation to remuneration policy in comparison with the past year. The statement of remuneration policy should include the following parts:

## CODE OF CORPORATE GOVERNANCE

- the explanation of the relative portion and the importance of the fixed and variable components of remuneration,
- sufficient information on efficiency criteria on the fulfillment of which the entitlement to acquisition of options on stocks, shares or other form of variable part of remuneration has been based,
- sufficient information on connection between the amount of remuneration and efficiency,
- basic indicators and reasons for award of annual bonuses or benefits which are not cash,
- summary overview of contracts with the members of the Management Board which has to include the records on duration of contracts, notice periods and especially severance pays. Every type of remuneration to the members of the Management Board and the Supervisory Board which consists of options on stocks or other entitlements to acquisition of shares or if the remuneration has been based on the price of shares of the company, has to be approved prior to becoming effective by the General Assembly of the Company. This approval relates to remuneration principles, and not to approval of remuneration to single members of the Management Board of the Supervisory Board.

### **3.3.3.1. Structure**

The members of the Management Board should be paid according to their work, whereby such remuneration will be defined by the Supervisory Board of the Company.

The remuneration to the Management Board's members should:

- adequately reflect the time, effort and experience in relation to their functions;
- provide adequate impetus which would balance the interests of the Management Board's members with the shareholders' interests;
- be determined in the manner not to endanger the capabilities of the Management Board's members to make decisions in the best interest of the company and its shareholders.

The remuneration to the Management Board's members should include as follows:

- the fixed part which is unchangeable and does not depend on operating results;
- the variable part which is influenced by operating results in a certain business year;
- share options, as also other instruments having the effect of long-term stimulus.

The detailed records on all earnings and remunerations which each member of the Management Board receives from the Company must be publicly announced in the annual report of the Company.

### **3.3.3.2. Determination methods**

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

## CODE OF CORPORATE GOVERNANCE

- scope of authority of a single member of the Management Board;
- personal efficiency in performing activities;
- size and financial situation of the company;
- economic environment in which the company operates;
- efficiency of the company in relation to other companies of the same objects;
- fulfilling strategic and annual plans;
- remuneration to the members of the Management Board in associated companies.

### 3.3.3.3. Announcement

All forms of remuneration to the members of the Management Board and the Supervisory Board, including options and other benefits of the Management Board should be publicly announced by detailed items and persons in the annual report of the company.

The statement of remunerations to the members of the Management Board must include the following elements on each member of the Management Board who filled this post in the year to which the statement relates:

- total amount of the salary, with no regard to whether it has been really paid out or not yet,
- remuneration or benefits received from associated companies,
- remuneration of form of participation in profit or bonuses and the reasons why they were paid out,
- any other additional remunerations paid out to the members of the Management Board for activities they performed for the company outside the usual scope of duties of the Management Board's member;
- compensation paid out or that should be paid out to the former member of the Management Board in relation to cease of exercising the function during the year to which the statement relates;
- the total estimated value of non-cash benefits which are deemed to be remuneration, but not listed in the prior items,
- with regard to remuneration in shares or options on stocks or other forms of remuneration based in acquisition of shares, it is necessary to present also the following:
  - the number of options or shares approved by the company in the year to which the statement relates and the terms and conditions for their use;
  - the number of options exercised in the year to which the statement relates, and for each of them, the number of shares and the price at which it was exercised or the value of shares included in distribution to the members of the Management board at the year end;
  - the number of options not exercised at the end of the year, the price at which they can be exercised, the exercise date and the main conditions pertaining to the exercise;
  - each change related to the change of conditions for exercise of the existing options which occurred in the company in the year to which the statement relates;

## CODE OF CORPORATE GOVERNANCE

- each loan (including the balance of debt and the interest rate), advance payment or a guarantee in favor of the members of the Management Board from the with the company associated companies included in the consolidated financial statement.

### **3.3.4. Responsibility**

The Management Board bears the responsibility for the implementation and efficacy of decisions it makes.

The members of the Management Board will be solidary responsible for damages resulted as consequence of breach of their duty, except if they prove to have fairly and conscientiously performed their duties.

### **3.3.5. Reporting of shareholders**

Each member of the Management Board is obliged to inform the Supervisory Board of the company on all changes with regard to his ownership of company shares latest on the next business day following occurrence of such change with the company being obliged to publicly announce such change within the shortest possible term.

### **3.3.6. Conflicts of interest**

The conflict of interest exists for the member who is not neutral with regard to subject of decision making and may make influence on decision making based on the interests which are different from the interest of the company.

The members of the Management Board must not make decisions based on personal interests or based on interests of persons with whom they have close relation.

#### **3.3.6.1. Transactions between the company and the members of the Management Board**

All transactions in which the members of the Management Board take part or the persons related to them and the company or with it related persons should be on a market bases, especially with regard to terms, interests, warranties and similar, and should be clearly stated in the company's reports. All such transactions should be confirmed by independent estimate of the experts being independent in relation to participants of the subject transaction.

#### **3.3.6.2. Competition ban**

The members of the Management Board must not for their or others' account, personally or through third persons be in competition with the company in any manner.

The members of the Management Board also must not have a significant portion in the companies which might be considered as competitive with the company.

#### **3.3.6.3. Membership in the Supervisory Boards of other companies**

For membership in the Supervisory Board of other companies, the member of the Management Board should get the prior consent by the Supervisory Board of his company, taking into account that the member of the Management Board must not be at the same time the member of the Supervisory Board in more than 7 companies. Within the meaning of the ban from the prior sentence, the function of the President of the Supervisory Board will be counted as membership in two Supervisory Boards.

#### **3.3.6.4. Additional responsibilities when the company is the part of the concern**

The Management Board of the parent company of the concern is responsible for strategic Management Board and long-term efficiency of the entire concern, and supervises through membership in Supervisory Boards of daughter companies their operating and investments of the group in daughter companies.

As the consequence thereof, the Management Board of the parent company should the ensure adequate cooperation within a concern, taking care of timely and high quality exchange of information between the companies of the concern.

#### **3.4. CO-OPERATION AND RELATIONSHIP BETWEEN THE SUPERVISORY BOARD AND MANAGEMENT BOARD**

The Management Board is obliged to inform the Supervisory Board on time and integrally on all facts and circumstances which might make influence on business, financial situation and state of the company's property, i.e. its daughter companies.

The Management Board and the Supervisory Board are obliged to always reach the agreement with regard to strategic guidelines of the company and implementation of that strategy.

The Management Board is obliged to make possible to its members and members of the Supervisory Board a simple and timely approach to all facilities and premises of the company, records, files and all other documents necessary for performing their duties.

### **4. AUDIT AND INTERNAL CONTROL MECHANISMS**

#### **4.1. INDEPENDANT EXTERNAL AUDITOR**

The company is obliged to have independent external auditors as an important instrument of corporate governance, with regard to the fact that their fundamental function is to make sure that the financial statements adequately reflect the real situation of the company in its entirety. An auditor will be considered to be an independent external auditor who has not been, in terms of ownership or interests, related with the company and does not render, by himself or through related persons, any other services to the company.

The independent external auditors are obliged, in an as clear as possible manner and unambiguously express their opinion on whether the financial statements prepared by the Management Board adequately reflect the status of capital and financial situation of the company, as also results for a certain period of time.

The Audit Committee is obliged to determine the work plan with the independent external auditors, and to propose the remuneration for auditor's work. The Audit Committee is obliged to submit to the Supervisory Board proposals and recommendations at selecting independent external auditors, prolongation of co-operation and termination of co-operation with the auditors.

The independent auditors are obliged to report directly to the Audit Committee on the following issues:

- discussion on the main accounting policy,

## CODE OF CORPORATE GOVERNANCE

- important disadvantages and significant deficiencies in internal supervision and procedures,
- alternative accounting procedures,
- disagreement with the Management Board, risk evaluation, and
- possible analysis of fraud and /or misuse.

The procedures being undertaken by the audit company should reflect their independency and objectiveness, especially if within the same audit company the employees render also other professional, especially advisory, services. The Audit Committee should be acquainted with all services rendered by the independent audit company, as also with remunerations for these services in order to prevent any doubt in independency of auditors and avoid possible conflict of interests.

In case of occurrence of circumstances showing the possibility of endangering auditors' independency the Supervisory Board is obliged to make recommendations to the Assembly to engage new business advisors or auditors.

The company is obliged to publicly announce amounts of remunerations paid to independent external auditors for the performed audit, as also for other services rendered.

### **4.2. INTERNAL AUDITORS**

The task of the internal auditors is the supervision of internal control, as also examination of compliance with the regulations, guidelines and instructions. The internal auditors submit the report on their results directly to the Audit Committee i.e. the Supervisory Board of the company.

The Supervisory Board is obliged to approve the annual work plan of internal auditors, to analyze their results and supervise implementation of their recommendations.

If the service of internal audit is rendered by external associates, not in any case this may be the independent external auditors of the company.

The Audit Committee and the Supervisory Board should efficaciously participate in planning the activities of internal auditors.

The President of the Management Board has been entrusted with the task to establish the internal supervision system to structure and supervise the course of exact, specific and complete records on organization of the company, such as the records on compliance with the financial, business and legal obligations which might present a significant risk for the company. The internal auditor should analyze and examine the efficacy of such system at least once a year.

## **5. RELATIONSHIP WITH INVESTORS**

### **5.1. STRATEGY**

The Management Board of the company is obliged to make available to investors balanced records relating to both positive and negative sides of the company's operating, in order to enable the investors to understand and judge the situation of the company in the proper way, and based on records gathered in such way, to make decision on their investments.

## CODE OF CORPORATE GOVERNANCE

The investors should always have the possibility to request in written form and timely receive all relevant records from the Management Board of the Company or from the person in the company responsible for relations with the investors.

The Management Board of the company, thereby, is not permitted to give information or to answer the questions raised only as meeting their obligation, but it should also voluntarily give information and, if the Management Board considers it to be serving the purpose and necessary to understand the answer, even exceeding the requested volume, with regard to the fact that the high quality exchange of information, especially when spontaneous, clear and quick, leads to an atmosphere of trust between investors and the company's body.

The Management Board of the company should periodically, and in case of the expressed interest, also hold special conferences with investors.

### **5.2. USAGE OF INTERNET**

The company is obliged to, through the own Internet page, ensure efficaciously and practical exchange of information by Internet.

The company is obliged to announce on the own web site all information which it otherwise must publicly announce in compliance with the law or the Articles of Association.

Apart from these information, the company is obliged to announce on its website all price sensitive information not being part of the preferred information, financial statements, calendar of important events, ownership structure, CV's of the members of the Management Board and Supervisory Board, and records on contact person entrusted with investors relations.

For the reason of equal treatment of all shareholders, regardless of the country of origin, the company has to announce all records it announces on its web page on internet in the Croatian and in the English language.

## **6. STAKEHOLDERS**

To the extent of this Code, the stakeholders are considered to be the persons taking over certain direct or indirect risks in relation to the company and with regard to the company. Apart from shareholders, the stakeholders are also, among others, employees, buyers, beneficiaries of company's services, suppliers, creditors, local community and bodies of the state authorities.

The Management Board of the company bears the responsibility for transparent and high quality relationship of the company and the stakeholders, which is also responsible to take care of the company respecting all rights of stakeholders based on the law and the fair business practices.

No one should suffer from negative consequences if he/she points to the competent authorities or bodies in the company at inadequacy in application of rules or ethical norms within the company.

## **7. ANNOUNCEMENT OF RECORDS ON COMPLIANCE WITH THE CODE PROVISIONS**

In its annual report, as also on its web pages the company is obliged to state within the defined form (annual questionnaire) whether it held to all recommendations stated in this Code.

This Code and its recommendations are based on a principle "comply or explain", i.e. if the company departs from or does not apply some of the recommendations of this Code, it has to give the explanation in the annual questionnaire why it came to nonapplication or departure.

The annual questionnaire makes the integral part of this Code.

## Code of corporate governance

### ANNUAL QUESTIONNAIRE

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

1. Does the company have its www pages on Internet?
  - if yes, on which address?
  - If not, way?
2. Are the semiannual, annual and quarterly reports made available to the shareholders?
  - at the company's headquarters (If not, why?)
  - on the company's www pages on Internet (If not, why?)
  - in the English language (If not, why?)
3. Did the company prepare the calendar of important events? (If not, why?) If yes,
  - has the calendar of important events been published on the company's web pages on Internet? (If not, why?),
  - has the calendar of important events been orderly and timely updated? (if not, why?)
4. Does the company announce the list of shareholders and update it at least twice a month? (If not, why?)
5. Is company in relationship of cross-ownership of shares with the other company or companies?

If yes,

  - which companies are these?
  - are the data on cross-ownership publicly announced and how? (If not, why?)
6. Does the company announce in the annual statement data on securities issued by the company which are owned by the Members of the Supervisory Board or the Management Board of the company? (If not, why?)
7. Does the company publish on its web pages the records on securities issued by the company which are owned of the Members of the Supervisory Board or the Management Board of the company, and are these records regularly (within 48 hours) updated? (If not, why?)
8. Does the company determine and publicly announces the risk factors? (If not, why?)
9. Did the company establish the mechanisms to ensure:
  - that the persons who dispose with or come into contact with preferred information understand the nature and importance of these information and limits with regard to it? (If not, why?)
  - the supervision over the flow of information and the possible misuse thereof (If not, why?)

## CODE OF CORPORATE GOVERNANCE

- 10.** Does every share of the company give one vote? If not,
- have all relevant disclosures pertaining to non-voting shares been publicly and timely released? (If not, why?)
  - how are these explanations released?
- 11.** Have the candidacies of all candidates for membership in the Supervisory Board being elected at the Assembly or being appointed, including their CVs, been announced on Internet? (If not, why?)
- 12.** Does the company treat all shareholders in the same manner? (If not, why?)
- 13.** Did the company issue new shares? If yes,
- Has the participation in increase of the share capital of the company been made possible to all shareholders, in proportion to their shares in the up-to-then share capital of the company, and thus in form of transferable shares with the right of preemption, in order to protect the interests of shareholders who at the time of issuance may not register and purchase new shares? (If not, why?)
  - Was the intention of new shares issuance publicly announced at least 10 days prior to the date determined as the date for establishing the status in the register of shares which will be relevant for determination which shareholders are entitled to pre-emption right at purchase of newly issued shares? (If not, why?)
- 14.** Did the company acquire or release new shares (treasury notes). If yes, was this acquisition or release performed
- on the open market? (If not, why?)
  - in the manner not giving privileges to single shareholders or investors or groups of shareholders, i.e. investors? (If not, why?)
- 15.** Was the issuance of the power of attorney for voting at the General Assembly made most simplified and with not strict formal requests? (If not, why?)
- 16.** Did the company provide for shareholders, who due to whatever reason are not in a position to vote at the Assembly by themselves, without additional expenses, the proxies who are obliged to vote in compliance to the shareholders' instructions? (If not, why?)
- 17.** Did the Management Board of the company, at convocation of the Assembly, set the date according to which the status in the register of shares will be established, which will be relevant for determination of realizing voting rights in the Assembly of the Company in the manner that such date will be set prior to holding the Assembly and may be at the most 7 days prior to holding the assembly? (If not, why?)
- 18.** Does the decision on payment of dividend or dividend advance include the date on which the person being the shareholders becomes entitled to dividend payment and the date or period when the dividend will be paid out? (If not, why?)
- 19.** Is the date on which the person becomes entitled to payment of dividend or dividend advance at least 10 days after the date of passing the decision? (If not, why?)
- 20.** Does the date of payment of dividend or dividend advance fall at least 12, and at most 30 days after the date of passing the decision? (If not, why?)
- 21.** Did the period of payment of dividend or advance dividend last for more than 10 days? (If yes, why?)

## CODE OF CORPORATE GOVERNANCE

22. Were at the payment of dividend or advance dividend some shareholders favored? (If yes, why?)
23. Was the decision on payment of dividend or advance dividend which determines the aforementioned dates announced and submitted to the stock exchange at least 2 days upon its making?
24. Were the agenda of the Assembly, as also all relevant records and papers with the explanations referring to the agenda, announced on the web pages of the company on Internet, and put at disposal to the shareholders in the company's premises from the date of the first public announcement of the agenda? (If not, why?).
25. Were the agenda of the Assembly and all relevant records and papers announced on the web pages of the company on Internet also in the English language? (If not, why?)
26. Have the conditions been set for participation at the General Assembly and usage of the voting right (with no regard to whether permitted in compliance to the law and statute) such as for example registering participation in advance, certification of powers of attorney and similar? (If yes, why?)
27. Does the report to be submitted by the Supervisory Board to the General Assembly include, apart from the Content of the report defined by the law, the evaluation of the overall business efficiency of the company, activities of the Management Board of the company and the special review of its cooperation with the Management Board? (If not, why?)
28. Were the shareholders given the opportunity to participate and especially to vote at the General Assembly of the company by modern communication technology devices? (If not, why?)
29. Did the Management Board of the company publicly announce the decision of the General Assembly of the company, as also the records of the possible action for annulment of these decisions? (If not, why?)
30. Did the Supervisory Board take its decision on the master plan of its activities including the list of regular meetings and records to be regularly and timely put at disposal to the Members of the Supervisory Board? (If not, why?)
31. Did the Supervisory Board make the internal rules of conduct? (If not, why?)
32. State the names of the Supervisory Board's members.
33. State for each member of the Supervisory Board in which other companies he/she is the member of the Supervisory Board of the Management Board. If some of these companies are considered to be competitive with the company, state it.
34. Is the Supervisory Board of the company mostly composed of independent members? (If not, why?)
35. Which members of the Supervisory Board are independent?
36. Are there in the company a long term succession plan? (If not, why?)
37. Has the reward or the remuneration received by the Members of the Supervisory Board in entirety or partly been determined according to their contribution to the efficiency of the company? (If not, why?)
38. Is the remuneration to the Members of the Management Board:
  - . determined by the decision of the General Assembly:

## CODE OF CORPORATE GOVERNANCE

- determined in the Articles of Association of the Company
- determined in some other manner (if yes, in which?)

**39.** Have the detailed records on all remunerations and other earnings from the company or from the with the company related persons of each individual member of the Supervisory Board of the company, including the structure of such remuneration, been publicly announced? (If not, why?) (If yes, where?)

**40.** Does every Member of the Supervisory Board informs the company on all changes with regard to his/her ownership of shares of the company, and thus latest on the next business day, upon occurrence of such change? (If not, why?)

**41.** State all activities in which the Members of the Supervisory Board or with them related persons participated on one side and the company or with it related persons on the other side.

**42.** Were all activities in which the Members of the Supervisory Board or with them related persons participated and the company or with it related persons:

- concluded on the market basis (especially with regard to terms, interests, guarantees and similar)? (If not, why and which?)
- clearly stated in the reports of the Company (If not, why and which?)
- confirmed by the independent assessment by expert persons being independent in relation to the participants of the subject transaction? (If not, why and which?)

**43.** Are there contracts and agreements between the Member of the Supervisory Board and the company? If yes,

- were they priory approved by the Supervisory Board? (If not, why?)
- were the important events of all such contracts and agreements included in the annual report? (If not, why?)

**44.** Did the Supervisory Board establish the Appointment Committee? (If not, why?) If yes,

- did the committee estimate the composition, size, membership and quality of work of the Supervisory Board and the Management Board, and draft the corresponding recommendations for the Supervisory Board? (If not, why?)
- did the committee make the evaluation of the knowledge, skills and experience of the individual members of the Supervisory Board and inform the Supervisory Board thereof? (If not, why?)
- did the committee analyze the problems related to planning of the Supervisory Board's and the Management Board's continuity? (If not, why?)
- did the committee analyze the policy of the Management Board with regard to employment of high management? (If not, why?)

**45.** Did the Supervisory Board establish the Remuneration Committee? If yes,

- Is the majority of members of the committee from the independent members of the Supervisory Board? (If not, why?)
- Did the committee propose to the Supervisory Board the policy of remuneration of the Management Board which has to relate to all types of remuneration, and in particular to the fixed part of the remuneration, the variable part of the remuneration is related to business efficiency, retirement plan and severance pay? (If not, why?)

## CODE OF CORPORATE GOVERNANCE

- With regard to the variable part of the remuneration related to business efficiency, did the committee's proposal include the recommendations for determination of objective criteria of efficiency assessment? (If not, why?)
  - Did the committee propose to the Supervisory Board the remuneration for single members of the Management Board in compliance with the company's remuneration policy and evaluation of activities of a single director? (If not, why?)
  - Did the committee propose to the Supervisory Board the appropriate form and content of the contract with the members of the Management Board? (If not, why?)
  - Did the committee follow the amount and the structure of remuneration to the high management and give general recommendations to the Management Board with regard to that? (If not, why?)
  - Did the committee with regard to the incentive part of the remuneration to the Management Board, in case it is composed of options on shares or other arrangements based on acquisition of shares, analyzed the general policy of such type of remuneration and suggested to the Supervisory Board appropriate solutions, as also analyzed records being published about it in the annual report, prior to announcement?
- 46. Did the Supervisory Board establish the Audit Committee? (If not, why?) If yes,**
- Is the majority of the committee members from the independent members of the Supervisory Board? (If not, why?)
  - Did the committee follow the integrity of the financial information of the company, and in particular, the correctness and consistency of the accounting methods used by the company and the group to which it belongs, including the criteria for consolidation of financial reports of the companies which belong to the group? (If not, why?)
  - Did the committee evaluate the quality of the internal audit system and risk management, with the objective to identify and make public the major risks to which the company has been exposed (including the risks related to compliance with the provisions) in the appropriate manner, and to manage them in the appropriate way? (If not, why?)
  - Did the committee work on ensuring efficacy of the internal audit system, especially through preparing recommendations at selection, appointment, repeated appointment and dismissal of the head of internal audit department and with regard to resources at his/her disposal, and assessment of the head's actions at the occasion of findings and recommendations of the internal audit? (If not why?).
  - If there is no internal audit function within the company, did the committee make the evaluation of the need for establishment of such function? (If not, why?)
  - Did the committee give to the Supervisory Board its recommendations with regard to election, appointment, repeated appointment and change of the external auditor, and on terms and conditions of his/her engagement? (If not, why?)
  - Did the committee supervise the independency and objectiveness of the external auditor, in particular with regard to rotations of the authorized auditors within the audit company and remunerations the company is paying for the external auditors' services? (If not, why?)
  - Did the committee follow the nature and the quality of services which are not part of the audit, but the company does receives them rendered from the audit company and the persons related to it? (If not, why?)

## CODE OF CORPORATE GOVERNANCE

- Did the committee prepare the rules on the services which the external audit company and the persons related to it may not render to the company, the services which may be rendered only with the prior consent of the committee, and the services which may be rendered without the prior consent? (If not, why?).
  - Did the committee analyze the efficacy of external audit and actions of the high management with regard to recommendations made by the external auditor? (If not, why?)
  - Did the committee examine the circumstances related to dismissal of the external auditor and give the appropriate recommendations to the Supervisory Board? (if it came to such dismissal)? (If not, why?)
  - Has the committee open and unlimited communication with the Management Board and the Supervisory Board? (If not, why?)
  - To whom is the committee accountable for its work?
  - Has the committee open and unlimited communication with the internal and external auditor? (If not, why?)
  - Did the Management Board submit, so far, to the Audit Committee:
    - timely and periodical presentation of financial statements and related documents prior to public announcement of these data (If not, why?);
    - records on changes in accounting principles and criteria (If not, why?);
    - accounting procedures accepted for the majority of actions (If not, why?);
    - each significant deviation between the book and real value per single items (If not, why?);
    - all correspondence with the internal audit department and independent auditors (If not, why?)
  - Did the Management Board inform the Audit Committee on methods used for booking significant and unusual transactions and business events when the bookkeeping presentation of such events may be approached in different manners? (If not, why?)
  - Did the Audit Committee discuss with the independent auditor the issues related to:
    - change or retaining of the accounting policies and criteria, (If not, why?)
    - change of regulations (If not, why?)
    - important estimates and conclusions in preparing financial reports (If not, why?)
    - methods of risk assessment and results (If not, why?)
    - highly risky areas of activities (If not, why?)
    - noticed larger deficiencies and significant deficiencies in internal audit (If not, why?)
    - impact of external factors (economic, legal and industrial) to financial statements and audit procedures (If not, why?).
  - Did the Audit Committee provide supply of high quality information from the dependent and associated companies, as also third persons (such as expert advisors)? (If not, why?)
- 47.** Has the documentation relevant for work of the Supervisory Board been submitted on time to all members? (If not, why?)
- 48.** Have all decisions made on the Supervisory Board's meetings been recorded in the minutes together with the voting results, stating how each member voted? (If not, why?)
- 49.** Did the Supervisory Board prepare the evaluation of its work in the past period including the validation of contributions and competency of each member, as also of the joint work of the committee, evaluation of the work of committees established by the Supervisory Board, and the evaluation of the reached in relation to the target objectives of the company?
- 50.** State the names of the members of the Management Board.
- 51.** Are there rules for work of the Management Board defining the issues with regard to:
- area of activities and objectives,

## CODE OF CORPORATE GOVERNANCE

- rules of procedure,
  - rules of solving conflict of interest,
  - secretary of the Management Board,
  - holding meetings, passing decisions, agenda, preparing and content of the minutes and submission of documents,
  - cooperation with the Supervisory Board (If not, why?)
- 52.** Did the company announce the statement of the policy of remuneration of the Management Board and the Supervisory Board as part of the annual statement? (If not, why?)
- 53.** If there is one, does the Remuneration policy statement include the following parts:
- significant changes in relation to the remuneration policy in comparison with the prior year (If not, why?)
  - explanation of the relative portion and significance of the fixed and variable parts of remuneration (If not, why?)
  - sufficient information on efficiency criteria on the fulfillment of which the entitlement to acquisition of options on shares, shares or other form of variable portion of remuneration has been based (If not, why?)
  - sufficient information on relation between the amount of remuneration and efficiency (If not, why?)
  - basic ratios and reasons for distribution of annual bonuses or privileges which are not cash (If not, why?)
  - summary review of contracts with the members of the Management Board which has to include the records on contract duration, notice periods and in particular on severance pays. Each form of remuneration for members of the Management Board and the Supervisory Board which includes options on shares and other rights to acquisition of shares or in case the remuneration based on the price of shares of the company must prior to becoming effective be approved by the General Assembly of the company. This approval relates to remuneration principles, and not to approving remuneration to single members of the Management Board or the Supervisory Board (If not, why?).
- 54.** Has the statement of the policy of remuneration of the Management Board been constantly announced through Internet on web pages of the company? (If not, why?)
- 55.** Are detailed records on all earnings and remunerations which each member of the Management Board receives from the company publicly announced in the Annual report of the company? (If not, why?)
- 56.** Are all forms of remunerations to the members of the Management Board and the Supervisory Board, including options and other benefits of the Management Board publicly announced by detailed single items and persons in the annual report of the company? (If not, why?)
- 57.** Does the Statement of remunerations to the members of the Management Board include the following elements with regard to each member of the Management Board who filled this post in the year to which the statement relates:
- total amount of the salary, with no regard to whether he/she has actually been paid out or not (If not, why?)
  - remunerations or benefits received from associated companies (If not, why?)
  - remunerations in form of participation in profit or bonus and the reasons due to which they were paid out (If not, why?)
  - any other additional remunerations paid out to the members of the Management Board for the activities they performed for the company out of the usual scope of activities of the member of the Management Board (If not, why?)

## CODE OF CORPORATE GOVERNANCE

- the compensation paid out or which has to be paid out to the former member of the Management Board with regard to cease of filling the post during the year to which the statement relates (If not, why?)
  - the total estimated value of the non-cash benefits which are considered the remuneration, but are not listed in the prior items (If not, why?)
  - with regard to remuneration in shares or options on shares or other forms of remuneration based on acquisition of shares:
    - number of options or shares approved by the company in the year to which the statement and the conditions for the usage thereof relates (If not, why?)
    - number of options exercised in the year to which the statement relates, and for each of them, the number of shares and the price at which it was exercised, or the value of shares included in distribution to the members of the Management Board at the year end (If not, why?)
    - number of options not exercised at the end of the year, the price at which they can be exercised, the exercise date and the main conditions pertaining to the exercise (If not, why?)
    - each change related to the change of conditions for exercise of the existing options which occurred in the company in the year to which the statement relates (If not, why?)
  - each loan (including the balance of debt and the interest rate), advance payment or guarantee in favor of the members of the Management Board from the with the company associated companies which are included into the consolidated financial report (If not, why?)
- 58.** Did every member of the Management Board informe the Supervisory Board of the company on all changes with regard to his/her ownership of the shares latest the next business day upon occurrence of such change with the obligation of the company to publicly announce such change in the shortest possible term? (If not, why?)
- 59.** State all activities in which the members of the Management Board or with them related persons participated on one side and the company or with it related persons on the other side.
- 60.** Were all activities in which the members of the Management Board or with them related persons participated:
- closed on the market basis (especially with regard to terms, interests, guarantees and similar)? (If not, why and which?)
  - clearly stated in the reports of the company? (If not, why and which?)
  - confirmed by the independent assessment of the expert persons being independent in relation to participants in the subject business? (If not, why and which?)
- 61.** Do the members of the Management Board have the significant portion in the companies which might be considered competitive with the company? (If yes, which, where and how many?)
- 62.** Are the members of the Management Board the members of the Supervisory Boards of other companies? (If yes, state the names of these members of the Management Board, the firms of the companies in which they are the members of the Supervisory Boards, and the functions they fill in these Supervisory Boards).
- 63.** Does the company have the external auditor (If not, why?)
- 64.** Is the external auditor of the company:
- in proprietary terms or in terms of interests related with the company (If yes, state in which manner)
  - renders to the company, by him/herself or through other persons, other services? (If yes, state which and how much does it cost the company)
- 65.** Did the independent auditors directly inform the company on the following issues:

## CODE OF CORPORATE GOVERNANCE

- discussion on the main accounting policy
- important deficiencies and significant inadequacies in the internal audit,
- alternative accounting procedures,
- noncompliance with the Management Board, risk assessment, and
- possible analyzes of fraud and/or misuse.

If they did not, why?

**66.** Did the company publicly announce the amounts of the remuneration paid to the independent external auditors for the performed audit and other services rendered? (If not, why?)

**67.** Does the company have the internal auditors and the established internal audit system? (If not, why?)

**68.** Do the investors have to possibility to request in written form and to timely get the relevant records from the Management Board of the company or from the person in the company entrusted with investors relations (If not, why?).

**69.** How many meetings did the Management Board of the company hold with the investors?

**70.** Has someone suffered negative consequences due to indicating to the supervisory bodies or authorities in the company or outside the company on deficiencies in application of regulations or ethical norms within the company? (If not, why?)

**71.** Do all members of the Management Board and Supervisory Board agree that the statements stated in the answers to this questionnaire are at their best knowledge truthful in its entirety? (If not, state which members of the Management Board and the Supervisory Board do not agree, with which answers they do not agree and why).