

V. INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Report on the Compliance in 2016 with the Corporate Governance Code for the Companies Listed on the NASDAQ OMX Vilnius Stock Exchange

Public limited liability company Žemaitijos pienas (hereinafter the 'Company'), following Part 3 of Article 21 of the Law on Securities of the Republic of Lithuania and clause 24.5 of the Listing Rules of NASDAQ OMX Vilnius, hereby presents and describes its compliance with the Corporate Governance Code for the companies listed on the NASDAQ OMX Vilnius and with specific provisions thereof. Where the Code or any provisions thereof are not complied with, it is specified which particular provisions are not complied with and the reasons for such non-compliance:

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT RELEVANT	COMMENTS
<p>Principle I: Basic Provisions</p>		
<p>The overriding objective of the company should be to operate in common interests of all the shareholders through the steady increase in the value of shareholders' equity.</p>		
<p>1.1. A company should design and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and to increase the value of shareholders' equity.</p>	<p>Yes</p>	<p>The Company makes public the essential aspects of the development strategy and objectives by publishing the Company's annual and half-yearly operation reports.</p>
<p>1.2. All bodies of a company should act in furtherance of the declared strategic objectives in view of the need to increase the value of shareholders' equity.</p>	<p>Yes</p>	<p>The Company follows the Company's operation plans, under which it aims to be profitable in the development and strengthening of the technically modern enterprise with the goal of increasing the value of shareholders' equity.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The Supervisory Council, the Board and the Manager of the Company work in close co-operation in order to attain maximum benefit for the Company and its shareholders.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>The Company's supervisory and management bodies ensure that the rights and interests of Company's shareholders, employees and suppliers of raw materials are duly respected. The employees are provided with the opportunity to improve their qualification in training courses and seminars in Lithuania and abroad, and the raw milk producers are given various concessions. A considerable part of the employees and milk producers are shareholders of the Company.</p>
<p>Principle II: The Corporate Governance Framework</p>		
<p>The corporate governance framework should ensure the strategic governance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, and protection of the shareholders' interests.</p>		

<p>2.1. Besides the obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – the general meeting of shareholders and the chief executive officer of a company, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates a clear separation of the management and supervisory functions in the company, accountability and control of the chief executive officer of a company, which, in turn, facilitates a more efficient and transparent company management process.</p>	<p>Yes</p>	<p>The Board and the Chief Executive Officer of the Company are Company's management bodies, and the Supervisory Council and the Audit Committee are the Company's supervisory bodies.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the activities of company's management bodies.</p>	<p>Yes</p>	<p>The collegial management and supervisory bodies of the Company – the Supervisory Council and the Board – are carrying out the functions indicated in the recommendation.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such case, the supervisory board is responsible for the effective monitoring of the functions performed by the chief executive officer of a company.</p>	<p>Not relevant</p>	<p>Both the Supervisory Council and the Board are set up in the Company.</p>
<p>2.4. The collegial supervisory body to be elected by the general meeting of shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.⁶</p>	<p>Yes</p>	<p>Two collegial bodies have been set up – the Supervisory Council and the Board of the Company. Provisions of Principles III and IV are applicable to them.</p>
<p>2.5. Company's management and supervisory bodies should be comprised of such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.⁷</p>	<p>Yes</p>	<p>The Supervisory Council of the Company is comprised of 3 (three) members. The Board of the Company has 7 (seven) members <i>de jure</i> and 5 (five) members <i>de facto</i>. The Company believes that such number of the members of the Board is sufficient for effective operations of the Company.</p>
<p>2.6. Non-executive directors or members of the supervisory council should be appointed for a specified period of time subject to individual re-election, at maximum intervals provided for in the legislation of the Republic of Lithuania with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated, however, this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>Yes</p>	<p>According to the Company's Articles of Association, the Board and the Supervisory Council of the Company are elected for 4 (four) years. The number of terms of office is not limited. Removal or resignation from office of the Company's Board and Supervisory Council members are regulated by the laws of the Republic of Lithuania.</p>

⁶ Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory council but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory council (e.g. formation of the committees), should not be applied to the board, as the competence and functions of this body according to the Law on Companies of the Republic of Lithuania (*Official Gazette Valsstybės Žinios*, 2003, No. 123-5574) are different. For instance, clause 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; clause 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; clause 4.6 of the Code concerning the independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns the independence from the chief executive officer of a company.

⁷ The terms 'executive director' and 'non-executive director' are used in cases when a company forms only one collegial body.

<p>2.7. A chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory council but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. A former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. Where a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Chief Executive Officer and the members of the Board of the Company operate within the Company as individual persons, as well as the Chief Executive Officer of the Company is independent from the Chairman of the Supervisory Council and its members.</p>
<p>Principle III: Procedure for Formation of a Collegial Body to be Elected by the General Meeting of Shareholders</p>		
<p>The procedure for the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.⁸</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and impartial monitoring of the company's management bodies as well as appropriate representation of minority shareholders.</p>	<p>Yes</p>	<p>The collegial supervisory body of the Company – the Supervisory Council – is elected at the shareholders' meeting. The Company discloses information on the candidates to be elected as the collegial body members of the Company.</p> <p>The rights of minority shareholders to represent their interests and have their representative in the collegial body are not restricted.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken, other important work-related obligations and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence (the sample list of which is set out in Recommendation 3.7, should be also disclosed). The collegial body should also be informed on any subsequent changes in the provided information indicated in the present clause. The collegial body should, on yearly basis, collect the data on its members provided in this clause and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>The information about members of the collegial supervisory body (full names, the relationship with the issuer and capital management, other important work-related obligations) is presented in the annual report.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order for shareholders and investors to be able to ascertain whether the member's competence is further relevant, the collegial body should, in each annual report of the company, disclose the information on its composition and particular competences of its individual members, which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>Prior to the election of the members of the Supervisory Council, the information about them is presented along with the materials related to the meeting.</p>

⁸ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of clause 3.1 as well.

<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by collegial body members, the desired composition of the collegial body should be determined with regard to the company's structure and nature of activities, and periodically evaluated. The collegial body should ensure that it is composed of the members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and / or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	Yes	The collegial body should ensure that it is composed of the members of the Company's collegial bodies have long-term experience in corporate governance and the required diversity of knowledge and experience to complete their tasks properly.
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify the fields where its members need to update their skills and knowledge.</p>	Yes	Any new members of the Company's Board are provided information about their duties, corporate organization and activities at the meetings of the Board and individually, when needed.
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should be comprised of a sufficient number⁹ of independent members¹⁰.</p>	Yes	The Board of Žemaitijos pienas is comprised of relevantly independent members of the Board, who based on the possibility, ensure the proper resolution of conflicts of interest.

⁹ The Code does not provide for a specific number of independent members to comprise a collegial body. Many codes in foreign countries fix a particular number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a specific number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

¹⁰ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. However, even a member of the collegial body elected by the majority shareholders may be considered independent if he / she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he / she is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates or may create a conflict of interest and impair his / her judgment. Since all cases when a member of the collegial body is likely to become dependant are impossible to list, moreover, the relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, the assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent should be the following:</p> <ol style="list-style-type: none"> 1) He / she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) of the company or any associated company and has not been such during the last five years; 2) He / she is not an employee of the company or any associated company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He / she is not receiving or has been not receiving significant additional remuneration from the company or any associated company other than a remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include the compensation payments for the previous office in the company (provided that such payment is in no way related with a later position) as per pension plans (inclusive of deferred compensations); 4) He / she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Part 1 of Article 1); 5) He / she does not have and did not have any material business relations with the company or an associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is 	<p>No</p>	<p>Based on the recommendations provided, currently, the members of Company's Board are not fully independent.</p>
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<p>considered to have business relations when it is a major supplier or service provider (including financial, legal, counselling and consulting services), a major client or an organization receiving significant payments from the company or its group;</p> <p>6) He / she is not and has not been, during the last three years, a partner or an employee of the current or former external audit company of the company or an associated company;</p> <p>7) He / she is not an executive director or member of the board in some other company where the executive director or member of the board of the company (if a collegial body elected by the general shareholders' meeting is the supervisory council) is a non-executive director or member of the supervisory council, he / she may not have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He / she has not been in the position of a member of the collegial body for more than 12 years;</p> <p>9) He / she is not a close relative to an executive director or a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) or to any person listed in above subclauses 1 to 8. A close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he / she still may not be considered independent due to <u>special personal or company-related circumstances</u>.</p>		<p>The Company has not set additional criteria for the independence of the members of collegial bodies.</p>
<p>3.9. Necessary information on the conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should disclose in each of its annual reports which members of the collegial body it considers to be independent.</p>	<p>Yes</p>	<p>The members of the Company's Supervisory Council meet the criteria for absolute independence indicated by the legislation.</p>

<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require the independent members to have their independence periodically re-confirmed.</p>	<p>Yes</p>	<p>The Company believes and tries to ensure by the means of internal legislation that the members of collegial bodies would be loyal to the Company.</p>
<p>3.11. In order to remunerate the independent members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds¹¹. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>No</p>	<p>The members of the Supervisory Council and the Board of the Company are remunerated for their work within the Supervisory Council and the Board.</p>
<p>Principle IV: Duties and Liability of a Collegial Body Elected by the General Meeting of Shareholders</p>		
<p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies¹² and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure the integrity and transparency of the company's financial accounting and the control system. The collegial body should consistently issue recommendations to the company's management bodies as well as monitor and control their activities while managing the company.¹³</p>	<p>Yes</p>	<p>The Board of the Company approves and presents to the general meeting of shareholders the comments and suggestions on the Company's annual financial statements, profit distribution plan, the Company's annual report, as well as reviews regarding the performance of the Company throughout the year. It also performs other functions within the competence of the Board.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. The independent members of the collegial body should: (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that a decision of the collegial body is against the interests of the company. Should a collegial body have passed any decisions an independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from office, he / she should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, a respective body (institution) not pertaining to the company.</p>	<p>Yes</p>	<p>When carrying out their duties, the members of the Company's Supervisory Council and the Board are guided by the interests of the Company and the shareholders, and there have been no instances providing any reasons to believe otherwise.</p>

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory council and / or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette Valstybės žinios*, 2003, No. 123-5574) provides that members of the supervisory council / the board may be remunerated for their work in the supervisory council / the board by payment of annual bonuses (Fr. tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (Fr. tantiems) should be the only form of the company's compensation to members of the supervisory council and / or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory council or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

¹² See Footnote 3.

¹³ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.3. Each member should devote sufficient time and attention to perform his / her duties as a member of the collegial body. Each member of the collegial body should undertake to limit his / her other professional obligations (in particular, any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half¹⁴ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The members of collegial bodies perform their functions properly: participate in the meetings of collegial bodies and devote sufficient time for the execution of their duties as the members of collegial bodies. Each meeting of the collegial bodies met as a quorum, which enabled a constructive decision-making.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>There have been no conflicts between the shareholders and collegial bodies. The shareholders are informed on the Company's affairs in accordance with the procedure provided for by legal acts, i.e., as established by the Law on Companies and Articles of Association of the Company.</p>
<p>4.5. It is recommended that the transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided that the majority of the independent members of the collegial body voted for such decision.</p>	<p>Yes</p>	<p>Company's management bodies enter into transactions following the provisions of legal acts and Articles of Association of the Company.</p>
<p>4.6. The collegial body should be independent in adopting decisions that are significant for the company's operations and strategy. In addition to this, the collegial body should be independent from the company's management bodies¹⁵. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. A company should ensure that the collegial body and its committees are provided with sufficient resources (including financial) to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information and to seek independent legal, accounting or any other advice from relevant external professionals on the issues pertaining to the competence of the collegial body and its committees. When using the services of the above consultants or professionals with a view to obtaining the information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the</p>	<p>No</p>	<p>The members of the Board are employees of the Company, therefore, they are not completely independent. When adopting any decisions, the Supervisory Council and Board of the Company represent the interests of shareholders.</p>

¹⁴ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

¹⁵ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>human resources department, executive director or collegial management bodies of the company concerned.</p>		
<p>4.7. Activities of the collegial body should be organized in the manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹⁶. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However, they may decide to merge these functions and set up less than three committees. In such case, a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company be comprised of a small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case, the provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes / No</p>	<p>The Nomination Committee and Remuneration Committee indicated in recommendations 4.12 to 4.13 are not formed in the Company as, according to the Company's opinion, the Board, while performing its functions, partly performs the functions of the above Nomination Committee and Remuneration Committee. Furthermore, these functions are appropriately realised by the five specialised departments operating in the Company.</p>

¹⁶ The Law on Audit of the Republic of Lithuania (*Official Gazette Valstybės Žinios*, 2008, No. 82-3233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and / or any other member state).

<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless, the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>No</p>	<p>The Audit Committee is guided by the Audit Committee Regulations, monitors the preparation of financial reports and the conduct of the audit. The collegial bodies remain fully responsible for the decisions taken within their scope and take the final decisions.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with a small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, the remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that the committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes</p>	<p>The Audit Committee consists of 3 members, one of which is an independent member.</p>
<p>4.10. The authority of each of the established committees should be determined by the collegial body itself. Members of the committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also publish in the annual report a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>The Audit Committee Regulations have been approved by the General Meeting of Shareholders. This committee will provide the information on its activity and performance to the General Meeting of Shareholders.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular employees or experts. A chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Yes</p>	<p>Where appropriate, the Company's employees responsible for the fields of activities discussed by the Audit Committee may participate in meetings of the Committee, and provide all necessary information.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <p>1) Identify and recommend, for the approval of the collegial body, candidates to fill management bodies' vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</p> <p>2) Assess the structure, size, composition and performance of the supervisory and management bodies on a regular basis, and make recommendations to the collegial body regarding the means of achieving necessary changes;</p> <p>3) Assess the skills, knowledge and experience of individual directors on a regular basis and report on this to the collegial body;</p> <p>4) Properly consider issues related to succession planning;</p> <p>5) Review the policy of the management bodies for selection and appointment of senior management.</p> <p>4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>No</p>	<p>The Nomination Committee is not formed in the Company (See Comment 4.7).</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body of the company;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and members of management bodies in order their remunerations are consistent with the company's remuneration policy and the evaluation of the performance of these persons. In doing so, the</p>	<p>No</p>	<p>The Remuneration Committee is not formed in the Company (See Comment 4.7).</p>