

21 March 2018

Report EBI no. 3/2018

Statement on corporate governance

Novaturas AB (the "**Company**") hereby informs about the Company's non-compliance (or partial compliance) with the Best Practice of WSE Listed Companies 2016 ("**WSE Best Practices**").

The Company acknowledges the importance of good corporate governance and intends to seek the compliance with the WSE Best Practices to the extent possible. However, due to, inter alia, differences between Polish and Lithuanian corporate law the Company will not comply with the following rules:

- **Detailed principle I.Z.1.3. - a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1.**

Under Lithuanian law, the management board functions and responsibilities are not required to be divided among members of the management board, therefore the Company would not comply with this principle. Within the Company, CFO and CEO are positions separate from the management board.

- **Detailed principle 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 shall be published on issuer's website.**

The Company only partially complies with this principle. The Company will publish on its website current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 3 years. The Company will consider application of this principle in the future.

- **Detailed principle 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 shall be published on issuer's website.**

The Company only partially complies with this principle. The Company will publish on its website selected financial data of the Company for the last 3 years. The Company will consider application of this principle in the future.

- **Detailed principle 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 shall be published on issuer's website.**

The Company would not comply with this principle in terms of financial projections prepared in the past. The Company will consider application of this principle in the future.

- **Detailed principle I.Z.1.15. - information about the company's diversity policy applicable to the company's governing bodies and key managers.**

The Company has not adopted diversity policy applicable to the company's governing bodies and key managers. Even though there is no such policy established, the Company puts its best efforts to comply with this rule. A diverse among others in terms of gender is ensured within the Management Board, having two women out of four members in its composition.

- **Detailed principle I.Z.1.20. - an audio or video recording of a general meeting.**

The Company does not provide for the possibility of recording the course of the General Meeting in the form of an audio or video recording. The contents of the resolutions adopted by the General Meeting will be published on the Company's website as well as notified through the stock

exchanges, on which the shares of the Company are listed. In the Company's opinion the documentary form of the course of General Meetings, ensure a high level of transparency and protection of the rights of all Company's shareholders. Additionally, no recording is required under Lithuanian law. The Company would not comply with this principle.

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

The Company only partially complies with this principle. The Company ensures a balanced participation of women and men in the Management Board. While this principle is not ensured in the Supervisory Council, which includes only man. The Company would like to emphasize that it focusses mainly on knowledge, qualifications and experience of members of the Management Board and Supervisory Council rather than on gender or age. The Company would like to express support for the abovementioned recommendation, at the same time pointing out that in the future when choosing the composition of the bodies, in a scope dependent on the Company, will seek to take into account said recommendation, however, appropriate decisions lies in the hands of authorized bodies of the Company.

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

Under Lithuanian law, the management board functions and responsibilities are not required to be divided among members of the management board, therefore the Company would not comply with this principle. Within the Company, CFO and CEO are positions separate from the management board.

- **Detailed principle III.Z.1. - the company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.**

Under Lithuanian law, the Supervisory Council is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function, therefore the Company would not comply with this principle in full. Additionally, the Company has not introduced a function of internal auditor to date, but decided to introduce such in the near future. An internal auditor in the Company should report directly to Supervisory Council.

- **Detailed principle 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 other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.**

The Company only partially complies with this principle. Under Lithuanian law persons responsible for risk management, internal audit and compliance should report directly to the Supervisory Council.

- **Detailed principle 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 Company has not introduced a function of internal auditor to date, but decided to introduce such in very near future. This principle will be applied as soon as the Company employs a person for the internal auditor function.

- **Detailed principle III.Z.4. - the person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board 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 Company has not introduced a function of internal auditor to date, but decided to introduce such in very near future. This principle will be applied as soon as the Company employs a person for the internal auditor function.

- **Recommendation 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 does not provide for the possibility of using electronic communication means during the General Meeting, in particular the transmission of the General Meeting and two-way communication in real time. In the opinion of the Company, the above is connected with the threats of correct and efficient conduct of the General Meeting of the legal and technical nature. In the opinion of the Company there is a high risk of threatening the security of this type of communication as well as of occurring technical disruptions. In addition, the Company does not have appropriate organizational and technical facilities to implement the mentioned principle. What is more, the implementation of this rule would charge the Company with additional, high costs. However, the Company enables its shareholders to exercise of the right to vote during a general meeting either in person or through a plenipotentiary. Due to the above, the Company will not apply the above recommendation in full.

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

The Company does not provide for the possibility of using electronic communication means during the General Meeting, in particular the transmission of the General Meeting and two-way communication in real time. In the opinion of the Company, the above is connected with the threats of correct and efficient conduct of the General Meeting of the legal and technical nature. In the opinion of the Company there is a high risk of threatening the security of this type of communication as well as of occurring technical disruptions. In addition, the Company does not have appropriate organizational and technical facilities to implement the mentioned principle. What is more, the implementation of this rule would charge the Company with additional, high costs. Due to the above, the Company will not apply the above recommendation in full.

- **Detailed principle IV.Z.3 - presence of representatives of the media should be allowed at general meetings.**

The provisions of the Lithuanian law expressly state who may participate in the General Meeting. Such right is not granted to media representatives, unless they are shareholders of the Company. In the opinion of the Issuer, generally binding legal regulations, sufficiently regulate the performance of public information obligations by public companies regarding the transparency of the General Meeting, as well as matters being its subject. The Company would not comply with this principle.

- **Detailed principle IV.Z.4 - the management board should immediately take steps which it is required to take in order to organise and conduct the general meeting convened pursuant to Article 399 § 2 – 4 of the Polish Commercial Companies Code (or convened under authority granted by the registration court according to Article 400 § 3 of the Polish Commercial Companies Code).**

The Company is incorporated and under Lithuanian law, therefore this principle does not apply.

- **Detailed principle 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.**

Lithuanian law does not stipulate a conditional dividend payment, therefore the Company would not comply with this principle.

- **Detailed principle 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 WSE.**

Under Lithuanian law the minimal nominal value of one share may be EUR 0.01, moreover current nominal value of the Company's share is equal to EUR 0.03. Therefore, the Company would not comply with this principle.

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

The Company only partially complies with this recommendation. The Company approved a remuneration policy for members of the Supervisory Council only.

- **Recommendation 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, taking into account solutions necessary to avoid discrimination on whatever grounds.**

The Company has not approved a remuneration policy for members of the Management Board. The remuneration policy for members of the Supervisory Council is not tied to the Company's strategy, its short- and long-term goals, long-term interests and results.

- **Detailed principle VI.Z.4. - contents regarding remuneration policy to be reported in company's activity report.**

The Company only partially complies with this recommendation. The Company approved a remuneration policy for members of the Supervisory Council only.