

Cyfrowy Polsat Spółka Akcyjna

A statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021

According to the current status of compliance with the Best Practice, the Company does not apply 11 detailed principles: 1.4., 1.4.1., 2.1., 2.2., 3.2., 3.6., 3.7., 3.9., 3.10., 4.1., 4.9.1.

I. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

1.1 Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.
The principle is applied.

1.2 Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.
The principle is applied.

1.3 Companies integrate ESG factors in their business strategy, including in particular:

1.3.1 environmental factors, including measures and risks relating to climate change and sustainable development;
The principle is applied.

Comments of the Company: The Company is fully aware of the importance of environmental issues and for many years has been taking numerous, systematic actions in this specific area, of which it informed extensively in Polsat Plus Group's sustainability reports published since 2017. In particular, the Company and its capital group are the signatories and are actively involved in the Better Poland Association (formerly: the Clean Poland Association Program). The mission of this program is to initiate change, educate the society and publicize the important topics and actions associated with ecology, preservation of the natural environment and improvement of the quality of living.

Since 2022, the Company has been implementing the objectives of Polsat Plus Group's new strategy, which envisage, among others, the expansion of existing operating activities into a new area - clean energy production. Between 2022 and 2025, as part of the 2023+ Strategy, Polsat Plus Group carried out investments to build approximately 500 MW of installed clean energy generation capacity, primarily from photovoltaic sources (82 MW), biomass (105 MW), and onshore wind farms (289 MW). In addition, the Group has built a complete value chain for an economy based on green hydrogen. The Group estimates that the aforesaid investment plan will contribute to the reduction of greenhouse gas emissions by around 2 million tons of CO₂ equivalent per year in the Polish economy, while creating an additional recurring revenue and EBITDA stream for the Group.

Furthermore, in November 2022 Polsat Plus Group adopted and announced its Sustainability-Linked Financing Framework linking the future external financing of Polsat Plus Group to its long-term sustainability objectives. In particular, the document includes key performance indicators and quantified long-term sustainability performance targets on environmental issues that the Group will strive to achieve. The Framework was subjected to an external expert evaluation, documented by a publicly available Second-Party Opinion, in terms of relevance and ambitiousness of the targets of Polsat Plus Group set out in the Framework.

- 1.3.2** social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.
The principle is applied.
Comments of the Company : Social and employee-related issues form one of the key elements of Polsat Plus Group's organizational culture and ESG strategy, which the Company describes in detail in its sustainability reports published since 2017. The Company and its capital group are particularly active in supporting the society, e.g. by closely cooperating for over 20 years with the Polsat Foundation who supports ill and disabled children. Concurrently, the Company and its Group respond in a socially responsible manner to extraordinary events, such as the COVID-19 pandemic and the outbreak of war in Ukraine.
- 1.4** To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:
The principle is not applied.
Comments of the Company : The assumptions of the business strategy, along with the description of non-measurable and selected measurable goals, as well as the information on achieved results and the accomplishment of the strategic goals are published by the Company on its website as well as in Polsat Plus Group's annual reports on the activities of the management board and in Polsat Plus Group's sustainability reports.
- In connection with the publication of its new strategy in December 2021, the Company's Management Board formulated and published on the Group's corporate website measurable long-term strategic goals, both financial and operational, as well as non-financial, particularly related to the expected reduction of greenhouse gas emissions. In addition, in November 2022, the Company formulated and published additional key performance indicators and quantified sustainability performance targets relating specifically to environmental issues in Polsat Plus Group's SustainabilityLinked Financing Framework, a document that had undergone an independent expert review.*
- The Company provides disclosures on planned and undertaken activities as well as progress in the achievement of its goals in the area of ESG in Polsat Plus Group's annual reports on the activities of the management board, which cover sustainability issues, and in Polsat Plus Group's sustainability reports, available on the Company's corporate website.*
- 1.4.1** explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;
The principle is not applied.
Comments of the Company : On December 20, 2021, the Company adopted and announced the assumptions of Polsat Plus Group's strategy, including strategic assumptions in the area of ESG. The Management Board identified the unfavorable local energy mix as a key challenge for the Polish society and economy, as it impacts negatively both air quality (social aspect) and the cost of conducting business or living in Poland (economic aspect). Accordingly, as part of its strategy, Polsat Plus Group focused, among others, on developing new areas of activity, particularly the production and sales of energy from zero- and low-emission sources. In the opinion of the Company's Management Board, the implementation of Polsat Plus Group Strategy 2023+ effectively combines ESG considerations with building a new revenue stream for Polsat Plus Group, with long-term benefits for the Company's stakeholders.
- In its sustainability reports, the Company publishes detailed information regarding the governance principles and the procedures covering the environmental issues that are valid in the Company as well as in the Company's key subsidiaries, describes in detail the efforts of the entire group in the areas of conservation of natural environment and education of the public in this area as well as outlines climate-related risk factors.*
- 1.4.2** present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.
The principle is applied.
- 1.5** Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.
The principle is applied.
- 1.6** Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.
The principle is applied.
- 1.7** If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.
The principle is applied.

II. MANAGEMENT BOARD, SUPERVISORY BOARD

To ensure top standards of the responsibilities and effective performance of the management board and the supervisory board of a company, only persons with the adequate competences, skills and experience are appointed to the management board and the supervisory board.

Management Board members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

Supervisory board members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the company.

The supervisory board functions in the spirit of debate and analyses the position of the company in the context of the sector and the market on the basis of information provided by the management board of the company and via the company's internal systems and functions and obtained from external sources, using the output of its committees. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

- 2.1 Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

Comments of the Company : The Company has a diversity policy in place which also operates in the companies which are the members of the Company's capital group. The provisions of the diversity policy apply to all employees, including management board and supervisory board members.

The Company would like to note that high degree of diversity is assured in the Management Board and the Supervisory Board in such areas as age, education, competence and professional experience.

The diversity policy adopted by the Company and by the member companies of the Company's capital group prohibits discrimination of any kind related to employment, direct or indirect, especially in respect of gender, age, sexual-orientation, experience, potential disability, nationality, ethnic and social origin, color of skin, language, parental status, religion, denomination or lack of denomination, political views as well as in respect of the location of the work of place, form of employment, trade union membership, or any other dimension of diversity as defined by valid law. The diversity policy of Polsat Plus Group does not define the minimum goal for diversity in terms of gender of the employees, hence the Company does not apply principle 2.1.

- 2.2 Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

Comments of the Company : The provisions of the Group's diversity policy apply to all of the Group's employees, including Management Board and Supervisory Board Members. The Company's goal is to assure diversity, including diversity in terms of gender, for higher ranking positions, nevertheless the persons who make decisions while selecting Management Board and Supervisory Board Members are above all guided by the candidates' competencies, their professional experience and education.

- 2.3 At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

- 2.4 The supervisory board and the management board vote in an open ballot unless otherwise required by law.

The principle is applied.

- 2.5 Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.
The principle is applied.
- 2.6 Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.
The principle is applied.
- 2.7 A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.
The principle is applied.
- 2.8 Supervisory board members should be able to devote the time necessary to perform their duties.
The principle is applied.
- 2.9 The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.
The principle is applied.
- 2.10 Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.
The principle is applied.
- 2.11 In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:
- 2.11.1 information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;
The principle is applied.
 - 2.11.2 summary of the activity of the supervisory board and its committees;
The principle is applied.
 - 2.11.3 assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;
The principle is applied.
 - 2.11.4 assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;
The principle is applied.
 - 2.11.5 assessment of the rationality of expenses referred to in principle 1.5;
The principle is applied.
 - 2.11.6 information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.
The principle is applied.

III. INTERNAL SYSTEMS AND FUNCTIONS

Efficient internal systems and functions are an indispensable tool of exercising supervision over a company.

The systems cover the company and all areas of activity of its group which have a significant impact on the position of the company.

- 3.1** Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.

The principle is applied.

- 3.2** Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

The principle is not applied.

Comments of the Company: The Company effectively carries out the tasks listed in the principle 3.1, however dedicated organizational units responsible for managing risk and compliance issues have not been established in the Company's organizational structure.

Relevant internal processes and procedures have been implemented and operate in the Company, assuring efficient management of financial and operational risks as well as monitoring of compliance of the Company's operations with applicable regulations. High-level managers, managing respective areas covered by specific procedures, are responsible for the efficiency and the proper functioning of these procedures. In spite of the lack of a formal separate compliance function, control of the Company's compliance in various areas with applicable legislation is executed through internal regulations and takes place at the level of individual organizational units which are responsible for a given area of operations in the capital group, including, in particular, within the finance, controlling, legal, administrative divisions. The Management Board verifies on an on-going basis the correctness of functioning of the internal processes in the areas of risk management and compliance of operations with applicable regulations, and takes action whenever necessary.

The Supervisory Board, and in particular the Supervisory Board's Audit Committee, monitors and assesses the effectiveness of functioning of the internal processes of operational and financial risk management, including the process of drafting of financial statements on the basis of the documents and reports presented by the Management Board and by the person responsible for internal audit as well as on the basis of other information obtained in the course of the Supervisory Board's on-going activities.

- 3.3** Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

The principle is applied.

Comments of the Company: The Company's internal audit unit operates in compliance with IIA (The Institute of Internal Auditors) standards, save for the standards 1300-1321 which concern the quality assurance and improvement program for an internal audit unit.

- 3.4** The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

The principle is applied.

- 3.5** Persons responsible for risk and compliance management report directly to the president or other member of the management board.

The principle is applied.

- 3.6** The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

The principle is not applied.

Comments of the Company: In accordance with the organizational structure adopted in the Company, the internal auditor reports directly to the Management Board Member responsible for finance – which is in line with IIA (The Institute of Internal Auditors) standards. The internal auditor functionally reports to the Chairman of the Audit Committee. In the opinion of the Company's Management Board, the internal audit function present in the Company operates in an effective and independent manner.

- 3.7** Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

The principle is not applied.

Comments of the Company: By analogy to the principles 3.4-3.6, the principle are applied partially by the Company. Principles 3.4. and 3.5. also apply to those members of the Company's capital group who are essential from the point of view of the group's operations. Principle 3.6, in turn, does not apply to the group's essential companies since in the selected entities being members of the Company's capital group the internal audit function is fulfilled by the same internal audit and control unit as the one which functions in the Company itself. In the face of the above, the person managing the internal audit function in selected companies having significant importance for the Group reports directly to the Management Board Member responsible for financial matters in the Company, which is in line with the IIA (The Institute of Internal Auditors) standards.

- 3.8** The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.

The principle is applied.

- 3.9** The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied.

Comments of the Company: The Supervisory Board of the Company operates according to the Anglo-Saxon model, i.e., in addition to carrying out its duties under the Polish law, members of the Board (excluding independent members and members of the Audit Committee) simultaneously perform the role of Non-executive Directors. The Board has a wide range of competencies and a high degree of authority set in the Company's corporate documents, which in practice means that the Board is very close to the decision-making process and is well positioned to effectively monitor and evaluate the internal control, risk management and compliance systems, as well as the internal audit function.

The Supervisory Board, and the Supervisory Board's Audit Committee in particular, monitors and assesses the effectiveness of functioning of the internal processes of operational and financial risk management, including the process of drafting of financial statements and sustainability reports, on the basis of the documents and reports presented by the Management Board or by the person responsible for internal audit as well as on the basis of other information obtained in the course of the Supervisory Board's on-going activities.

Risk assessment and mapping is conducted at both management and supervisory boards levels. Risks specific to each business area are identified, monitored, mitigated/managed at the level of: (a) the members of the Management Board responsible for the business area concerned based on internal processes and procedures, (b) the relevant committees (e.g. CAPEX), and if necessary (c) the members of the Management Board with the involvement of individual members of the Supervisory Board. In addition, the Supervisory Board as a whole reviews risks on a regular basis, focusing on key challenges.

- 3.10** Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The principle is not applied.

Comments of the Company: The Supervisory Board, the Audit Committee specifically, monitors and assesses the efficiency of internal processes, which includes on-going monitoring of the efficiency of the internal audit function.

IV. GENERAL MEETING, SHAREHOLDER RELATIONS

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

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

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

- 4.1** Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not applied.

Comments of the Company: Neither Polish, nor foreign shareholders have so far notified the Company of the interest in or the need for organizing the general meetings in such a form. The Management Board, in turn, considers assuring efficient course of debates of general meetings as well as correctness of adoption of resolutions by general meetings a priority. The adopted practice of holding general meetings is intended to reduce the risk of occurrence of any organizational and technical problems during the meetings, potentially causing disruption of the efficient course of the general meetings, as well as the legal risks, especially the ones which could potentially result in the resolutions adopted by a general meeting being questioned due possible transmission delays, technical faults, both on the Company's end as well as in the locations of the shareholders who participate remotely in the meetings.

- 4.2** Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

- 4.3** Companies provide a public real-life broadcast of the general meeting.
The principle is applied.
- 4.4** Presence of representatives of the media is allowed at general meetings.
The principle is applied.
- 4.5** If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 - 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.
The principle is applied.
- 4.6** To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.
The principle is applied.
- 4.7** The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.
The principle is applied.
- 4.8** Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.
The principle is applied.
- 4.9** If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:
- 4.9.1** candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;
The principle is not applied.
Comments of the Company : *The Company encourages its shareholders to propose their candidates at the times indicated in the principle 4.9.1, including by publishing the relevant information in the notices to convene the general meetings. However, due to the fact that the Company's internal regulations do not provide for any other mode of appointing Supervisory Board Members than stipulated by the generally valid legal regulations, especially in terms of restricting the time during which the candidates for Supervisory Board Members may be proposed, while the to-date practice of proposing of candidates for Supervisory Board Members differed from the requirements of the principle 4.9.1, hence the Company may not assure that the principle will be applied in the future.*
- 4.9.2** candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.
The principle is applied.
- 4.10** Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.
The principle is applied.
- 4.11** Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.
The principle is applied.
- 4.12** Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.
The principle is applied.

- 4.13** Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:
- a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
 - b) the persons granted the pre-emptive right are to be selected according to objective general criteria;
 - c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.
- The principle is applied.*
- 4.14** Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:
- a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
 - b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;
 - c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
 - d) the company generates insufficient cash flows to pay out dividends;
 - e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
 - f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.
- The principle is applied.*

V. CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

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

Companies and their groups should have in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify and disclose such cases and the course of action in the event that they occur.

Members of the management board and members of the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

- 5.1** Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.
- The principle is applied.*
- 5.2** Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.
- The principle is applied.*
- 5.3** No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.
- The principle is applied.*
- 5.4** Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.
- The principle is applied.*

- 5.5 If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ANSWER a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.
The principle is applied.
- 5.6 If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ANSWER a prior opinion of a third party referred to in principle 5.5.
The principle is applied.
- 5.7 If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.
The principle is applied.

VI. REMUNERATION

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and non-discriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

- 6.1 The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
The principle is applied.
- 6.2 Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.
The principle is applied.
Comments of the Company: *At present no incentive schemes are implemented in the Company with respect to Management Board Members and key managers.*
- 6.3 If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.
The principle is applied.
Comments of the Company: *A management stock options plan does not exist in the Company.*
- 6.4 As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.
The principle is applied.
Comments of the Company: *The compensation of the Supervisory Board members is determined by the General Meeting of Shareholders. In the Company's opinion, the compensation of the Supervisory Board Members accounts for the additional effort associated with the work as members of the Audit Committee but at the same time other Supervisory Board Members are paid the same remuneration, which is justified by their bigger involvement in the supervision of other areas of operation of the Company than the areas dealt with by the Audit Committee.*
- 6.5 The level of remuneration of supervisory board members should not depend on the company's short-term results.
The principle is applied.