



2021

**AB „ŽEMAITIJOS PIENAS“
CONSOLIDATED GOVERNANCE REPORT**

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GENERAL INFORMATION ON CORPORATE GOVERNANCE REPORT

Governance report of AB ŽEMAITIJOS PIENAS (hereinafter – Report) provides main information and principles regarding management and related processes. During development of the Consolidated governance report one followed the Law on Financial Statements of Companies of the Republic of Lithuania and Law on Consolidated Financial Statements of Groups of Companies of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, legal acts regulating issuer legal form and activities, documents on incorporation of issuer and affiliated Company and other legal acts.

AB ŽEMAITIJOS PIENAS (hereinafter - the Company) is a large public interest entity whose securities are traded on the regulated market of the Republic of Lithuania. The Company has a subsidiary (subsidiary) - ABF Šilutės Rambynas, which is a medium-sized company (hereinafter - the Companies or the Group). As both Companies are related, therefore the consolidated Report is provided.

The Report indicates key risks faced during pursuant in economic activities, their mitigation measures and processes, provides information on the structural bodies of both Companies, data on shareholders and their (directly or indirectly) shareholdings, shareholders' rights, transactions concluded by the Group in accordance with the procedure established in Article 37² of the Law on Companies of the Republic of Lithuania as well as data on the Group management and other bodies, systems policies on election of their members, powers and functions of bodies, information on following to the Corporate Governance Code for the Companies, review of other information related to the Group management. other information required by law.

The governance report for 2021 is an integral part of the consolidated annual report and is published on the Company's website <http://www.zpienas.lt/lt> and www.nasdaqomxbaltic.com in accordance with the procedure established by legal acts.

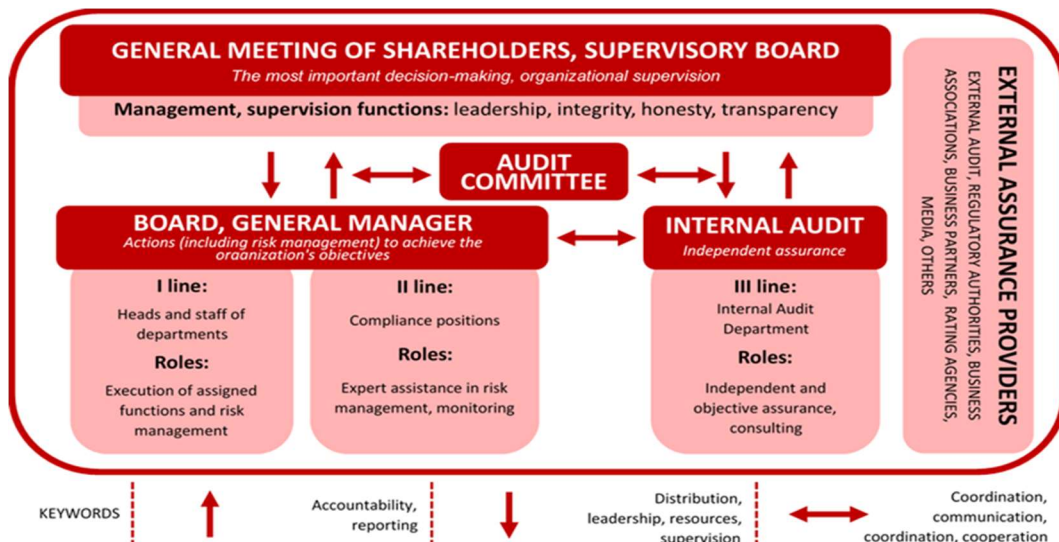
RISK SCOPE, FACTORS AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM, RISK MANAGEMENT OBJECTIVES

The risk management of the Group's companies is based on the principles of COSO ERM (The Committee of Sponsoring Organizations' Enterprise Risk Management (ERM) Framework), which defines ERM as: „Enterprise risk management is not a function or a division, but the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value “.

Risks in our operations are inherent and may be related to strategic objectives, performance, compliance with laws and regulations, and key environmental, social and governance priorities. Risk management starts with the individual and collective abilities of the organization's employees; knowledge of risks, their significance and impact on the organization; approach to strong risk management as an important contribution to effective organizational governance. All employees of the Group are encouraged to be open, honest and guided by the facts when discussing risks and their management, thus enabling the Group to consider all possible opportunities and risks and to make informed decisions.

Organizational structure, roles and responsibilities of risk management



The main objectives of risk management are:

- Expeditious management of internally identified risks related to compliance with laws and other legal acts by ensuring the production and supply of quality products, consumer safety, satisfaction and proper customer relations;
- Supporting strategies to ensure resource efficiency; enabling an optimized, proactive approach to audit and compliance identification/recovery processes; promoting monitoring and reporting of functional compliance;
- Continuous improvement of decision-making, planning and prioritization in the assessment of opportunities and threats;
- Promoting value creation by enabling the management to respond quickly, effectively, and efficiently to future events that create uncertainty and indicate a significant threat or opportunity.

Risk management enables the successful business development of the Group of companies in line with our business principles and organizational values.

MAIN RISKS, THEIR FACTORS AND RISK MANAGEMENT

Risk - the influence of surprise, uncertainty on goals (deviation from what we expected).

The approach of the Group of companies is twofold:

RISK = THREATS + OPPORTUNITIES.

Risks are rarely isolated, so management identifies the interactions between risks when identifying them. The risk is assessed according to its consequences and probability of occurrence.

Risk management requires a broad understanding of the business environment (internal and external factors) that may affect the achievement of strategic and business objectives. As the business environment changes, so do the risks, their impact, and management priorities.

In the Group of companies, risks are divided into categories. Reviewing and categorizing risks is an ongoing, uninterrupted process, the frequency and extent of which depend on changes in the business environment. The following are selected examples of risks specific to our industry. A definitive and static definition of all possible types of risks is not possible due to the ever-changing business environment.

Risk categories, description, examples

Risk categories	Description, examples
Strategic	<ul style="list-style-type: none"> ◦ Reduction in business vitality due to competition and increasing pricing pressures ◦ Loss of intellectual property and trade secrets ◦ Increasing geopolitical barriers to trade in the form of protectionism and nationalism ◦ Production quality control, including changes in food safety standards ◦ Negative impact to reputation/loss of public trust
Operational	<ul style="list-style-type: none"> ◦ Supply chain breakdown and / or- insufficient / inappropriate information flow within the organization and / or with suppliers and buyers ◦ Loss of business continuity or resilience ◦ Third party risk - the quality of relations with external business partners and their relations with their partners, including human rights issues ◦ Availability of key materials, labour and other critical resources ◦ Inefficient use of resources/increased product cost
Cybersecurity	<ul style="list-style-type: none"> ◦ Hacking, data loss, breach, fraud ◦ Impact to availability of critical information systems ◦ Security incident at critical third-party affecting business operations
Environmental	<ul style="list-style-type: none"> ◦ Environmental, social and governance perceptions - opportunities to identify strategies to address long-term sustainability ◦ Restriction of labour resources and trade due to the effects of diseases and viruses ◦ Increased severe weather events such as storms, flooding, drought
Social	<ul style="list-style-type: none"> ◦ Human capital development risks, including leadership sustainability, management succession and capability, employee engagement and accountability ◦ Unfair labour practices, including collective bargaining, freedom of association and grievance processes
Compliance	<ul style="list-style-type: none"> ◦ Increasing regulatory changes and enforcement in areas such as: <ul style="list-style-type: none"> - Animal welfare and protection - Protection and handling of personal information in accordance with data protection requirements - Employee health and safety - Selling and promotion of products, including health compliance, healthy eating promotion, climate change programs, anti-corruption trade requirements, other governmental, international programs ◦ Product quality, safety and effectiveness concerns ◦ Significant legal proceedings, including product liability
Financial	<ul style="list-style-type: none"> ◦ Credit risk related with the fulfilment of obligations of customers or other parties to the Group of companies ◦ Liquidity risk related with the fulfilment of the Group's obligations to suppliers and other bound parties ◦ Achievement of the set / planned financial results, economic exponents ◦ Changes in tax laws or exposures to additional tax liabilities ◦ Fluctuating currency exchange rates; inflation and currency devaluation ◦ Impact of interest rates changes ◦ Risk of errors / non-compliances in financial statements ◦ Risk of changes in the value of assets and liabilities

Risk categories	Description, examples
	◦ Risk of capital adequacy ratio and maintenance

Depending on the complexity of the risks, their interactions, probabilities, impacts and ability to manage the situation, the behavior of the risks (response) is different. In the general case, the access to risk response of the Group companies is as follows:

- **Accept** – no action is taken to affect likelihood or impact. This is how risks are treated within tolerance limits (risk appetite). In this case decision to self-insure can be taken against loss because insurance costs and deductibles exceed the cost of replacement.
- **Avoidance** - steps are taken to stop risky activities. Risk aversion is perceived as, for example, a decision not to undertake or terminate a project due to the excessive probability of unstable cash flows.
- **Aiming** - action is taken to take greater risks to achieve better results (seizing opportunities). Management understands the nature and extent of the changes required for improvements, such as the development of new products, services, and the expansion of operations through more aggressive growth strategies.
- **Mitigation** - actions are taken to reduce the likelihood and/or impact of the risk. This can include many day-to-day business solutions, such as diversifying product offerings, maintaining significant cash reserves, investing in technology upgrades that reduce the likelihood of system failures, and so on.
- **Sharing/Transfer** - actions are taken to reduce the likelihood or impact of a risk by transferring or otherwise sharing a portion of the risk. Examples include risk sharing with customers or suppliers through contract terms; purchase of insurance to protect against large unexpected losses; business partnerships, etc.

The following is a more detailed description of the risks that the Group companies identify as the most important (priority) for the period 2021-2022 and the directions of management of these risks:

Strategic/operational risk category

Business resilience risk is highly related to the environment in which the Company and the Group operate and which affect the Company's and the Group's performance. This is the competitiveness of the Company and the Group; economic viability of the Company's and the Group's largest customers; the political and economic environment in the European Union and Russia; legal regulations for the purchase of the main raw materials.

The major risk faced by AB ŽEMAITIJOS PIENAS is raw milk seasonality: in summer one purchases twice as much milk than in winter, therefore such situation at the raw milk market has negative impact on both Companies.

Therefore, production capacities of the Company are used irregularly: in summer the Company operates with full capacity, and in winter – could be with only 60 per cent capacity. So, wishing to ensure raw milk supply, the Company pays to raw milk suppliers (farmers) higher price than it is paid at the market. The main reasons for the Company's lack of milk as a milk processor are the high standards of milk quality and dairy farms in the EU, including regulations related to the Climate change policy; A large part of the milk purchased by cooperatives in Lithuania is exported from the country, because milk processors can no longer pay higher raw material prices due to cheaper milk products imported into the country more freely by foreign competitors (e. g. Poland).

The rise in energy prices is affecting the Company and the Group due to rising production costs. As the price of fuel becomes more expensive, the transportation costs of importing raw materials and distributing products increase. In order to reduce these risks, the Company and the Group streamline production by digitizing and standardizing workplaces, investing in energy cost optimization solutions, optimizing logistics routes.

Competitive risk. The Company and the Group face competitive risk at the local market, so the main objective of the Company and Group is to increase export sales directly to “shelves” of marketing networks. In order to avoid lack of sales specialists, the Company has associated companies in strategic countries that employ sales specialists in those countries, thus reducing the risk of shortage of specialists. Ambitious goals are also being set for the increasing export to EU countries, development of e-commerce and export distribution channels.

Reputation risk is related to the decisions made by the Company and the behavior of employees. Reputation and honor in the Company and the Group are valued as the foundation of business and business relationships. In 2018, the Code of Ethics of the Company and the Group was approved. The Code of Ethics sets standards of conduct for all employees, regardless of their position, scope of employment and other conditions. With regard to reduce the risk of corruption and bribery, the Company and the Group have implemented appropriate internal processes. In 2018, the Company's and the Group's equal opportunities policy was approved as well. In order to achieve high standards of compliance with competition law and ethical treatment of its competitors, in 2021 the Company's Competition Compliance Policy was approved. According to the management assessment, the implemented measures are effective.

Purchase and supply risk. Purchases of goods (basic, auxiliary materials, parts, equipment, etc.) and services in

the Company are carried out by public and closed tenders or by sending inquiries/inquiries to suppliers of services or goods. The supplier of goods or services is usually selected from three commercial offers. The Company and the Group have procedures for identifying and analyzing purchase and supplier risk factors. When selecting key suppliers, internal audits of suppliers are performed. Contracts with suppliers are prepared and signed in accordance with the procedures provided for in the approved procedure for concluding, coordinating and approving contracts between the Company and the Group. The Company has a legal department that oversees all signed contracts between the Company (or Group companies) and the suppliers and buyers.

Environmental / cyber risk category

The Company and the Group companies, as well as all Lithuanian and World business organizations, live in the conditions of increased threat and impact of these risks. The most important risks in this category today are the impact of the COVID-19 pandemic, the impact of climate change and the increased threat of cyber-attacks and hacking. Due to their uniqueness and importance in today's context, these risks and their management approaches have been discussed in the Annual Report and the impact on the financial statements in the Explanatory Note. Therefore, the information in the Management Report is no longer duplicated.

Impact of the COVID-19 pandemic:

- preventive measures are constantly applied in accordance with the Company's profession risk assessment protocol;
- protective measures are applied;
- Prepared training material for the company's employees;
- On-demand hybrid work is applied, staff flow segregation;
- The Company has a license that enables it to perform periodic testing of employees at the Company's healthcare facility (within the Company) as required.

The impact of climate change and compliance with legal requirements are managed on the basis of the company's established procedures, procedures and through targeted project activities. In 2021 new position of sustainability specialist has been approved.

The threat of cyber-attacks and possibilities of break-ins are managed according to the company's current procedures. 2021 The company has implemented modernization work for critical communications, server, software and also security systems.

Financial risk category

The Company and the Group are exposed to major financial risks, most of which are market risks. Financial risk management is an integral part of the Group's Financial Management Policy, which in turn is an integral

part of the Group's Risk Management System. The main risks of the financial category faced by the Company and the Group to date are interest rate, exchange rate risk, liquidity and credit risks.

The Company and the Group operate internationally, therefore they are exposed to the risk of foreign exchange rate fluctuations. International business involves settlements in foreign currencies, which exposes it to the risk of foreign exchange fluctuations, which are related to fluctuations in the exchange rates of the Polish zloty, the US dollar and other currencies. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations when the recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company and of the Group. The primary currency in which the Company and the Group makes settlements is the Euro.

The Company's and the Group's operating income and expenses are largely independent of changes in market interest rates. However, the Company is exposed to interest rate change risk due to long-term loans. In order to determine the impact of interest rates on the Company's performance, positions are identified that give rise to the interest rate risk. Assets and liabilities that are sensitive to changes in interest rates include the Company's actual transactions, such as: deposits, investments, loans granted, securities held by the Company and any other on-balance sheet and off-balance sheet transactions whose value depends on fixed or variable interest rates and positively correlates with interest rate fluctuations. The Company does not use any financial instruments to hedge against the risk of interest rate fluctuations, but the situation is constantly monitored to ensure that such decisions are made in a timely manner if necessary.

Credit risk. In order to ensure the timely settlement of receivables, before signing purchase and sale agreements with the client/buyer, the buyer's financial and economic situation is checked through available sources (data provided by the client, various databases, registers, etc.). The concentration of customers in the dairy industry determines the overall credit risk of the Company and the Group, as these customers may be similarly exposed to changes in environmental and economic conditions. The Company has procedures in place, including a Credit Risk Management Policy, to ensure that sales do not exceed the accepted credit risk limit, i. e. the Company evaluates the reliability of each business partner both when selling and buying goods or services, i.e. - performs reliability analysis. Sale of products (dispatch of goods) in the Company begins if there is a 90-100% payment guarantee. Various payment guarantees apply, such as: 100% prepayment; mortgage of liquid real estate (value is determined by property valuers); a bank guarantor (this is a settlement security, but not a settlement instrument, it is

used when payment is not made); documentary letter of credit (L/C); the most commonly used trade credit limit insurance; document collection (payment procedure when the bank undertakes to mediate for the seller of the goods in order to obtain payment for the goods from the buyer).

The Company is among those Lithuanian companies that pays for purchased goods and services on time, and evaluates, rates and determines the reliability of their customers. In each case, it is decided what kind of hedging can and must be required from customers, what kind of credit limit and payment deferral in days may be granted. Customers' settlements are constantly monitored and analysed. Because this type of risk is well managed, the Company does not have new large "bad" debts, which makes it easier to plan its cash flows

Liquidity risk. The Company's policy is to maintain a sufficient amount of cash and cash equivalents and, if necessary, to attract additional external financing in order to fulfil its strategic plans and commitments and maintain an optimal capital structure. As liquidity is determined by the asset-liability ratio, the aim is to have a liquidity ratio close to or higher than 1.

Liquidity risk is managed by planning and forecasting cash flows, which helps to pro-actively identify potential cash shortages and facilitate the choice of financing method. Cash flow forecasts are prepared for one month, year and long-term - up to 3-5 years. The cash flow forecast anticipates cash receipts and payments and enables to plan short-term borrowing and investing money. Until the end of the current year, the forecast shows the main trends in working capital and cash flow: the need for external financing of activities or the possibility of investing funds is identified, the impact of possible interest rates and currency exchange risk is assessed. At the end of the current year, the monetary budget for the following year is drawn up. Long-term forecasting (over a year) is part of strategic business planning. These cash flow projections provide with information on the extent of the cash surplus or extra need: when the cash surplus or extra need will arise, the extension of the period of the surplus or extra need, how the cash surplus will be used or the need will be financed. For the cash flow projections until the end of the month or the current year the cash payments and receipts method is exploited, and the sources and uses of funds method is embraced for the next year's budget plan or for the next 3-5 years. Cash flow forecasting is necessary due to the uneven distribution of income and expense flows.

Payments for goods sold are deferred from 14 to 30 days, in rare cases - up to 60-90 days. Suppliers are paid for services and goods on average within thirty days, and raw milk providers / farmers – within 15-20 days from the end

of the decade. Based on these facts, the forecasts for the month, week are quite accurate. There is the aim to agree on a deferral of payments with suppliers of goods and services for up to 60 days.

The company has a loan committee that assesses the risk of loans granted to employees and milk providers / farmers. The Company has approved lending regulations, based on which the members of the loan committee evaluate the applications of borrowers. Loans are not granted if the borrower does not have to offer liquid real estate / movable property as collateral.

A conservative approach to liquidity risk management allows the Company to maintain the required amount of cash while maintaining funding flexibility.

Compliance risk category

The Company seeks to minimize the risk of legal non-compliance and ensure that the Company's activities comply with applicable legal requirements and standards. For this purpose, the Company's lawyers participate in decision-making, preparation of various procedures and agreements, coordination processes.

Representatives of potential clients, who visited the Company several times with the independent audit engagements, positively assessed the conditions of the existing infrastructure, the organization of the main operational and safety processes, cooperation with related third parties and the designed control system.

The Company's Audit Committee supervises the preparation of consolidated financial statements; internal control and financial reporting risk management system; compliance with the legislation governing the preparation of consolidated financial statements. The Company is responsible for the quality and timely preparation of the consolidated financial statements.

The Company's and the Group's risk management is implemented through a Risk Management System with integrated internal policies, procedures and regulations in line with the organization's operating principles, values and business philosophy. The proper functioning of internal control is implemented through the development and maintenance of an appropriate control environment; continuous monitoring and evaluation; horizontal and vertical communication, including information systems supporting business processes. The Company has separated business decision-making and operational functions from controlling functions; the limits of decision-making power are set and their control is provided for; defined collegial decision-making in business processes, etc. The overall logic of the functioning of internal control is presented in the Map of the Risk Management System

Map of the risk management system



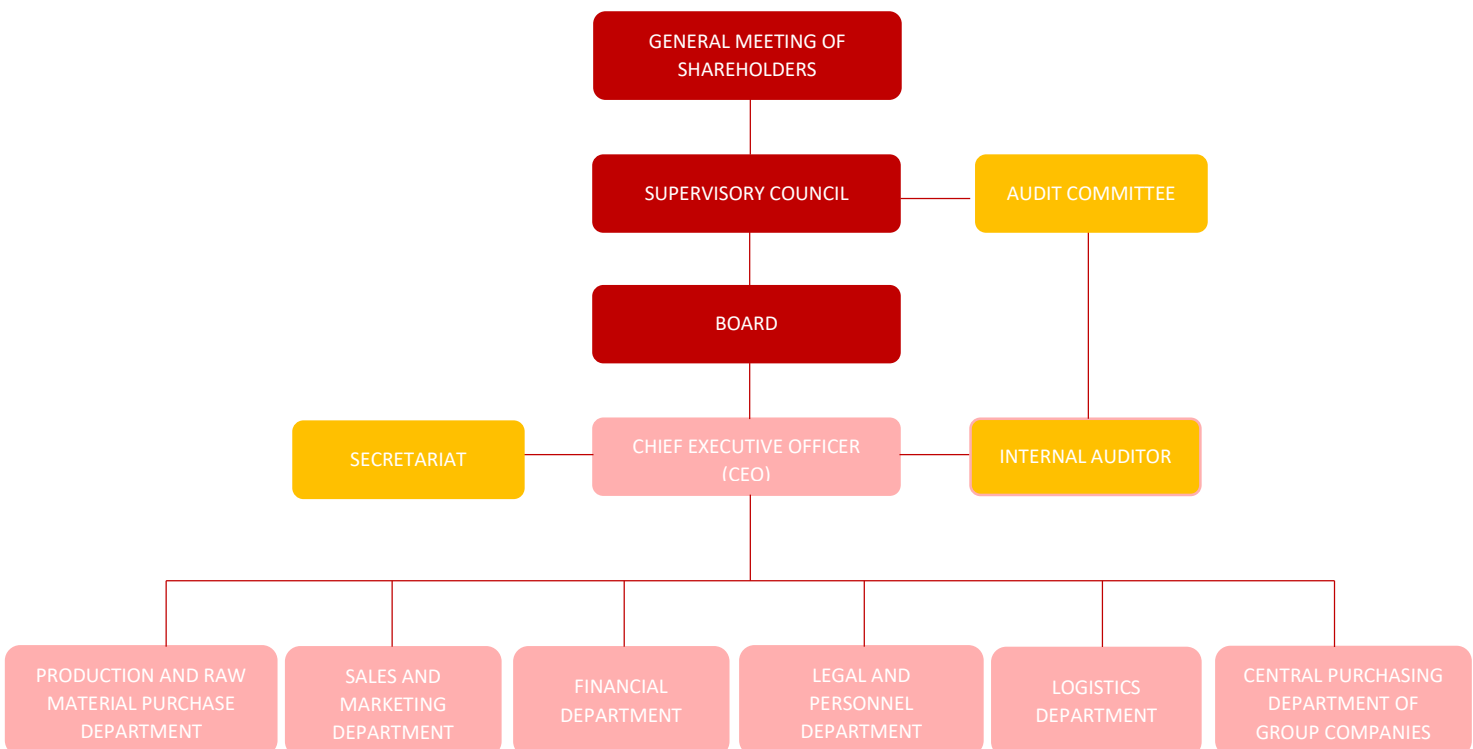
MANAGEMENT OF THE COMPANIES

MANAGEMENT STRUCTURE

Management bodies of AB „ŽEMAITIJOS PIENAS“ are: (i) The General Meeting of Shareholders; (ii) The Supervisory council; (iii) The Board; ir (iv) Chief Executive Officer (CEO, General Manager). Administration of the Company, consisting of structural divisions – departments, is subordinate to General Manager.

The Company has the following departments: (i) Financial; (ii) Legal and personnel; (iii) Logistics; (iv) Production and Raw material purchase; (v) Sales and Marketing; and (vi) Central purchasing. Also the Company has operating Audit Committee.

ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF THE COMPANY:



The General Meeting of Shareholders is the supreme body of the Company responsible for taking of decisions. Competence of the General Meeting of Shareholders, its convocation procedure, rights and obligations do not differ from competence of the General Meeting of Shareholders, its convocation procedure and rights and obligations provided for in the Law on Companies of the Republic of Lithuania, other legal acts and Articles of Association of the Company.

It should be noted that due to the fact that the shares of ŽEMAITIJOS PIENAS, AB are traded on the stock exchange, the number of shareholders and their structure are constantly changing.

Assessing the data obtained from the intermediary of public trading in securities, on 31 of December 2021, there were 3115 shareholders (natural and legal persons). While at the beginning of the year 2021 there were 2847 shareholders. Thus, the number of shareholders increased during the reporting period.

On 2021 the structure of the Company's major shareholders holding more than 5 % of the capital had no essential changes.

During 2021 the structure of the Company's major shareholders holding more than 5% of the capital has not changed substantially. Major shareholders have kept their number of shares broadly unchanged. It should also be noted, that during 2021 the Company acquired the repurchase of its own shares and currently owns 4,637,500 of its own shares or 10% of its authorized capital.

MAIN SHAREHOLDERS 2021-12-31 (≥ 5% CAPITAL):

Shareholder	Number of shares owned, pcs.	Proportion of the authorized capital owned, %	Share of votes owned, %	Proportion of votes held together with related, %
Pažemeckas Algirdas*	14 063 152	30,32	30,32	60,54
Pažemeckienė Danutė*	14 014 581	60,54	60,54	
UAB "Baltic Holding"				
j. k.: 302688114, adresas: Vilhelmo Berbomo g. 9-4, Klaipėda	4 739 880	10,22	10,22	10,22
AB "ŽEMAITIJOS PIENAS"				
j. k.: 180240752, adresas: Sedos g. 35, Telšiai	4 637 500	10,00	10,00	10,00
AB "KLAIPĖDOS PIENAS"				
j. k.: 240026930, Šilutės pl. 33, 91107, Klaipėda	2 901 844	6,26	6,26	6.26

* - Algirdas Pažemeckas and Danutė Pažemeckienė hold 14 063 152 pcs. of shares (votes) under the right of joint ownership;

** - Danutė Pažemeckienė holds 14 014 581 pcs. of shares by the right of personal ownership and it is considered that Danutė Pažemeckienė owns together with her spouse 28 077 733 pcs. of shares or 60,54 percent (in aggregate) of the shares (votes)

The largest shareholder of Šilutės Rambynas, ABF is ŽEMAITIJOS PIENAS, AB. This Company directly owns 87.82 % of shares. The remaining shares are held by minor shareholders, the majority of which are raw milk producers. The total number of shareholders is 601. Šilutės Rambynas, ABF is not subject to share management and usage restrictions. Šilutės Rambynas, ABF does not own shares of any other significant entities either directly or indirectly.

INFORMATION ON RIGHTS OF SHAREHOLDERS, THEIR REALISATION, RESTRICTIONS OF VOTING RIGHTS OR SPECIFIC VOTING RIGHT USE SYSTEMS

Neither AB ŽEMAITIJOS PIENAS, nor ABF Šilutės Rambynas have been restricted in terms of the transfer (disposal of) securities, or subject to any other constraints, including those imposed on voting rights. The shareholders of both Companies exercise their property and non-property rights, and are obliged to perform the

duties specified in the Republic of Lithuania Law on Companies, and the Articles of Association of the Company. All of the issued shares grant their holders equal rights laid out in the Republic of Lithuania Law on Companies, other legislation, and the Company's Articles of Association.

Restrictions imposed on voting rights or other rights.

All registered ordinary shares of the companies carry equal voting rights and are of equal nominal value. Each share grants its holder one vote during general shareholder meetings. The companies do not know of any restrictions, bans and/or other special conditions which have been applicable to their securities or shareholdings during the reporting period, and are not aware of (have no data on) any systems in accordance with which the property rights attached to securities have been separated from the holders thereof. The companies do not know of any special control rights held by any individual shareholders (shareholder), which leads them to believe that no such shareholders exist, and are not aware of any special agreements drawn up between shareholders or Groups thereof which could fundamentally alter, give rise to, or terminate their rights and duties with regards to controlling the Company, including affecting the interests of the Group or the shareholders.

Shareholders of the Companies shall have the following property rights:

(i) to receive a part of the Company profit; (ii) to receive a part of the assets of liquidated companies; (iii) to receive shares free of charge, provided that authorized capital has been increased using Company funds, except in cases specified by the law; (iv) in cases where the shareholder is a natural person – to bequeath all shares, or a part thereof, to one or more persons; (v) having regard to the procedure and conditions laid out by the law, to sell or otherwise transfer all shares, or part thereof, to other persons; (vi) other rights conferred by legislation;

Shareholders of the Companies shall have the following non-property rights:

(i) to attend meetings; (ii) according to the rights granted by the shares to vote at the meetings; (iii) to receive non-confidential information about the economic activity of the company under the conditions and on the grounds established by legal acts; (iv) to elect and be elected to the management and control bodies of the company, to hold any position in the company, unless otherwise provided by the Law on Companies of the Republic of Lithuania; (v) to submit specific proposals for the improvement of the company's financial, economic, organizational, etc. activities, to appeal to the court against the decisions or actions of the shareholders' meetings, the Supervisory Board, the Board and the manager of the company that violate the laws of the Republic of Lithuania, the Company's Articles of

Association, shareholders' property and non-property rights. One or more shareholders have the right to claim compensation for damage caused to shareholders without a separate authorization; (vii) other non-property rights established by law.

A person acquires all the rights and obligations granted to him by the part of the authorized capital and / or voting rights acquired in the company: in case of increase of authorized capital - from the date of registration of amendments to the Company's Articles of Association related to increase of the authorized capital and/or voting rights, in other cases - from the acquisition of ownership rights to the part of the authorized capital of the Company and/or voting rights.

INFORMATION ON THE MUTUAL AGREEMENTS, THEIR SPECIAL CONTROL RIGHTS, RESTRICTIONS IMPOSED ON VOTING RIGHTS, AND OTHER FEATURES RELATED TO THE HOLDING OF SHARES

The companies do not know of any significant agreements drawn up between shareholders or by any shareholders who have been conferred any special control rights. Furthermore, based on the available data, shares held by the shareholders are not subject to any restrictions, constraints, or special rights. As far as the Company is aware, all shareholders are free to exercise their property and non-property rights attached to the shares.

There have been no arrangements wherein AB ŽEMAITIJOS PIENAS is a party and which would enter into force, change, or be terminated in the event of a change in control of the issuer, or the effects thereof, except in cases where due to the nature of the arrangements the disclosure thereof would cause significant damage to the issuer. The same situation is with ABF Šilutės Rambynas.

The companies have not entered into any unusual agreements with members of the bodies or employees that would provide for compensation in the event of their resignation or dismissal without just cause or if their employment is terminated due to a change in control of the issuer.

During the reporting period, there have been no harmful transactions which: fail to comply with the aims of the Company or the Group, or with regular market conditions; violate the interests of the shareholders or other groups of persons; and have had any negative impact on the operations of the Company or the performance thereof, or might have such an impact in the future. There were also no transactions concluded due to conflicts of interest between the Company's managers, controlling shareholders or other parties' obligations to the Company and their private interests and (or) obligations..

On 2 of August, 2021, during the Extraordinary General Meeting of Shareholders of ŽEMAITIJOS PIENAS AB, was decided to amend Paragraph 5.1 of the Articles of Association of the Company and to set out it as follows: "5.1. The authorized capital of the COMPANY amounts to EUR 13,448,750 (thirteen million four hundred and forty-eight thousand seven hundred and fifty). The authorized capital of the COMPANY is divided into 46,375,000 (forty-six million three hundred and seventy-five thousand) ordinary registered shares with a nominal value of EUR 0.29 (twenty-nine hundredths) per share". The new wording of the Articles of Association on 16 of August, 2021 was registered in the Register of Legal Entities of Center of Registers of State of Enterprises.

The Supervisory Board of the Company is a collegial supervisory body, responsible for the Company activity supervision, managed by the Chairman. Supervisory Board of the Company consists of 3 members elected by the General Meeting of Shareholders for the period of four years. Articles of Association of the Company provide that number of cadencies of the Board members is unlimited. By 31 December 2021 the Supervisory Board was independent, because all members of the Supervisory Board do not have any relationships with the Company.

More detailed aspects related to the Supervisory Board and its activities are reviewed in the Report on Following to the Corporate Governance Code. It should be noted that no special rules regulating election, replacement of members of the Supervisory Board are applied. These actions are taken in accordance with provisions of the Law on Companies and Articles of Association of the Company. No special policies related to age, gender, education, professional experience applied to election of members. We appreciate personal properties which would be the best for interests of the Group and shareholders. Functioning of the Supervisory Board is regulated in the Work Procedure of the Supervisory Board.

MEMBERS OF THE SUPERVISORY COUNCIL AS AT 31-12-2021

<p>Linas Siraštanovas (independent member)</p>	<p>Chairman of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August, 2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Vilnius university, Master of commerce. Participation in activities of other companies and (or) organizations: Compensa Vienna Insurance Group, Head of Klaipėda region. Supervising Company's field of sales of products and finances.</p>
<p>Gražina Norkevičienė (independent member)</p>	<p>Member of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August,</p>

2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Kaunas Polytechnic Institute, mild and dairy products technologist-engineer. Does not participate in any activities of other companies, institutions and (or) organizations. Supervising Company's field of quality parameters in production processes, performs quality control of raw milk and also controls companies that provide raw milk test services, also performs tasting supervision.

Virginija Vaitkuvienė
(independent member)

Member of the Company's Supervisory Council. Elected to the Supervisory Council on the 2 August, 2021, by the ordinary General Meeting of Shareholders for a four-year term. Education: Kaunas Polytechnic Institute, milk and dairy products technologist-engineer. Does not participate in any activities of other companies, institutions and (or) organizations. Supervising Company's manufacturing processes and development of new products.

On 2 August, 2021, during the extraordinary General Meeting of Shareholders of the Company, was decided to recall the entire Supervisory Board of the Company (all members) and to elect: Virginija Vaitkuvienė, Gražina Norkevičienė and Linas Siraštanovas as new members of the Company's Supervisory Board.

During 2021, the following amounts were accrued to the members of the Supervisory Board for their work on the Supervisory Board:

- Gražina Norkevičienė – 10 926 Eur;
- Virginija Vaitkuvienė – 12 103 Eur;
- Linas Siraštanovas – 4 188 Eur.

No loans were granted to the members of the Supervisory Board, no guarantees were issued, no assets were disposed of.

The Board of the Company – a collegial management body representing the shareholders of the Company within the period between their meetings and making decisions on the most important issues of the Company's economic activities. The Board of the Company does not perform supervisory functions since these functions are delegated to the Supervisory Board of the Company. All members of the Board have the powers provided for by law, the Articles of Association of the Company and the Rules of Procedure of the Board adopted by it. All members of the Board are responsible for the specific

economic activity spheres of the Company. Currently, the Board consists of 5 (five) members.

The members of the Board are elected by the Supervisory Council for a maximum four-year period. The number of their cadencies is unlimited. It should be noted that no special rules regulating election, replacement of members of the Board are applied. These actions are taken in accordance with provisions of the Law on Companies and Articles of Association of the Company. The election of members is not subject to special policies related to age, gender, education, professional experience, and the qualities that would best suit the interests of the Group and shareholders are assessed. The activities of the Board are managed by the chairman who is elected by the members of the Board. Specific aspects related to the Board and its activity is provided in the Report on Following to the Company Management Code. Below are the data about the members of the Board of ŽEMAITIJOS PIENAS, AB.

In addition to the general and statutory functions, the members of the Board of the Company also carry out delegated special and individual functions directly related to the activities of the Companies, including some functions oriented to prevention in order to avoid various negative external impacts.

MEMBERS OF THE BOARD AS AT 31-12-2021

Robertas Pažemeckas	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Chairman of the Board. Education: Vilnius University, Master of laws. Workplace: General Manager of the Company. Does not participate in the management of other companies. Holds 2540 pcs. of Company's shares. The shareholding of the Company is less than 0.05%.
Marius Dromantas	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas University of Technology, bachelor of transport engineering; Vilnius Gediminas Technical University, master of transport engineering. Workplace: ŽEMAITIJOS PIENAS, AB Logistics director. Participation in the management of other companies - Member of the Board of Čia Market, UAB (code 141354683, Sedos 35a, Telšiai, LT-87101). Do not hold Company shares.
Dalia Gecienė	Member of the Board of the Company since 24-08-2021, until the

	term of office of the acting Board of Company. Education: Kaunas Polytechnic Institute (KTU), engineer - economist. Workplace: ŽEMAITIJOS PIENAS, AB Chief Accountant. Does not participate in the management of other companies. Holds 475 160 pcs of Company shares. The Company's shareholding is 1.02%.
Jurgita Petrauskienė	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas University of Technology, bachelor degree in management and business administration Workplace: ŽEMAITIJOS PIENAS, AB Sales manager. Does not participate in the management of other companies. Do not hold Company shares.
Monika Jasiulionienė	Member of the Board of the Company since 24-08-2021, until the term of office of the acting Board of Company. Education: Kaunas University of Technology, Bachelor of food chemistry and engineering; Kaunas University of Technology, Master of manufacturing/engineering. Workplace: ŽEMAITIJOS PIENAS, AB Chief production manager. Does not participate in the management of other companies. Do not hold Company shares.

During 2021, no remuneration or other monetary amounts were accrued to the members of the Board of Company. No loans were granted to the members of the Board, no guarantees were issued, no assets were disposed of. All members of the Board are employees of the Company, therefore they were paid according to their duties.

The Manager of Company is the CEO, who is acting on the basis of the Company's Articles of Association, the decisions of the General Meeting of Shareholders, Board decisions and other Company's local acts. The manager of the Company is elected by the Board of the Company. The Manager shall organise Company's daily activities and implement the actions required to perform the functions, to implement the decisions of Company's management bodies and to ensure Company's business. The CEO of the Company is a responsible one and reports to the Board on a regular basis. It should be noted that no special rules, regulating selection or replacement of the

Manager of the Company, are applied; when taking these actions the Company shall follow the Law on Companies and the provisions of Articles of Association of the Company.

The members of management, control and supervisory bodies of the Company are elected in accordance with the requirements of the legislation, considering the skills, qualifications and professional experience of these persons; moreover, before being elected to the relevant body each candidate shall fill in a declaration of conflict of interests. The Company believes that such a system of election of candidates for a position fully meets the interests of the Company and the majority of shareholders.

The administration of the Company consists of the CEO, Chief production officer, Logistics director, Sales and marketing department director, Procurement manager, Legal and personnel department director, Chief financial officer, Chief Accountant and other staff performing administrative functions. Administration of the Company is managed by the CEO. The departments of the Company are the structural subdivisions of the Company that execute and implement the decisions, orders and other instructions of the Board and the CEO of the Company.

INFORMATION ABOUT ADMINISTRATION AS AT 31-12-2021

Robertas Pažemeckas	General Manager. Employed in the company since August 26, 2002. Holds 2540 pcs. Company shares. The shareholding of the Company is less than 0.05%.
	The position of CFO is currently vacant.
Dalia Gecienė	Chief Accountant. Has been working for the company since July 29, 1986. Holds 475,160 pcs. Company shares. The Company's shareholding is 1.02%.
Monika Jasiulionienė	Chief Production Officer. Has been working for the company since August 10, 2020. Has no shares of the Company.
Marius Dromantas	Director of Logistics. Employed in the company since 01.12.2003. Has no shares of the Company.
	The position of Director of the Personnel and Legal Department is currently vacant.
	The position of Director of Sales and Marketing is currently vacant.

Jurgita Petrauskienė	Sales manager. Employed in the company since August 29, 2005. Has no shares of the Company.
Severina Butkė	Marketing Manager. Has been working since November 28, 2018. Education: Vilnius Gediminas Technical University, Bachelor of Communication. Has no shares of the Company.
Nijolė Penkovskienė	Head of Purchasing Department. Has been working in the company since 2017-07-03. Education: higher. Has no shares of the Company.

Audit Committee of the Company – the Company has an audit committee consisting of three members: Angelė Taraškevičienė (chairwoman of committee), Zina Sakalauskiene and Sigita Leonavičienė. During the 2021, the structure of the audit committee did not change.

The main functions of the audit committee are to perform unexpected financial inspections, inventories of material values, to submit proposals on the optimization of processes, to perform other duties assigned by legal acts. This committee also performs the advisory function of the Company's Supervisory Board, and its main task is to increase the efficiency of the work of the Supervisory Board in the field of the Company's financial supervision, to help ensure that impartial and well-considered decisions are made. It should be noted that there are no other committees or bodies established in the Company.

No loans were granted to the members of the Audit Committee, no guarantees were issued, no assets were transferred, no premiums, extra fees, bonuses, bonuses and any other benefits were paid, except for the amount paid to the chairwoman of the Audit Committee under the service agreement.

MEMBERS OF THE AUDIT COMMITTEE

Angelė Taraškevičienė	Independent member of the Audit Committee since 2017. Chairwoman of the Audit Committee. During 2021 the calculated remuneration with taxes is EUR 5,000.
Zina Sakalauskiene	Independent member of the Audit Committee since 2017
Sigita Leonavičienė	Independent member of the Audit Committee since 2017

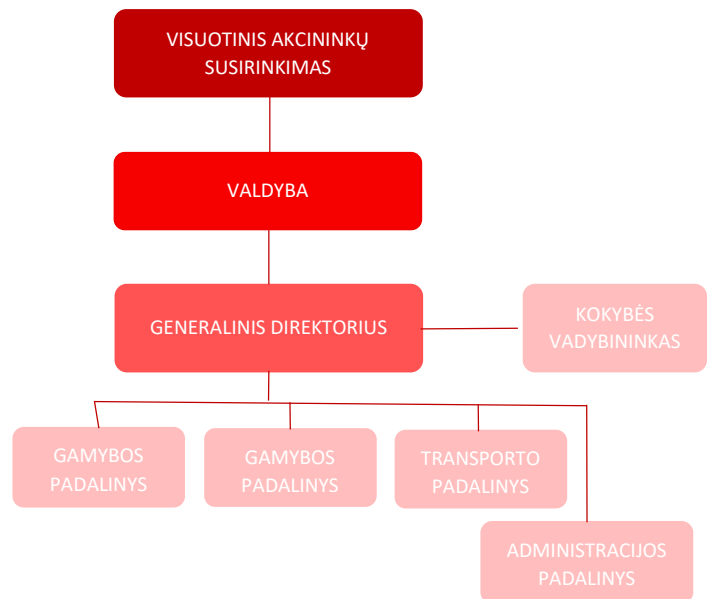
DUKTERINĖS ABF „ŠILUTĖS RAMBYNAS“ VALDYMAS

The bodies of ABF Šilutės Rambynas (hereinafter - Šilutės Rambynas) are: (i) the General Meeting of Shareholders; (ii) the Board; and (iii) the sole managing body is the head of the company (CEO). There are also administrative staff working under the authority of the manager. The company does not have a supervisory board and an audit committee.

The competence of the General Meeting of Shareholders, the rights and duties of the shareholders are provided by the Law on Companies of the Republic of Lithuania, as well as other legal acts and the Articles of Association of the Company.

The Articles of Association of Šilutė Rambynas are being amended or separate new provisions are being adopted in accordance with the usual procedure established by legal acts.

The activities of the Board of Šilutė Rambynas, the election and replacement of its members are subject to the same rules as those established by AB ŽEMAITIJOS PIENAS, as well as the requirements of the Law on Companies and the Articles of Association of the Company. The members of the Board are not granted any other or special powers than provided by law and the Articles of Association of the Company. The members of the Board of Šilutės Rambynas do not have special functions or authorizations, e.g. certain activities of the company are not assigned, except those that perform the duties arising from the employment contract, if they are employees of the company.



MEMBERS OF ŠILUTĖ RAMBYNAS BOARD,, 2021-12-31

Algirdas Bladžinauskas	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Chairman of the Board. Education: Lithuanian Academy of Agriculture, Master of Agronomy. Workplace: Šilutė Rambynas Director General. Does not participate in the management of other companies. Šilutė Rambynas has no shares.
Irena Baltrušaitienė	Member of the Board from 30 April 2018, elected until the end of the term of office of the current Board of the Company (30 April 2023). Education: Kaunas Polytechnic Institute, Master of Milk and Milk Products Technology. Workplace: not working. Does not participate in the management of other

	companies. He has no shares in the company.
Linas Puskunigis	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: Lithuanian Academy of Agriculture, Master of Economics and Organization. Workplace: Šilutė Rambynas accountant. Does not participate in the management of other companies. Holds 2076 pcs. Šilutė Rambynas shares. The shareholding is 0.24%.
Robertas Pavelskis	Member of the Board of the Company from 30/04/2018, elected as a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: VMU Agricultural Academy. Workplace: AB "ŽEMAITIJOS PIENAS" technical

	manager. Does not participate in the management of other companies. He has no shares in the company.
Renata Rupšienė	Member of the Board of the Company from 30/04/2018, elected a member of the Board until the end of the term of office of the current Board of the Company (30/04/2023). Education: Kaunas University of Technology - Bachelor of Food Chemistry and Engineering; Kaunas University of Technology, Master of Manufacturing Engineering. Workplace: Production Director of AB ŽEMAITIJOS PIENAS. Does not participate in the management of other companies. He has no shares in the company.

During the reporting period (2021), no amounts were accrued to the members of the Board of Šilutė Rambynas for their work in the Board. The directors / managers of the administration were paid EUR 189,959 under their employment contracts. The average amount per administration manager was € 47,490.

During the reporting period, no guarantees or sureties were given to the members of the Board, the General Manager and the Chief Accountant, no property or other property rights were transferred.

Board members, company director, chief accountant has no material obligations to the company, just as the company has no obligations to those persons.

There were no guarantees and sureties and / or other means of securing obligations to ensure the fulfillment of obligations of other entities (manager, chief accountant) on behalf of the issuer during 2021, the issuer did not grant loans to these entities either.

ŠILUTĖ RAMBYNAS MANAGER AND ADMINISTRATION

The administration of Šilutė Rambynas consists of the I Director General, Chief Production Officer, Technical Director, Transport Manager, Sales Manager, Production Manager, Chief Accountant and other employees. The administration of the company is headed by the CEO. The directors / managers implement the goals and tasks set by the management bodies of the Company, perform the functions according to the competencies assigned to them and manage the subordinate employees.

OTHER GOVERNANCE INFORMATION

During 2021 AB ŽEMAITIJOS PIENAS and AB Šilutės Rambynas transactions with related parties as provided for in Article 37(2) of the Law on Companies of the Republic of Lithuania, were not concluded. Other transactions between the parties referred to the company's financial statements.

INFORMATION ABOUT COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

ŽEMAITIJOS PIENAS AB, acting in compliance with Paragraph 3 of Article 12 of the Law of the Republic of Lithuania on Securities and Paragraph 24.4 of the Listing Rules of NASDAQ Vilnius AB, hereby discloses how the Company complies with the Corporate Governance Code of NASDAQ Vilnius, as well as its specific provisions and recommendations. In the event of non-compliance with this Code or any of its provisions or recommendations, the specific provisions or recommendations which are not complied with and the reasons for such non-compliance must be stated. In addition, other explanatory information provided in this form must be provided.

The company's management structure consists of four levels – general meeting of shareholders, supervisory board, management board and manager. In 2021, the supervisory board consisted of three members, whereas the management board consisted of five members; members of the management board are elected and dismissed from office by the supervisory board; the management board has a competence to elect and dismiss from office the manager of the company.

The Company generally complies with the recommendations of the Corporate Governance Code of the companies listed on the NASDAQ VILNIUS, except for the recommended conditions related to the establishment of nomination and remuneration committees and the assignment of certain functions to the competence of these committees (clauses 5.2 and 5.3). The Company has the opinion that the emergence of these bodies would

be excessive, disproportionate to the Company's management objectives, increase the Company's administrative costs, and the Company's Board and

Supervisory Board are responsible for performing these functions (according to their competence)

PRINCIPLES / RECOMMENDATIONS	YES /NO / IRELEVANT	COMMENT
Principle 1:		
General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company publishes the most significant information in public, provides it at general meetings of shareholders, as well as provides other ways of access to it and participation in the company's governance in the manner and under the procedure laid down in legal acts.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's shares currently grant equal rights to all shareholders.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The recommendations are complied according to the procedure laid down in legal acts.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	According to the procedure laid down in legal acts.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	According to the procedure laid down in legal acts.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is	Yes	The recommendation is complied with, rights of shareholders living abroad to access the information and/or familiarise with it are ensured.

recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.		
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders are furnished with the opportunity to vote both, in advance and in person in general meetings of shareholders.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person .	Yes	The company, after assessing justified, real and reasonable proposals on the application of electronic means of communication in general meetings of shareholders, also after assessing other conditions, including interests of all shareholders, economic costs, technological feasibility and other aspects, would consider this recommendation.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	It is complied with in so far as it is reasonable and practicable.
1.10. Members of the company's collegial management body, heads of the administration ¹ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	It is complied with in so far as it is reasonable and practicable.

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

<p>2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.</p>	<p>Yes</p>	<p>The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.</p>
<p>2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.</p>	<p>Yes</p>	<p>The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.</p>
<p>2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.</p>	<p>Yes</p>	<p>The majority of the supervisory board is independent. This enables to ensure their responsible actions with respect to all interest holders.</p>
<p>2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent² members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence</p>	<p>Yes</p>	
<p>2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.</p>	<p>Yes</p>	
<p>2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.</p>	<p>Yes</p>	<p>Conditions are established for proper discharge of duties.</p>
<p>2.2. Formation of the supervisory board</p>		
<p>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p>		
<p>2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.</p>	<p>Yes</p>	

2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances	Yes	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The annual budget of remuneration to members of the supervisory board is approved by the general meeting of shareholders.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	Partly carried out.

Principle 3: Management board

3.1. Functions and liability of the management board The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

<p>3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.</p>	<p>Yes</p>	<p>The management board carries out and implements strategic plans and goals.</p>
<p>3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.</p>	<p>Yes</p>	<p>The management board, while performing the functions assigned to it, takes into account the needs of the company, shareholders, employees and other interest groups by striving to achieve sustainable business development.</p>
<p>3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.</p>	<p>Yes</p>	
<p>3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance³ on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.</p>	<p>Yes</p>	<p>As far as practicable.</p>
<p>3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.</p>	<p>Yes</p>	
<p>3.2. Formation of the management board</p>		
<p>3 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.</p>	<p>Yes</p>	

<p>3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.</p>	<p>Yes</p>	
<p>3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company</p>	<p>Yes</p>	<p>All members of the management board are familiarised with and explained their rights and duties.</p>
<p>3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.</p>	<p>Yes</p>	
<p>3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.</p>	<p>Yes/No</p>	<p>Chair of the management board holds office of the CEO, however he does not vote when voting on decisions that may cause a conflict of interest.</p>
<p>3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.</p>	<p>Yes</p>	
<p>3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent⁴, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent</p>	<p>Irrelevant</p>	

due to special personal or company-related circumstances.		
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	The budget of remuneration to independent members is approved by the company's general meeting of shareholders. No additional remuneration is paid to members of the management board who work at the company on the basis of employment agreements.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Partly carried out.
Principle 4:		
Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	
4.2. It is recommended that meetings of the company's collegial bodies should be held at	Yes	A preliminary schedule is approved in which the time, date and agenda of the meeting are set out.

<p>the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</p>		
<p>4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.</p>	<p>Yes</p>	<p>Are informed beforehand by e-mail and/or other means of communication.</p>
<p>4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.</p>	<p>Yes</p>	
<p>Principle 5: Nomination, remuneration and audit committees</p>		
<p>5.1.Purpose and formation of committees</p>		
<p>The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.</p>		
<p>5.1.1.Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees.</p>	<p>Yes/Ne</p>	<p>An audit committee has been formed.</p>

<p>5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.</p>		<p>Functions of committees are currently performed by the collegial bodies themselves.</p>
<p>5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes/No</p>	<p>This principle is partly complied with.</p>
<p>5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.</p>	<p>Yes</p>	
<p>5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p>	<p>Yes/No</p>	
<p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p>	<p>Yes</p>	
<p>5.2. Nomination committee</p>		

<p>5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 4) devote the attention necessary to ensure succession planning.</p>	<p>No</p>	<p>Has not been formed. The functions are carried out by the collegial bodies.</p>
<p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p>	<p>No</p>	
<p>5.3. Remuneration committee</p>		
<p>The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.</p>	<p>No</p>	<p>Has not been formed. The functions are carried out by the collegial bodies.</p>
<p>5.4. Audit committee</p>		
<p>5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee.</p>	<p>Yes</p>	

<p>5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.</p>	<p>Yes</p>	<p>All members of the audit committee are familiarised with peculiarities of activities of the company, excluding information that is treated as confidential.</p>
<p>5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.</p>	<p>Yes</p>	<p>Conditions for realising the principle are established.</p>
<p>5.4.4. The audit committee should be informed about the internal auditor's work programme and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.</p>	<p>Yes</p>	
<p>5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.</p>	<p>Yes</p>	
<p>5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.</p>	<p>Yes</p>	
<p align="center">Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.</p>		
<p>Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.</p>	<p>Yes</p>	<p>The principle is complied with, each member of the supervisory and management body declares in writing and confirms his interests, as well as undertakes to avoid a conflict of interest.</p>

Principle 7: Remuneration policy of the company		
The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The company has a remuneration policy for the members of the management, the board and the supervisory board, which is made public.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Irrelevant	Severance pay is not specified in the Company's Remuneration Policy.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Irrelevant	The Company does not have a system of remuneration for financial instruments.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	Information on the implementation of the Company's remuneration policy and the average amounts of remuneration of individual groups of employees are published in the Company's annual report, which is published on the Company's website.

<p>7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.</p>	<p>Yes</p>	<p>The company does not apply the mentioned schemes.</p>
<p>Principle 8: Role of stakeholders in corporate governance</p>		
<p>The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</p>		
<p>8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.</p>	<p>Yes</p>	<p>The implementation of the recommendation of Principle 8 is ensured by the precise supervision and control of the state institutions that regulate and control the activities of the Company.</p> <p>The Company conducts consultations with employee representatives on the business processes carried out in the Company.</p> <p>Stakeholders may participate in the management of the Company to the extent provided by law.</p>
<p>8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.</p>	<p>Yes</p>	
<p>8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	
<p>8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.</p>	<p>Yes</p>	
<p>Principle 9: Disclosure of information</p>		
<p>The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.</p>		
<p>9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following: 9.1.1. operating and financial results of the company; 9.1.2. objectives and non-financial information of the company; 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the</p>	<p>Yes</p>	<p>Information is published according to the procedure laid down by legal acts; shareholders are provided with an opportunity to become familiar with it also in other ways, excluding the information and data that are treated as confidential.</p>

<p>company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; 9.1.6. potential key risk factors, the company's risk management and supervision policy; 9.1.7. the company's transactions with related parties; 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); 9.1.9. structure and strategy of corporate governance; 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts</p>		
<p>9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.</p>	<p>Yes</p>	<p>See comment on point 9.1 above</p>
<p>9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.</p>	<p>Yes</p>	<p>See comment on point 9.1 above</p>
<p>9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.</p>	<p>Yes</p>	<p>See comment on point 9.1 above</p>
<p align="center">Principle 10: Selection of the company's audit firm</p> <p align="center">The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.</p>		

<p>10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm..</p>	<p>Yes</p>	<p>Audit is carried out by an independent company.</p>
<p>10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.</p>	<p>Yes</p>	<p>An audit company is selected by way of public competition out of several (at least) three proposals.</p>
<p>10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.</p>	<p>Yes</p>	