



**Statement on Corporate Governance  
Practices in 2018**

**Ceramika Nowa Gala SA**

Końskie, 30 April 2019

## **1. SET OF CORPORATE GOVERNANCE PRINCIPLES ADOPTED BY CERAMIKA NOWA GALA SA AND THE LOCATION WHERE THE CONTENT OF THIS SET IS PUBLICLY AVAILABLE**

Ceramika Nowa Gala SA has adopted corporate governance principles set out by the Board of the Warsaw Stock Exchange in "Code of Best Practice for WSE Listed Companies 2016", the full content of which is posted at [http://www.gpw.pl/dobre praktyki](http://www.gpw.pl/dobrepraktyki).

## **2. PROVISIONS OF THE SET OF CORPORATE GOVERNANCE PRINCIPLES WHICH WERE NOT FOLLOWED BY THE ISSUER AND REASONS THEREFOR**

As at the date of publication of the consolidated report on the operations of the Group, the following corporate governance principles provided for in "Code of Good Practice of WSE Listed Companies 2016" were not followed by the Issuer:

### **I.Z.1.3. A chart showing the division of duties and responsibilities among members of the management board, drawn up in accordance with principle II.Z.1.**

The Company has not implemented a formal chart showing the division of duties and responsibilities among the members of the Management Board, as the Issuer's Management Board manages the Company's affairs collectively. Given the current size of the Company, the Management Board is composed of two members – both of them are involved in each decision made by the Management Board. If, as a result of the Company's growth, the scale of the Company's business is extended and the number of members of the Management Board is increased, it may be justifiable to introduce a formal division of powers of individual members of the Management Board. Moreover, the scope of the tasks and responsibilities of the Management Board is specified in the Company's Articles of Association and the Management Board's Regulations available on the Company's corporate website.

### **I.Z.1.16. Information about the planned broadcast of a general meeting, provided not later than 7 days before the date of the general meeting.**

As the Company did not broadcast the General Meeting in real time, it did not provide information about such broadcasts on its corporate website. Since 2017, the Company has been providing a relevant message on its website.

### **I.Z.1.20. An audio or video recording of a general meeting.**

Due to its shareholding structure, size and financial reasons, the Company does not make either audio or video recordings of the General Meeting. The Issuer publishes on its corporate website all information concerning the General Meeting, enabling the shareholders to become acquainted with matters on the agenda of the General Meeting. Once the General Meeting has finished, the Issuer shall immediately publish adopted resolutions and voting results on its website. The Company believes that given the shareholding structure, the current form of providing information concerning the General Meeting sufficiently protects the shareholder's interests. The Company does not, however, rule out introducing a real-time broadcast technology and real-time bidirectional communication, if necessary.

### **II.R.2. Decisions to elect members of the management board or the Supervisory Board of a company should ensure that the composition of these bodies is comprehensive and diverse, among others in terms of gender, education, age and professional experience.**

Management and supervisory functions have been entrusted to individuals with relevant knowledge and experience, regardless of their gender. Furthermore, the composition of the

managing and supervisory bodies is dependent on the shareholders of the Company, thus it cannot be ruled out that this recommendation will be followed in the future.

**II.Z.1. The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.**

For the reasons described above, the Company has not introduced a formal chart describing the division of responsibilities and tasks among members of the Management Board.

**III.R.1. The company's structure should include separate units responsible for the performance of tasks within individual systems or functions, unless the separation of such units is not justified by the company's size or type of its business.**

The Company's organizational structure does not include separate units responsible for internal control, risk management, compliance or internal audit. The Company believes that given the nature and scale of the Issuer's business, separation of such organizational units is not justified.

The Company does, however, have a tailor-made internal control system which enables efficient and reliable flow of financial and non-financial information and ensures security with respect to risks identified by the Company. Therefore, the Management Board is of the opinion that the detailed principles set out in Chapter III are not applicable to the Company.

**IV.R.2. 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) life broadcast of the general meeting;
- 2) real-time bidirectional communication where shareholders may take the floor during a general meeting from a location other than the venue of the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

Given the Company's shareholding structure and no expectations notified by the shareholders, the Management Board is of the opinion that compliance with the above recommendation is not justified.

**V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should provide for, among others, ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the Supervisory Board from participation in reviewing matters involving a conflict of interest which has arisen or may arise.**

At present, the Company does not have internal regulations in this respect which would apply to members of the Management Board or the Supervisory Board. Nonetheless, members of the Supervisory Board and the Management Board notify the Company on an ongoing basis of their affiliates. So far, the Company has not entered into economic relations with those entities, which significantly mitigates the risk of conflict of interest in decisions made. Should the circumstances described above change, the Company will consider the appropriateness of introducing internal regulations in this regard.

**VI.Z.4. The company shall include in its report on operations a report concerning the adopted remuneration policy.**

The Company has no formal rules governing its remuneration policy or principles to be followed in establishing such a policy. Salaries of members of the managing and supervisory bodies the Company are determined according to the scope of performed tasks, responsibility related to their functions and their professional experience. Remuneration of members of the Management Board under their employment contracts shall be approved by the Issuer's Supervisory Board. As regards members of the Supervisory Board, their remuneration shall be determined by the General Meeting of Shareholders. In the case of members of the Management Board and key managers, their remuneration includes a fixed component and a bonus whose amount depends on accomplishment by the Company of the key parameters specified in the budget for the year prepared by the Management Board and approved by the Supervisory Board. The above rules have not changed in recent years.

### **3. DESCRIPTION OF THE MAIN FEATURES OF SYSTEMS FOR INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS BY THE ISSUER**

The Ceramika Nowa Gala Group has a tailor-made internal control system which allows for efficient and reliable flow of financial and non-financial information between the various organizational units of the companies. The system provides for effective information management, which also contributes to the improvement of the processes related to the preparation of consolidated financial statements.

The effectiveness of the Group's internal control system and the risk management system in the financial reporting process is ensured by:

- a uniform accounting policy for the whole Group;
- labor regulations;
- rules for handling confidential information;
- instructions, regulations and procedures within the Group;
- standards regarding material liability for property entrusted to employees;
- stocktaking instructions.

The Group has developed sound financial reporting principles. Each year, a detailed budget is prepared for the whole Group. This process is supervised directly by the Management Board and involves the directors of the various departments. Then, the budget is subject to approval of the Supervisory Board of the parent company.

During the year, the Group analyses its current financial performance, comparing it against the previously adopted budget. This process is carried out in accordance with the management reporting principles adopted by the Ceramika Nowa Gala Group, which have been developed based on the adopted accounting policy (all companies of the Group prepare their financial statements in accordance with International Financial Reporting Standards, or their financial statements are adapted to these standards). Preparation of financial statements, interim financial reporting and ongoing management reporting of the Group are the tasks of the finance and accounting departments headed by the Deputy Chief Financial Officer, Chief Accountant. Financial statements of the companies are prepared by highly qualified teams of employees.

In accordance with applicable law, financial statements of the parent company and those of the subsidiaries are reviewed or audited by an independent, highly qualified certified auditor. A number of internal control procedures are facilitated by an integrated IT system for business management.

#### 4. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY QUALIFYING HOLDINGS

According to the information available to the Company, the following shareholders hold shares authorizing them to at least 5% of votes at the General Meeting of Shareholders. The following information is based on communications provided to the Company by the shareholders.

Shareholder	Number of shares taken up	Percentage share in the share capital	Number of votes at the General Meeting	Percentage share in votes at the General Meeting
Waldemar Piotrowski	10,806,249	23.04%	10,806,249	23.04%
MetLife Otwarty Fundusz Emerytalny	9,356,722	19.95%	9,356,722	19.95%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,834,364	12.44%	5,834,364	12.44%
Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	4,687,607	9.99%	4,687,607	9.99%
PTE Allianz Polska SA	4,562,726	9.73%	4,562,726	9.73%
VALUE Fundusz Inwestycyjny Zamknięty with Subfund 1	2,509,980	5.35%	2,509,980	5.35%

There are no securities conferring special control rights with respect to the Company. The Company's shares bear no restrictions as to the transfer of property rights or limitations on the exercise of voting rights.

#### 5. DESCRIPTION OF THE RULES FOR APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND THEIR POWERS

##### MANAGEMENT BOARD

The Management Board of the Issuer may consist of from two to five members appointed for a joint three-year term of office. The number of members of the Management Board is determined by the Supervisory Board. Members of the Management Board, including its President, are appointed and dismissed by the Supervisory Board.

The Management Board, chaired by its President, manages the Company and represents it outside the Company. Joint action of two members of the Management Board or one member of the Management Board and the proxy is required to make declarations of will and sign documents on behalf of the Company. The Supervisory Board represents the Company with respect to all agreements concluded by it with members of the Management Board and all disputes which may arise between them and the Company.

Resolutions of the Management Board are passed by an absolute majority of votes cast by members of the Management Board present at its meeting. The Management Board operates under the rules and regulations adopted by the Management Board and approved by the Supervisory Board.

In accordance with the Rules and Regulations of the Management Board, the following types of decisions taken by the Board require a resolution to be passed:

- decisions regarding organizational regulations defining the organization of the business of the Company;
- decisions on appointing and cancelling a proxy;
- decisions as regards contracting borrowings and loans;

- decisions regarding the sale and purchase of fixed assets with a value exceeding the equivalent of PLN 100,000;
- decisions on the scope of the Company's ordinary activities carried out by a member of the Management Board, where at least one member of the Management Board objects to their performance before they are carried out;
- decisions concerning accession by the Company to joint ventures and, in particular, formation of or accession to commercial companies and the acquisition of shares in those companies;
- decisions regarding consent to make donations, grant loans or award grants, with the exception of the Social Fund, where the amount is in excess of PLN 1,000;
- decisions concerning the preparation and presentation of financial statements for the financial year and a written report on the operations of the Company to be approved at the annual general shareholders' meeting;
- decisions regarding proposals concerning distribution of profit or coverage of loss;
- decisions as regards the determination of the Company's development strategy;
- decisions regarding staffing of managerial positions reporting directly to the Management Board or individual members of the Management Board, based on the recommendation of a member of the Board supervising a given division;
- decisions on the Rules and Regulations of the Management Board, labor regulations and other regulations concerning the operation of the Company's business;
- decisions concerning the adoption of annual and multi-annual programs and plans regarding the Company's operations;
- decisions concerning the development of the employment policy (the number of employees and the employment structure) and collective redundancies;
- decisions as regards determination of the remuneration of the Company's employees;
- decisions regarding legal actions, where the subject matter of such actions is in excess of PLN 100,000;
- decisions concerning other matters within the competence of the Company's Management Board, as long as the Board deems their examination according to this procedure to be well-founded.

## **SUPERVISORY BOARD**

The number of members of the Supervisory Board is determined in the Issuer's Articles of Associations. Members of the Supervisory Board are elected by the General Meeting for a joint three-year term of office. The Supervisory Board shall elect from among its members a chairperson, vice chairperson and secretary.

Resolutions of the Supervisory Board are passed by an absolute majority of votes, in the presence of at least half of its members, including the Chairperson or Deputy Chairperson. In case of a tie, the Chairperson's vote is decisive. For resolutions of the Supervisory Board to be valid, it is required to invite at its meeting all members of the Supervisory Board. The Supervisory Board may adopt resolutions in writing or using means of direct remote communication, whereby all its members must be informed of the contents of the draft resolution, subject to Article 388(4) of the Commercial Companies Code.

In accordance with its Rules and Regulations, the Supervisory Board shall perform its duties collectively, and its members may exercise individually supervisory rights only under a relevant resolution of the Supervisory Board.

The powers of the Supervisory Board include, in particular:

- audit of the financial statements of the Company;
- audit of the report of the Management Board and its proposals concerning profit distribution and loss coverage;

- providing the General Meeting with a written report on the findings of the audit of the Company's financial statements and the Management Board's report, and proposals as regards granting exoneration to the members of the Management Board;
- appointment and dismissal of members of the Management Board;
- suspending a member or the Management Board for important reasons;
- delegating a member or members of the Management Board to temporarily perform the duties of those members of the Management Board who are unable to perform their duties;
- approving the Rules and Regulations of the Company's Management Board;
- giving consent to a member of the Management Board to engage in business competitive to that of the Company, as well as their participation in competitive companies as a partner or a member of the managing or supervisory bodies of such a company;
- determining remuneration of members of the Management Board;
- selecting a certified auditor;
- determining the consolidated text of the Company's Articles of Association;
- adopting the Rules and Regulations of the Supervisory Board;
- expressing consent for the Company to incur liabilities or dispose of rights of a value exceeding – under transactions with a single entity – PLN 5,000,000, at a time or cumulatively during the financial year, unless the liability or disposition of the rights is due to the ongoing business activities of the Company;
- expressing consent for the Company to contract borrowings or loans and grant sureties or guarantees in excess of PLN 5,000,000 under transactions with a single entity, at a time or cumulatively during the financial year;
- approving the sale or purchase of real property, perpetual usufruct or interest in real property by the Company;
- approving multi-annual and annual action plans of the Company;
- approving the purchase or sale of shares by the Company.

In accordance with the Rules and Regulations of the Supervisory Board, its powers include also:

- entering into agreements between the Company and members of the Management Board;
- determining the number of members of the Management Board.

## **AUDIT COMMITTEE**

The Audit Committee was established as a body performing fixed consulting and advisory functions supporting the Supervisory Board. The Audit Committee shall be composed of at least three members, including the Chairperson of the Audit Committee, appointed by the Supervisory Board from among members of the Supervisory Board for the term of its office.

Should the mandate of a member of the Supervisory Board, elected to the Audit Committee, expire before the end of the term of office of the entire Supervisory Board, or should such a member resign from sitting on the Audit Committee, the Supervisory Board shall supplement the composition of the Audit Committee by appointing a new member of the Committee for the period until the end of the Supervisory Board's term of office. By way of the Supervisory Board's resolution a member of the Audit Committee may be at any time dismissed from the Committee.

The Audit Committee shall act and adopt resolutions collectively.

The Audit Committee's tasks include in particular:

- 1) monitoring of:
  - a) the financial reporting process

- b) the effectiveness of internal control systems and risk management systems as well as the internal audit system, also with respect to financial reporting, c) the performance of financial audit operations,
- 2) controlling and monitoring the independence of the certified auditor and the audit firm; in particular where the Company is provided by the audit firm with services other than audit;
  - 3) informing the Supervisory Board of the audit findings and explaining how the audit contributed to increasing the reliability of financial reporting in the Company, and what the Audit Committee's role was in the audit process;
  - 4) assessing the independence of the certified auditor and granting consent to his/her provision of permissible non-audit services to the Company;
  - 5) developing a policy governing the selection of an audit firm which is to conduct an audit;
  - 6) developing a policy governing the provision of permissible non-audit services by an audit firm conducting an audit, entities related to this audit firm and by a member of this audit firm's network;
  - 7) setting out a procedure for the selection of an audit firm by the Company,
  - 8) providing the Supervisory Board with recommendations regarding the appointment of certified auditors or audit firms, compliant with the selection policy and procedure and in accordance with statutory requirements,
  - 9) presenting recommendations to ensure the reliability of financial reporting in the Company.

## **6. DESCRIPTION OF THE RULES FOR AMENDING THE ISSUER'S ARTICLES OF ASSOCIATIONS**

For an amendment to the Articles of Association to be valid, a resolution of the General Meeting of Shareholders passed by a majority of three fourths of votes shall be required.

## **7. DESCRIPTION OF THE OPERATION OF THE GENERAL MEETING OF SHAREHOLDERS AND ITS MAJOR POWERS, AS WELL AS THE RIGHTS OF THE SHAREHOLDERS AND THE MANNER OF THEIR EXERCISE**

An Annual General Meeting of Shareholders shall be convened by the Management Board of the Issuer, while an Extraordinary General Meeting shall be convened by the Management Board on its own initiative or at a written request of the Supervisory Board, or at a request of shareholders representing at least one-twentieth of the share capital.

The Supervisory Board shall convene a General Meeting where:

- the Management Board of the Company failed to convene it within the prescribed period;
- in spite of having received a request to convene a General Meeting, the Company's Management Board failed to do so within two weeks from the date of the request.

An Extraordinary General Meeting may be convened by shareholders representing at least half of the share capital or at least half of the votes in the Company. Shareholders shall appoint the chairperson of a thus convened meeting (Article 399(3) of the Code of Commercial Partnerships and Companies).

A general meeting of shareholders of a public company shall be convened by putting a notice on the company's website, in the manner prescribed for submission of current information in accordance with the provisions on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies. The notice should be posted at least twenty six days before the date of the General Meeting (Article 4021 of the Code of Commercial Partnerships and Companies),

and shall include, at least:

- the date, time and place of the General Meeting and its detailed agenda;



- precise description of the procedures for participation in the General Meeting and exercising voting rights, in particular, information on:
  - the shareholder's right to request certain items to be put on the agenda of the General Meeting;
  - the shareholder's right to submit draft resolutions concerning items on the agenda of the General Meeting or items which are to be put on the agenda before the date of the General Meeting;
  - the shareholder's right to submit draft resolutions concerning items put on the agenda of the General Meeting;
  - the procedure for voting by proxy, in particular, the forms used when voting by proxy, and the manner of notifying the Company by means of electronic communications of the appointment of a proxy;
  - possibility of and the procedure for participation in the General Meeting by means of electronic communications;
  - the procedure for speaking during the General Meeting with the use of means of electronic communications;
  - the procedure for voting by mail or by means of electronic communications;
- the date of registration for participation in the General Meeting, referred to in Article 406<sup>1</sup>;
- information that the right to participate in the General Meeting is reserved only for persons who are the Company's shareholders as at the date of the registration of participation in the General Meeting;
- information on where and how a person entitled to participate in the General Meeting may obtain the full text of the documents to be submitted to the General Meeting and draft resolutions, or, if no resolutions are to be adopted, comments of the Management Board or the Supervisory Board concerning items put on the agenda of the General Meeting, or items which are to be put on the agenda before the date of the General Meeting;
- the address of the website on which the information concerning the General Meeting will be made available (Article 402<sup>2</sup> of the Code of Commercial Partnerships and Companies).

A public company shall run its own website and post on it, from the date of convening a General Meeting, among others:

- notice of a General Meeting;
- information on the total number of shares in the company and the number of votes to which those shares entitle on the date of the announcement of a General Meeting, and, where the shares are of different types – also information on the breakdown of those shares into different types and the number of voting rights from the shares of each type;
- documents to be submitted to the General Meeting;
- draft resolutions or, where no resolutions are to be adopted, comments of the Management Board or the Supervisory Board concerning the items put on the agenda of the General Meeting or items which are to be put on the agenda before the date of the General Meeting;
- forms to be used while exercising the right to vote by proxy or by mail, if they are not sent directly to all shareholders (Article 402<sup>3</sup> of the Code of Commercial Partnerships and Companies).

Before any General Meeting, a list of shareholders entitled to participate in the General Meeting shall be drawn up. Upon signing by the Management Board, the list shall be made available in the Issuer's premises for three days preceding the date of the General Meeting. Shareholders may view the list in the Issuer's premises and request a copy of the list against reimbursement of the costs of its preparation. A shareholder of a public company may request to be sent the list of shareholders free of charge, specifying the address to which the list is to be sent (Article 407(1<sup>1</sup>) of the Code of Commercial Partnerships and Companies).

The General Meeting shall be opened by the Chairperson of the Supervisory Board or a person designated by them, which is followed by the election of the chairperson of the General Meeting from among those entitled to vote. Immediately after the election of the chairperson, an attendance list, containing the list of participants and the number of shares that each of them represents and the number of their votes, must be drawn up and signed by the chairperson of the General Meeting. At a request of shareholders holding at least one-tenth of the share capital represented at the General Meeting, the attendance list shall be checked by the committee appointed for this purpose. The committee shall consist of at least three members. The shareholders requesting the attendance list to be checked have the right to elect one member of the committee. The General Meeting may adopt resolutions only with respect to items put on the agenda (the agenda is determined by the Management Board of the Company), unless the entire share capital is represented at the General Meeting, and none of those present objected to the adoption of the resolution. The General Meeting may adopt resolutions also without having been formally convened, provided the entire share capital is represented and none of those present has objected to the holding of the General Meeting or putting the various items on the agenda.

The Supervisory Board or a shareholder or shareholders representing at least one-twentieth of the share capital may request certain items to be put on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than fourteen days before the date of the General Meeting. In the case of a public company, this period shall be twenty-one days. The request shall include a rationale or a draft resolution on the proposed agenda item. The request may be submitted in electronic form (pursuant to Article 401(1) of the Code of Commercial Partnerships and Companies).

The General Meeting may adopt resolutions regardless of the number of shareholders present at the General Meeting and the number of represented shares. Resolutions of the General Meeting shall be passed by an absolute majority of votes cast, unless applicable law or the Issuer's Articles of Association provide otherwise.

The voting shall be open. A secret ballot shall be held as regards the appointment and dismissal of members of the Company's authorities or liquidators of the Company, or holding them liable, as well as in personnel matters. A secret ballot shall also be held at a request of at least one of those present entitled to vote. Resolutions on the change of the Company's business shall be adopted at all times by roll-call vote.

The General Meeting shall adopt its rules of procedure specifying in detail the conduct of the meeting. The rules of the General Meeting of Ceramika Nowa Gala SA are available on the Issuer's website at [www.nowa-gala.com.pl](http://www.nowa-gala.com.pl).

### **Shareholders of the Company have the following rights related to participation in the Company (corporate rights):**

- the right to participate in the General Meeting (Article 412 of the Code of Commercial Partnerships and Companies) and the right to vote at the General Meetings (Article 411(1) of the Code of Commercial Partnerships and Companies. In accordance with the Articles of Association each share shall entitle to one vote to be cast at the General Meeting;
- shareholders representing at least half of the share capital or at least half of the votes in the Company may convene an extraordinary General Meeting (Article 399(3) of the Code of Commercial Partnerships and Companies);
- the right to request to convene an Extraordinary General Meeting and to request to put the various items on the agenda, granted to shareholders holding at least one-twentieth of the Company's share capital (Article 400(1) of the Code of Commercial Partnerships and Companies). The request to convene a General Meeting shall include the items to be put on its agenda. Where the Management Board fails to convene an Extraordinary General Meeting within two weeks following the date of the request, the court of

- registration may authorize the requesting shareholders to convene it (Article 400(3) of the Code of Commercial Partnerships and Companies);
- the right to appeal against resolutions of the General Meeting as stipulated in Articles 422-427 of the Code of Commercial Partnerships and Companies;
  - the right to request the appointment of the Supervisory Board in separate groups in accordance with Article 385(3) of the Code of Commercial Partnerships and Companies, at a request of shareholders representing at least one-fifth of the share capital. The Supervisory Board shall be elected at the next General Meeting by voting in separate groups;
  - the right to request a particular issue related to the formation of a public company or managing its affairs by an expert (special auditor). A resolution in this respect shall be put to the vote by the General Meeting at a request of a shareholder or shareholders holding at least 5% of the total number of votes at the General Meeting (Article 84 of the Act on Public Offering). Where the General Meeting dismisses the motion for the appointment of a special auditor, the applicants may request the Court of Registration to designate such an auditor within 14 days from the adoption of the resolution (Article 85 of the Act on Public Offering);
  - the right to obtain information about the Company to the extent and in the manner prescribed by law, in particular, in accordance with Article 428 of the Code of Commercial Partnerships and Companies, the Management Board is required to provide the shareholder during the General Meeting, at their request, with specific information concerning the Company, as long as it is justified in terms of the assessment of a given item put on the agenda. A shareholder who was refused to be provided with the requested information during the General Meeting and who raised an objection to the minutes, may apply to the Court of Registration to oblige the Management Board to provide them with the requested information (Article 429 of the Code of Commercial Partnerships and Companies). Where a shareholder has requested to be provided with information concerning the Company outside the General Meeting, the Management Board may provide this shareholder with such information in writing, subject to Article 428(2);
  - the right to be provided with a registered deposit certificate issued by the entity maintaining the securities account, in accordance with the regulations on trading in financial instruments (Article 328(6) of the Code of Commercial Partnerships and Companies);
  - the right to request copies of the report of the Management Board on the operations of the Company and of the financial statements, along with a copy of the report of the Supervisory Board and the auditor's report, no later than fifteen days before the General Meeting (Article 395(4) of the Code of Commercial Partnerships and Companies);
  - the right to inspect in the premises of the Management Board the list of shareholders entitled to participate in the General Meeting and request a copy of the list against reimbursement of the costs of its preparation (Article 407(1) of the Code of Commercial Partnerships and Companies);
  - the right to request copies of motions regarding the items put on the agenda within one week before the General Meeting (Article 407(2) of the Code of Commercial Partnerships and Companies);
  - the right to request the attendance list at the General Meeting to be checked by the committee appointed for this purpose, consisting of at least three persons. A request may be submitted by shareholders holding one-tenth of the share capital represented at the General Meeting. Shareholders requesting the attendance list to be checked have the right to elect one member of the committee (Article 410(2) of the Code of Commercial Partnerships and Companies);

- the right to review the minutes of General Meetings and request copies of resolutions certified by the Management Board (Article 421(3) of the Code of Commercial Partnerships and Companies);
- the right to bring a legal action for damages suffered by the Company as stipulated in Articles 486 and 487 of the Code of Commercial Partnerships and Companies, where the Company has not brought an action for damage suffered by it within one year of the date on which the act causing damage took place;
- the right to review documents and request to be provided (free of charge, in the Company's premises) with copies of the documents referred to in Article 505(1) of the Code of Commercial Partnerships and Companies (in the case of a business combination), in Article 540(1) of the Code of Commercial Partnerships and Companies (in the case of split of the Company) and in Article 561(1) of the Code of Commercial Partnerships and Companies (in the case of transformation of the Company);
- the right to inspect the share register and request an excerpt thereof against reimbursement of the cost of its preparation (Article 341(7) of the Code of Commercial Partnerships and Companies);
- the right to request a commercial company being a shareholder of the Issuer to provide information on whether it is dominant or subordinate to a given commercial company or cooperative being the Issuer's shareholder, or whether such a dominance or dependence relation has been terminated. A shareholder may request also information as regards the number of shares or votes held by that commercial company, also as a pledgee, user or under agreements with third parties. A request for information and replies shall be submitted in writing (Article 6(4) and (6) of the Code of Commercial Partnerships and Companies);
- in accordance with the Issuer's Articles of Association, shares may be redeemed subject to the provisions on decreasing the share capital by a resolution of the General Meeting and upon the consent of the shareholder. The Company may purchase treasury shares to redeem them. In accordance with Article 359(2) of the Code of Commercial Partnerships and Companies, redemption of treasury shares shall require a resolution of the General Meeting, which shall set out, in particular, the legal basis for redemption, the amount of compensation payable to the shareholder under the redeemed shares or the reason for redemption of shares without compensation, as well as the method of share capital reduction;
- in accordance with the Issuer's Articles of Association, all shares of the Issuer shall be bearer shares.

**Shareholders of the Company shall be also entitled to the following property rights:**

- the right to receive a dividend, i.e. share in the Company's profit disclosed in the financial statements audited by a certified auditor, allocated by the General Meeting for the payment to the shareholders (Article 347 of the Code of Commercial Partnerships and Companies). The profit shall be distributed in proportion to the number of shares. The Articles of Association do not provide for any benefits as regards this right, which means that each share entitles to the same amount of dividend. The right to receive a dividend for the financial year is restricted to shareholders who held shares as at the record date which is determined by the General Meeting. The record date may fall no earlier than five days before and no later than three months of a relevant resolution (Article 348 of the Code of Commercial Partnerships and Companies). In determining the record date, the General Meeting shall take into account the regulations set out by the National Depository for Securities and the Warsaw Stock Exchange. The General Meeting of shareholders shall also set the dividend payment date which shall fall within the subsequent three months of the record date (Article 348(4) of Code of Commercial Partnerships and Companies).

Following the adoption of a resolution on the allocation of distributable profit, shareholders acquire a dividend claim. The dividend claim becomes due on the date specified in the resolution of the General Meeting and shall be subject to the statute of limitations on general principles. The law does not specify the date after which entitlement to dividend expires. The amount to be distributed among the shareholders may not exceed the profit for the last financial year plus retained earnings from previous years and the amounts transferred from the capital reserve and other reserves that can be allocated to dividends. This amount shall be reduced by uncovered losses, treasury shares and amounts which, in accordance with the Code of Commercial Partnerships and Companies or the Articles of Association, shall be allocated from the profit for the last financial year to capital reserve or other reserves (Article 348(1) of the Code of Commercial Partnerships and Companies). There are no other legal provisions on the dividend rate or the method of its calculation and frequency, and the accumulated or non-accumulated type of payments;

- application of the rate set out in an agreement on the avoidance of double taxation entered into by the Republic of Poland, or not collecting tax in accordance with this agreement in the case of dividend income, is possible only on providing the entity obliged to deduct flat-rate income tax with a certificate of fiscal residence issued by the competent tax authorities. The obligation to provide the certificate shall be met by a foreign entity that generates specific income from Polish sources. The certificate of fiscal residence is used by the tax payer primarily to determine whether they should apply the rate (or exemption) determined in an international agreement, or, if in doubt, deduct tax in the amount specified in the act. In the latter case, if the non-resident proves that the provisions of an international agreement which provided for a reduction of the domestic tax rate (including exemption from the total amount of tax) applied in their case, they will be able to claim declaring the tax to be overpaid and return of the unduly collected tax directly from the tax office. There are no other limitations or special procedures applicable to dividends for shareholders who are non-residents;
- the pre-emptive right to subscribe for new shares in proportion to the number of shares held (subscription right). Subject to the requirements referred to in Article 433 of the Code of Commercial Partnerships and Companies, the shareholder may be deprived of this right in the interests of the Company, in whole or in part, by a resolution of the General Meeting adopted by a majority of at least four-fifths of votes. Shareholders may be deprived of the pre-emptive right where this has been communicated in the agenda of the General Meeting. Should it be the case, the Management Board shall be required to provide the General Meeting with a written opinion specifying the reasons for exclusion of subscription rights and the proposed share issue price or the procedure for its determination. The requirement to obtain a majority of at least four-fifths of the votes does not apply when the resolution on the increase in the share capital stipulates that the new shares are to be taken up in total by a financial institution (an underwriter), which is then obliged to offer them to shareholders in order to enable them to exercise their subscription rights under the terms and conditions set out in the resolution, and where the resolution stipulates that the new shares are to be taken up by the underwriter, if the shareholders with pre-emptive rights have not taken up part or all of the shares offered to them. Shareholders may be deprived of the pre-emptive right where it has been communicated in the agenda of the General Meeting;
- the Issuer's shares do not confer any other right to shares in the Issuer's profits than that set forth above, in particular, the Issuer's Articles of Association do not provide for share in the Company's profits in the form of registered founder's certificates issued in order to compensate for the services provided in the formation of the Company or utility certificates issued in exchange for redeemed shares;
- the right to share in the Company's assets which have remained after the creditors have been satisfied or secured in case of the Company's dissolution. In accordance with Article

474(2) of the Code of Commercial Partnerships and Companies, the assets remaining after the creditors have been satisfied or secured shall be distributed among the shareholders in proportion to their contributions to the share capital. The Company's Articles of Association do not provide for any preference in this regard;

- the right to dispose of shares held;
- the right to encumber shares held with a pledge or usufruct. Within the period when shares of a public company encumbered with a pledge or usufruct are registered in a securities account maintained by an entity authorized under the regulations on trading in financial instruments, the shareholder shall be entitled to exercise the voting rights from the shares (Article 340(3) of the Code of Commercial Partnerships and Companies).

## **8. COMPOSITION OF THE COMPANY'S MANAGING AND SUPERVISORY BODIES**

The Management Board shall be composed of from two to five persons, including the President, Deputy Presidents and members appointed and dismissed by the Supervisory Board. The term of office of a member of the Management Board shall be three years. Members of the Management Board shall be appointed for a joint term of office. The number of members of the Management Board shall be determined by the Supervisory Board, which is now composed of two members. The managing persons are not granted any authorizations as regards taking decisions on the issue or redemption of treasury shares, except for the powers conferred on them by resolutions of the General Meeting under the share buyback programs in place in the Company. The operation of the Management Board shall be governed primarily by the Company's Articles of Association (in particular Articles 16-18) and the Code of Commercial Partnerships and Companies.

On 11 May 2018, the Company received a notice from Mr. Grzegorz Ogonowski, member of the Supervisory Board, in which he informed about resignation from this function.

The resignation was due to the loss of the independence attribute within the meaning of Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, due to the expiry of the maximum permissible period of sitting on a Supervisory Board, set out for independent members. On 18 June 2018, the General Meeting of the Issuer's Shareholders filled the vacancy in the Supervisory Board with Mr. Michał Hulbój.

As at the date of publication of these financial statements, the Company's Supervisory Board was composed of:

- Mr. Paweł Marcinkiewicz – Chairman of the Supervisory Board;
- Mr. Wojciech Włodarczyk – Deputy Chairman of the Supervisory Board;
- Mr. Łukasz Żuk – Member of the Supervisory Board;
- Mr. Marek Gabryjelski – Member of the Supervisory Board;
- Mr. Michał Hulbój – Member of the Supervisory Board.

As at the date of publication, the Management Board of the Issuer was composed as follows:

- Mr. Waldemar Piotrowski, President of the Management Board, and
- Mr. Paweł Górnicki, Deputy President of the Management Board.

At a meeting held on 23 April 2019, the Supervisory Board of the Company resolved to expand the composition of the Management Board of this term of office to three members, and resolved to appoint, as at 1 May 2019, Mr. Tomasz Stepek member of the Issuer's Management Board.

**8. STATEMENT WITH RESPECT TO THE FACT THAT THE COMPANY HAS NOT DRAFTED AND IMPLEMENTED A DIVERSITY POLICY**

The Issuer has not drafted and implemented a formal diversity policy with respect to the Company's governing bodies and its key managers. Nonetheless, members of the Management Board and key managers are elected based on the experience, skills, competence and professionalism of candidates. According to the Management Board the approach adopted in this respect guarantees that key managers are appropriately diversified. The statement is available on the Issuer's corporate website at {HYPERLINK <http://www.nowa-gala.pl/pl/index/html/id:6910.>}.

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Waldemar Piotrowski

President of the Management Board

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Paweł Górnicki

Deputy President of the Management Board