

# LPP

## The report concerning compliance with the Best Practice

Current Report EBI no.: 1/2016

Date: 15.04.2016

On the basis of § 29 section 3 of the Rules of the Stock Exchange in Warsaw LPP SA submits a report on non-application of the principles contained in "Best Practice for GPW Listed Companies 2016"

### I. Disclosure Policy, Investor Communications

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

The principle not applicable.

*The Company doesn't publish financial forecast.*

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

The principle is applied.

Comments of the Company:

*The Company, in due time, will post information about decision not to broadcast Annual General Meetings on its website.*

**I.Z.1.20. an audio or video recording of a general meeting;**

The principle is not applied.

Comments of the Company:

*The Company does not provide for registration of the General Meeting in audio or video format and publishing the Meeting's record on its website. In the Company's opinion, the current manner of documenting the course of General Meetings provides for transparency of the Company's operations and protects the rights of its shareholders. In particular, the Company discloses the content of resolutions in the form of current reports and publications on the website. In addition, detailed information on the voting results and any objections to the adopted resolutions are made available in the same format. Thus, investors have the opportunity to become familiar with the essential elements of the sessions and the issues raised at the General Meeting. The Company does not, however, preclude application of this rule in the future.*

## **II. Management Board, Supervisory Board**

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

The principle not applicable.

Comments of the Company:

*Due to the fact, that the Supervisory Board of LPP operates in minimum provided by law, composition in the Supervisory Board separate committies haven't been appointed.*

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

The principle is applied.

Comments of the Company:

*The first assessment will be presented to the Ordinary General Meeting for 2015.*

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

The principle is applied.

Comments of the Company:

*The first assessment will be presented to the Ordinary General Meeting for 2015.*

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

**III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.**

The principle not applicable.

Comments of the Company:

*There is separate internal audit function in the Company.*

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

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

The principle is not applied.

Comments of the Company:

*The Company does not provide for real-life broadcast of General Meetings. In the Company's opinion, the current manner of documenting the course of General Meetings provides for transparency of the Company's operations and protects the rights of its shareholders. In particular, the Company discloses*

*the content of resolutions in the form of current reports and publications on the website. In addition, detailed information on the voting results and any objections to the adopted resolutions are made available in the same format. Thus, investors have the opportunity to become familiar with the essential elements of the sessions and the issues raised at the General Meeting. The Company does not, however, preclude application of this rule in the future.*

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

The principle is applied.

Comments of the Company:

*The Company hasn't make a conditional dividend payment so far.*

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

The principle is applied.

Comments of the Company:

*The Company hasn't carry out split of the nominal value of its shares so far.*

## **VI. Remuneration**

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

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

The principle is not applied.

Comments of the Company:

*The Company will not publish a report on the remuneration policy due to absence of the remuneration policy. LPP does not, however, preclude application of this rule in the future.*

Signatures: Przemysław Lutkiewicz – Vice President of the Management Board  
Jacek Kujawa – Vice President of the Management Board