

**EBI report no. 1/2015**

**Dated 23 March 2015**

### **Statement on corporate governance**

- The Company hereby informs about the Company's partial non-compliance with the Code of Best Practice for WSE Listed Companies ("WSE Corporate Governance Rules"). The WSE Corporate Governance Rules can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the corporate website: [www.interrao.lt](http://www.interrao.lt) in the section "For Investors".
- The Company acknowledges the importance of the good corporate governance and intends to apply WSE Corporate Governance Rules as wide as is practicable. However, due to, inter alia, differences between Polish and Lithuanian Corporate Law the Company will not comply with the following rules:
  - Rule II.1.6, according to which the Company should publish on its website annual reports on the activity of the Company's Supervisory Board, taking account of the work of its committees, together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board. According to Lithuanian law, the Supervisory Board is not required to draw up an annual report.
  - Rule II.1.14, according to which the Company should publish on its website information about the content of the Company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule. According to Lithuanian law, the audit firm is selected by the annual general meeting of the Company's shareholders (the "Annual General Meeting") to perform the audit of annual financial statements. The Supervisory Board, the Management Board and the shareholders having at least 1/20 of votes may at any time prior to or during the Annual General Meeting suggest in writing or by means of electronic communication the audit firm, therefore such rule is not required and the Company has not adopted any rules regarding the issue.
  - Rule II.3 and Rule III.9, according to which the Supervisory Board should approve a significant transaction/agreement with a related entity at the request of the Company's Management Board. In accordance with Lithuanian law, the Supervisory Board is not entitled to approve any decisions of the Management Board.
  - Rule III.1.1, according to which once a year the Supervisory Board should prepare and present to the General Meeting a brief assessment of the Company's standing, including an evaluation of the internal control system and the significant risk management system. According to Lithuanian law, the Supervisory Board is not required to draw up such an assessment.
  - Rule III.6, according to which at least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. As of the date of this report member of the Supervisory Board Mr Nerijus Dagilis meets criteria of being independent.
  - Rule III.8, according to which annex I to the Commission Recommendation of 15th February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board. As at the date of this report, the Supervisory Board has formed audit committee. As of 12th December 2013 Mr Nerijus Dagilis, Mr Mikhail Konstantinov and Mr Aleksandr Pakhomov were elected as members of audit committee of the Company.
  - Rule IV 10, according to which the Company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a

General Meeting from a location other than the General Meeting. The Company does not enable participation in the General Meeting by using electronic communication means through real-life broadcast and real-time bilateral communication. However, the Company does not exclude that such means will be adopted in the future.

- Furthermore, the Company will not comply with the following recommendations:
- Recommendation I.5, according to which the Company should have a remuneration policy and rules of defining the policy. The Company has not adopted such policy, since the Company's Group is developing and the number of employees and members of management do not justify implementation of a complex set of rules.
- Recommendation I.9, according to which a balanced proportion of women and men in management and supervisory functions should be ensured. Currently, there are two women in governing bodies of the Company, Ms Karina Tsurkan, is the chairwoman of the Management Board and Ms Natalia Ananieva on 30 April 2014 was elected to Supervisory Board of the Company. However, the Company does not exclude that this recommendation will be implemented in the future.
- Recommendation I.10, according to which, if the Company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, then the Company should publish the rules of its activity in this area. While the Company continuously supports sport, culture and education as well as social initiatives as a part of its business mission, it does not consider it practicable to impose rules on its activity within these spheres.
- Recommendation I.12, according to which the Company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means. Currently, the Company does not envisage such possibility. However, the Company does not exclude that relevant solutions will be introduced in the future.

Legal grounds: § 29.3 of the Warsaw Stock Exchange Rules.