



CORPORATE GOVERNANCE

MANAGEMENT BOARD'S STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN INVESTMENT FRIENDS SE

Legal basis:

Until 30/11/2018 the Company was subject to legal regulations under § 91 para. 5 point 4) of the Regulation of the Minister of Finance on current and periodic information published by the issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state as amended. The register of commercial companies (Ariregister) applicable to the law of Estonia registered the transfer of the Issuer's registered office to Estonia on 30/11/2018.

The Company is entered into the Registration Department of the District Court in Tartu, register code 14617862. The Company after changing its seat being obliged pursuant to (i) art. 2 of Directive 2004/109/EC of the European Parliament and of the Council of 15/12/2004 (in accordance with the amendments to Directive 2013/50/EU of the European Parliament and of the Council of 22/10/2013) and (ii) § 1844 para. 1 of the Estonian Securities Market Act, the Company announced via report No. 2/2019 on 24/01/2019 that it was choosing a Contracting State as the Home State of the Republic of Estonia. Accordingly, the Republic of Poland is a host Contracting State.

The statement is attached to the individual annual report of INVESTMENT FRIENDS SE for 2018.

I. The indication of the set of corporate governance rules to which INVESTMENT FRIENDS SE is subject and places where the text of the set of rules is publicly available.

Since 01/01/2016 the Company has been subject to the recommendations and principles contained in the Good Practices List of WSE Listed Companies 2016, which was adopted by Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Council of 13/10/2015 and is publicly available on the website of the Warsaw Stock Exchange at:

https://static.gpw.pl/pub/files/PDF/inne/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf.

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The Issuer explains that it does not apply any principles of good corporate governance practices other than those listed below, including those which go beyond the requirements provided for by national law. The Management Board of INVESTMENT FRIENDS SE hereby submits a declaration of compliance with the abovementioned corporate governance principles.

II. Indication of the extent to which the Issuer departed from the Corporate Governance Principles along with an indication of the principles and reasons for their withdrawal.

According to the current state of application of the Good Practices, the Company does not apply 3 recommendations: III.R.1., IV.R.2., VI.R.1.

According to the current state of application of the Good Practices, the Company does not apply 15 specific principles: I.Z.1.6., I.Z.1.7., I.Z.1.8., I.Z.1.9., I.Z.1.11., I.Z.1.15., I.Z.1.16., I.Z.1.17., I.Z.1.18., I.Z.1.20., I.Z.1.21., II.Z.7., IV.Z.5., VI.Z.3., VI.Z.4.

Information policy and communication with investors

A listed company ensures proper communication with investors and analysts, conducting a transparent and effective information policy. To this end, it provides easy and non-discriminatory access to the information disclosed, using a variety of communication tools.

Recommendations

I.R.1. In a situation where the company becomes aware of the dissemination of false information in the media that significantly affects its assessment, immediately after becoming aware of it, it publishes a message on its website containing a position regarding this information - unless, in the company's opinion, the nature of the information and the circumstances of its publication give the basis is to consider the adoption of another solution more appropriate.

The principle is applied.

I.R.2. If a company carries out sponsorship, charity or other similar activities, it publishes information on its policy in this annual activity report.

The principle is applied..

The Company's Comment : *As at the date of entry into force of the Code of Best Practice for WSE Listed Companies 2016, the Company does not operate in this area.*

I.R.3. The Company should enable investors and analysts to ask questions and obtain - taking into account the prohibitions arising from applicable law - explanations on topics of interest to

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these people. This recommendation may be implemented in the form of open meetings with investors and analysts, or in another form provided for by the company.

The principle is applied.

The Company's Comment : *The company provides comprehensive explanations within the limits allowed by law to all queries of shareholders and investors. The company conducts electronic communication with investors. Open meetings with investors and analysts are not organized because there is no interest in this form of obtaining information about the company by investors.*

I.R.4. The Company should endeavor, including taking all necessary steps in advance to prepare a periodic report, to enable investors to become familiar with its financial results as soon as possible after the end of the reporting period.

The principle is applied.

Company comment : *The Company makes efforts to make periodic reports available as soon as possible after the end of the reporting period.*

Detailed rules

I.Z.1. The Company operates a corporate website and publishes on it, in a legible form and in a separate place, in addition to information required by law:

I.Z.1.1. basic corporate documents, in particular the company's statute,

The principle is applied.

I.Z.1.2. composition of the company's Management Board and Supervisory Board as well as professional CVs of the members of these bodies together with information on the compliance of the Supervisory Board members with independence criteria,

The principle is applied.

I.Z.1.3. division of tasks and responsibilities among management board members, prepared in accordance with the principle II.Z.1,

The principle is applied.

Company comment : *The Company's Management Board is one-man and is responsible for all areas of the Company's operations.*

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I.Z.1.4. current shareholding structure, with the indication of shareholders holding at least 5% of the total number of votes in the company - based on information provided to the company by shareholders in accordance with applicable regulations,

The principle is applied.

I.Z.1.5. current and periodic reports as well as issue prospectuses and information memoranda with annexes, published by the company for at least the last 5 years,

The principle is applied.

I.Z.1.6. calendar of corporate events resulting in the acquisition or restriction of rights on the part of a shareholder, calendar of publication of financial reports and other events significant from the investors' point of view - within a time limit enabling investors to make investment decisions,

The principle is not applied.

Company comment : *The Company shall make public in the form of current reports, which are also available on the Company's website, information on all corporate events in good time. In the Company's opinion, information in the form of a calendar is unnecessary*

I.Z.1.7. information materials published by the company on the company's strategy and its financial results,

The principle is not applied.

Company comment : *The company has not yet prepared and published information materials on the company's strategy and its financial results. The financial results of the company and plans for operations in the next reporting period are published by the Issuer in periodic reports, which it publishes with relevant reports and on the company's website.*

I.Z.1.8. statements of selected financial data of the company for the last 5 years of activity, in a format enabling processing of these data by their recipients,

The principle is not applied.

Company comment: *The company discloses in the form of periodic reports information on the company's financial results and selected financial data. This information is also available on the Company's website.*

I.Z.1.9. information on the planned dividend and dividend paid by the company over the last 5 financial years, including data on the dividend day, payment dates and the amount of dividends - in total and per share,

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The principle is not applied.

Company comment: *The company makes public in the form of current reports information on resolutions adopted by the General Meeting. These reports are also available on the Issuer's website. The decision regarding dividend payment belongs to the General Meeting.*

I.Z.1.10. financial forecasts - if the Company has decided to publish them - published in the period of at least the last 5 years, together with information on the degree of their implementation,

The rule does not apply to the company.

Company comment: *The Company has not yet prepared financial forecasts and is not planning to prepare these forecasts in the near future.*

I.Z.1.11. information about the content of the company's rule regarding changing the entity authorized to audit financial statements, or about the lack of such a rule,

The principle is not applied.

Company comment: *The Company complies with the rules of changing the entity authorized to audit financial statements resulting from generally applicable regulations.*

I.Z.1.12. the Company's statement on the application of corporate governance in the last published annual report,

The principle is applied.

I.Z.1.13. information on the state of application by the Company of the recommendations of the principles contained in this document, consistent with the information that the company should provide in this respect pursuant to the relevant provisions,

The principle is applied.

Company comment: *In the reporting period, the company published information on the application of the principles and recommendations contained in the Good Practices of GPW Listed Companies through the EBI system.*

I.Z.1.14. materials submitted to the general meeting, including assessments, reports and positions indicated in principle II.Z.10, submitted to the general meeting by the supervisory board,

The principle is applied.

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I.Z.1.15. information containing a description of the diversity policy applied by the company in relation to the company's authorities and its key managers; the description should include elements of diversity policy such as gender, education, age, professional experience, as well as indicate the objectives of the diversity policy used and how it is implemented in a given reporting period; if the company has not developed and does not implement a diversity policy, it shall publish on its website an explanation of such a decision,

The rule is not applied.

Company comment : *Key personnel decisions with respect to the Company's authorities and its key managers are made by the General Meeting and the Supervisory Board. As a criterion for the selection of members of individual bodies, the company is guided by the qualifications of the candidate to perform specific functions. Information on the data of persons sitting on the Company's governing bodies is published in relevant current reports informing about the selection of organs and on the Company's website.*

I.Z.1.16. information on the planned broadcast of the general meeting - not later than 7 days before the date of the general meeting,

The rule is not applied.

Company comment : *The Company recognizes that the costs of broadcasting the General Meeting are too high. At the same time, the Management Board indicates that the Company's shareholding structure causes a lack of interest in the General Meeting. At the same time, the Company's Articles of Association and the Regulations of the General Meeting do not provide for broadcasting of the meeting.*

I.Z.1.17. justifications for draft resolutions of the general meeting regarding matters and decisions that are significant or that may raise doubts for the shareholders - within a time limit enabling the participants of the general meeting to become acquainted with them and to adopt a resolution with due consideration,

The rule is not applied.

Company comment : *The Company publishes draft resolutions of General Meetings in accordance with applicable law. In cases where justification of the content of a draft or resolution is required, it is forwarded together with draft resolutions presented to the General Meeting.*

I.Z.1.18. information on the reasons for canceling the general meeting, changing the date or agenda, as well as information about a break in the general meeting and the reasons for ordering a break,

The rule is not applied.

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Company comment : *The decision regarding the cancellation of General Meetings is, in principle, taken by shareholders when such a situation occurs. The Company publishes the relevant current report.*

I.Z.1.19. shareholders' questions addressed to the management board pursuant to art. 428 § 1 or § 6 of the Code of Commercial Companies, together with the management board's answers to the questions asked, or a detailed indication of the reasons for not answering, in accordance with rule IV.Z.13,

The principle is applied.

I.Z.1.20. recording of the course of the general meeting, in the form of audio or video,

The rule is not applied.

Company comment : *In the Company's opinion, the costs of such a solution are too high. The Company does not have the necessary technical infrastructure and there is no interest in recording the course of General Meetings due to the shareholding structure of the Company. At the same time, the Company's Articles of Association and the Regulations of the General Meeting do not provide for transmission of the General Meeting.*

I.Z.1.21. contact details for persons responsible in the company for communication with investors, indicating the name and surname, e-mail address or telephone number.

The rule is not applied.

Company comment : *The company on its website provides contact details that can be used by all interested parties. In the Company's opinion, it is not justified to extract contact details for the purpose of communication with investors.*

I.Z.2. A company whose shares are included in the WIG20 or mWIG40 stock indexes ensures that its website is also available in English, at least to the extent specified in principle I.Z.1. Companies outside the above-mentioned indices should also apply this principle, if it is justified by their shareholding structure or the nature and scope of their operations.

The rule does not apply to the company.

Company comment : *The company on its website provides contact details that can be used by all interested parties. In the Company's opinion, it is not justified to extract contact details for the purpose of communication with investors. It does not apply to the Company.*

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I. Management Board and Supervisory Board

A listed Company is managed by the Management Board, its members act in the interest of the Company and are responsible for its activities. To the Management Board includes, in particular, leadership in the Company, commitment to setting its strategic goals and their implementation, and ensuring efficiency and security for the Company.

The Company is supervised by an effective and competent Supervisory Board. Members of the Supervisory Board act in the interest of the Company and are guided by the independence of their own opinions and judgments. The Supervisory Board in particular issues opinions on the Company's strategy and verifies the Management Board's work in achieving strategic goals and monitors the results achieved by the company.

Recommendations

II.R.1. In order to achieve the highest standards in the scope of performing the Company's Management Board and Supervisory Boards and performing them effectively, the Management Board and the Supervisory Board are appointed persons representing high qualifications and experience.

The principle is applied.

II.R.2. Persons making decisions regarding the selection of members of the Company's Management Board or Supervisory Board should strive to ensure the versatility and diversity of these bodies, including in terms of gender, education, age and professional experience.

The principle is applied.

Company comment : *As a criterion for the selection of Members of the Management Board and Members of the Supervisory Board, the company is guided by the qualifications of the person being appointed to perform the function. Information on the data of persons sitting on the Company's governing bodies is published on the Issuer's website*

II.R.3. Performing a function on the Company's Management Board is the main area of professional activity of a Management Board Member. The additional professional activity of a Member of the Management Board may not lead to such time and effort being employed to negatively affect the proper performance of the function in the company. In particular, a Member of the Management Board should not be a member of the bodies of other entities if the time devoted to performing functions in other entities prevents him from performing his duties properly in the company.

The principle is applied.

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II.R.4. Supervisory Board Members should be able to devote the time necessary to perform their duties.

The principle is applied.

II.R.5. In the event of resignation or inability of a Member of the Supervisory Board to act, the company shall immediately take appropriate action to supplement or change the composition of the supervisory board.

The principle is applied.

II.R.6. The Supervisory Board, being aware of the expiration of the term of office of the Management Board Members and their plans for the further performance of functions in the Management Board, takes actions in advance to ensure the effective functioning of the Company's Management Board.

The principle is applied.

II.R.7. The Company provides the Supervisory Board with the opportunity to use professional, independent advisory services, which the board believes are necessary for its effective supervision in the Company. When choosing an entity providing advisory services, the Supervisory Board takes into account the company's financial position.

The principle is applied.

Detailed rules

II.Z.1. The internal division of responsibility for individual areas of the Company's operations between Management Board Members should be formulated in an unambiguous and transparent way, and the division scheme should be available on the company's website.

The principle is applied.

Company comment : *The Company has a single Management Board responsible for all areas of the Company's operations.*

II.Z.2. Members of the Company's Management Board on the management boards or Supervisory Boards of Companies outside the company's capital group require the consent of the Supervisory Board.

The principle is applied.

II.Z.3. At least two Members of the Supervisory Board meet the independence criteria referred to in principle II.Z.4.

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The principle is applied.

The company's comment : Decision on election of the Supervisory Board Members is a competence of the General Meeting of Shareholders. The Shareholders led by qualifications and trust in the particular candidates designate the composition of the Supervisory Board. The Company, dependently on decision of the General Meeting can temporarily meet or do not meet this criteria, dependently on selected composition of the Supervisory Board.

II.Z.4. As far as the criteria of independence of the Members of the Supervisory Board is concerned, Annex II to the European Commission Recommendation 2005/162/EC of 15/02/2005 regarding the role of non-executive or Supervisory Board Members of listed companies and the (Supervisory) Board Committee applies. Notwithstanding the provisions of point 1 lit. b) of the document referred to in the previous sentence, a person who is an employee of a Company, a subsidiary or an affiliate, as well as a person associated with these entities with a contract of a similar nature, cannot be considered as meeting the criteria of independence. A relationship with a shareholder excluding the independence of a Member of the Supervisory Board within the meaning of this rule is also understood as actual and significant connections with a shareholder holding at least 5% of the total number of votes in the company.

The principle is applied.

The Company's comment : Decision on election of the Supervisory Board Members is made by the General Meeting.

II.Z.5. Member of the Supervisory Board submit a statement on meeting the criteria of independence prescribed in the principle II.Z.4 for other members of the Supervisory Board and for the Management Board.

The principle is applied.

II.Z.6. The Supervisory Board estimates if there are any relations or circumstances which may have influence on meeting the criteria of independence by a particular member of the Supervisory Board. Estimation of meeting the criteria of independence by the members of Supervisory Board is presented by the SB in accordance with the principle II.Z.10.2.

The principle is applied.

II.Z.7. As far as tasks and functioning of the committees operating in the supervisory board are concerned, provisions of the Annex 1 to the Recommendation of the European Commission, that is referred in the principle II.Z.4, are applicable. In case of performing function of the audit committee by the supervisory board, abovementioned principles are applied respectively.

The principle is not applied.

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The Company's Comment : Currently, there is no Audit Committee in the Company. On April 8, 2019 the Supervisory Board adopted the resolution on dissolution of the Audit Committee.

II.Z.8. The Chairman of the Audit Committee meets the independence criteria indicated in principle II.Z.4.

The principle does not apply for the Company.

The Company's Comment : Currently, there is no Audit Committee in the Company. On April 8, 2019 the Supervisory Board adopted the resolution on dissolution of the Audit Committee.

II.Z.9. In order to allow the supervisory board to realize its tasks, the management board of the company access to information about the Company's matters.

The principle is applied.

II.Z.10. Apart from activities resulting from provisions of the law, once a year the supervisory boards prepared and present to the general meeting:

II.Z.10.1 assessment of the Company's situation with reference to assessment of the internal control systems, risk management, compliance and functions of the internal audit; this assessment involves also all important mechanisms of control, especially those regarding financial reporting and operating activity;

The principle is applied.

II.Z.10.2 report on the supervisory board's activity includes at least information about:

- composition of the supervisory board and its committees,
- meeting by members of the supervisory board the criteria of independence,
- amount of the supervisory board's meetings and its committees in the reporting period,
- self-assessment of the supervisory board's activity;

The principle is applied.

II.Z.10.3 assessment of the manner in which the Company complies with information obligations regarding the application of corporate governance principles set out in the Stock Exchange Regulations and provisions regarding current and periodic information provided by issuers of securities;

The principle is applied.

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The Company's Comment : *Supervisory Board of the Company, since the entry into force of the Best Practice for WSE Listed Companies 2016 is going to prepare an additional information on this matter.*

II.Z.10.4 assessment of the rationality of the policy pursued by the company, referred to in recommendation I.R.2, or information about the lack of such policy.

The principle is applied.

The Company's Comment : *Supervisory Board of the Company, since the entry into force of the Best Practice for WSE Listed Companies 2016 is going to prepare an additional information on this matter.*

II.Z.11. Supervisory Board considers and assesses issues which are going to be subject of the general meeting resolutions.

The principle is applied.

III. Internal systems and functions

A public company maintains effective systems: internal control, risk management and supervising of compliance of activity with law, as well as effective function of the internal audit, relevant for the Company's size, type and scope of conducted activity.

Recommendations

III.R.1. The Company distinguishes in its structure the units responsible for realization of the tasks in particular systems or functions, unless distinguishing of organizational entities is not justified due to the size of a type of activity conducted by the company.

The principle is not applied.

The Company's Comment : *Distinguishing of organizational units is not justified due to the size and type of conducted activity by the company. The company introduced internal systems appropriate for the size of the company and the scope of conducted activity.*

Detailed rules

III.Z.1. The Company's Management Board is responsible for the implementation and maintenance of effective internal control, risk management, compliance and internal audit functions.

The principle is applied.

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The Company's Comment : *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

III.Z.2. Subject to Rule III.Z.3, Persons responsible for risk management, internal audit and compliance report directly to the Chairman or other Member of the Management Board and have the option of reporting directly to the Supervisory Board or Audit Committee.

The principle is applied.

The Company's Comment : *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

III.Z.3. In relation to the person managing the internal audit function and other people responsible for carrying out their tasks, the principles of independence laid down in generally recognized international standards of professional practice in internal audit apply.

The principle is applied.

The Company's Comment : *There is no Audit Committee in the Company.*

III.Z.4. At least once a year, the person responsible for internal audit (in case when such a function is separated in the company) and the Management Board present to the Supervisory Board their own assessment of the effective functioning of the systems and functions referred to in rule III.Z.1, together with an appropriate report.

The principle is applied.

The Company's Comment : *Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.*

III.Z.5. The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle III.Z.1, inter alia on the basis of reports periodically provided to it directly by persons responsible for these functions and the Company's Management Board, as well as an annual assessment of the effectiveness of these systems and functions, in accordance with principle II.Z.10.1. In the event that an Audit Committee operates in the Company, it monitors the effectiveness of the systems and functions referred to in principle III.Z.1, however, this does not release the Supervisory Board from making an annual assessment of the effectiveness of the functioning of these systems and functions.

The principle is applied.

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The Company's Comment : The Supervisory Board perform ongoing control over all areas of the Company's activity.

III.Z.6. If the company has not organisationally separated the internal audit function, the audit committee (or the supervisory board, if it performs the function of an audit committee) every year assesses whether there is a need for such a separation.

The principle is applied.

The Company's Comment : The Supervisory Board perform ongoing control over all areas of the Company's activity. Because of adopted model of activity of the Company, there is established single-person Management Board who is undertaken to direct control of the Supervisory Board.

II. General Meeting and relations with shareholders.

The Management Board of a listed company and its Supervisory Board should encourage shareholders to be engaged in the affairs of the Company, which is primarily expressed by active participation in the general meeting.

The general meeting should meet with respect for the rights of shareholders and strive to ensure that the adopted resolutions do not violate the legitimate interests of individual groups of shareholders.

Shareholders participating in the general meeting exercise their rights in a manner that does not violate decency.

Recommendations

IV.R.1. The Company should strive to holding of the ordinary general meeting in possibly shortest time after publication of the annual report, indicating the date of the meeting taking into account the relevant provisions of the law.

The principle is applied.

IV.R.2. If it is justified due to the shareholding structure or the expectations of shareholders notified to the Company, provided that the Company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting using electronic means of communication, it should enable shareholders to participate in the general meeting using such means, in particular via:

- 1) real-time broadcast of the general meeting,
- 2) two-way real-time communication in which shareholders may speak during the general meeting from a place other than the place of the general meeting,
- 3) exercising, in person or by proxy, the right to vote during the general meeting.

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The Company is not applied.

The Company's Comment : *Because of the Company's shareholding structure, high costs and no interest by the shareholders, this recommendation is not applied by the Company.*

IV.R.3. The Company strives to ensure that, when securities issued by the Company are traded in different countries (or in different markets) and under different legal systems, the implementation of corporate events related to the acquisition of rights on the part of a shareholder occurs on the same dates in all countries in which they are listed.

The principle does not apply for the Company.

The Company's Comment : *Securities issued by the Company are listed only on the regulated market of WSE (GPW S.A.) in Warsaw.*

Detailed rules

IV.Z.1. The Company set out a place and term of the general meeting in the way to make it possible to participate in the meeting by as many shareholders as possible.

The principle is applied.

IV.Z.2. If it is justified due to the shareholding structure of the Company, the Company provides publicly available broadcast of the general meeting in real time.

The principle does not apply for the Company.

The Company's Comment : The Company recognizes that the costs of broadcasting the General Meeting are too high. At the same time, the Management Board indicates that the Company's shareholder structure causes a lack of interest in the General Meeting. At the same time, the General Meeting Regulations do not prescribe transmission of the meeting.

IV.Z.3. Representatives of the media are allowed to attend general meetings.

The principle is applied.

The Company's Comment : The company indicates that there is no interest in the participation of the media in the General Meeting of the Company. In addition, the Company's Article of Association and the General Meeting Regulations do not prescribe transmission of the meeting.

IV.Z.4. In case of receiving by the Management Board the information on convening of the general meeting pursuant to art. 399 § 2 - 4 of the Commercial Companies Code, the management board immediately undertakes actions to which it is obliged due to organization and carrying out

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of the general meeting. The rule applies also in case of convening of the meeting by the registry court pursuant to art. 400 § 3 of the Commercial Companies Code.

The principle is applied.

IV.Z.5. The Regulation of general meeting, as well as the way of carrying of the sessions and adopting resolutions shall not hinder the participation of shareholders in a general meeting and exercising their rights. Amendments in regulation of the general meeting shall be effective since the next general meeting earliest.

The principle is not applied.

The Company's Comment : *The Management Board indicates that there is not applied a regulation of a general meeting, therefore there is no limitations imposed on the shareholders' rights.*

IV.Z.6. The Company makes every effort to ensure that the cancellation of the general meeting, changing the date or ordering a break in the meeting do not prevent or restrict shareholders from exercising their right to participate in the general meeting.

The principle is applied.

IV.Z.7. A break in the general meeting may take place only in specific situations, each time indicated in the justification of the resolution on the break order, prepared on the basis of reasons presented by the shareholder requesting the break.

The principle is applied.

The Company's Comment : *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders.*

IV.Z.8. The resolution of the general meeting regarding the ordering of breaks clearly indicates the date of resuming the meeting, while the date may not constitute a barrier for participation in resumed discussions by the majority of shareholders, including minority shareholders.

The principle is applied.

The Company's Comment : *The company indicates, however, that decisions regarding the announcement of a break in the General Meeting are made only by shareholders.*

IV.Z.9. The Company strives to make the draft resolutions of the general meeting justify if it makes it easier for the shareholders to pass the resolution with due consideration. If the matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or chairman of the general meeting asks for justification of the proposed

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resolution. In important matters or likely to raise doubts of shareholders, the company will provide a justification, unless it otherwise provides shareholders with information that will ensure that the resolution is taken with due consideration.

The principle is applied.

The Company's Comment : *The Management Board will seek publication of key business reasons for the draft resolutions of the General Meetings.*

IV.Z.10. Realization of rights of the issuers as well as the way of exercising their rights shall not hinder the proper working of the Company's governing bodies.

The principle is applied.

IV.Z.11. The members of the management board and the supervisory board participate in the general meeting in the composition allowing for substantive answers to questions asked during the general meeting.

The principle is applied.

The Company's Comment : *The members of the company's governing bodies make efforts to participate in the General Meeting, however, due to the fact that the General Meetings of the Company are held repeatedly upon request or within the deadlines set by the shareholders, it is difficult to ensure the participation of the members of the bodies in the General Meeting.*

IV.Z.12. The Management Board should present to the participants of an ordinary general meeting the financial results of the company and other significant information included in the financial statements being subjected into approval by the general meeting.

The principle is applied.

IV.Z.13. In case of notification by a shareholder a request for information about the company, not later than within 30 days, the Management Board is obliged to answer the request of a shareholder or inform them about refusal of providing such an information, if the management board decide such a decision pursuant to art. 428 § 2 lub § 3 of the Commercial Companies Code.

W przypadku zgłoszenia przez akcjonariusza żądania udzielenia informacji na temat spółki, nie później niż w terminie 30 dni zarząd spółki jest obowiązany udzielić odpowiedzi na żądanie akcjonariusza lub poinformować go o odmowie udzielenia takiej informacji, jeżeli zarząd podjął taką decyzję na podstawie art. 428 § 2 or § 3 Kodeksu spółek handlowych.

The principle is applied.

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IV.Z.14. Resolutions of the general meeting should ensure that the necessary time intervals are determined between decisions causing specific corporate events and the dates on which the rights of shareholders resulting from such corporate events.

The principle is applied.

The Company's Comment : *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are taken only by shareholders.*

IV.Z.15. The resolution of the general meeting regarding the issue of shares with pre-emptive rights should specify the issue price or the mechanism for determining it, or oblige the body authorized to set it before the pre-emptive right day, within the time enabling the investment decision to be taken.

The principle is applied.

The Company's Comment : *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

IV.Z.16. The dividend day and dividend payment dates should be set so that the period between them is not longer than 15 business days. Setting a longer period between these dates requires justification.

The principle is applied.

The Company's Comment : *However, the company indicate, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

IV.Z.17. A resolution of the general meeting regarding the payment of a conditional dividend may contain only such conditions, which eventual fulfillment will take place before the dividend date.

The principle is applied.

The Company's Comment : *However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.*

IV.Z.18. The resolution of the general meeting on the split of the nominal value of shares should not set a new nominal value of shares at a level lower than 0.50 PLN, which could result in a very low unit market value of shares, which could threaten the correctness and credibility of the quotation of a company listed on the stock exchange .

The principle is applied.

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The Company's Comment : However, the company indicates, that decisions regarding the content of resolutions of the General Meeting are made only by shareholders.

III.Conflict of interests and transactions with related entities

For the purposes of this chapter, the definition of a related party set out in international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards is adopted.

The company should have transparent procedures for preventing conflicts of interest and entering into transactions with related entities in the conditions of a possible conflict of interest. Procedures should provide ways to identify, disclose and manage such situations.

Recommendations

V.R.1. A member of the management board or supervisory board should avoid taking the professional or beyond professional activity which could lead to incurring of a conflict of interest or negatively influence his/her reputation as a member of the company's governing body, and in case of incurring of the interest's conflict, he/she shall disclose it immediately.

The principle is applied.

Detailed rules

V.Z.1. Any shareholder should be privileged in relation to other shareholders in the scope of transactions concluded by the company with shareholders or their related entities.

The principle is applied.

The Company's Comment : The Management Board indicates that due to the shareholding structure and the company's profile, transactions with the company's leading shareholder are and may be concluded, which does not mean that its position in this area is privileged.

V.Z.2. Member of the Management Board or of the Supervisory Board informs accordingly the Management Board or the Supervisory Board about occurred conflict of interests or about the possibility of its arising and does not participate in voting on a resolution on a matter, in which a conflict of interest may arise in relation to it.

The principle is applied.

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V.Z.3. Member of the Management Board or of the Supervisory Board can not take advantages, which could affect his impartiality and objectivity in making decisions or cast a negative impact on the assessment of the independence of his opinions and judgements.

The principle is applied.

V.Z.4. If a member of the Management Board or the Supervisory Board recognize that a decision, accordingly of the Management or of the Supervisory Board, conflicts with the company's interests, the member can request placing its position on the subject in the protocol.

The principle is applied.

V.Z.5. Before concluding significant agreement by the Company with a shareholder holding at least 5% of the total number of votes in the company or with related entity, the Management Board asks the Supervisory Board for consent for the transaction. Before giving the consent, the Supervisory Board assesses the impact of the transaction on the company's interest. The above obligation does not apply to typical transactions and those concluded on market terms as part of the company's operating activities with entities that are part of the company's capital group. In the case when the decisions on concluding significant agreement with related entities is made by the General Meeting, before making the decision, the company shall provide all shareholders with access to information necessary to assess the impact of this transaction on the company's interest.

The principle is applied.

V.Z.6. The company specifies in its internal regulations the criteria and circumstances, in which a conflict of interests in the company can occur, as well the principles of procedure in the face of conflict of interests or the possibility of this occurrence. The Company's internal regulations include, inter alia, ways of preventing, identifying and resolving conflict of interest, as well as the rules for excluding a member of the Management Board or the Supervisory Board from participating in the consideration of an issue covered or threatened by a conflict of interest.

The principle is applied.

VI. Remuneration

The company has a remuneration policy at least for members of the company's governing bodies and key managers. The remuneration policy defines in particular the form, structure and method of determining the remuneration of members of the company's governing bodies and its key managers.

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Recommendations

VI.R.1. The remuneration of members of the company's governing bodies and key managers should result from the adopted remuneration policy.

The principle is not applied.

Company's comment : *Due to the size of the company, organizational structure and scope of activity in the company, the "remuneration policy" document has not been prepared. Remuneration for individual members of the company's bodies, including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members - General Meeting of the Company's Shareholders.*

VI.R.2. The remuneration policy should be closely related to the company's strategy, its short and long-term goals, long-term interests and results, and should include solutions to avoid discrimination on any grounds.

The principle is applied.

VI.R.3. If there is a remuneration committee in the supervisory board, the principle II.Z.7 applies to its functioning.

The principle is applied.

Company's comment: *Due to the size of the company, organizational structure and scope of activity in the company, the „remuneration policy” document has not been prepared. Remuneration for individual members of the company's bodies including tasks assigned for execution and evaluation of their implementation, determines the Supervisory Board for the Management Board, and for the Supervisory Board Members – General Meeting of the Company's Shareholders.*

VI.R.4. The level of remuneration of members of the Management Board and the Supervisory Board and key managers should be enough to acquire, retain and motivate people with the competencies necessary for the proper management and supervision of the company. The remuneration should be adequate to the scope of tasks entrusted to individual persons and consider the fulfilment of additional functions, such as work in supervisory board committees.

The principle is applied.

Detailed rules

VI.Z.1. Incentive programs should be designed to, inter alia, make the level of remuneration of the management board members and its key managers dependent on the actual, long-term

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financial standing of the company and the long-term increase in shareholder value and stability of the company's operation.

The rule does not apply to the company.

Company's comment: *The company has not adopted incentive programs.*

VI.Z.2. In order to link the remuneration of management board members and key managers to the company's long-term business and financial goals, the period between granting options or other instruments related to the company's shares under the incentive scheme and the possibility of their implementation should be at least 2 years.

The rule does not apply to the company.

Company's comment : *The company has not adopted incentive programs.*

VI.Z.3. The remuneration of the members of the supervisory board should not depend on options and other derivatives, or any other variable components, and should not depend on the company's results.

The principle is not applied.

Company's comment: *The Company does not hire employees.*

VI.Z.4. The company in its activity report presents a report on the remuneration policy, containing at least:

- 1) general information on the remuneration system adopted in the company,
- 2) information on the terms and amount of remuneration of each member of the management board, broken down into fixed and variable components of remuneration, indicating key parameters for determining variable remuneration components and payment rules for severance pay and other payments for termination of employment, order or other legal relationship of a similar nature - separately for the company and each unit included in the capital group,
- 3) information on the individual management board members and key managers entitled to outside of the financial remuneration components,
- 4) indication of significant changes that have occurred in the remuneration policy during the last financial year, or information about their absence,
- 5) assessment of the functioning of the remuneration policy from the point of view of achieving its objectives, in particular long-term growth of shareholder value and stability of the company's operation.

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The principle is not applied.

Company's comment : *The Company publishes information on the remuneration of the Members of the Company's Bodies in accordance with the applicable International Accounting Standards.*

DESCRIPTION OF THE MAIN FEATURES USED IN THE ENTERPRISE CONTROL SYSTEMS AND RISK MANAGEMENT WITH REGARD TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS.

Due to the simplified structure and relatively limited number of financial risks, the Issuer's Management Board has not developed and introduced a written procedure of the internal control system and risk management in the scope of preparing financial statements, however the Issuer with the utmost diligence approaches the issue of financial reporting.

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in terms of the correctness of preparing financial statements and periodical reports.

Financial statements and periodic reports are prepared based on financial data from the financial and accounting system, where they are recorded in accordance with the principles of the adopted accounting policy in accordance with the Accounting Act. The audit of the correctness of the preparation of periodic financial statements is carried out thanks to the annual financial audits carried out by independent auditors and the interim review of financial statements for each half-year.

Due to the composition of the Supervisory Board not exceeding 5 people, the functions of the Audit Committee until 20/10/2017 entrusted to the entire composition of the Supervisory Board. On 20/10/2017 the Company's Supervisory Board decided to appoint an Audit Committee from its composition, consisting of three members i.e.: Wojciech Hetkowski – Chairman, Anna Kajkowska – Member, Małgorzata Patrowicz – Member. In the opinion of the Supervisory Board, the Audit Committee in the selected composition met the requirements specified in art. 128 section 1 and art. 129 section 1,3,5 and 6 of the Act on Statutory Auditors

During the reporting period the Audit Committee was monitoring the audit of auditors' financial statements and includes an audit of the manner of preparing the Management Board's Report on the Company's operations and preparation of relevant resolutions presented to the Ordinary General Meeting of Shareholders.

In the reporting period the financial report was prepared by a professional entity – the auditing office of the „Galex” auditor providing accounting services based on the outsourcing agreement for the benefit of the Issuer.

By using the services of a specialized office, the Management Board was provided with ongoing external consultancy in the area of consulting any problems related to the correctness of drawing

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up mandatory financial statements, including quarterly, semi-annual and annual financial statements and tax issues.

On 08/04/2019 because of the change of the Company's seat in November 2018 to Estonia, the Supervisory Board adopt the resolution on dismiss the composition of the Audit Committee.

INDICATION OF SHAREHOLDERS CONSIDERING DIRECTLY OR INDIRECTLY PACKAGES OF SHARES WITH THE INDICATION OF THE NUMBER OF SHARES HELDED BY THOSE ENTITIES THEIR PERCENTAGE IN THE EQUITY CAPITAL, THE NUMBER OF THOSE AND THEIR PERCENTAGE IN THE GENRAL NUMBER OF VOTED AT THE GENERAL MEETING.

Shareholding of INVESTMENT FRIENDS SE (previous name INVESTMENT FRIENDS S.A.) as at 31 December of 2017.

No.	SHAREHOLDER	L. SHARES	% SHARES	L. VOTES	% VOTES
1	Patro Invest Sp. z o.o.	3 077 250	34,19	3 077 250	34,19
2	others	5 922 750	65,81	5 922 750	65,81
	total	9 000 000	100	9 000 000	100

The Company Damf Invest S.A. through subsidiary Patro Invest Sp. z o.o. as at 31/12/2017 holds a total of 3 077 250 indirectly through the subsidiary DAMF INVEST S.A shares of the Company, which number constitutes 34,19 % of the share capital of the Company and entitles to give 3 077 250 votes constituting 34,19 % of the total number of votes at the General Meeting of the Company.

Mr. Damian Patrowicz - as at 31/12/2017 a total of 3 077 250 indirectly through subsidiary DAMF INVEST S.A holds shares of the Company Investment Friends SE (previous name Investment Friends S.A.), which number constitutes 34,19 % of the share capital of the Company and entitles to give 3 077 250 votes constituting 34,19% of the total number of votes at the General Meeting of the Company.

To the best knowledge of the Management Board, as at the balance sheet date, i.e. 31/12/2018. the structure of direct and indirect shareholding holding at least 10% of the total number of votes at the General Meeting was as follows:

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Direct shareholding structure as at 31/12/2018.

No.	Shareholder	Number of shares	% shares	Number of votes	% votes
1	PATRO INVEST OÜ	3 097 232	34,41	3 097 232	34,41
2	Others	5 902 768	65,59	5 902 768	65,59
	Total	9 000 000	100	9 000 000	100

Indirect shareholding structure as at 31/12/2018.

No.	Shareholder	Number of shares	% shares	Number of votes	% votes
1.	Mr. Damian Patrowicz	3 097 232	34,41	3 097 232	34,41

To the best knowledge of the Management Board, as at the date of publication of this periodic report, i.e. 02.11.2019 r. the structure of direct and indirect shareholding holding at least 10% of the total number of votes at the General Meeting has not changed as compared to the balance sheet date of 31/12/2018.

INDICATION OF SHAREHOLDERS OF ANY SECURITIES WHICH GIVE SPECIAL CONTROL RIGHTS WITH THE DESCRIPTION OF THESE POWERS.

The Company did not issue securities, which give special powers to its owners. All securities issued by the Company are without any special control rights.

INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS, SUCH AS LIMITATION OF VOTING RIGHTS BY THE SHAREHOLDERS OF SPECIFIC PARTS OR NUMBER OF VOTES, TIME LIMITS ON THE EXERCISE OF VOTING RIGHTS OR RECORDINGS UNDER WHICH THE EQUITY RIGHTS RELATED TO SECURITIES ARE SEPARATED FROM HOLDING SECURITIES.

Such restrictions do not apply to the Company's shares.

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INDICATION OF ALL RESTRICTIONS REGARDING THE TRANSFER OF THE PROPERTY RIGHTS OF THE ISSUER'S SECURITIES.

There are not any restrictions known to the Management Board of the Issuer, regarding the transfer of ownership of the Issuer's securities.

DESCRIPTION OF RULES CONCERNING THE APPOINTMENT AND DISMISSAL OF THE MANAGING PERSONS AND THEIR POWERS, PARTICULARLY TH THE RIGHT TO TAKE THE DECISIONS ON ISSUES OR PURCHASE OF SHARES.

The Management Board of the Company in 2018 was one-man. According to the Article of Association of the Company (which is force in since 30/11/2018) the Chairman of the Management Board is appointed and dismissed by the Supervisory Board of the Issuer. The term of office of the Management Board lasts three years, and its powers are specified in the Company's Articles of Association. Management Board consist of three to seven members. The term of office of Supervisory Board is common and lasts five years. Members of the Supervisory Board are appointed and dismissed by the General Meeting. Members of the outgoing Supervisory Board can be re-elected. Members of the Supervisory Board fulfil their duties personally. The Supervisory Board supervises the Company's activity.

Except for the issues indicated in the Act, in other provisions of the Article of Association or the General Meeting's resolutions, competencies of the Supervisory Board involve:

- Approving the Company's budget and risk management principles;
- The acquisition or disposal by the Company of any asset, whose value exceeds EUR 100 000 in one or more related with each other transactions;
- Consenting to the terms of activities concluded with Management Board's members and making decisions on entering a legal dispute with a Management Board's member and determining a person authorized to represent the Company in the dispute;
- Consenting to any type of transactions, whose value exceeds EUR 100 000 in one or more related with each other transactions;
- Consenting to borrowing or granting loans o any type of debt obligations by the Company or incurring obligations exceeding EUR 100 000 in one or more related transactions;
- Establishing and closing foreign branches, representative offices or other types of company's entities;
- The acquisition or disposal of any type of enterprise or termination of the enterprise's activity or concluding transactions, that may result in the future acquisition or disposal of enterprises or termination of the enterprise;

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-Creating or acquisition or merging with other enterprises or disposal subsidiaries or ceding, disposal or burden in any way of parts and subsidiaries or termination of subsidiaries' activity.

EMITENTA DESCRIPTION OF THE RULES FOR CHANGING THE ARTICLES OF ASSOCIATION OR AGREEMENT OF THE ISSUER'S COMPANY

According to the Articles of Association of the Company, which is in force since November 30, 2018, an amendment to the Company's articles of Association can be made only by way of resolution of the General Meeting of Shareholders, pursuant to point 4.8.1 of Articles of Association.

THE MODE OF ACTING OF THE GENERAL MEETING AND ITS PRINCIPAL POWERS AND DESCRIPTION OF SHAREHOLDERS' RIGHTS AND METHOD OF EXERCISE, IN PARTICULAR THE RULES ARISING FROM THE RULES OF THE GENERAL MEETING, IF THESE TERMS HAVE BEEN ADOPTED, HOWEVER INFORMATION IN THIS FIELD DOES NOT APPLY FROM THE LAW.

The General Meeting operates on the provisions of the Commercial Companies Code and the Articles of Association of the Company, which is in force since November 30, 2018. Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to the Shareholders with justification and Supervisory Board's opinion before the General Meeting, in time enabling them to become acquainted and assess them. A shareholder may participate in the General Meeting and vote personally or through Representatives. Participation of Shareholder Representative at the General Meeting requires proper documentation of the right to act on behalf of the Shareholder. Members of the Supervisory Board and Management Board are entitled to participate in the General Meeting. People entitled to participate in the General Meeting have the right to speak on their own. Other people present at the General Meeting may speak only with the consent of the General Meeting.

PERSONAL COMPOSITION OF THE COMPANY AUTHORITIES AND THE CHANGES, THAT HAPPENED WITHIN THE LAST FINANCIAL YEAR AND THE DESCRIPTION OF THE BODIES MANAGING, SUPERVISING OR ADMINISTRATING THE ISSUER AND THEIR COMMITTEES.

MANAGEMENT BOARD

Ms Agnieszka Gujgo was appointed by virtue of the resolution of 01/11/2014 at 16:00 by the Supervisory Board of Investment Friends SE (formerly Investment Friends S.A) to act as President of the Management Board since 01/11/2014.

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As at the date of preparing the report, the composition of the Management Board has not changed.

SUPERVISORY BOARD

In the reporting period the composition of the Issuer's Supervisory Board was as follows:

1. Damian Patrowicz	Chairman of the Supervisory Board	Appointment on 27/04/2017 for the next term Resignation 25/04/2018 Appointment 30/05/2018 Resignation 11/01/2019
2. Małgorzata Patrowicz	Secretary of the Supervisory Board	Appointment on 27/04/2017 for the next term Resignation 25/04/2018 Appointment 30/05/2018
3. Anna Kajkowska	Member of the Supervisory Board	Appointment on 27/04/2017 for the next term
4. Jacek Koralewski	Member of the Supervisory Board	Appointment on 27/04/2017 for the next term
5. Wojciech Hetkowski	Member of the Supervisory Board	Appointment on 27/04/2017 for the next term

AUDIT COMMITTEE

On 20/10/2017 the Company's Supervisory Board decided on the Audit Committee appointment in the following composition:

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Wojciech Hetkowski – Chairman of the Audit Committee
Małgorzata Patrowicz – Member of the Audit Committee
Anna Kajkowska – Member of the Audit Committee

Audit Committee in the above composition, fulfilled the independence criteria and other requirements specified in art. 128 section 1 and art. 129 section 1, 3, 5, and 6 of the Act on Statutory Auditors, i.e. at least one member of the Audit Committee has knowledge and skills in accounting or auditing financial statements; at least one member of the Audit Committee have knowledge and skills in the field of the Company's industry, and the majority of members of the Audit Committee, including its Chairman, were independent of the Company.

On 08/04/2019 the Company's Supervisory Board adopted the resolution on dismissing the full Audit Committee because the company's registered office was changed to Estonia, about which the Company informed in current report no. 12/2019.

OTHER SIGNIFICANT INFORMATION ABOUT THE ISSUER

In 2018, the Issuer's legal form changed. Joint Stock Company was replaced by the European Company. As at the balance sheet date, i.e. as at 31/12/2018 the seat of the Company is in Tallinn in Estonia and as at the date of publication of the report, there is no Audit Committee in the Company. Detailed information about this topic is included in the content of the Financial Statement for the twelve months of 2018 and the Report on the Company's Activity for 2018.

Agnieszka Gujgo - Chairman of the Management Board

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