

# **Corporate Governance CODE**

**Zagreb, December 2007**

Pursuant to rights and obligations arising from the Companies Act, Articles of Association, the Rulebook on Organization and the Rulebook on Supervisory Board Work, Ethic Code passed by the Croatian Association of Certified Supervisory Board Members as well as Recommendations by Hanfa (Croatian Agency for Supervision of Financial Services) and Zagreb Stock Exchange, the Supervisory Board of Dalekovod d.d. at its 44th session held on 4 October, 2007 promulgated the following

## **CORPORATE GOVERNANCE CODE**

This Code may be used as a recommendation that is binding to the greatest extent on all Company bodies and all the employees in the Company to comply with principles specified and elaborated in this Code when making all kinds of decisions. It also applies to their conduct in the Company and outside of the Company subject to the existing circumstances abroad and in the country.

### **1. INTRODUCTION – GOALS AND BASIC PRINCIPLES**

The purpose of this Code is to establish high standards of corporate governance and transparency of work of Dalekovod d.d. and all affiliated companies in its major ownership (hereinafter: the Company).

Since procedures of corporate governance based on recognizable international standards are clearly defined and are one of the basic criteria for making decisions on investing, its aim is to facilitate the access of capital at lower cost.

The purpose of this Code is to ensure good and responsible governance and supervision of the Company's business and management positions, primarily in order to protect investors, as well as other stakeholders or influential groups.

The basic principles of this Code are as follows:

- Transparency of operation,
- Clearly elaborated procedures for work of the Supervisory Board, the Management Board and other bodies and structures that pass important decisions,
- Avoiding conflicts of interest,
- Efficient internal control,
- Efficient system of responsibility.

Any interpretation of the provisions of this Code is primarily to be guided by complying with the aforementioned principles for the purpose of attaining the aforementioned goals.

### **2. DISCLOSING**

#### **2.1. PRICE SENSITIVE INFORMATION**

Notwithstanding other information that the Company is obligated to disclose in accordance with the law and other regulations, the Company is obligated, in shortest term possible, to provide all interested parties with key information about the Company's operation and activities, as well as all information about facts and circumstances that may influence the price of the Company's shares (price sensitive information).

In particular, information that is mentioned as such in the Securities' Market Act and regulations of the Stock Exchange where the Company's securities are listed, is to be considered price sensitive and privileged information.

When publicizing price sensitive information, the Company is primarily obligated to pay attention to the content of information, and not the form it is presented in.

Non-publicized price sensitive information is considered to be privileged information and is governed by a special non-disclosing regime.

## **2.2. FINANCIAL STATEMENTS**

The Company is obligated to prepare its financial statements in accordance with the international standards for financial reporting, thereby paying attention to recent international trends in financial reporting, as well as market requirements and disclose them within time periods specified by the regulations of the Republic of Croatia.

The Company is obligated to post financial statements produced by the Company Management Board and audited by an independent external auditor on its web-page, both in Croatian and English.

## **2.3. ANNUAL, SEMI-ANNUAL AND QUARTERLY REPORTS**

Annual, semi-annual and quarterly reports are the most important and most comprehensive source of information about the Company, and are therefore not restricted to providing information required by legal regulations and financial reporting standards only, but shall also include an easily understandable analysis and the Management Board opinion on business operation in the previous period, as well as explanatory notes by the Management Board regarding any potential deviations in relation to planned results and achieved strategic goals.

Annual, semi-annual and quarterly reports shall daily be available to the shareholders in the Company's headquarters.

## **2.4. CALENDAR OF IMPORTANT EVENTS**

The Company shall, by the end of a financial year, post on its web-page a calendar of important events that are planned for the following financial year, such as, for instance, the expected date of disclosing financial results, the date of holding a General Meeting session, the date of holding Supervisory Board sessions when financial statements and disbursement of dividends are decided upon at such meetings, the date of acquiring the right to dividend and dividend disbursement etc.

Moreover, the Company shall publicize any change in important events in the calendar at least 30 days in advance, and if that is not possible, immediately following the circumstances influencing the change.

## **2.5. OWNERSHIP STRUCTURE**

### **2.5.1. List of Shareholders**

The Company has entrusted the Central Depository Agency with maintaining a register of shares, and therefore posts on its web-page only information about shares in affiliated companies.

### **2.5.2. Mutual Shareholding**

The Company is obligated to publicize information about mutual shareholding. A relationship between two joint-stock companies will be regarded as one of mutual shareholding if two companies are affiliated in such a way that either one holds over 5% of shares in the share capital of the other one.

### **2.5.3. Members of the Management Board and Supervisory Board as Company shareholders**

The Company is obligated to disclose in its annual report information about the Company's shares and other securities owned by each respective member of the Management Board or Supervisory Board.

Every individual member of the Management and Supervisory Board and employees who have an access to price sensitive/privileged information of the Company and their affiliated persons shall, without delay, notify the Company of any acquisition or sale of shares and any other securities of the Company.

Besides, the Company is obligated to post on its web-site and on the stock exchange till 9 o'clock of the following trading day any acquisition and sale of shares and other securities of the Company owned by each respective member of the Management Board or Supervisory Board and employees who have an access to price sensitive/privileged information of the Company and their affiliated persons.

## **2.6. RISK FACTORS**

The Management Board is obligated to timely identify and disclose in the appropriate manner information about the main risks the Company is exposed to, such as, for instance, political risks, economic risks, business risks, as well as an estimate of the likelihood of actualization of potential risks.

## **2.7. DISCLOSURE OF INFORMATION**

The Company is obligated to disclose, in a clear and unambiguous manner, all information that may be considered price sensitive in relation to the Company, its financial position, business performance, ownership structure and governance.

In doing so, the Company is obligated to use the language the target group can understand, and enable all interested parties equal and timely access.

Any information that may influence decision-making regarding investing in the Company's securities shall be disclosed immediately and simultaneously to all persons that may be interested in them, including the same quantity of positive and negative information, in order to provide the recipient with a full understanding and correct assessment of the Company's position.

The Company's web-page ([www.dalekovod.com](http://www.dalekovod.com)) is the basic medium for disclosing information, while publicizing, in cases specified by law, is done through Hanfa (Croatian Agency for Supervision of Financial Services), Zagreb Stock Exchange and Fina (Financial Agency).

The Company is especially obligated to notify the Stock Exchange and the public of holding the Supervisory Board session not later than 5 workdays prior to holding thereof when such organ decides upon financial statements and disbursement of dividend and the decisions made at such meetings shall be submitted to the public and Stock Exchange not later than within 9 hours during the first following trading day.

## **2.8. PRIVILEGED INFORMATION**

Using privileged information (information not to be publicized) is absolutely forbidden to all persons with access to such information, since doing otherwise could result in an unfair advantage for a person with access to privileged information (the informed person) in trading in the Company's securities, regardless of whether it is the informed person himself using privileged information or a third person, based on privileged information obtained from the informed person.

A ban on using privileged information applies to all shareholders and Management Board and Supervisory Board members and Supervisory subcommittees' members, Company's external consultants, as well as all persons who due to their positions in or outside the Company are considered persons with access to privileged information.

In order to implement these measures, the Company has established:

- Mechanisms to ensure that persons who possess or have access to privileged information are explained the character and importance of that information, as well as restrictions related to using that information,
- Supervision over the flow of privileged information and possible misuse thereof.

## **2.9. RESTRICTIONS IN DISPOSING OF SECURITIES**

For the purpose of preventing damage that may be caused to the Company, during the period of one month prior to disclosure of semi-annual and quarterly report, that is, two months prior to disclosure of audited annual report, or in any other time period during a year preceding public disclosing of the price sensitive or privileged information that may be publicly disclosed, the members of the

Management and Supervisory Board, as well as their related persons (married and non-married partners, relatives by blood in the direct line up to any degree, relatives in the lateral line up to and including the second degree and relatives by marriage up to and including the second degree) must waive from acquisition and sale of Company's securities.

The period of restriction in disposing of securities of the Company shall be determined by a person in the Company that is in charge of public disclosure.

## **2.10 PERSON IN THE COMPANY IN CHARGE OF PUBLIC DISCLOSURE**

The person responsible for public disclosure of all information shall be appointed by the Management Board of the Company.

The above person shall be authorized to, with prior consent granted by the Management Board of the Company, give an order for public disclosure of all price sensitive information about the Company or proclaim particular information privileged and thereby prohibited for disclosure. The absence of giving such orders does not free one of the obligation to comply with provisions of the law and this Code.

## **3. COMPANY BODIES**

### **3.1. GENERAL ASSEMBLY**

#### **3.1.1. Equal Treatment of Shareholders**

##### **3.1.1.1. Confirmation of One Share – One Vote Principle**

As the matter of principle, every share grants, on the same conditions, right to one vote.

The foregoing provision applies, in an appropriate way, to the shares issued without face value.

The provision as referred to in paragraph 1 does not apply to preference shares.

##### **3.1.1.2. Restriction of Voting Right**

If the Company issues shares with no voting right, or with restrictions in the voting right, it is obligated to timely publicize all relevant information about the content of all rights arising from such shares, so that investors are enabled of making appropriate decisions about purchasing such securities.

##### **3.1.1.3. Electing or Appointing Supervisory Board Members**

Members of the Company Supervisory Board shall meet the necessary standards regarding their education and professional experience, must possess high ethical standards and be capable of dedicating the necessary time for holding the position of Supervisory Board member. All candidacies for Supervisory Board members that are elected at the General Meeting shall be timely posted on the Company's web-page, at latest on the date of the publication of the call to a

General Meeting when they are due to be elected, and shall be supported with appropriate data (i.e. CVs) for making the right decision during the election.

The same obligation regarding the publication of data holds in the case of appointing Supervisory Board members that are not elected by the Company's General Meeting.

#### **3.1.1.4. Individual and institutional shareholders**

The Company is obligated to treat in the same manner and under same conditions all shareholders, regardless of the number of shares they possess, the country of their origin and their other characteristics. This particularly refers to the obligation of equal treatment of individual and institutional investors.

#### **3.1.1.5. Distribution of Information**

The Management Board is obligated to ensure quality distribution of information to the shareholders (using modern technologies for information distribution, particularly the Internet) in a manner that enables the shareholders to exercise their rights with full and timely knowledge of all facts important for making appropriate decisions in the General Meeting agenda.

#### **3.1.1.6. Changes in Share Capital, Disposal and Acquisition of Treasury Shares**

For the purpose of financing the Company with its own capital, the Company may increase its share capital by making payment in cash, in kind and rights and it can also increase it by conversion of capital gains, reserve and retained profit which provides for an obligation of issuing new shares. The change in share capital may also be caused by a conditional increase in share capital and on the basis of approved share capital.

A decrease in share capital of the Company is made for a justified reason, namely, by a regular decreasing share capital, a simplified decreasing share capital and decreasing share capital by withdrawing shares in the manner specified by Law and Articles of Association of the Company.

For the purpose of financing the Company with an external capital, the Company may issue bonds and bonds bearing variable interest when it is required by reasonable interests of the Company.

The purpose of issuing new shares must be publicly disclosed at least within a reasonable time period prior to the date specified as the date for determining a position in the register of shares that will be applicable for determining what shareholders shall have pre-emptive right of acquiring newly-issued shares in the manner indicated in the foregoing paragraph.

The Company is obligated to ensure to all shareholders to participate in increasing the Company's share capital, in proportion to their shares in the share capital so far, in the form of transferable securities which include such pre-emptive right, in order to protect interests of the shareholders that at the time of the issuing cannot subscribe or buy new shares.

When the Company acquires or sells its own (treasury) shares or any other securities, it is obligated to do so in the open market and in such manner that does not favour certain shareholders or investors or groups of the shareholders or investors.

The foregoing provision does not apply when the privilege that some shareholders, investors or groups of the shareholders or investors or Company's bodies enjoy, arise from the Law, Articles of Association of the Company, contracts and special provisions under this Code. The foregoing provision also does not apply in the event of acquiring treasury shares by workers (employees) in the Company.

### **3.1.1.7. Proxies**

The Company is obligated to facilitate voting to the shareholders through proxies. In this respect, issuing powers of attorney should be as simple as possible and without strict formal requirements.

The Company will ensure those shareholders that for any reason are not in a position to do that themselves and without extra costs for those shareholders, proxies who are obligated to vote in accordance with their instructions.

### **3.1.2. Calling General Meeting**

The Management Board is obligated to call one annual General Meeting session in the course of each business year.

An extraordinary General Meeting session shall be called whenever required so according to the interests of the Company.

The company is always attempt to call a General Meeting session if requested so by the shareholders holding shares to amount of 5% of the Company's share capital, and who state the reason and purpose of calling the General Meeting.

### **3.1.3. Registration Dates**

#### **3.1.3.1. Right to Participate in General Meeting**

A shareholder at the General Meeting session participates in it in person or through a proxy.

The holders of shares that are bearer shares must be registered in the Book of shares before closing the Book of shares and report its intention of participating in the General Meeting session to the Company in writing, not later than ten (10) days prior to holding of the General Meeting.

The holders of shares that are bearer shares must deposit share-related documents not later than ten (10) days prior to holding of the General Meeting with the Company, notary public, that is, a bank or any other institution that receives deposited securities and request a certificate of depositing shares from them. Within the same period they are to submit to the Company the certificate

as a piece of evidence of having deposited their share-related documents whereas these documents must remain deposited by the end of the day on which the General Meeting is to be convened.

### **3.1.3.2. Dividend**

Any decision on the payment of dividend or advance dividend shall include a date on which a shareholder is to acquire the right to dividend payment or a date or a period during which dividend or advance dividend is to be paid.

At dividend payment, it is not allowed to favour certain shareholders.

### **3.1.4. Agenda**

An agenda in Croatian and English shall be publicized, and made available to the shareholders at the Company's premises as of the date of the first publication of the agenda, so that shareholders have enough time to take positions regarding matters on the agenda.

### **3.1.5. Conditions for Participating**

The Company shall stimulate participation of shareholders at the General Meeting, therefore shareholders are not allowed to set conditions for participation or exercising the voting right (regardless of whether they are allowed in accordance with law or the Articles of Association), such as, for instance, registering participation in advance, authorizing powers of attorney etc.

### **3.1.6. Key Decisions**

Decisions of crucial importance to the state of assets, financial position, business performance, ownership structure and Company management are adopted solely at the General Meeting of the Company by a defined majority of votes.

### **3.1.7. Requirements Concerning Reports Submitted to General Meeting**

#### **3.1.7.1. Reports Submitted by Supervisory Board**

The Supervisory Board submits a report to the General Meeting in which, apart from the content thereof required by law, it is obligated to assess the overall performance of the Company operation, the work of the Management Board, as well as present a special review of its cooperation with the Management Board.

Moreover, the Supervisory Board is obligated to inform the General Meeting of any potential conflict of interest of any of its members or members of the Management Board, along with the measures taken accordingly.

#### **3.1.7.2. Report on State of the Company**

A report on the state of the Company shall be made in a clear and well-laid-out manner, include all aspects of business activities during the whole year in relation to previous years, and present an accurate, full and fair overview of

assets and expenses, the Company's financial position, as well as a plan for future business operation.

### **3.1.8. Using Modern Communications Technology**

Shareholders shall be allowed to participate and, in particular, to vote at the Company's General Meeting by using modern communications technologies, provided that the conditions in connection therewith are in place.

### **3.1.9. Publicizing Decisions**

The Company's Board is obligated, at latest till 10 o'clock in the first workday following the date of holding the General Meeting session, to submit to the Stock Exchange all decisions made by the General Meeting and publicly publicize all decisions made by the General Meeting, as well as information about any complaints against those decisions.

## **3.2. SUPERVISORY BOARD**

### **3.2.1. Tasks and Responsibilities**

The main tasks of the Supervisory Board include appointing and dismissing the Management Board, supervising the work of the Management Board, in running business operation and submitting a report on performed supervision.

The term of office of the Supervisory Board members is not binding, which means that each Supervisory Board member performs his or her duty independently and to his or her own responsibility, regardless of who elected or appointed him.

Supervisory Board members shall perform their duty with due care and diligence and keep the Company's confidential information.

The Supervisory Board shall adopt a decision on general plan of its work that shall include a list of regular sessions and information that is to be regularly and timely provided to members of the Supervisory Board.

The Supervisory Board shall adopt its internal operational regulations, which should not limit the freedom of each particular member to act independently. No Supervisory Board document shall prevent or restrict any member from acting in accordance with law, while each member shall avoid abusing these competences and at all times try to harmonize his or her work with other Supervisory Board members.

### **3.2.2. Composition**

At least 1/3 of the Company's Supervisory Board members shall be composed of independent members that are in no business, family or other relations with the Company, the majority shareholder or the group of majority shareholders or Management Board or Supervisory Board members of the Company or the majority shareholder.

The following persons shall be considered independent Supervisory Board members, in particular those:

- Not connected with the Company, with a possible exception regarding a small number of the Company's shares in the Company, no major shareholder or representing the major shareholder or a group of major shareholders, or a member of a group of major shareholders, a spouse or a second-degree relative by blood or marriage with a person from the abovementioned groups, or having any connection with companies related with the major shareholder,
- Not a member of the Management Board or any dependent or affiliated Company for at least five years,
- Not an employee of the Company or any dependent or affiliated Company for at least three years,
- Not receiving or having received any significant additional payment from the Company apart from the fee for Supervisory Board work, excluding any possible dividend (this particularly refers to participating in bonuses and other forms of remuneration depending on the results of the Company's performance, such as stock options, but does not refer to payments related to the retirement plan for the previous service in the Company),
- Is not, and has not been for at least one year, in a significant business relationship with the Company or affiliated companies, directly or indirectly as a partner, shareholder, Management Board or Supervisory Board member or a member of top management of an organization that is in a significant business relationship with the Company, which includes direct or indirect suppliers and/or buyers of the Company's goods and/or services of the Company (including financial, legal, advisory and consulting services), or an organization that receives some significant receipts from the Company or affiliated companies,
- Is not, and has not been in the last three years, a partner or an employee of an auditing company that provides or has provided auditing services to the Company or affiliated companies,
- Is not a member of the Management Board of another company in which a member of the Management Board is a Supervisory Board member, and has no significant relations with Company Management Board members through participation in other organizations, bodies or companies,
- Has not been a Supervisory Board member for over 12 years,
- Is not a spouse or a close relative by blood or marriage to any Management Board member or natural persons holding the positions indicated in the foregoing paragraphs.

If a Supervisory Board member is subject to pressure or restrictions by the major shareholder therefore affecting the performance of his duties, he is obligated to inform the Supervisory Board thereof, and notwithstanding that, take an independent position during voting or submit his resignation, subject to the existing circumstances.

An independent Supervisory Board member who has held that position for over two terms is obligated to provide a written statement confirming his independent status.

### **3.2.3. Relationship with Management Board**

The Supervisory Board and the Management Board are obligated to fully cooperate in the Company's best interest, and jointly discuss strategic guidelines of the Company's operation.

Therefore, all members of the Management Board have the obligation to attend Supervisory Board sessions, except when the Supervisory Board is discussing issues directly affecting the Management Board or some Board members, especially during discussions on dismissal, responsibility or remuneration for the work of Management Board members.

The Supervisory Board is obligated to ensure the Company's long-term succession plan, thereby securing careful and timely appointment of successors to all respective Company's top management members of the Company. Top management members should also be included in this process.

### **3.2.4. Time Necessary for Execution of Management Board Duties**

A Supervisory Board member shall be able to dedicate all the time necessary for appropriate and quality performance of his duties in the Supervisory Board.

### **3.2.5. Remuneration**

Supervisory Board members shall be paid according to their contribution to the Company's performance. Following a proposal by the Management Board or the Appointment and Remuneration Sub-committee, that remuneration shall be determined by the shareholders at the General Meeting and defined in the Company's Articles of Association.

Remuneration to Supervisory Board members should:

- Adequately reflect the time, effort and experience related to their functions in the Supervisory Board and Subcommittees,
- Secure an adequate motivation that would balance the interests of Supervisory Board members with the interests of the shareholders,
- Be defined in such a way that it does not endanger the ability of Supervisory Board members to make decisions in the best interest of the Company and its shareholders.

It is recommended to determine fees to Supervisory Board members using the same hourly rates used for Management Board members, including bonuses and fringe benefits in accordance with actual time connected with their post.

Remuneration to Supervisory Board members shall consist of:

- Fixed part, which is unchangeable and does not depend on business performance, except when the Company's business performance is such that a payment of fixed compensation would be unfair and in big disproportion with business performance,

- Variable part, which is conditioned by business performance in a certain past and future period.

Detailed information on all remunerations and other fees paid by the Company or related persons to each respective Supervisory Board members, including a structure of the compensation, shall be publicized. A Statement of the policy of remunerating Supervisory Board members or a remuneration received by every Supervisory Board member is created in the manner described in the part of this Code relating to the Management Board.

### **3.2.6. Reporting to Shareholders**

Each Supervisory Board member and related persons are obligated to inform the Company of any changes regarding his ownership of the Company's shares, at latest on the workday till 9 o'clock following such a change, which also includes the Company's obligation to disclose such a change as soon as possible.

### **3.2.7. Conflicts of Interests**

A conflict of interest exists with a Supervisory Board member that is not neutral in relation to the subject of decision-making, or the fact of his connection with other companies, persons or businesses implies that he may have interests that are not necessarily the Company's interests, and can influence decision-making based on interests and preferences that do not necessarily coincide with the Company's interests.

Supervisory Board members may not pass decisions based on their personal interest or the interest of persons they are closely related to.

#### **3.2.7.1. Jobs between Related Parties**

All jobs in which Supervisory Board members or persons related to them participate, and the Company or persons related to it, shall be on a market basis, particularly regarding the deadlines, interests, guarantees etc., and shall be clearly stated in the Company's reports. Such jobs shall be approved by independent assessment by expert persons who are independent in relation to the participants of the specific job.

### **3.2.8. Non-Competition Obligation**

Supervisory Board members may neither, in their own or other person's interests, personally or through third persons, do jobs from the same activity as the Company does, nor consult persons that may be considered competition to the Company.

Supervisory Board members are obligated to disclose the amount of shares and any changes in the amount of shares in companies that may be considered competition to the Company.

### **3.2.9. Agreements Between Supervisory Board Members and Company**

All contracts or agreements between Supervisory Board members and the Company shall be prior approved by the Supervisory Board, while important elements of such contracts or agreements shall be included in the annual report.

### **3.2.10. Reporting**

Should a Supervisory Board member consider that there is a conflict of interest with him or any other member in decision-making about a particular subject, he is obligated to immediately report it to the Supervisory Board.

### **3.2.11. Subcommittees**

The Supervisory Board's Subcommittees shall have at least three members.

The Supervisory Board is obligated to define in detail the term of office and competencies of the Subcommittees it has set up.

The persons who are not the members of subcommittees participate in the subcommittees' sessions only upon call by the subcommittee. The subcommittee may invite some experts or employees of the Company to its sessions or request them to participate therein.

Subcommittees shall regularly report its work and results to the Supervisory Board. Once a year, the Company shall create and make available to the public a report on its work, membership, number of meetings and attendance at the meetings of Supervisory Board's Subcommittees. President of each Subcommittee shall have the opportunity to directly communicate with the shareholders. Situations in which such communication is necessary shall be listed in the Deed in which the Supervisory Board defines the term of office and competences of the Subcommittees.

The members of subcommittees shall enter into subcommittee membership agreements specifying thus mutual rights and obligations of the members of the Company Supervisory Board subcommittees which are to be signed by the subcommittee's member and the President of the Supervisory Board.

The obligation of the member of the subcommittee is to facilitate the work of the Supervisory Board with his work by discussing the issues within his competencies and contributing by suggesting decisions whereas he is to put forward reasons in favour and against adoption of such decisions.

In accordance with the aforementioned, the Supervisory Board may set up the following Subcommittees:

- Subcommittee for strategy and relations with influential groups,
- Subcommittee for auditing,
- Subcommittee for appointments and remunerating.

#### **3.2.11.1. Subcommittee for Strategy and Relations with Influential Groups**

The Supervisory Board shall set up this Subcommittee, the purpose of which is to create a comprehensive framework that is to provide coherence and direction to business actions and decisions of the Management Board and Supervisory Board. In that respect, the Subcommittee helps to establish the Company's long-term goals, decide on actions and allocate necessary resources for their realization, thus making their role linking, strategic and controlling.

In order to ensure experience, competence, involvement and responsibility, the Subcommittee shall consist mostly of independent Supervisory Board members and external experts.

Regarding the policies and rules of conduct adopted within the Company, the Subcommittee shall:

- Monitor development strategic options (associations, mergers and takeovers, internal development), and suggest forms of concentration, integration or diversification,
- Participate in the process of strategic management as a set of analyses and decisions that may increase the probability that the Company will choose a good strategy, which includes defining a vision, mission, goals, strategies, policies, programs, budget, procedures and implementation,
- Participate in the Company's strategic acting through situation assessment, developing options, assessment of risk, costs and benefits, authorization, evaluation, plan of implementation and monitoring of implementation of strategic decisions, and consulting the Management Board in realizing a common vision,
- Participate in creating the policy and supervises relations with influential groups and persons,
- Assist with preventive management, identification and reactive management of business crises in the Company through consulting, encouraging, critical evaluation and supervision.
- Assist with specifying the frameworks of corporate communications and supervision hereof.

### **3.2.11.2. Subcommittee for Auditing**

The Supervisory Board shall set up the Subcommittee for auditing, the purpose of which is to monitor financial reporting, work of accounting department, provide support aimed at establishing quality internal control in the Company.

The Subcommittee shall consist mostly of independent Supervisory Board members and external experts.

With regard to policies and rules of conduct adopted within the Company, the Subcommittee shall:

- Monitor the integrity of the Company's financial information, particularly the accuracy and consistency of the accounting methods used by the Company and the group it is a part of, including criteria for the consolidation of financial statements of the companies within the group,
- At least once a year, assess the quality of the internal system of control and risk management, in order to appropriately identify and publicize the

main risks the Company is exposed to (including risks related to implementing regulations), and to manage them in an appropriate way,

- Ensure efficiency of the system of internal auditing, particularly through creating recommendations for the purpose of improving the work of internal audit workers and recommendations regarding the means made available to the internal audit. (If there is no internal audit position in the Company, the Subcommittee is, once a year, obligated to make an assessment of the need to establish such position),
- If there is no internal audit position in the Company, the Subcommittee is, once a year, obligated to make an assessment of the need to establish such position
- Discuss plans and annual statements prepared by the internal audit as well as significant issues relating to this area;
- Monitor efficiency of the system of controlling and suggest suitable solutions.

With regard to the independent external auditor, the Subcommittee shall:

- Give recommendations to the Supervisory Board related to the election, appointment, re-appointment or change of the independent external auditor,
- Supervise independence and objectivity of the external auditor,
- Monitor the character and amount of non-auditing services and the Company receives them from the auditing company or persons related with it, where, among other things, the auditing company is obligated to provide information about all fees the Company pays to the auditing company or persons related therewith,
- Suggest rules about what services the external auditing company or persons related therewith may not provide to the Company, what services it may provide only with a prior approval by the Supervisory Board, and what services it may provide without a prior approval,
- Analyse the efficiency of external auditing and actions by top management staff to recommendations given by the independent external auditor,
- Research into circumstances related to a dismissal of the external auditor and give corresponding recommendations to the Supervisory Board.

The length of the Subcommittee's term may be limited to four years' period of continuous term and/or by limiting the number of Subcommittees in other companies a member may be elected in.

The Subcommittee shall have an open and unrestricted communication with the Management Board and Supervisory Board and be responsible for its work to the Supervisory Board.

External and internal auditors shall have the opportunity to directly communicate with the Subcommittee.

The Management Board shall submit to the Subcommittee timely and periodical accounts of financial statements and related documents before public disclosure thereof, as well as information about changes in accounting principles and criteria, accounting procedures adopted for most activities, and any significant deviation between the book and actual values according to particular items, and

all correspondence with Department for internal auditing or independent auditors.

The Management Board is particularly obligated to inform the Subcommittee of methods used for posting significant and unusual transactions and business events, in cases where there are several accounting ways of presenting such events. Particular attention shall be paid to the existence and justification of the Company's activities in off-shore centres and through special-purpose companies.

The Subcommittee shall discuss the following topics with the independent auditor:

- Changing or keeping accounting principles and criteria,
- Application of regulations,
- Important assessments and conclusions in preparing financial statements,
- Methods of risk assessment and results,
- High-risk areas of work,
- Noted significant shortcomings and drawbacks in internal control,
- Influence of external factors (economic, legal and industrial) to financial statements and auditing procedures.

The Subcommittee shall also regularly assess any other important aspects of its relations with third parties, such as their professional abilities and independence and, whenever it is necessary, obtain a second opinion on work results of those persons.

The Subcommittee is to improve and assess the quality of information provided by dependent and affiliated companies, and third persons (such as expert consultants), with regard to the influence of such information to consolidated financial statements.

### **3.2.11.3. Subcommittee for Appointments and Remunerations**

The Subcommittee members shall be appointed mostly among independent Supervisory Board members and external associates.

With respect to appointments, the Subcommittee is obligated:

- Suggest to the Supervisory Board criteria and procedures for the election of the most favourable candidates,
- Provide professional assistance in finding and recommend to the Supervisory Board candidates may fill empty posts in the Management Board and Supervisory Board, assessing their knowledge, skills and experience, and prepare a list of requirements and duties related to a particular appointment and assess the time necessary for their realization,
- Consider the problems related to planning the continuity of the Supervisory Board and Management Board,
- Consider the Management Board's policy in employing top management staff.

The member of this Subcommittee is specifically obligated to:

- Suggest to the Supervisory Board the composition of a new Supervisory Board as to comply with its legal requirements relating to an obligation to suggest to the General Meeting a composition of a new Supervisory Board;
- Advise the Supervisory Board how to prevent the infringement of the provisions of Art. 358 of the Companies Act, that is, failure of enforceability of the decisions made by the General meeting on election of the members of the Supervisory Board;
- Provide assistance to the Supervisory Board in the segment within the scope of Subcommittee's competence, in preparing a written report on performed supervision that the Supervisory Board is obligated to submit to the General Meeting;
- Consider suggestions by the Management Board and shareholders and advise the President of the Management Board that may submit suggestions to the Subcommittee, especially in connection with issues on members of the Management Board and top management staff.

With respect to remuneration, the Subcommittee is obligated:

- To suggest to the Supervisory Board a policy of remunerating the Management Board and top management staff that shall refer to all forms of remunerating, and in particular to the fixed part of remuneration, the variable part of remuneration linked to business performance, retirement plan and severance payments. Regarding the variable part of remuneration linked to business performance, a suggestion shall include recommendations for establishing objective criteria for the assessment of business performance, whereas remuneration to the Management Board shall be balanced with long-term interests of the shareholders and the Company's goals as defined by the Supervisory Board,
- To suggest to the Supervisory Board a remuneration for particular Management Board members, in accordance with the Company's remuneration policy and the assessment of every single director's activity,
- To suggest to the Supervisory Board the appropriate form and content of the contract with Management Board members,
- To monitor the amount and structure of remuneration to top management staff and give general recommendations to the Management Board in relation therewith,
- Regarding the incentive part of remuneration to the Management Board, when it includes stock options or other arrangements based on acquiring shares, to consider general policy of such type of remunerating and suggest to the Supervisory Board appropriate solutions, and consider the data about it prior to their disclosure in the annual report,
- To consult with President of the Supervisory Board and President of the Management Board regarding their ideas about remunerating Management Board members.
- To suggest the content of the contract with Management Board members and their remunerating and remunerating the Supervisory Board members as well as the top management staff.

The member of this Subcommittee is specifically obligated to:

- Provide assistance to the Supervisory Board in negotiating and entering into contracts between the Company's bodies and members of the Management Board;
- Give suggestions to the Supervisory Board with respect to consents to contracts that the members of the Supervisory Boards enter into with the Company in accordance with Art. 270 of the Companies Act;
- Give suggestions to the Supervisory Board with respect to consents to agreements of loans that the Company grants to the members of the Supervisory Board and their core family members in compliance with Art. 271 of the Companies' Act;
- Give suggestions to the Supervisory Board with respect to consenting to the decision by the Management Board on remuneration policy of the Company if this Decision to be made by the Management Board requires a prior consent by the Supervisory Board on the basis of the Articles of Association of the Company.

### **3.2.12. Rules of Conduct for Management Board and Supervisory Board Sessions**

President of the Supervisory Board is responsible for defining the calendar of regular annual sessions and calling extraordinary sessions, when necessary.

The frequency of Supervisory Board sessions shall be determined in accordance with the needs of each particular company. Those sessions shall be convened frequently enough to ensure efficiency of the work of the Supervisory Board, but not more frequently than once a month, in order to avoid undesirable meddling into the management of the Company.

In order to ensure efficiency and effectiveness of Supervisory Board sessions, it is necessary to timely provide relevant documentation to all Supervisory Board members.

Minutes from Supervisory Board sessions shall be written in clear language, and all reached decisions shall be recorded together with voting results, noting the voting of each particular member.

### **3.2.13. Membership in Supervisory Boards of Other Companies**

Each Supervisory Board member is obligated to inform the Company of his membership in other companies' supervisory boards.

A Supervisory Board member may not be a member of the Supervisory Board in another company which may be considered competition to the Company.

### **3.2.14. Training of Management Board and Supervisory Board Members**

The Company shall, in accordance with its needs and abilities, encourage and enable a continuous training of the Management Board and Supervisory Board members, with a goal to revise and improve their knowledge and skills.

### **3.2.15. Assessment of Work**

Every year, the Supervisory Board is obligated to devise an assessment of its work in the previous period. Such an assessment particularly includes an evaluation of the contribution and competence of each particular member, as well as the joint work of the boards, the assessment of work of subcommittees set up by the Supervisory Board and an assessment of the accomplishment of set goals of the Company.

### **3.3. MANAGEMENT BOARD**

#### **3.3.1. Tasks and Responsibilities**

The Management Board manages the business operation of the Company independently and at its own responsibility, and makes all decisions exclusively according to its own judgement. The existence of agreement of other bodies does not exclude the Management Board's responsibility for managing the Company with due care and diligence.

In performing its tasks, the Company's Management Board is not limited by directions made by the Company's other bodies, not even by directions given by major shareholders or the Supervisory Board.

The Management Board is always obligated to exclusively act to the benefit of the Company and its shareholders, paying attention to the interests of the employees and the broader community, with a goal to increase the Company's value.

The Management Board may not delegate its authority of managing the operation of the Company to any other body of the Company. Granting a procura is not considered transfer of authority of managing the operation of the Company.

The work of the Management Board shall be defined by regulations of the Management Board's work, in order to clarify the authorities and duties. Regulations of the Management Board's work shall include the following issues:

- Scope of work and goals,
- Rules of conduct,
- Rules for dealing with the conflict of interest,
- The Management Board's office,
- Sessions, decisions, agenda, minutes and documents,
- Cooperation with the Supervisory Board.

The Management Board members may, if required, request expert advice (legal counsellors, auditors, tax and human resources experts), in order to obtain advice on important issues.

#### **3.3.2. Composition**

The number of Management Board members shall be determined by the Articles of Association. The Articles of Association or Regulations of the Management

Board's work approved by the Supervisory Board shall closely define the manner of cooperation between members.

The Management Board members shall be focused on managing the operation of the Company and shall, apart from requirements specified by law, meet other requirements in accordance with requirements for the position of a Management Board member in the company, which may be specified by the Company's Articles of Association or a Supervisory Board decision.

In selecting the Management Board, the Company shall strive for Management Board members to have different experience, education and character, including the following:

- Experience in managing business,
- Experience in resolving crisis,
- Experience in identifying and controlling risk,
- Knowledge of finances,
- Knowledge of accounting,
- Knowing the area of the Company's activity,
- Knowing the local and international markets,
- Linking all interests within the Company.

Management Board members shall:

- Be able to read and understand reports on the management of the Company and financial statements,
- Not be included in conflict of interest,
- Balance their own goals with the Company's goals,
- Be aware of the best practice in corporate governance,
- Possess personal integrity,
- Have enough time available,
- Be motivated,
- Be capable of working in a team,
- Have a strategic vision.

Besides meeting the listed criteria, the President of the Management Board shall have developed organizational skills and experience in business management, as well as a reputation of a respectable and good manager in a broader economic environment.

Each Management Board member shall continuously, accurately and without delay report to President of the Management Board on any important events within his competence, which are important for assessing the current situation and development and management of the Company.

The Management Board members shall strive to greatest possible independence in relation to particular shareholders, groups of shareholders or other stakeholders, and shall be aware that, once they have been appointed, they are responsible to all of the Company's shareholders.

If a Board member is exposed to pressure or restrictions by shareholders or stakeholders, which influences the performance of his duties, he is obligated,

regardless of that, to take an independent position during voting, or submit his resignation, depending on the circumstances.

### **3.3.3. Remuneration**

The Company shall publicize a statement on the policy of remunerating Management Board and Supervisory Board members, as a part of the annual report. Statement on the policy of remunerating the Management Board shall always be posted on the Company's web-page.

Statement on the remuneration policy shall primarily contain the Company's policy regarding remunerating the Management Board for the forthcoming business year and, should that be appropriate, for the forthcoming years, as well as an overview of ways in which the policy of remunerating the Management Board was implemented during the previous year. It is particularly necessary to stress important changes in relation to the remuneration policy in comparison with the previous year.

Statement on the remuneration policy shall contain the following parts:

- Clarification of the relative share and importance of the fixed and variable components of remuneration,
- Sufficient information about the performance criteria, on meeting of which the right to acquire stock options, shares themselves or any other form of the variable part of remuneration is based,
- Sufficient information on the relation between performance and the amount of remuneration,
- Basic indicators and reasons for awarding annual bonuses and fringe benefits of non-monetary character,
- Information on the length of contract, termination deadlines, and particularly, severance payments. Any form of remunerating the Management Board and Supervisory Board members involving stock options or other rights to acquire shares or if the remuneration is based on the price of the Company's shares, shall as a principle of remunerating, be approved by the General Meeting of the Company.

#### **3.3.3.1. Structure**

The Management Board members shall be paid in accordance with their work and that remuneration is determined by the Supervisory Board.

Remuneration to Management Board members shall:

- Adequately reflect the time, effort and experience connected with their functions,
- Ensure adequate incentive that would balance the interests of Management Board members with the interests of the shareholders,
- Be determined in such a way that it does not threaten the capacity of Management Board members to make decisions in the best interest of the Company and its shareholders.

Remuneration to Management Board members shall consist of:

- Fixed part, which is unchangeable and does not depend on business performance,
- Variable part, which is conditioned by business performance in a particular business year,
- Stock options and similar securities that have the effect of long-term incentives.

### **3.3.3.2. Methods of Assessment**

Methods of assessing the amount and adequacy of remuneration shall take into consideration the following components:

- Scope or authority of a particular Management Board member,
- Personal performance in performing work,
- Size and financial position of the Company,
- Economic environment in which the Company operates,
- The Company's performance in relation to other companies of the same business activity,
- Realizing strategic and annual plans,
- Remuneration to Management Board members in affiliated companies.

### **3.3.3.3. Disclosing**

All forms of remunerations to Supervisory Board members are disclosed according to detailed particular items and persons.

Detailed data with all payments and fees received by each Board member from the company are considered to be confidential information and is not to be disclosed.

### **3.3.4. Responsibility**

The Management Board is responsible for the implementation and efficiency of decisions it passes.

The Management Board members are jointly responsible for any damage that may result from the violation of their duties, except when they prove that they have performed their duties in a fair and conscientious way.

### **3.3.5. Reporting to Shareholders**

Each Board member and related persons are obligated to inform the Supervisory Board of the Company or the Subcommittee for appointments and remunerations of any changes regarding his ownership of the Company's securities, at latest on the workday following such a change till 9 o'clock, while the Company is obligated to publicize such a change immediately.

### **3.3.6. Conflicts of Interest**

A conflict of interest exists with a Management Board member who is not neutral in relation to the subject of decision-making, and can influence decision-making based on interests, which differ from the Company's interests.

The Management Board members may not make decisions on the basis of their own interests or interests of persons who they are closely related to.

#### **3.3.6.1. Jobs between Management Board Members and Company**

All jobs in which the Management Board members or persons related with them participate and the Company or persons related with it, shall be on a market basis, especially with regard to deadlines, interests, guarantees etc. and shall be clearly stated in the Company's reports. Such jobs shall be approved by independent assessment by expert persons who are independent in relation to the participants of the specific job.

#### **3.3.6.2. Non-Competition Obligation**

Management Board members may not, in their own or any other person's interest, personally or through third persons, be competition to the Company in any way.

The Management Board members may not have significant shares in the companies that may be considered competition to the Company.

#### **3.3.6.3. Membership in Supervisory Boards of Other Companies**

A Management Board member shall obtain a prior approval by the Company's Supervisory Board for membership in supervisory boards of other companies, which do not include dependent companies, but in such a way that a Management Board member may not, at the same time, be a supervisory board member in more than 5 companies. For the purpose of prohibition as referred to in the foregoing sentence, the position of a supervisory board president is to be counted as membership in two supervisory boards.

#### **3.3.7. Additional Responsibilities When Company is Part of a Group of Companies**

The Management Board of the leading company of the Group and the Subcommittee for strategy and relations with influential groups are responsible for strategic management and long-term performance of the entire Group, and have the ability to monitor, through membership in daughter companies' supervisory boards, their business operation and the Group's investments in daughter companies.

Consequently, the Management Board of the leading company shall ensure necessary cooperation within the Group, paying attention to timely and quality exchange of information between the companies within the Group.

### **3.4. COOPERATION AND RELATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT BOARD**

The Management Board is obligated to inform timely and comprehensively the Supervisory Board of all facts and circumstances that may influence the business operation, financial position and status of the Company's assets, or its daughter companies.

The Management Board and Supervisory Board are always obligated to reach an agreement regarding the Company's strategic directions and the implementation of that strategy.

The Management Board is obligated to enable its members and Supervisory Board members a simple and timely access to all Company's facilities and premises, data, official documents and all other necessary documents required for performing their duties.

## **4. AUDITING AND INTERNAL CONTROL MECHANISMS**

### **4.1. INDEPENDENT EXTERNAL AUDITOR**

The Company is obligated to have independent external auditors as an important instrument of corporate governance, and their basic function is to make sure that financial statements adequately reflect the current position of the Company in its entirety. Independent auditors shall be considered those auditors that are not related with the Company through ownership or interest, and do not provide, themselves or through related persons, any other services to the Company.

Independent external auditors shall, in the clearest possible manner and unambiguously, express their opinion on whether financial statements prepared by the Management Board adequately reflect the Company's position of capital and financial position, as well as results for a certain time period.

The Subcommittee for auditing is obligated to define a plan of work with independent external auditors and submit to the Supervisory Board proposals and recommendations regarding the selection of independent external auditors, and extension or termination of cooperation with auditors.

Independent auditors are obligated to directly inform the Subcommittee for auditing about the following issues:

- Discussion about the main accounting policy,
- Important shortcomings and significant drawbacks in internal control and the procedures,
- Alternative accounting procedures,
- Disagreements with the Management Board, risk assessment,
- Possible analyses of fraud and/or abuse.

Procedures implemented by auditing companies shall reflect their independence and objectivity, especially if the same companies' employees within the same auditing company provide some other professional and in particular, consulting services. The Subcommittee for auditing shall be informed about all services provided by an independent auditing company, including the fees for those

services, in order to dismiss any suspicion about its auditors' independence and avoid any conflicts of interest.

In the case of circumstances suggesting possible threats to auditors' independence, the Supervisory Board is obligated to propose to the General Assembly hiring new business consultants or auditors.

## **4.2. INTERNAL AUDITOR**

The task of the internal auditor is to carry out internal control and monitor the implementation of regulations, guidelines and recommendations. The internal auditor submits a report on his results directly to the Subcommittee for auditing or the Supervisory Board, and to the Management Board.

The Supervisory Board is obligated to, upon suggestion of the Subcommittee, approve the internal auditor's annual plan of work, analyze his results and supervise the implementation of his recommendations.

If the service of internal auditing is provided by external associates, they may, by no means, be the Company's independent external auditors.

The Subcommittee for auditing and the Supervisory Board shall participate efficiently in planning of the internal auditor's work.

The President of the Management Board, or a person appointed by him, is responsible for establishing an internal control system, which serves to create and monitor the flow of accurate, specific and comprehensive information about the Company's organization, such as information on meeting financial, business and legal obligations that may pose a significant risk to the Company. The internal auditor shall assess and check the efficiency of such system at least once a year.

## **5. RELATIONS WITH INVESTORS**

### **5.1. STRATEGY**

The Management Board is obligated to make balanced information related to positive and negative sides of the Company's operation available to investors, in order to enable investors to properly understand and assess the Company's position and, based on data gathered in that way, make the right decision about their investments.

Investors shall always have the opportunity to ask and timely receive, in writing, relevant information from the Management Board or a person in the Company who is in charge of relations with investors.

The Management Board may not, in doing so, provide information or reply to questions merely to fulfil its obligation, but shall provide information at its own initiative, and, should it be deemed appropriate and necessary for understanding a reply, in a wider scope than solicited, with respect to the fact that good exchange of information, particularly when it is spontaneous, clear and quick, is

conducive to an atmosphere of trust between investors and the Company's bodies.

The Management Board shall periodically, and in cases of expressed interest, hold special conferences with investors.

Along with its other obligations, the Subcommittee for strategy and relations with influential groups is responsible for the aforementioned.

## **5.2. USE OF THE INTERNET**

The Company is obligated, through its publicly available web-pages, ensure an efficient and practical publication of information on the Internet.

The Company is obligated to post on its web-page all information that it must publicize in general, in accordance with the law and the Articles of Association.

Apart from that information, the Company is, according to applicable regulations, obligated to post on its web-page all price sensitive information, financial statements, calendar of important events, global ownership structure, notification of holding Supervisory Board sessions when financial statements and payment of dividends are decided upon, CVs of Management Board and Supervisory Board members, and information about the person in the Company in charge of relations with investors and other influential persons.

Due to an equal treatment of all the shareholders, regardless of the country of their origin, the Company shall post all information it is publicizing on its web-page in Croatian and English.

## **6. STAKEHOLDERS**

For the purpose of this Code, persons who take certain direct or indirect risks in relation to the Company and in connection with the Company are considered stakeholders, i.e. influential persons.

Apart from shareholders, the following are, among others, considered to be stakeholders: employees, buyers and users of the Company's services, suppliers, creditors, local community and state authorities.

The Management Board, or a person appointed by it, is responsible for good and transparent relations between the Company and stakeholders, together with the Subcommittee for strategy and relations with influential groups. They are obligated to ensure that the Company respects all stakeholders' rights based on the law and good business practices.

Nobody shall suffer negative consequences if they point to competent bodies or organs within or outside the Company of any shortcomings in the implementation of regulations or ethical norms within the Company.

## **7. PUBLICIZING INFORMATION ON CONFORMING TO CODE PROVISIONS**

The Company is obligated to state in a defined form (Annual Questionnaire) in its annual report, as well as on its web-site, whether it has followed the recommendations listed in this Code.

This Code and its recommendations are based on the 'act or explain' principle, i.e. should the Company fail to follow any of the recommendations under this Code, it shall provide an explanation in the Annual Questionnaire why it has decided to deviate thereof or waived from implementation thereof.

Annual Questionnaire is an integral part of this Code.

## **8. ENTERING INTO FORCE**

This Code shall enter into force on the date of adoption thereof, and to be implemented as of 1 January, 2008.

## **CONTENTS:**

### **1. INTRODUCTION – GOALS AND BASIC PRINCIPLES**

### **2. PUBLICIZING**

#### **2.1. PRICE SENSITIVE INFORMATION**

#### **2.2. FINANCIAL STATEMENTS**

#### **2.3. ANNUAL, SEMI-ANNUAL AND QUARTERLY REPORTS**

#### **2.4. CALENDAR OF IMPORTANT EVENTS**

#### **2.5. OWNERSHIP STRUCTURE**

##### **2.5.1. List of Shareholders**

##### **2.5.2. Mutual Shareholding**

##### **2.5.3. Shares Owned by Members of Management Board and Supervisory Board**

#### **2.6. RISK FACTORS**

#### **2.7. PUBLICIZING INFORMATION**

#### **2.8. PRIVILEGED INFORMATION**

#### **2.9. RESTRICTIONS IN DISPOSING OF SECURITIES**

#### **2.10. PERSON IN THE COMPANY RESPONSIBLE FOR PUBLICIZING INFORMATION**

### **3. COMPANY BODIES**

#### **3.1. GENERAL ASSEMBLY**

##### **3.1.1. Equal Treatment of Shareholders**

###### **3.1.1.1. Confirmation of One Share – One Vote Principle**

###### **3.1.1.2. Restriction of Voting Right**

###### **3.1.1.3. Electing or Appointing Supervisory Board Members**

###### **3.1.1.4. Different Types of Shareholders**

###### **3.1.1.5. Distribution of Information**

###### **3.1.1.6. Changes in Capital, Disposing and Acquisition of Own Treasury Shares**

###### **3.1.1.7. Proxies**

##### **3.1.2. Calling General Meeting**

##### **3.1.3. Registration Dates**

###### **3.1.3.1. Right to Participate in General Meeting**

###### **3.1.3.2. Dividend**

##### **3.1.4. Agenda**

##### **3.1.5. Conditions for Participating**

##### **3.1.6. Key Decisions**

##### **3.1.7. Requirements Concerning Reports Submitted to General Meeting**

###### **3.1.7.1. Reports Submitted by the Supervisory Board**

###### **3.1.7.2. Report on Position of the Company**

##### **3.1.8. Using Modern Communication Technology**

##### **3.1.9. Publicizing Decisions**

#### **3.2. SUPERVISORY BOARD**

##### **3.2.1. Tasks and Responsibilities**

##### **3.2.2. Members**

##### **3.2.3. Relationship with the Management Board**

##### **3.2.4. Time Necessary for Performing Board Duties**

##### **3.2.5. Remunerations**

##### **3.2.6. Reporting to shareholders**

### **3.2.7. Conflicts of Interest**

3.2.7.1. Business between Interested Parties

### **3.2.8. Non-Competition Obligation**

### **3.2.9. Agreements between Supervisory Board Members and the Company**

### **3.2.10. Reporting**

### **3.2.11. Subcommittees**

3.2.11.1. Subcommittee for Strategy and Relations with Influential Groups

3.2.11.2. Subcommittee for Auditing

3.2.11.3. Subcommittee for Appointing and Remuneration

### **3.2.12. Rules of Conduct for Board and Supervisory Board Sessions**

### **3.2.13. Membership in Supervisory Boards of Other Companies**

### **3.2.14. Training of Board and Supervisory Board Members**

### **3.2.15. Assessment of Work**

## **3.3. MANAGEMENT BOARD**

### **3.3.1. Tasks and Responsibilities**

### **3.3.2. Members**

### **3.3.3. Remunerations**

3.3.3.1. Structure

3.3.3.2. Methods of Assessment

3.3.3.3. Publicizing

### **3.3.4. Responsibility**

### **3.3.5. Reporting to Shareholders**

### **3.3.6. Conflicts of Interest**

3.3.6.1. Jobs between the Management Board Members and the Company

3.3.6.2. Non-Competition Obligation

3.3.6.3. Membership in Supervisory Boards of Other Companies

### **3.3.7. Additional Responsibilities When the Company is Part of the Group**

## **3.4. COOPERATION AND RELATION BETWEEN SUPERVISORY BOARD AND MANAGEMENT BOARD**

## **4. AUDITING AND INTERNAL CONTROL MECHANISMS**

### **4.1. INDEPENDENT EXTERNAL AUDITOR**

### **4.2. INTERNAL AUDITORS**

## **5. RELATIONS WITH INVESTORS**

### **5.1. STRATEGY**

### **5.2. USING THE INTERNET**

## **6. STAKEHOLDERS**

## **7. PUBLICIZING INFORMATION ON CONFORMING TO CODE PROVISIONS**

## **8. ENTERING INTO FORCE**