

# Best Practices in Qumak-Sekom S.A. – declaration

## GENERAL RULES

### I. Objective of the Company

The basic objective of operations of a company's authorities is to further the interest of the company, i.e. to increase the value of the assets entrusted by its shareholders, with consideration to the rights and interests of entities other than shareholders, involved in the functioning of the company, including, in particular, the company's creditors and employees.

Acceptance: YES

### II. Majority Rule and Protection of Minority

A joint-stock company is a capital venture, and, therefore, it must respect the principle of capital majority rule, and the primacy of majority over minority. A shareholder who contributed bigger capital also bears a higher economic risk. It is, therefore, justified that his interest be taken into consideration in proportion to the contributed capital. The minority must have a guarantee of proper protection of their rights, within limits set by the law and commercial integrity. While exercising its rights, the majority shareholder should take into account the interests of the minority.

Acceptance: YES

### III. Honest Intentions and No-Abuse of Rights

The exercise of rights and the reliance on legal institutions should be based on honest intentions (good faith) and cannot reach beyond the purpose and economic reasons for which these institutions have been established. No activities should be taken which exceed the limits so set and, thus, constitute an abuse of the law. The minority should be protected against abuse of ownership rights by the majority and the interests of the majority should be protected against abuse by the minority of its rights, thus, ensuring the best protection of equitable interests of the shareholders and other market participants.

Acceptance: YES

### IV. Court Control

The company's authorities and persons chairing a general meeting cannot decide on issues which should be resolved by court judgments. This does not apply to activities which are within the powers of the company's authorities and persons chairing general meetings or which they are obliged to undertake by force of law.

Acceptance: YES

### V. Independent Opinions Ordered by the Company

When choosing an entity which is to provide expert services, including, in particular, the services of an expert auditor, financial and tax advisory services, as well as legal services, the company should consider whether there exist circumstances limiting the independence of this entity when performing the entrusted tasks.

Acceptance: YES

## **BEST PRACTICES OF GENERAL MEETINGS**

1. A general meeting should take place in a location and at a time to allow the participation of as many shareholders as possible.

Acceptance: YES

Comment:

Pursuant to Company's status, the General Meetings take place in the Company's seat, located in Warsaw. The company upholds the rule, that authorized body to call the General Meeting should set place and time of the General Meeting in such a way that the majority of shareholders could attend it.

2. A request for convening a general meeting and placing certain issues on its agenda, made by parties entitled to do that, should be justified. Draft resolutions proposed to be adopted by the general meeting and other key documents should be presented to the shareholders along with a justification and an opinion of the supervisory board prior to the general meeting, in advance so as to allow them to review and evaluate the same.

Acceptance: YES

Comment:

The Company upholds the rule, convening a general meeting and placing certain issues on its agenda, made by parties entitled to do that, should be justified. In case none of convening a general meeting or placing certain issues on its agenda don't have justify, the Management Board will apply for such justify. The resolutions projects are published in terms determined by the law, to allow them to review and evaluate the same.

3. The general meeting convened at the request of shareholders should be held on a date given in the request, and if this date cannot be kept, on the closest date which will allow the general meeting to settle the issues placed on its agenda.

Acceptance: YES

Comment:

The Company upholds the rule, that every general meeting convened at the request of shareholders should be held on date given in the request if this date cannot be kept from some reasonable hindrances –on the closest possible date which will allow the general meeting to settle the issues placed on its agenda of General Meeting. The Management Board will make any efforts to make the general meeting convened at the request of shareholders be held on a date given in the request.

4. A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a general meeting may be cancelled if its holding is hindered (force major) or is obviously groundless. The meeting is called off in the same manner as it has been convened, ensuring as little negative consequences for the company and its shareholders as possible, and in any case no later than three weeks prior to the original date of the meeting. A change in the date of the general meeting is made in the same manner as the cancellation, even if the proposed agenda does not change.

Acceptance: YES

Comment:

The Management Board will make any efforts to call the general meetings in the original date of the meeting, if its holding is hindered (force major). The Company intends fully applies the rule, the General Meeting cancelation, the agenda of which includes specific issues submitted by eligible entities, or was convened at their request, may be cancelled only upon the consent of the requesting parties. In all other instances, a General Meeting may be cancelled if its holding is hindered (force major), or is obviously groundless. A Meeting is called off in the same way as it is convened, limiting negative consequences for the company and its shareholders.

5. In order for a representative of a shareholder to participate in a general meeting, his right to act on behalf of the shareholder should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting is in conformity with the law and does not require any additional confirmations and acknowledgement unless its authenticity or validity *prima facie* raises doubts of the company's management board (upon drawing-up the attendance list) or the chairman of the general meeting.

Acceptance: YES

Comment:

The Company upholds the rule. The Company intends to present shareholders the General Meeting regulations project, that will determine in detail, the way of this rules implementation on the closest general meeting.

6. The general meeting should have regular by-laws setting forth the detailed principles of conducting the meetings and adopting resolutions. The by-laws should contain, in particular, provisions concerning elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent changes; it is advisable that the changes enter into force as of the subsequent general meeting.

Acceptance: YES

Comment:

The Company upholds the rule. The Company intends to present shareholders the General Meeting regulations project, that will determine in detail, the way of this rules implementation on the closest general meeting.

7. A person opening the general meeting should procure an immediate election of the chairman of the meeting, and should refrain from any substantial or formal decisions.

Acceptance: YES

Comment:

The Company upholds the rule that a person opening the general meeting should procure an immediate election of the chairman of the meeting from people authorized to attend the general meeting.

8. The chairman of the general meeting ensures an efficient conduct of the meeting and observance of the rights and interests of all shareholders. The chairman should counteract, in particular, the abuse of rights by the participants of the meeting and should guarantee that the rights of minority shareholders are respected. The chairman should not, without sound reason, resign from his function, or put off the signing of the minutes of the meeting.

Acceptance: YES

Comment:

The Company upholds the rule that the chairman of the general meeting leads it, ensures an efficient conduct of the proceedings and observance of the rights and interests of all shareholders and also should counteract, in particular, the abuse of rights by the participants of the general meeting and should guarantee that the rights of minority shareholders are respected.

9. A general meeting should be attended by members of the supervisory board and the management board. An expert auditor should be present at an annual general meeting and at an extraordinary general meeting if financial matters of the company are to be discussed thereat. The absence of a supervisory or management board member from the general meeting requires an explanation, which should be given at the meeting.

Acceptance: YES

Comment:

The Company upholds the rule that a general meeting should be attended by members of the supervisory board and the management board, and also the rule that the management board will make any effort to have expert auditor present at the ordinary general meeting.

10. Members of the supervisory board and the management board and the expert auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the general meeting, provide the participants of the meeting with explanations and information concerning the company.

Acceptance: YES

Comment:

Members of the supervisory board and the management board and the expert auditor – if necessary, present on the general meetings, provide the participants of the meeting with explanations and information concerning the company within their powers and to the extent necessary for the settlement of issues discussed by the general meeting.

11. All answers provided by the management board to the questions posed by the general meeting should take into account the fact that the reporting obligations are performed by a public company in a manner which follows from the Law on Public Trading in Securities, and certain information cannot be provided otherwise.

Acceptance: YES

Comment:

The Company's bodies do not limit information, requested by the General Meeting, but simultaneously uphold reporting obligations rules for private companies.

12. Short breaks in the session which does not defer the session, ordered by the chairman in justified cases, can not be aimed at hindering the exercise of the rights by the shareholders.

Acceptance: YES

Comment:

The Company upholds the rule that short breaks in the session which does not defer the session, can not be aimed at hindering the exercise of the rights by the shareholders.

13. Voting on issues placed on the agenda may be carried out only on issues related to the conduct of the meeting. This voting procedure cannot apply to resolutions which may have impact on the exercise by the shareholders of their rights

Acceptance: YES

Comment:

The Company upholds the rule that voting on issues placed on the agenda may be carried out only on issues related to the conduct of the meeting. This voting procedure cannot apply to resolutions which may have impact on the exercise by the shareholders of their rights.

14. A resolution not to consider an issue on the agenda may be adopted only if it is supported by sound reasons. Any motion in this respect should be accompanied by a detailed justification. A decision to remove an item from the agenda or not to consider an issue put on the agenda at a shareholder's request requires a general meeting resolution, once all the shareholders present who put the issue on the agenda have given their consent, supported by 75% of the votes present at the meeting.

Acceptance: YES

Comment:

The Company upholds the rule that a resolution not to consider an issue on the agenda may be adopted only if it is supported by sound reasons. Any motion in this respect should be accompanied by a detailed justification. A decision to remove an item from the agenda or not to consider an issue put on the agenda at a shareholder's request requires a general meeting resolution, once all the shareholders present who put the issue on the agenda have given their consent, supported by 75% of the votes present at the meeting.

15. A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection.

Acceptance: YES

Comment:

The Company upholds the rule that a party objecting to a resolution has an opportunity to concisely present the reasons for its objection.

16. Due to the fact that the Code of Commercial Companies does not provide for court control in the event where a resolution is not adopted by the general meeting, the management board or the chairman of the meeting should form the resolutions in such a way that each person who does not agree with a decision being the subject of the resolution, have the possibility of challenging the same; provided that he is entitled to do so.

Acceptance: YES

Comment:

The Company upholds the rule that the General Meeting Chairman has to be particular about the resolutions be formed in clear way.

17. At the request of a participant in the general meeting, his written statement is recorded in the minutes.

Acceptance: YES

Comment:

The Management Board each time will inform the notary drawing up the General Meeting minutes about the Company's intension to make this rule obeyed in reasonable range.

## **BEST PRACTICES OF THE SUPERVISORY BOARDS**

18. The supervisory board submits a concise evaluation of the company's standing to the general meeting every year. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with the contents before the annual general meeting.

Acceptance: YES

Comment:

The supervisory board submits a concise evaluation of the company's standing in the every year financial statement with the Board statement at the general meeting.

19. A member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board should be presented and supported by reasons in sufficient detail to allow an educated choice.

Acceptance: YES

Comment:

The Company upholds the rule that a member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board presented at the general meeting are supported by recommender statement. Candidates make a declaration including detailed resume.

20. (a) At least half the members of the supervisory board should be independent members, subject to point (d) below. Independent members of the supervisory board should not have relations with the company and its shareholders or employees which could significantly affect the independent member's ability to make impartial decisions.

(b) Detailed independence criteria should be laid down in the company's statutes.

(c) Without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the following issues:

- performances of any kind by the company and any entities associated with the company in favor of management board members;
- consent to the execution by the company or a subsidiary of a key agreement with an entity associated with the company, a member of the supervisory board or management board, or with their associated entities; and
- appointment of an auditor to audit the company's financial statements.

(d) In companies where one shareholder holds a block of shares carrying over 50% of all voting rights, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, should such a committee be set up.

Acceptance: YES

Comment:

The Company upholds the rule that at least half the members of the supervisory board should be independent members. The Company's status do not give detailed criteria of independence but do determine the independence of the member of the supervisory board are considered criteria described in "Dobre praktyki rad nadzorczych". The Company declares to uphold the rule, that

without the consent of the majority of independent supervisory board members, no resolutions should be adopted on the issues determined by “Dobre praktyki rad nadzorczych”.

21. A supervisory board member should, most of all, bear in mind the interests of the company.

Acceptance: YES

Comment:

A supervisory board members should, while functioning, bear in mind the interests of the company.

22. Members of the supervisory board should take relevant actions in order to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on the risk related to the carried out business and ways of managing such risk.

Acceptance: YES

Comment:

Members of the supervisory board are obligated to take relevant actions in order to receive regular and complete information on any and all significant issues concerning the company's operations and the management board is obligated to pass such information. On every supervisory board meeting the management board reports of all significant issues concerning the company's operations. The Company's status indicates matters, in which the management board's decisions can not be made without the supervisory board acceptance.

23. A supervisory board member should inform the remaining members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.

Acceptance: YES

Comment:

Member of the supervisory board should inform the remaining members of the board of any conflict of interest that arises and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.

24. Information on personal, actual, and organizational connections of a supervisory board member with a given shareholder, and, in particular, with the majority shareholder, should be available to public. The company should have a procedure in place for obtaining information from members of the supervisory board and for making it available to the public.

Acceptance: NO

Comment:

The company will have a procedure in place for obtaining information on personal, actual, and organizational connections of supervisory board members with a given shareholder, and, in particular, with the majority shareholder. Information obtained in this mode will be accessible in the company's headquarters on implication of stakeholders.

25. Supervisory board meetings, save for issues which directly concern the management board or its members, and, in particular, removal, liability, and setting remuneration, should be accessible and open to members of the management board.

Acceptance: YES

Comment:

The rule in the Company is that the members of the management board are invited on the Supervisory board meetings, save for issues which directly concern the management board or its members.

26. A supervisory board member should enable the management board to present publicly and in appropriate manner information on the transfer or acquisition of the shares of the company or of its dominant company or a subsidiary, and of transactions with such companies, provided that such information is relevant for his financial standing.

Acceptance: YES

Comment:

The Company will have a procedure in place for obtaining information on the transfer or acquisition of the shares of the company or of its dominant company or a subsidiary, and of transactions with such companies. Information obtained in this mode will be accessible in the company's headquarters on implication of stakeholders.

27. Supervisory board members' remuneration should be set on the basis of a set of transparent procedures and rules. The remuneration should be fair but should not constitute a significant cost item in the company's business or have a material impact on its financial results. It should also be in reasonable relation to the remuneration of members of the management board. The total amount of all supervisory board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements should be disclosed in the annual report together with information on the procedures and rules applied to determine it.

Acceptance: YES

Comment:

Supervisory board members' remuneration is set by the general meeting. Supervisory board members' remuneration will not be a significant cost item in the company's business. The total amount of all supervisory board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements is disclosed in the annual report

28. The supervisory board should operate in accordance with its by-laws, which should be publicly available. The by-laws should stipulate that at least two committees should be set up:

- audit, and
- remuneration.

The remuneration committee should consist of at least two independent members and at least one person possessing the relevant qualifications and experience in accounting and finance. The committee's tasks should be specified in the board by-laws. The committees should present reports on their activities to the supervisory board every year. The company should then make these reports available to its shareholders.

Acceptance: NO

Comment:

The supervisory board operates in accordance with its by-laws, which should be publicly available. The by-laws do not stipulate the set up of audit and remuneration committees, nevertheless The Company meets this rule. The supervisory board designates of its members

both candidates so that the members of the committees would be independent and have qualifications and experience in so far as accounting and finance.

29. The agenda of a supervisory board meeting should not be amended or supplemented during the meeting which it concerns. This requirement does not apply if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda, and in instances where the adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in the case of resolution which concerns the determination whether there exists a conflict of interest between a supervisory board member and the company.

Acceptance: YES

Comment:

The agenda of a supervisory board meeting is set by the supervisory board's chairman at seven days before the meeting. The agenda of the meeting can be amended or supplemented in the case, if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda (Regulamin Rady Nadzorczej paragraph 13 item 1 and 3)

30. A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit to the supervisory board detailed reports on the performance of his task.

Acceptance: YES

Comment:

A supervisory board members delegated by a group of shareholders to permanently exercise supervision will be obliged to submit to the supervisory board detailed reports on the performance of his task on every supervisory board meeting.

31. A supervisory board member should not resign from his function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.

Acceptance: YES

Comment:

The company upholds the rule but the by-laws does not regulate this issue.

## **BEST PRACTICES OF MANagements BOARDS**

32. Bearing in mind the interest of the company, the management board sets forth the strategy and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the implementation and performance of the same. The management board cares for transparency and effectiveness of the company management system and the conduct of its business in accordance with the legal regulations and best practice.

Acceptance: YES

Comment:

The management board fully applies this rule.

33. While making decisions on corporate issues, members of the management board should act within the limits of justified economic risk, i.e. after consideration of all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. While determining the interest of the company, one should keep in mind the justified in long-term perspective interests of the shareholders, creditors, employees of the company and other entities and persons cooperating with the company, as well as the interests of local community.

Acceptance: YES

Comment:

The management board carefully analyses taken actions and decisions. The management board members execute their duties carefully and encouraging their experience and knowledge.

34. In transactions with shareholders and other persons whose interests have impacted on the interest of the company, the management board should act with utmost care to ensure that the transactions are at arms' length.

Acceptance: YES

Comment:

The base of the transactions with shareholders and other persons whose interests have impact on the interest of the company value estimation, is the market price – if is known, and if not – those transactions will be made at arms' length.

35. A management board member should display full loyalty towards the company and avoid actions which could lead to implementing exclusively own material interest. If a management board member receives information on the possibility of making an investment or another advantageous transaction concerning the objects of the company he should present such information immediately to the management board for the purpose of considering the possibility of the company taking advantage of it. Such information may be used by a management board member or be passed over to a third party only upon consent of the management board and only when this does not infringe the company' interest.

Acceptance: YES

Comment:

A management board members made a declaration that had acquainted with the “Dobre Praktyki” rules and had obligated to observe them in so far as derives from the declaration made by the Company and handed over to the Exchange.

36. A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.

Acceptance: YES

Comment:

A management board members made a declaration that had acquainted with the “Dobre Praktyki” rules and had obligated to observe them in so far as derives from the declaration made by the Company and handed over to the Exchange.

37. Management board members should inform the supervisory board of each conflict c interest in connection with the performed function or of the risk of such conflict.

Acceptance: YES

Comment:

A management board members made a declaration that had acquainted with the “Dobre Praktyki” rules and had obligated to observe them in so far as derives from the declaration made by the Company and handed over to the Exchange.

38. The remuneration of management board members should be set based on transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in reasonable relation to the economic results, and be related to the scope of liability resulting from a given function taking into account the level of remuneration of members of management boards in similar companies in a similar market.

Acceptance: YES

Comment:

The Company fully applies this rule.

39. The total amount of all management board members' remuneration, as well as the remuneration of individual members, with a breakdown of its various elements should be disclosed in the annual report together with information on the procedures and rules applied to determine it. If the amount of the remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.

Acceptance: YES

Comment:

The total amount of all management board members' remuneration, as well as the remuneration of individual members is published in the annual report.

40. The management board should lay down the principles and procedure of operations and allocation of powers in the by-laws which should be open and generally available.

Acceptance: YES

Comment:

The management board by-laws is available on the company's web site.

## **BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS**

41. The selection of an expert auditor for a company should guarantee impartiality of performance of the entrusted tasks.

Acceptance: YES

Comment:

The Company has an auction procedure meant to ensure professionalism, fairness and independence of an expert auditor.

42. In order to ensure an impartial opinion, the company should change its auditor once every five years at the least. The change of auditor should also be understood as a change in the individual carrying out the audit. Additionally, over a long period of time the company should not use the services of the same auditing entity.

Acceptance: YES

Comment:

The Company intends fully apply this rule.

43. The auditor should be selected by the supervisory board on the recommendation of the audit committee, or by the general meeting on the recommendation of the supervisory board containing the audit committee recommendation. If an auditor other than the one recommended by the audit committee is chosen by either the board or the general meeting, detailed reasons should be given. Information on the selection of an auditing entity together with the relevant justification should be disclosed in the annual report.

Acceptance: YES

Comment:

The Company intends fully apply this rule.

44. The special auditor or the auditor auditing the annual accounts of the company or its subsidiaries in the period under examination cannot act as a special purpose auditor for the same company or its subsidiaries.

Acceptance: YES

Comment:

The Company intends to apply the rule that the special auditor or the auditor auditing the annual accounts of the company or its subsidiaries in the period under examination do not act as a special purpose auditor for the same company or its subsidiaries.

45. A company should acquire its own shares in such a way that no group of shareholders be privileged.

Acceptance: YES

Comment:

The Company intends to apply the rule that acquiring its own shares is done in such a way that no group of shareholders be privileged.

46. The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements should be made available in the registered office of the company and on its website.

Acceptance: YES

Comment:

The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements are made available in the registered office of the company and on its website.

47. The Company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations and taking into account its interests, make available to mass media representatives information on its current operation and business, standing, and enable their presence at general meetings.

Acceptance: YES

Comment:

The Company has the procedures and regulations of an information policy. Applying these regulations the Management Board (and its spokesperson) makes an effort to make available to mass media representatives information on its current operation, business and standing, upholding the rules of law. The Company intends to enable mass media representatives attendance at the general meetings.

48. In its annual report, a company should make public its statement on the application of corporate governance standards. If the standards are not applied to any extent, the company should also publicly explain this fact.

Acceptance: YES

Comment:

The Company observes the "Dobre Praktyki" rules being in effect on the Exchange and has made hereof declaration.

Paweł Jaguś  
President of the board

Jan Goliński  
Vice-president of the board

Aleksander Piłata  
Vice-president of the board

Andrzej Swolkień  
Vice-president of the board