

A STATEMENT ON THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS AND PRINCIPLES

Declaration of compliance with the corporate governance rules is presented in accordance with § 70 paragraph 6 (5) of the Resolution of the Minister of Finances of 29 February 2018 on the current and periodical information submitted by issuers of stocks as well as conditions for the recognition as equally important of information required by the regulations of the law of a country which is not a Member State.

Set of corporate governance rules applied

In 2019, the Company is subject to corporate governance rules described in the “Best Practice for WSE Listed Companies 2016” (Best Practice) adopted by resolution of the WSE Supervisory Council of 13 October 2015. Best Practice came into force on 1 January 2016.

The Company’s Management Board, within the competencies granted to it by the Articles of Association and the generally binding legal regulations, exercises due care in order to ensure the Company’s compliance with the Best Practice to the greatest extent possible. The number and scope of principles, which were not applied in 2019 are described in detail in section below. The Company’s Management Board makes all exceptional efforts in order for the Company’s information policy towards investors, both individual and institutional, comprising the execution of guidelines included in the Best Practice, to be compliant with the expectations. Furthermore, due to reasons beyond the Company’s control, not all principles included in the Best Practice are applied.

The Code of Best Practices is published on the website of the Warsaw Stock Exchange at the following address:

(https://www.gpw.pl/pub/GPW/o-nas/DPSN2016_EN.pdf)

According to Best Practice the Company published information about status of application of Best Practice by the Company at the following address:

(http://ri.zepak.com.pl/upload/files/EN_GPW_dobre_praktyki_PAK.pdf)

Set of rules which Company has not complied with

Presented below are corporate governance rules, which the Company has not complied with in its activities in 2019, together with an explanation of the Company’s position for each specific departure.

Principle I.Z.1.20. Best Practice

A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: an audio or video recording of a general meeting

Reasons for non-compliance with the principle I.Z.1.20. of Best Practice:

Taking into consideration the Company’s experience, according to which most of the Company’s capital share is represented in the deliberations of the general meeting as well as the fact that the recording of the course of the general meeting could be involved with substantial costs and potential difficulties of organizational, technical and legal nature, the company does not record and broadcast the course of the general meeting. In case of notification about a need of recording general meeting announced by bigger group of shareholders, the company will consider such possibility.

Recommendation IV.R.2. Best Practice

If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;

3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

Reasons for non-compliance with the recommendation IV.R.2. Best Practice:

According to the Company's assessment, current shareholders structure does not justify real-life broadcast of the general meeting and real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting. Taking into consideration the Company's experience, according to which most of the company's capital share is represented in the deliberations of the general meeting as well as the fact that the recording and broadcasting of the course of the general meeting could be involved with substantial costs and potential difficulties of organizational, technical and legal nature, the Company does not record and broadcast the course of the general meeting. So far the Company did not receive shareholder's notifications of general meeting broadcasting. In case of such a notification announced by bigger group of shareholders, the Company will consider recording and broadcasting of general meeting. Exercise of the right to vote during a general meeting either in person or through a plenipotentiary is a usual practice on general meeting of the Company. According to the Company's assessment, not in full use of above mentioned recommendation does not adversely affect the achievement of the objective described in the section IV of the code of best practices.

Principle IV.Z.2. Best Practice

If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Reasons for non-compliance with the principle IV.Z.2. Best Practice:

According to the Company's assessment, current shareholders structure does not justify real-life broadcast of the general meeting. Taking into consideration the Company's experience, according to which most of the Company's capital share is represented in the deliberations of the general meeting as well as the fact that the recording and broadcasting of the course of the general meeting could be involved with substantial costs and potential difficulties of organizational, technical and legal nature, the Company does not record and broadcast the course of the general meeting. So far the Company did not receive shareholder's notifications of general meeting broadcasting. In case of such a notification announced by bigger group of shareholders, the Company will consider recording and broadcasting of general meeting.

Recommendation VI.R.1. Best Practice

The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

Reasons for non-compliance with the recommendation VI.R.1. Best Practice:

There is no comprehensive, formal remuneration policy in the Company. Remuneration of the members of the supervisory board are established by the general meeting, remuneration of the members of the management board are established by the supervisory board and there is a document in the company describing remuneration rules of the key managers. In any case such factors are taken into consideration: competence, experience, responsibility of the position and work effects.

Pursuant to the provisions of the amended Act on Public Offering (Journal of Laws of 2019, item 2217), the remuneration policy is being developed and will be adopted at the General Meeting by June 30, 2020.

Recommendation VI.R.2. Best Practice:

The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

Reasons for non-compliance with the recommendation VI.R.2. Best Practice:

There is no comprehensive, formal remuneration policy in the Company. However link with such factors as short- and long-term goals, long-term interests and results are taken into consideration in establishing remuneration of governing bodies and key managers. The company does not discriminate on whatever ground in process of establishing remuneration on any position.