

## SUMMARY OF THE ESTONIAN CORPORATE GOVERNANCE CODE

Note: Below is a brief summary of some of the most material provisions of the Estonian Corporate Governance Code (*Hea Ühingujuhtimise Tava*). The Estonian Corporate Governance Code was adopted by the Estonian Financial Supervision Authority (*Finantsinspeksioon*) and is in force since 1 January 2006.

Please refer to the website of Nasdaq Baltic for the full text of the Corporate Governance Code:

<http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT.pdf> (in Estonian);

[http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT\\_eng.pdf](http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT_eng.pdf) (in English).

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### GENERAL MEETING

#### *Exercise of shareholder rights*

- A shareholder shall have a right to participate in the General Meeting, to speak at the General Meeting on the matters on the agenda and to ask reasoned questions and make proposals.
- The General Meeting shall be held at the location of the issuer and at a reasonable time and place, ensuring that a majority of shareholders have the possibility to participate in the General Meeting.
- Issuer shall enable shareholders to present questions on the matters on the agenda also prior to the day of the General Meeting. Issuer shall ensure that responses are given to reasoned questions at the General Meeting or before the General Meeting. If possible, the issuer shall give its responses before the General Meeting and shall publish the question and response on its website.
- A controlling shareholder (as defined in the Estonian Securities Market Act) shall refrain from unreasonably harming the rights of other shareholders, both at the General Meeting and upon organizing the management of the issuer and shall not abuse its/his/her position.
- The articles of association of the issuer shall not allow to grant such rights to different classes of shares which would result in unequal treatment of shareholders at voting.
- Issuer shall facilitate the personal participation of shareholders in the General Meeting, but at the same time shall not make it difficult for representatives to participate in and vote at the General Meeting.

#### *Calling of a General Meeting and disclosure of information*

- A notice of calling the General Meeting shall also be made available on the issuer's website (at the same time when sent to the shareholders and/or published in a daily national newspaper).
- Concurrently with the notice of calling the General Meeting, the Management Board and Supervisory Board shall provide to the shareholders all important information available to them or provided to them which is necessary for passing a resolution at the General Meeting. Upon calling a General Meeting, the issuer shall provide reasons and explanations regarding such matters on the agenda which concern material changes for the issuer (e.g. amendment of the articles of association, issuance of securities, extraordinary transactions concerning the sale of all or the greater part of the assets or the enterprise or which are concluded with a person related to the issuer). The shareholders shall be allowed to review information regarding questions shareholders have presented to the issuer in connection with the holding of the General Meeting if such information is related to a matter on the agenda of the General Meeting.

- All important information related to the agenda shall also be published by the Management Board on the issuer's website (such important information may include material terms and conditions of issuance of securities or other transactions related to the issuer, information about the candidate for Supervisory Board member or auditor, etc.).
- If, prior to the General Meeting, shareholders make substantive proposals regarding matters on the agenda or proposals diverging from those made by the Supervisory Board, the issuer shall publish such proposals on its website.

#### *Procedure of the General Meeting*

- The General Meeting shall be held in the Estonian language.
- The Chairman of the Supervisory Board and the members of the Management Board cannot be elected as the Chairman of the General Meeting.
- Members of the Management Board, the Chairman of the Supervisory Board and, if possible, also the members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting. A candidate for Supervisory Board member who has not been a Supervisory Board member of the issuer before and a candidate for auditor shall also participate in the General Meeting.
- Issuer shall enable to view and participate in the General Meeting by means of telecommunications (e.g. Internet) if the respective technical equipment is available and where doing so is not too costly for the issuer.

### **MANAGEMENT BOARD**

#### *Duties*

- The Management Board shall make day-to-day management decisions independently and leaves aside personal and/or controlling shareholder's interests. The Management Board shall make decisions based on the best interests of the issuer and all shareholder.

#### *Composition and remuneration*

- The Management Board shall have more than one member.
- A member of the Management Board shall not be at the same time a member of the Management Board of more than two issuers and shall not be the Chairman of the Supervisory Board of another issuer. A member of the Management Board may be the Chairman of the Supervisory Board in another issuer belonging to same group as the issuer.
- The bases for the Management Board remuneration shall be clear and transparent.
- Upon determination of the Management Board remuneration, the Supervisory Board shall be guided by the evaluation of the work of the Management Board members. Upon evaluation of the work the Management Board members, the Supervisory Board shall, first and foremost, take into consideration the duties of a specific member of the Management Board, his/her activity, the activity of the entire Management Board, the economic situation of the issuer, the actual state and the future direction of the business in comparison with the same indicators of the companies in the same economic sector.

- The use of long-term bonus systems (e.g. options, pension programmes) shall be connected with the activity of the Management Board member and shall be based on concrete and comparable pre-determined factors.
- The bonus scheme of a Management Board member which is related to the securities of the issuer as well as changes in such bonus scheme, shall be approved by the General Meeting of the issuer.
- Basic salary, performance pay, severance pay, other benefits and bonus schemes of a Management Board member as well as their important features (incl. features based on comparison, incentivizing features and risk features) shall be published in a clear and unambiguous manner on the website of the issuer and in the Corporate Governance Code report. The Chairman of the Supervisory Board shall present to the General Meeting the most important aspects of the Management Board remuneration and the changes to them.

#### *Conflict of interests*

- Members of the Management Board shall avoid conflicts of interests in their activity. Member of the Management Board shall not make decisions on the basis of his/her own interests or use business offers addressed to issuer in his/her own interests. Member of the Management Board shall inform the Supervisory Board and the other members of the Management Board regarding the existence of a conflict of interests before the conclusion of a service agreement and also immediately when a conflict of interests arises at a later stage.
- The Supervisory Board shall decide on the transactions (which are material for the issuer) to be concluded between the issuer and a member of its Management Board or another person related/close to him/her and shall determine the terms of such transactions. Such transactions approved by Supervisory Board shall be published in the Corporate Governance Code report.
- Members of the Management Board may engage in other duties in addition to their duties as members of the Management Board only with the approval of the Supervisory Board.

### **SUPERVISORY BOARD**

#### *Duties*

- The Supervisory Board shall regularly monitor the activity of the Management Board. The Supervisory Board shall participate in making important decisions related to the activity of the issuer. The Supervisory Board shall act independently and in the best interests of the issuer and all shareholders.
- The Supervisory Board shall regularly assess the activity of the Management Board in implementing the issuer's strategy, the financial position of the issuer, the risk management system of the issuer, the lawfulness of the activity of the Management Board and whether material information concerning the issuer has been communicated to the Supervisory Board and the public as required.
- Upon the establishment of committees (audit committee, remuneration committee etc.) by the Supervisory Board, the issuer shall publish on its website their existence, duties, membership and position in the organization.
- The Chairman of the Supervisory Board organizes the work of the Supervisory Board.

#### *Composition and remuneration*

- Members of the Supervisory Board shall be elected from persons having sufficient knowledge and experience in order to participate in the work of the Supervisory Board. Upon the election of a

member of the Supervisory Board, the nature of the Supervisory Board's and the issuer's activity, the risk of conflict of interests and, if necessary, also the age of the person shall be taken into account.

- At least half of the members of the Supervisory Board of the issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number of dependent members.
- The amount of remuneration of a member of the Supervisory Board and the procedure for the payment of remuneration (both determined by the General Meeting) shall be published in the Corporate Governance Code report, indicating separately the basic and additional payment (incl. severance pay and other benefits).
- If a member of the Supervisory Board has attended less than half of the meetings of the Supervisory Board during a financial year, this shall be indicated separately in the Corporate Governance Code report.

#### *Conflict of interests*

- Members of the Supervisory Board shall avoid conflicts of interests in their activity.
- A Supervisory Board member candidate shall inform the other members of the Supervisory Board about the existence of conflict of interests before his/her election and after the election immediately when a conflict of interests arises.
- All conflicts of interests that have arisen during a financial year shall be indicated in the Corporate Governance Code report along with their solutions.
- A member of the Supervisory Board shall resign or be removed if his/her conflict of interests is of material and permanent nature.

#### **COOPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD**

- The Management Board and the Supervisory Board shall co-operate closely for the purposes of protecting the issuer's interests in the best way.
- The Management Board and the Supervisory Board shall jointly develop the issuer's targets and strategy.
- Upon managing the issuer, the Management Board shall follow the strategic guidelines provided by the Supervisory Board and shall regularly discuss strategic management questions with the Supervisory Board.
- The Management Board and the Supervisory Board shall jointly take steps to ensure that the mutual exchange of data shall be sufficient and efficient.
- The Management Board shall regularly inform the Supervisory Board of all material circumstances which pertain to the planning of the issuer's activity and to the business activity, the risks connected with its activity and the management of those risks.

#### **DISCLOSURE OF INFORMATION**

- The issuer shall treat all shareholders equally and shall notify all shareholders equally of material circumstances. Upon notifying shareholders and investors, the issuer shall use proper information channels, including its website.
- Published information shall also be available in English.

- The following documents shall be available to the shareholders on the issuer's website: report on the Corporate Governance Code, information related to the General Meeting, articles of association, general strategic directions of the issuer as approved by the Supervisory Board, membership of the Management Board and the Supervisory Board, information about the auditor, annual report, interim reports, agreements between shareholders concerning concerted exercise of shareholder rights (if those are concluded and known to the issuer); other information published on the basis of the Corporate Governance Code.
- The Management Board and the Supervisory Board shall describe the management practices of the issuer, including their compliance with the Corporate Governance Code, in the annual report presented to the General Meeting. If the management of the issuer deviates from the provisions of the Corporate Governance Code, the Management Board and the Supervisory Board shall justify the deviation.
- If the issuer notifies financial analysts or other persons of facts or estimates related to the issuer, it shall also publish this information to the shareholders on the issuer's website.
- The issuer shall disclose on its website the dates and venues of the meetings with analysts and the presentations and press conferences organized for analysts, investors or institutional investors.

#### **FINANCIAL REPORTING AND AUDIT**

- Issuer shall publish its annual report once per year and its interim reports during the financial year.
- The Management Board shall prepare the annual report, which shall be audited by the auditor and reviewed by the Supervisory Board. At the invitation of the Supervisory Board, the auditor of the issuer shall participate in the meeting of the Supervisory Board where the annual report shall be reviewed. Members of the Management Board of the issuer and other persons belonging to management shall leave the meeting for the time when the auditor presents the most important conclusions of the audit.
- Information about the connections of the issuer with shareholders that are deemed to be related parties pursuant to the international financial reporting standard shall be disclosed in the annexes to the annual report.
- Together with a notice of calling the General Meeting, the Supervisory Board shall make available to the shareholders information about a candidate for auditor. Before the Supervisory Board presents an auditor candidate for the election at a General Meeting, the Supervisory Board shall request from the candidate an overview of what kind of connection pertaining to work, economic connection or other connection possibly affecting the independence of the auditor exists between the auditor, its management bodies and the auditors in charge on one side and the issuer and its management bodies on the other side.
- Pursuant to the contract, the auditor shall disclose to the Supervisory Board and the General Meeting the circumstances, having become known to the auditor in the course of conducting a regular audit, indicating noncompliance with the Corporate Governance Code by the Management Board or the Supervisory Board.