

## Report on the Application of Corporate Governance Rules in 2018

### I. Specification of the set of corporate governance rules to which the Issuer is subject, and place where the text of such set of rules is available to the public

The Company applies the rules of Corporate Governance according to the Warsaw Stock Exchange Code of Best Practices as approved by the Company's Board of Directors. These rules are changed by the Warsaw Stock Exchange from time to time. Current rules (obligatory from 2016) can be found at the WSE dedicated website: <https://www.gpw.pl/best-practice>. The Company's Statement on Corporate Governance, information on the application of its rules and any deviations can be found on the Company's internet site for investors, at <http://investor.asbis.com> and <http://inwestor.asbis.pl>.

### II. Indication of which corporate governance rules were not applied by the issuer and indication of under what circumstances and for what reasons the specific rule was not applied, and how the Company intends to remove effects, if any, of not having applied a given rule and what steps it intends to take to mitigate the risk of the specific rule not being applied in the future.

The following table summarizes information about the application of corporate governance rules applied, not applied, partially applied or non-applicable for the Company in 2018:

#### **Statement on the Company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016**

##### **I. Disclosure Policy, Investor Communications**

Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

##### **Recommendations**

**I.R.1.** Where the Company becomes aware that untrue information is disseminated in the media, which significantly affects its evaluation, it should immediately publish on its website a communiqué containing its position on such information, unless in the opinion of the Company the nature of such information and the circumstances of its publication give reasons to follow a more adequate solution.

*The principle is applied.*

**I.R.2.** Where the Company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

*The principle is applied.*

**I.R.3.** The Company should allow investors and analysts to ask questions and receive explanations – subject to prohibitions defined in the applicable legislation – on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a Company.

*The principle is applied.*

**I.R.4.** The Company should use best efforts, including taking all steps well in advance as necessary to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.

*The principle is applied.*

##### **Detailed principles**

**I.Z.1.** The Company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to the information required under the legislation:

**I.Z.1.1.** basic corporate documents, in particular, the Company's articles of association;

*The principle is applied.*

I.Z.1.2. the full names of the members of its Board of Directors and Board Sub-Committees and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the Board's Sub-Committees;

The principle is applied.

I.Z.1.3. a chart showing the division of duties and responsibilities among members of the Board's Sub-Committees drawn up according to principle II.Z.1;

The principle is applied.

I.Z.1.4. the current structure of shareholders indicating those shareholders that hold at least 5% of the total vote in the Company, according to information provided to the Company by shareholders under the applicable legislation;

The principle is applied.

I.Z.1.5. current and periodic reports, prospectuses and information memoranda with annexes, published by the Company at least in the last 5 years;

The principle is applied.

I.Z.1.6. information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions;

The principle is applied.

I.Z.1.7. information materials published by the Company concerning the Company's strategy and its financial results;

The principle is applied.

I.Z.1.8. selected financial data of the Company for the last 5 years of business in a format enabling the recipient to process such data;

The principle is applied.

I.Z.1.9. information about the planned dividend and the dividend paid out by the Company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

The principle is applied.

I.Z.1.10. financial projections, if the Company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle is applied.

I.Z.1.11. information about the content of the Company's internal rule of changing the Company authorized to audit its financial statements or information about the absence of such rule;

The principle is applied.

I.Z.1.12. a statement on compliance with the corporate governance principles contained in the last published annual report;

The principle is applied.

I.Z.1.13. a statement on the Company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the Company should report under the applicable legislation;

The principle is applied.

I.Z.1.14. materials provided to the general meeting, including assessments, reports and referred to in principle II.Z.10, tabled to the general meeting by the Board of Directors;

The principle is applied.

*The Company, being a Cyprus registered entity, complies with all relevant Cyprus laws.*

I.Z.1.15. information about the Company's diversity policy applicable to the Company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the Company has not drafted and implemented a diversity policy, it should publish an explanation of decision on its website;

The principle is applied.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is applied.

I.Z.1.17. justification of draft resolutions of the general meeting concerning issues and which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The principle is applied.

**I.Z.1.18.** information about the reasons for cancellation of a general meeting, change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks;  
The principle is applied.

**I.Z.1.19.** shareholders' questions asked to the Board of Directors pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the Board of Directors to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;  
The principle is applied.

**I.Z.1.20.** an audio and video recording of a General Meeting.  
The principle is applied.

**I.Z.1.21.** contact details of the Company's investor relations officers including the full name and e-mail address or telephone number. The principle is applied.

**I.Z.2.** A Company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The principle is applied.

## **II. Board of Directors, Board Sub-Committees**

The Company is managed by its Board of Directors, whose members act in the interest of the Company and are responsible for its activity. The Board of Directors is responsible among others for the Company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the Company's efficiency and safety.

The Company is supervised by effective and competent Board Sub-Committees consisting of Non-Executive Directors. Board Sub-Committees members act in the interest of the Company and follow their independent opinions and judgement. The Board Sub-Committees in particular issue opinions on the Company's strategy and verify the work of the Board of Directors in pursuit of defined strategic objectives and monitor the Company's performance.

### **Recommendations**

**II.R.1.** To ensure the highest standards of the Board of Directors and Board Sub-Committees of the Company in efficient fulfilment of their obligations, the Board of Directors and Board Sub-Committees should have members who represent high qualifications and experience.

The principle is applied.

**Comments of the Company:** *The Company, being a Cyprus registered entity, does not have supervisory Board. However, the non-executive Directors who are the members of the Board Sub-Committees fulfil this requirement.*

**II.R.2.** Decisions to elect members of the Board of Directors or Board Sub-Committees of the Company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.

The principle is applied.

**II.R.3.** Functions on the management board of the Company should be the main area of the professional activity of management board members. Additional professional activities of Board of Director members must not require so much time and effort that they could adversely affect proper performance of functions in the Company. In particular, Board of Directors members should not be members of governing bodies of other entities if the time devoted to functions in such other entities prevents their proper performance in the Company.

The principle is applied.

**II.R.4.** Board Sub-Committees members must be able to devote the time necessary to perform their duties.

The principle is applied.

**II.R.5.** If a Board Sub-Committees member resigns or is unable to perform his or her functions, the Company should immediately take steps necessary to ensure substitution or replacement.

The principle is applied.

**II.R.6.** Being aware of the pending expiration of the term of office of the Board of Directors members and their plans of the further performance of functions on the Board, the Board Sub-Committees should take steps in advance to ensure efficient operation of the Company's Board of Directors.

The principle is applied.

**II.R.7.** The Company should allow its Board Sub-Committees to use professional and independent advisory services necessary for the Board Sub-Committees to exercise effective supervision in the Company. In its selection of the advisory service provider, the Board Sub-Committees should take into account the financial standing of the Company.

The principle is applied.

### **Detailed principles**

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

The principle is applied.

**II.Z.2.** The Company's Board of Directors members may sit on the Board of Directors or Board Sub-Committees of Companies other than members of its Group, subject to the approval of the Board Sub-Committees.

The principle is applied.

**II.Z.3.** At least two members of the Board Sub-Committees should meet the criteria of being independent referred to in principle II.Z.4.

The principle is applied.

**II.Z.4.** Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive directors of listed companies and on the Sub-Committees of the Board applies to the independence criteria of Board Sub-Committees members. Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the Company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the Board Sub-Committees as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the Company.

The principle is applied.

**II.Z.5.** Each Board Sub-Committees member should provide the other members of the Board Sub-Committees as well as the Company's Board of Directors with a statement of meeting the independence criteria referred to in principle II.Z.4.

The principle is applied.

**II.Z.6.** The Board Sub-Committees should identify any relationships or circumstances which may affect them Board Sub-Committees member's fulfilment of the independence criteria. An assessment of Board Sub-Committees members' fulfilment of the independence criteria should be presented by the Board Sub-Committees according to principle II.Z.10.2.

The principle is applied.

**II.Z.7.** Annex I to the Commission recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the Board Sub-Committees. Where the functions of the audit committee are performed by the Board Sub-Committees, the foregoing should apply accordingly.

The principle is applied.

**II.Z.8.** The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is applied.

**II.Z.9.** To enable the Board Sub-Committees to perform their duties, the Company's Board of Directors should give the Board Sub-Committees access to information on matters concerning the Company.

The principle is applied.

**II.Z.10.** In addition to its responsibilities laid down in the legislation, the Board Sub-Committees should prepare and present to the ordinary general meeting once per year the following:

**II.Z.10.1** an assessment of the Company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular, financial reporting and operational controls;

The principle is applied.

**II.Z.10.2** a report on the activity of the Board Sub-Committees containing at least the following information:

- full names of the members of the Board Sub-Committees;
- Board Sub-Committees members' fulfilment of the independence criteria;
- number of meetings of the Board Sub-Committees in the reporting period;
- self-assessment of the Board Sub-Committees

The principle is applied.

**II.Z.10.3** an assessment of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

The principle is applied.

**II.Z.10.4** an assessment of the rationale of the Company's policy referred to in recommendation I.R.2 or. information about the absence of such a policy.

The principle is applied.

**II.Z.11.** The rationale should review and issue opinions on matters to be decided in resolutions of the general meeting.

The principle is applied.

### **III. Internal Systems and Functions**

Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the Company and the type and scale of its activity.

#### **Recommendations**

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

The principle is applied.

#### **Detailed principles**

**III.Z.1.** The Company's Board of Directors is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.

The principle is applied.

**III.Z.2.** Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or another member of the Board of Directors and should be allowed to report directly to the Board Audit Sub-Committee.

The principle is applied.

**III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is applied.

**III.Z.4.** The person responsible for internal audit (if the function is separated in the Company) should report to the Board Audit Sub-Committee at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The principle is applied.

**III.Z.5.** The Board Audit Sub-Committees should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the Company's Board of Directors, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the Company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the Board Audit Sub-Committee from the annual assessment of the efficiency of such systems and functions.

The principle is not applied.

**III.Z.6.** Where the Company has no separate internal audit function in its organization, the Board Audit Sub-Committee should review on an annual basis whether such function needs to be separated.

The principle is applied.

### **IV. General Meeting, Shareholder Relations**

The Board of Directors and the Board Sub-Committees of a listed Company should encourage the engagement of shareholders in matters of the Company, in particular through active participation in the general meeting.

The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders.

Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.

## Recommendations

**IV.R.1.** Companies should strive to hold an ordinary general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.

The principle is applied.

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

The principle is applied.

**Comments of the Company:** *The Company will invest in real time broadcasting and electronic bilateral communication and implement it when the number of registered shareholders from outside Cyprus attending the General Meeting will exceed ten.*

**IV.R.3.** Where securities issued by a Company are traded in different countries (or in different markets) and in different legal systems, the Company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle not applicable.

**Comments of the Company:** *The Company is only listed on the Warsaw Stock Exchange.*

## Detailed principles

**IV.Z.1.** Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.

The principle is applied.

**IV.Z.2.** If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is applied.

**IV.Z.3.** Presence of representatives of the media should be allowed at general meetings.

The principle is applied.

**IV.Z.4.** If the Board of Directors becomes aware a general meeting is convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the Board of Directors should immediately take steps which are required to take in order to organize and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is not applicable.

**Comments of the Company:** *The Company, being a Cyprus registered entity, does not operate under Polish Companies Law.*

**IV.Z.5.** The rules of general meetings and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.

The principle is applied.

**IV.Z.6.** Companies should strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

**IV.Z.7.** A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

The principle is applied.

**IV.Z.8.** A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

The principle is applied.

**IV.Z.9** The Company strives to make the draft resolutions of the general meeting to justify if it makes it easier for the shareholders to pass the resolution with due consideration. If the matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the board of directors asks for justification of the proposed resolution. In important matters or likely to raise doubts of shareholders, the Company will provide a justification, unless otherwise provides shareholders with information that will ensure that the resolution is taken with due consideration.

The principle is applied

**IV.Z.10** Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the Company.

The principle is applied.

**IV.Z.11.** Members of the Board of Directors and the Board Sub-Committees should participate in a general meeting as necessary to answer questions asked at the general meeting.

The principle is applied.

**IV.Z.12.** The Board of Directors should present to participants of an ordinary general meeting the financial results of the Company and other relevant information contained in the financial statements to be approved by the general meeting.

The principle is applied.

**IV.Z.13.** If a shareholder requests information about the Company, the Board of Directors of the Company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code

The principle is applied.

**Comments of the Company:** *The Company does not operate under Polish Companies Law.*

**IV.Z.14.** Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the rights of shareholders pursuant to such events.

The principle is applied.

**IV.Z.15.** A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorize the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

The principle is applied.

**IV.Z.16.** The dividend record date and the dividend payment date should be set so as to ensure that the period between them is no longer than 15 business days. A longer period between these dates requires a justification.

The principle is applied.

**IV.Z.17.** A resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.

The principle is applied.

**IV.Z.18.** A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the Company listed on the Exchange.

The principle is applied.

**Comments of the Company:** *The Company's reporting currency and issuing currency is the US Dollar.*

## **V. Conflict of Interest, Related Party Transactions**

For the purpose of this Section, 'related party' is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.

### **Recommendations**

**V.R.1.** Members of the Board of Directors and the Board Sub-Committees should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the Company, and where a conflict of interest arises, immediately disclose it.

The principle is applied.

## Detailed principles

**V.Z.1.** No shareholder should have preference over other shareholders in transactions concluded by the Company with shareholders or their related parties.

*The principle is applied.*

**V.Z.2.** Members of the Board of Directors or the Board Sub-Committees should notify the Board of Directors or the Board Sub-Committees, respectively, of any conflict of interest which has arisen or may arise and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

*The principle is applied.*

**V.Z.3.** Members of the Board of Directors or the Board Sub-Committees must not accept any benefits which might affect their impartiality and objectivism in making decisions or reflect unfavourably on the assessment of the independence of their opinions or judgements.

*The principle is applied.*

**V.Z.4.** Where a member of the Board of Directors or the Board Sub-Committees concludes that a decision of the Board of Directors or the Board Sub-Committees, respectively, is in conflict with the interest of the Company, he or she may request that the minutes of the Board of Directors or the Board Sub-Committees meeting show his or her position.

*The principle is applied.*

**V.Z.5.** Before the Company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the Company or with a related party, the Board of Directors should request the Board Sub-Committees approval of the transaction. Before giving its approval, the Board Sub-Committees should evaluate the impact of the transaction on the interest of the Company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the Company's operations between the Company and members of its Group. If the decision concerning the Company's significant agreement with a related party is made by the general meeting, the Company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

*The principle is applied.*

**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 among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the Board of Directors or the Board Sub-Committees from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

*The principle is applied.*

## VI. Remuneration

The Company should have a remuneration policy applicable at least to members of the Company's governing bodies and key managers. The remuneration policy should, in particular, determine the form, structure, and method of determining the remuneration of members of the Company's governing bodies and key managers.

### Recommendations

**VI.R.1.** The remuneration of members of the Company's governing bodies and key managers should follow the approved remuneration policy.

*The principle is applied.*

**VI.R.2.** The remuneration policy should be closely tied to the Company's strategy, its short- and long-term goals, long-term interests and results, considering solutions necessary to avoid discrimination on whatever grounds.

*The principle is applied.*

**VI.R.3.** If the Board Sub-Committees has a remuneration committee, principle II.Z.7 applies to its operations.

*The principle is applied.*

**VI.R.4.** The remuneration levels of members of the Board of Directors and the Board Sub-Committees and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the Company. Remuneration should be adequate to the scope of tasks delegated to individuals, considering additional functions, for instance on Board Sub-Committees.

*The principle is applied.*



## Detailed principles

**VI.Z.1.** Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the Company's Board of Directors and key managers to the actual long-term financial standing of the Company and long-term shareholder value creation as well as the Company's stability.

*The principle is applied.*

**VI.Z.2.** To tie the remuneration of members of the Board of Directors and key managers to the Company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the Company's shares under the incentive scheme and their exercisability should be no less than two years.

*The principle is applied.*

**VI.Z.3.** The remuneration of members of the Board Sub-Committees should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the Company's results.

*The principle is not applied.*

**VI.Z.4.** In this activity report, the Company should report on the remuneration policy including at least the following:

- general information about the Company's remuneration system;
- information about the conditions and amounts of remuneration of each Board of Directors member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the Company and each member of its group;
- information about non-financial remuneration components due to each Board of Directors member and key manager;
- significant amendments of the remuneration policy in the last financial year or information about their absence;
- assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular, long-term shareholder value creation and the Company's stability.

*The principle is applied.*

### **III. Characteristics of applied internal control system and management of the risk regarding the preparation of interim reports and financial statements**

The Company's Board of Directors is responsible for its internal control system and its effectiveness in course of the process applied in the preparation of our financial statements and interim reports which are to be prepared and published in accordance with the provisions of the Decree of the Minister of Finance dated March 29, 2018 on current and periodic information to be published by issuers of securities. The effectiveness of the Company's internal control system applied in the process of preparing financial statements is based on the general assumption of ensuring adequacy and correctness of financial information included in the financial statements and interim reports. Effective internal control and risk management system for the process of financial reporting has been built according to the following principles:

- The defined scope of financial reporting applied by the Company.
- Defined division of duties and organization of work in the financial reporting process.
- Regular review of the Company's results using the applied financial reporting method.
- A regular independent review of published financial statements of the Company by an auditor.
- Principles of authorizing financial reports prior to their publication.
- Assessing the effectiveness of the control mechanisms used.

#### *The defined scope of financial reporting applied by the Company*

The Company carries out annual reviews of its strategy, development, results and plans. Based on conclusions drawn from that review, a detailed budgeting process is performed including all functional areas of the Company, with the participation of the medium and top-level management. The budget prepared for the following year is adopted and approved by the Board of Directors.

During the course of the year, the Board of Directors analyzes the current financial results, product portfolio development, market position and compares them with the budget, using the management reporting system, built based on the accounting policies accepted by the Company (IFRS), and takes into consideration the format and detailed content of financial data presented in interim financial statements of the Company and the Group.

Accounting policies adopted by the Company with respect to statutory reporting are used both during this process and in the course of preparing the interim management reports. The Company applies coherent accounting principles for the recognition and disclosure of financial data in financial statements, interim financial reports and other reports made available to investors.

*Defined division of duties and organization of work in the financial reporting process*

The ASBIS Group Financial Department, headed by the CFO and also a member of the Board of Directors, Mr Marios Christou is responsible for preparing the financial statements, interim financial reports and interim management reports of the Company.

The financial statements of the Company are prepared by medium level managers based on the financial data from the Company's IT system and from monthly management reports, after their acceptance by the Group's CFO and taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The financial statements are verified by the head of the Financial Department prior to their issue to the independent auditor (in case of half-year and annual reports).

Interim reports of the Company are prepared by the Group reporting team within the Credit and Investor Relations Department based on the financial data from monthly management reports, after their acceptance by the Group's CFO, taking into consideration other, supplementary operating data supplied by dedicated employees from other departments. The prepared interim reports are verified by the Board of Directors prior to their issue to the independent auditor (in case of half-year and annual reports).

*Regular review of the Company's results using the applied financial reporting method*

Financial data on which financial statements and interim reports are based are derived from the monthly financial and operational reports system used by the Company and from its dedicated IT system. After general ledger closing each calendar month, the executive Directors jointly analyze the financial results of the Company comparing these with the assumptions and divided by each business segment. Identified mistakes are immediately adjusted in the Company's ledgers and the Group's reporting system, according to the adopted accounting policy. The process of preparing financial statements and interim reports begins once the preliminary results of the reporting period are accepted by the Group's CFO and double-checked and verified after the final results are accepted by the Group's CFO.

*A regular independent review of published financial statements of the Company by an auditor*

Half-year and annual financial statements and financial reports before their publishing, as well as financial data on which such reports are based, are reviewed (half-year) and audited (annual) by the Company's external auditor. Adequacy of financial data and the scope of the necessary disclosures particularly scrutinized. Results of half-year reviews or full year audits are presented by the auditor to the Company's Board of Directors and its Audit Committee.

*Principles of authorizing financial reports prior to their publication*

Financial statements and interim reports are submitted to the Board of Directors' members prior and after the review or audit are complete.

The Audit Committee holds a meeting prior to acceptance of interim financial statements for publication by the Board of Directors, during which the Company's CFO presents key aspects of the quarterly/semi-annual/annual financial statements – underlining changes to accounting policies, if any, important estimates and accounting judgments, major disclosures and business transactions.

The Audit Committee reviews interim financial statements taking into consideration information presented by the CFO and the independent auditor, and thereafter recommends to the Board of Director's approval of such documents.

**IV. Information about shareholders with a significant stake in the Company's share capital (directly or indirectly)**

This has been presented under Item 5 of the annual report.

**V. Information about shareholders with preference shares**

There are no shareholders with preference shares.

**VI. Information about any limitations of shareholders rights**

**Voting rights**

Each share confers the right to cast one vote.

Each shareholder is entitled to attend the meeting, to address the meeting, and, if voting rights accrue to him or her, to exercise such voting rights. Shareholders may attend meetings in person or be represented by a proxy authorized in writing.

For a shareholder to be recognized as being entitled to attend and vote at a general meeting he or she must present to the meeting proper evidence of his or her shareholding as of the Record Date to the satisfaction of the chairman of the meeting.

A depository certificate issued by an entity maintaining the securities account of a shareholder will be deemed sufficient evidence of a shareholding. Therefore, in order to be able to participate and vote at the general meeting, the Company's shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS shall present depository certificates issued in accordance with the relevant provisions of the Act on Trading, accompanied by a sworn English translation.

Pursuant to the Articles of Association, no objection shall be raised to the qualification of any voter except at the meeting or adjourned the meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

The Company will publish in a daily paper distributed nationwide notice to the shareholders on the date of the decision to hold a general meeting. The notice will state a date (the "Record Date") which will be used to ascertain which shareholders are entitled to participate in the General Meeting as well as detailed conditions of participation in the general meeting. With respect to the shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS, additionally, the Company shall send such written notice to the NDS, which will then pass it on to the NDS participants and publish such information in a current report form.

Subject to any rights or restrictions attaching to any class of shares, voting at meetings shall be conducted in person or by proxy or attorney and, where the shareholder is a corporate body, by a representative.

All shares have equal rights.

No shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

No business shall be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business.

Save as otherwise provided in the Articles of Association, a quorum shall be three shareholders present, in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted. The provisions governing the quorum are set forth in Articles 62-66 of the Articles of Association.

At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands, or in the case of participation by a telephone or other telecommunication connection by an oral declaration, unless (before or upon the declaration of the result of the show of hands or oral declaration) a poll is demanded:

- (a) by the chairman of the general meeting (the "Chairman"); or
- (b) by at least three shareholders present in person or by proxy; or
- (c) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (d) by a shareholder or shareholders present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

It is impossible to hold a poll through a telephone or other telecommunication connections.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by a declaration been carried or carried unanimously, or by a particular majority, or lost, shall be final (and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the proportion of the votes recorded in favour of or against such resolution).

In accordance with Cypriot law, the instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointee is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a shareholder of the Company.

In accordance with Cypriot law, the instrument appointing a proxy must contain the agenda of the general meeting.

The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

The instrument appointing a proxy, which should contain such language as is set out in Article 82 of the Articles of Association set forth in Annex A, and the power of attorney or other authority, if any, under which it is signed, or a notarized certified copy of that power or authority, shall be deposited at the Registered Office of the Company, or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting, at any time before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. For more detailed information regarding the proxy, see Articles 81-85 of the Articles of Association.

## **Other Rights attaching to Shares and limitations of those rights**

In addition to the voting rights, the shareholders of the Company have the following rights:

- A right to participate share in the Company's profits through a dividend distribution if such dividend is decided to be paid by the general meeting following a proposal by the Board of Directors. The dividends are subject to a lien by the Company if any amount is owed by the shareholder to the Company.
- A right to transfer his or her shares to any person by signing an instrument of transfer in a form approved by the Directors.
- A right to pledge any share as security for any loan, debt or obligation of such shareholder, without the approval of the Board of Directors.
- A right to sell or otherwise dispose of a forfeited share on such terms and in such manner as the Directors think fit. At any time before a sale or disposition, such forfeiture may be cancelled on such terms as the Directors think fit. A share may be forfeited by a resolution of the Directors if a shareholder fails to pay any amount owed to the Company after written notice was given to that effect.
- Pursuant to Cyprus legislation, a right to receive the annual accounts of the Company together with the Directors' Report and the Auditors' Report.
- A right to share in any surplus in the event of liquidation of the Company in proportion to shareholding.
- For existing shareholders, pre-emption rights when new shares are issued in the same class. The new shares have to be offered first to the existing shareholders in proportion to their current shareholding.

Under Cypriot law, the Company has to notify all shareholders in writing of its intention to issue new shares and the price of the shares to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, a period during which a shareholder may exercise its preemptive rights and purchase the offered shares, and the price per share. In general, under Cypriot law, a shareholder may exercise its right by sending to the Company the signed form together with payment for shares up to the maximum amount allowed to be purchased. If the shareholder does not exercise his or her pre-emptive rights within the period specified, the shares may be sold to third-party buyers.

With respect to the shareholders holding their shares in dematerialized form through securities accounts with participants of NDS, such notice will be sent to NDS. Furthermore, the Company shall comply with disclosure obligations according to Polish law.

Notwithstanding the above, any issuance of shares after the Company's listing on the WSE will, in accordance with the stipulations of the Polish Act on Public Offering, require an offering prospectus to be prepared and approved by the Polish Commission, unless expressly exempted by the Polish Act on Public Offering. The prospectus will contain terms and conditions upon which shareholders will be able to exercise their pre-emptive rights.

Pre-emption rights may be waived by an ordinary resolution of the general meeting following a proposal by the Board of Directors. The Board of Directors cannot waive pre-emption rights without the approval of the general meeting.

No special rights attach to any specific shares and there are no different classes of shares.

The Company cannot redeem ordinary shares. The Company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid up shares of any denomination. The Company may by ordinary resolution: (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares or (b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject to Cypriot law under which in the case of non-fully paid up shares if there is a subdivision, that subdivision must be in a way that the new shares have the same percentage of paid and non-paid proportion per share as the old shares.

## **VII. Transfer of shares and limitation of transfer of shares**

In accordance with the Articles of Association, any shareholder may transfer all or any of his shares by an instrument in writing in any usual or common form, or any other form, including electronic form, which the Directors may approve.

The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

The Board of Directors may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien and unless the instrument of transfer:

- (a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) is in respect of only one class of shares, and
- (c) is in favour of not more than four transferees.

The Board of Directors must refuse to register any transfer of shares when required by the Cypriot Companies Law for example in the case of certificated shares when the transfer is not supported by an approved instrument of transfer or if a court order is issued by a court of competent authority. If the Board of Directors declines to register a transfer, the Company must within 2 months after the date of lodgment of such transfer give to the lodging party written a notice of the refusal and the reasons for it. However, in the case of dematerialized shares listed on the WSE, the Board of Directors may not decline to register a transfer of such shares, since the procedure for making such transfer does not require notification to or acceptance of the Board of Directors. This means that the Board of Directors has no influence on the registration and is not in the position to refuse to register a transfer of WSE listed shares.

The Articles of Association shall not preclude any share from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form via a specialized system for such purpose.

In relation to any share which is in uncertificated form, these rules shall have effect subject to the following provisions:

- (a) the Company shall not be obliged to issue a certificate evidencing title to shares, and all references to a certificate in respect of any shares held in uncertificated form shall be deemed inapplicable to such shares or securities which are in uncertificated form, and

(b) the registration of title in a securities account to and transfer of any shares in uncertificated form shall be sufficient for our purposes and shall not require a written instrument of transfer.

#### **VIII. Information on rules of calling and removing of Directors and information about Director's powers (including the decision of shares issued)**

Pursuant to article 89 the Company may, by ordinary resolution appoint any Director up to the maximum permitted by the Articles or the decision of the Company. At the moment there is no maximum number of Directors imposed.

In addition, pursuant to article 90 the Board of Directors has a right to appoint any Director up to the maximum permitted by the Articles or the decision of the Company.

In the event of appointment by the Board the Director shall retire at the next Annual General Meeting but he will be eligible for re-election.

In addition, at every Annual General Meeting 1/3 of the Directors (who are the longest serving) shall retire but are eligible for re-election.

The Company may by ordinary resolution remove any Director from his office.

##### Alternate

Every Director has the right to nominate any other person to be his alternate and such alternate Director shall have all the rights of a director when his appointer is not present.

##### Powers

Pursuant to article 104 the management of the business and the conduct of the affairs of the Company are vested in the Directors.

Pursuant to article 103 the Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

It is possible for the Board of Directors to delegate any of its powers to any sub-committee or any third party.

##### Shares

Pursuant to regulation 4.1 Any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board of Directors which has the right, at its absolute discretion, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

However, regulation 4.2 adopt re-iterates the Cyprus law provision which stipulates that all new shares in the Company issued in consideration of cash must be offered in the first instance to the Members on a date certain as determined by the Directors and in proportion to their participation in the share capital of the Company. Each member will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. The Company may by ordinary resolution of a general meeting, before the issue of such new shares, dis-apply the Members' pre-emption rights as to the issue of such new shares.

#### **IX. Information on the rules of changing the Company's statute**

Pursuant to section 12 of the Cyprus Companies Law Cap.113 the Company may change its articles by a special resolution. A special resolution requires at least ¾ majority of the votes cast.

Articles of the Company are available on the Company website, at <http://investor.asbis.com> and <http://inwestor.asbis.pl>

**X. Description of the procedures of the General Meeting and its main powers and the rights of the shareholders and procedures of their execution**

The rules of conducting Shareholders meetings are found in the articles of association of the Company.

Pursuant to article 59 an annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and all other meetings shall be called by fourteen days' notice in writing at the least.

No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business.

Three Members present in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted shall be a quorum.

The voting procedure is stipulated in article 67 and it is as follows

At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands or in the case of participation by a telephone or other telecommunication connection, by an oral declaration, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:

- (a) by the Chairman; or
- (b) by at least three Members present in person or by proxy; or
- (c) by a Member or Members present in person or through a telephone or other telecommunication connection or by proxy and representing not less than 10% of the total voting rights of all the Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person or through a telephone or other telecommunication connection, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid on all the shares conferring that right.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by a declaration been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution

At a poll, every share has one vote.

At the annual general meeting, the following issues are decided: declaring a dividend, the consideration of the financial statements and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

Any other issue can be decided upon at an extraordinary general meeting.

The General Meeting of shareholders has the power to decide on any matter put forward for decision and it has the power to refrain the Directors from taking actions that the General Meeting disagrees with.



A general meeting may be convened on the request of the Board of Directors or at the request of shareholders holding at least 10% of the issued share capital of the Company.

#### **XI. Members of the Board of Directors and the Board Sub-Committees and description of their operations during the year ended December 31<sup>st</sup>, 2018**

The following table sets out our current Directors:

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>	<b>Appointed to the Board</b>	<b>Expiry of term</b>	<b>Nationality</b>
Siarhei Kostevitch	1964	Chairman, Chief Executive Officer	30 August 1999	8 May 2020	Cypriot
Marios Christou	1968	Chief Financial Officer	28 December 2001	8 May 2020	Cypriot
Constantinos Tziamalis	1975	Director of Risk & Investor Relations	23 April 2007	14 June 2020	Cypriot
Yuri Ulasovich	1962	Director, COO	29 September 2015	8 May 2020	Cypriot
Demos Demou	1969	Non-Executive Director	7 August 2015	14 June 2020	Cypriot
Chris Pavlou	1945	Non-Executive Director	18 June 2012	23 June 2019	Cypriot

During the year ended December 31<sup>st</sup>, 2018 there were no changes in the Board of Directors members, except the fact that Mr Siarhei Kostevitch, Mr Marios Christou and Mr Yuri Ulasovich were reelected to the Board of Directors by the Company's Annual General Meeting of Shareholders.

On 26<sup>th</sup> of March 2019, Chris Pavlou - non-executive Director has resigned from his position for personal reasons.

During the year ended December 31<sup>st</sup>, 2018, the Board of Directors conducted a total number of five formal meetings. The main purpose and issues discussed during those meetings were:

- Discussion and approval of interim reports and financial statements (including 2017 annual report, 2018 six months' report, 2018 Q1 and Q3 reports)
- Discussion on the current market situation, especially in Russia and Ukraine and the Company's action plan for the regions of its operations
- Approval of the budget for the year
- Discussion on the latest developments of the Company and perspectives
- Discussion and decision on dividend payment and the interim dividend from profits for 2018
- Discussion and decision on the announcement of financial forecasts
- Review of the Board role and effectiveness

Additionally, to formal meetings, Directors were in constant contact regarding the Company business.

During the year ended December 31<sup>st</sup>, 2018, the Audit Committee - comprising Demos Demou and Chris Pavlou (both non-executive Directors) and Marios Christou (as attending member) and chaired by Demos Demou - have conducted a total number of three meetings. Issues discussed on the Audit Committee meetings were then presented to the Board of Directors.

During the year ended December 31<sup>st</sup>, 2018, the Remuneration Committee – comprising Chris Pavlou and Demos Demou (both non-executive Directors) and Siarhei Kostevitch (as attending member) and chaired by Chris Pavlou - has conducted a total number of one meeting. No extraordinary issues were discussed.

On 26<sup>th</sup> of March 2019, Chris Pavlou - non-executive Director has resigned from his position for personal reasons.