

**EBI report no. 1/2018**

**Dated 6 March 2018**

### **Statement on corporate governance**

- The Company hereby informs about the Company's partial non-compliance with the Best Practice for GPW Listed Companies 2016. The Best Practice for GPW Listed Companies 2016 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 Best Practice for GPW Listed Companies 2016 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:
  - I.R.2. according to which, if the Company pursues sponsorship, charity or other similar activities, then the Company should publish the information about the relevant policy. 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 adopt the relevant policy on its activity within these spheres.
  - I.Z.1.3. and II.Z.1. according to which the Company must publish a chart showing the division of duties and responsibilities among members of the management board. Under Lithuanian Corporate Law, the management board functions and responsibilities are not required to be divided among management board members.
  - I.Z.1.6. according to which information on the dates of corporate events leading to the acquisition of limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors must be provided in the Company's website. The Company considers providing such information to investors.
  - I.Z.1.11. 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.
  - I.Z.1.14. according to which the Company should publish on its website materials provided to the general meeting (also II.Z.10 according to which the Supervisory Board prepares and presents to the General Meeting a report and assessment of the Company's standing, including an evaluation of the internal control, risk management and compliance systems and the internal audit functions and II.Z.11 according to which the Supervisory Board should issue opinions on issues decided by the General Meeting). The Company only partially complies with this principle, as according to Lithuanian law, the Supervisory Board is not required to draw up such an assessment or report or issue such opinions.
  - I.Z.1.15. according to which information about the company's diversity policy applicable to the governing bodies and key managers should be published on its website. Even though there is no such policy in the Company established, the Company puts its best efforts to comply with general principals. Also a diverse among others in terms of gender is ensured as currently, there are two women in governing bodies of the Company, Ms Karina Tsurkan, is the chairwoman of the Management Board and Ms Evgeniya Popova on 29 April 2016 was elected to Supervisory Board of the Company and she is the chairwoman of the Supervisory Board.

- II.Z.3 and II.Z.4, II.Z.7 and II.Z.8 according to which at least two members of the Supervisory Board and the chair of the audit committee should meet the criteria of being independent from the Company. As of the date of this report a member of the Supervisory Board and a member of the Audit Committee Mr Danielis Kličmanas meets criteria of being independent. The Company is putting its best efforts to comply with this principle.
- III.Z.1, III.Z.2, III.Z.3, III.Z.4, III.Z.5 and III Z.6 according to which the management board of the company should be responsible for implementation and maintenance of efficient internal control, risk management, compliance systems and internal audit functions and establish rules applicable to implementation of these functions. Under Lithuanian Corporate Law, the management board is not responsible for these functions and no separate units have to be established in the company for this purpose. The Audit Committee is established in the Company which supervises and considers accounting, internal control and risk management, as well as auditing activities of the Company, performs an independent and unbiased supervision of the audit.
- IV.R.2. and IV.Z.2 (also I.Z.1.16) 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 and enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary. 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. Also the Company does not comply with I.Z.1.20 according to which the Company should make audio or video recording of a general meetings public as no such recordings are required under Lithuanian Corporate Law.
- V.Z.5. according to which the Supervisory Board should approve a significant transaction/agreement with a shareholder who holds at least 5% of the total vote in the company or with related party at the request of the Company's Management Board. In accordance with Lithuanian Corporate Law, the Supervisory Board is not entitled to approve any decisions of the Management Board and approve transactions.
- VI Section according to which the Company should have a remuneration policy and comply with the rules of defining and implementing the policy as described therein. 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.

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