

**WSE Best Practice**

**Regulatory announcement no 01/2011 dated June 30th, 2011**  
**Corporate Governance Statement**

Avia Solutions Group AB (further "ASG") hereby announces the corporate governance statement in accordance with the resolution no 17/1249/2010 of the WSE Supervisory Council dated 19 May 2010.

ASG complied with the "Code of Best Practice for WSE Listed Companies" valid for the Warsaw Stock Exchange. The Code of Best Practice for WSE Listed Companies can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the corporate website: [www.aviasg.com](http://www.aviasg.com) in the "*Investor Relations*" section dedicated to the Company's shareholders under "*Reports, codes*" in the "*WSE Best Practice*" tab.

More information regarding corporate governance on Warsaw Stock Exchange can be found at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

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## CORPORATE GOVERNANCE STATEMENT

### 1. A set of corporate governance rules followed by ASG in 2011

In June 2011, *Avia Solutions Group AB* (further *the Company* or *ASG*) complied with the majority of rules set in the "Code of Best Practice for WSE Listed Companies" valid for the Warsaw Stock Exchange.

However, certain principles apply to the Company accordingly, with due observance of Lithuanian corporate law and the Company's corporate structure. The Company informs about the following cases of Company's partial non-compliance with the "Code of Best Practice for WSE Listed Companies":

**Recommendation I.1**, *regarding the composition and content of the Company's website*: the Company's website does not contain all recommended information as the corporate history of the Company is short and some information is not yet available or has not been posted yet. The Company does not enable on-line broadcasts of general meetings over the Internet, record general meetings, and publish the recordings on the company website. However, the Company intends to expand its website in line with development of its corporate structure and corporate events in order to meet the expectations of the investors and shareholders.

**Recommendation I.5**, *regarding remuneration policy*. Currently, the Company does not have a remuneration policy adopted. The Company does not exclude that the remuneration policy will be adopted by the General Meeting in the future.

**Recommendation I.9**, *regarding balanced proportion of men and women in the Management Board and Supervisory Council*. Currently, there is only one woman in governing bodies of the Company, Dziuginta Balciune, a member of the Supervisory Council. The Company supports this recommendation. However the members of the Supervisory Board are appointed by the General Meeting of Shareholders and therefore the compliance with this recommendation depends on the shareholders' future decisions.

**Best Practice II.1, 14)**, *regarding internal rules of changing company's authorised to audit financial statements*. Currently, the Company has not adopted any rules regarding the issues described in this recommendation. The Company intends to disclose the rules when they are adopted.

**Best Practice III.6**, *regarding independent members of the Supervisory Council*. Currently there is one independent Non-Executive Director in the Supervisory Council. However the present composition of the Supervisory Council allows protecting properly interests of both minority and majority shareholders and ensures the transparency in functioning. The number of independent members of the Supervisory Council may be increased in the future upon shareholders' decision.

The Code of Best Practice for WSE Listed Companies can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the corporate website: [www.aviasg.com](http://www.aviasg.com) in the "Investor Relations" section dedicated to the Company's shareholders under "Reports, Codes" in the "WSE Best Practice" tab.

In mid-2010 the Warsaw Stock Exchange (WSE) reviewed the Code of Best Practice for WSE Listed Companies and adjusted it to make it compliant with the amendments introduced to the provisions of law, international guidelines and stakeholders' expectations. The Company follows also those recommendations provided for in the "Code of Best Practice for WSE Listed Companies", which are not mandatory. Thus, it

undertakes a number of activities with a view to improve communication with its environment. In order to reach a wide range of recipients it applies both traditional and modern tools of communication:

- ASG has its corporate website ( [www.aviasg.com](http://www.aviasg.com) ), which is a reliable and useful source of information about the Company for the capital market representatives. The internet service contents are prepared in a transparent, fair and complete way so as to enable the investors and analysts to take decisions based on the information presented by the Company.  
ASG website in its present form was launched at the turn of 2009 under the current address: [www.aviasg.com](http://www.aviasg.com). The portal was developed with the use of new technology and contains also a new service for the Company's shareholders and for the stock exchange investors and analysts. It contains a lot of modern tools and information on the Company, in line with the latest market standards.
- The *Investor Relations* section on the corporate website is divided into a few tabs to find all the current and periodical reports published by the Company as well as presentations prepared for major events in the Company with audio and video recording of such events. The *Investor Relations* section is maintained in English. One can find there, among others:
  - a) interactive diagrams and tables fastly comparing the Company's financial ratios in annual time period (the “*Annual Reports*” tab);
  - b) interactive diagrams and tables showing ASG share quotations (the “*ASG on the WSEs*” tab);
  - c) possibility to subscribe for ASG monthly newsletters;
  - d) there is also the “*WSE best practice*” tab on the website, in the Investor Relations section (under “*Reports, Codes*”). One can find there the Company's and Group's annual reports on complying with best practice rules and the “Code of Best Practice for WSE Listed Companies” as well as brief information on best practice applied by the Company and the rules for selecting an entity authorized to audit the financial statements;
  - e) Via the Investor Relations section the information is provided on the dates of general meetings, draft resolutions and the whole set of documents presented to the shareholders at general meetings (under “*Reports, Codes*” sub-section, in the “*General Meetings of Shareholders*” tab).

## 2. Description of key features of ASG's internal control and risk management systems related to the process of financial reporting

The Company's system of internal control and risk management in the process of drawing up financial statements is implemented through:

- verification whether a single accounting policy is applied by the ASG Group companies as regards the recognition, measurement and disclosures in accordance with the International Financial Reporting Standards (IFRS);
- following accounting standards and monitoring compliance with them;
- the audit of the annual financial statements of the Company and the Group;
- carrying out an independent and objective evaluation of risk management and internal control systems.

In order to ensure that unified accounting standards are applied, the ASG Group companies have to follow, for the purpose of preparing the financial information/statements (*consolidated financial information for the 1st quarter, the half-year and the 3rd quarter of the year and the annual separate and consolidated financial statements*), the accounting policy adopted by ASG, periodically updated to ensure that it complies with the applicable laws, specifically with the IFRS. The Corporate Accounting Office monitors whether this obligation is fulfilled and conducts comprehensive analytical procedures supplemented with control activities, as well as develops instructions and guidelines on identified issues, requiring detailed explanations to ensure proper and uniform financial reporting principles.

The consolidated financial information/statements are drawn up based on Group Reporting Packages (further - *GRP*) provided by the Group companies which are reviewed in terms of their cohesion, completeness and continuity. Data required for the stand-alone financial statements is derived from accounting records kept in accordance with the ASG procedures. The disclosures also cover additional information provided by individual organisational units of the Group, which is also checked by the Corporate Accounting Office.

The annual financial statements of the Company and the Group are audited. The auditor presents the results of the reviews and audits to the Management Board and the Audit Committee of the Supervisory Council.

The Company has certain procedures to authorise the financial statements under which the periodical reports are submitted to the Management Board and, subsequently, forwarded to the Audit Committee of the Supervisory Council for their opinion. Once the opinion has been obtained from the Audit Committee and once the auditor has ended its review, the financial statements are approved by the Management Board for publication and subsequently forwarded by the Investor Relations Office to the appropriate capital market institutions and made public. Before the publication, the financial statements are treated as confidential by the Company and provided solely to persons involved in the preparation, control and approval process.

## 3. ASG's shareholders

Since 3 March 2011 ASG shares are listed on the Warsaw Stock Exchange Parallel List in the continuous trading system.

The share capital of ASG is divided into 5,893,333 ordinary shares with a par value of LTL 1 each. All shares carry equal voting rights.

Below is a list of ASG's shareholders holding a significant stake is presented, specifying the number of shares held, the percentage of their share in the Company's share capital, the number of votes conferred by the shares held and their percentage share in the total number of votes at ASG's General Meeting.

The period, since introduction of the shares to exchange trading at WSE, saw one change in the structure of shareholders with more than 5% in the Company's share capital. It occurred on 8 March 2011 when ING

Otwarty Fundusz Emerytalny (ING Open Pension Fund) acquired the Company's shares representing over 5% of the ASG's share capital. Shareholding structure in ASG as at 27 June 2011:

No	Shareholders	Role in the Company's Management	Number of shares	Number of votes at General Meeting of ASG	Share in total number of votes at General Meeting of ASG	Percent of share capital of ASG
1.	ZIA Valda Cyprus Ltd.	-	1,939,275	1,939,275	32.906%	32.906%
2.	Indeco: Investment and Development UAB	-	1,292,850	1,292,850	21.938%	21.938%
3.	Harberin Enterprises Limited	-	777,375	777,375	13.191%	13.191%
4.	ING Otwarty Fundusz Emerytalny	-	390,000	390,000	6.618%	6.618%
5.	Hubert Bojdo	Member of the Supervisory Council	100,000	100,000	1.697%	1.697%
6.	Vytautas Kaikaris	Member of the Management Board	55,250	55,250	0.938%	0.938%
7.	Jonas Butautis	Member of the Management Board	44,200	44,200	0.750%	0.750%
8.	Aurimas Sanikovas	Member of the Management Board	11,050	11,050	0.188%	0.188%
9.	Others	-	1,283,333	1,283,333	21.776%	21.776%
<b>Total number of shares</b>			<b>5,893,333</b>	<b>5,893,333</b>	<b>100.000%</b>	<b>100.000%</b>

One ASG share confers the right to one vote at the Company's General Meeting.

#### **4. Rules for amending ASG's Articles of Association**

The present Articles of Association of ASG may be amended in the manner prescribed by the Lithuanian Company Law. Any amendment to ASG Articles of Association requires a resolution of the General Meeting of Shareholders and has to be entered in the companies register. The resolution of the General Meeting of Shareholders to amend the Articles of Association is adopted by a qualified majority of two thirds of votes carried by the shares held by the shareholders attending the Meeting. Once the amendments to the Articles of Association are entered in the companies register, ASG publishes a relevant current report.

#### **5. Proceedings of ASG's general meeting of shareholders, its key powers, and shareholders' rights and their exercise**

Proceedings and powers of ASG's General Meeting of Shareholders are regulated in the Articles of Association and specified in the Lithuanian Company Law. The documents can be found on the ASG's

website: [www.aviasg.com](http://www.aviasg.com) in the "Investor Relations" section, under "Reports, codes" (in the "General Meetings of Shareholders" tab) or "Major Events" or sub-sections or under "Management" subsection (in the "Statute" tab).

### 5.1. Convening and calling of ASG's General Meetings

The rules for convening and organising the General Meetings of Shareholders were first implemented in practice by the General Meeting of Shareholders of ASG convened on 29 April 2011.

A notice of the convening of the General Meeting of Shareholders of ASG must be published in the Republic of Lithuania and all other EU member states as well as countries of the European Economic Area not later than 21 days before the General Meeting of Shareholders according to the procedure laid down in the laws. The General Meeting is convened through placing an announcement on the Company's website and by delivering a current report to the capital market institutions and making it public. The notice of the convening of the General Meeting of Shareholders shall be additionally published in a daily "*Lietuvos rytas*".

The Ordinary General Meeting of Shareholders should be held no later than within four months from the end of every financial year.

The Extraordinary General Meeting of Shareholders is convened by the Management Board on its own initiative, on the motion of the Supervisory Council or on the motion of a shareholder or shareholders representing no less than one tenth of the Company's share capital, within thirty days from receiving the motion. The motion for the General Meeting to be held should specify the issues for the agenda or include draft resolution on the proposed agenda. The Lithuanian Company Law establishes cases when the General Meeting of Shareholders may be convened upon a court decision.

The shareholder or shareholders representing no less than one twentieth of the Company's share capital may request that specific issues be placed on the agenda of the nearest General Meeting under the rules stipulated in the generally applicable provisions of law.

The Company is obliged to provide draft resolutions, general voting ballot at least 21 days before the date the General Meeting is to be held in order to enable the shareholders to review and assess them. All the materials to be presented to the shareholders at the General Meeting are to be made available by the Company 10 days prior to the commencement day of the General Meeting in the Company's seat in Vilnius and in the Warsaw offices, as well as on the corporate website [www.aviasg.com](http://www.aviasg.com). The resolutions adopted by the General Meeting and voting results are to be published 7 days after the commencement day of the General Meeting.

The General Meetings of ASG are held in the Company's seat in Vilnius, however, they can also be held in Warsaw.

The cancellation and the change in the date of the General Meeting should be effected forthwith once the requirement for the cancellation and the change in the date has occurred but no later than 21 days prior to the day when the General Meeting is to be held under the same procedure as indicated above.

### 5.2. Competence of ASG's General Meeting

Each shareholder is entitled to the following economic rights:

- To receive a part of the Company's profit (dividend);
- To receive the Company's funds when the share capital of the Company is reduced in order to pay out the Company's funds to its shareholders;
- To receive shares gratis in the event the share capital is increased from the Company's own funds, except cases indicated in the Lithuanian Company Law;

- To have the right of first refusal over each new issue of the Company's shares or convertible bonds, except when pursuant to the procedure laid down in the Lithuanian Company Law the General Meeting of Shareholders has made a decision to withdraw said right to all shareholders;
- To lend to the Company under the procedure prescribed by Lithuanian law;
- To receive a part of the residual assets of the Company in liquidation.

Each shareholder is entitled to the following control rights:

- To attend the General Meetings of Shareholders;
- To ask questions to the Company in advance relating to the questions of the agenda of the General Meeting of Shareholders;
- To vote at the General Meetings of Shareholders in accordance with the rights attached to shares;
- To receive information about the Company following the procedure prescribed by the Lithuanian Company Law;
- To appeal to the court of law for the compensation of damages caused by the Board members or the Managing Director of the Company by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and these Articles of Association, as well as in other cases provided by laws.

The shareholders of the Company also enjoy other rights established by the Lithuanian Company Law or other legal acts of the Republic of Lithuania.

### **5.3. Voting at ASG's General Meetings**

A General Meeting may take decisions and shall be held valid if attended by shareholders who hold shares carrying not less than ½ of all votes. After the presence of a quorum has been established, the quorum shall remain continuously throughout the Meeting. If a quorum is not present, the General Meeting shall be considered invalid and a repeat General Meeting must be convened, which shall be authorised to take decisions only on the issues on the agenda of the meeting that has not been held and to which the quorum requirements shall not apply.

For the purpose of establishing the total number of votes carried by the shares of the company and the quorum of the General Meeting, the following shares shall be considered to be non-voting shares:

- own shares purchased by the company;
- non-voting preference shares of the class specified in the Articles of Association.

If the shareholder exercises his right to take a written vote, upon being presented for scrutiny the agenda of the General Meeting and draft decisions, he shall fill in and submit to the company a general ballot paper notifying the General Meeting whether he is "*for*" or "*against*" each decision. The shareholders who took a written vote in advance shall be considered as being present at the General Meeting and their votes shall be included in the quorum of the meeting and the results of voting. The general ballots papers of the meetings which have not taken place shall be valid at repeat meetings. A shareholder shall not be entitled to vote at the General Meeting for the decision in respect of which he has expressed his will in advance in writing.

Voting at the General Meeting shall be open. Secret voting shall be mandatory to all shareholders on the issues on which at least one shareholder requests a secret vote be taken, provided that he is supported by shareholders whose shares carry at least 1/10 of the votes at the General Meeting.

A decision of the General Meeting shall be considered taken if more votes of the shareholders have been cast for it than against it, unless the Lithuanian Company Law or the Articles of Association of the company prescribe a larger majority.



The General Meeting shall not be entitled to take decisions on the issues that are not on the agenda except when the meeting is attended by all shareholders who own shares conferring voting rights and no shareholder voted in writing.

The General Meeting shall take the following decisions by a qualified majority vote that shall be not less than 2/3 of all the votes carried by the shares held by the shareholders attending the Meeting:

- to amend the Articles of Association of the company;
- to determine the class, number, nominal value and the minimum issue price of the shares issued by the company;
- to convert the company's shares of one class into shares of another class, approve the share conversion procedure;
- to replace private limited-liability company share certificates by shares;
- on the appropriation of profit/loss;
- on building up, drawing on, reduction or liquidation of the reserves;
- to issue convertible debentures;
- to increase the authorised capital;
- to reduce the authorised capital;
- on approving the conditions of reorganisation or division and reorganisation, or division of the company;
- on the transformation of the company;
- on the restructuring of the company;
- on the liquidation of the company and cancellation of company.

The decision to withdraw for all shareholders the pre-emption right in acquiring the company's newly issued shares or convertible debentures of a specific issue shall require a qualified majority vote that shall be not less than ¾ of all votes conferred by the shares of the shareholders present at the General Meeting and entitled to decide on the issue.

One ASG share confers the right to one vote at the Company's General Meeting.

The shareholders can participate in the General Meeting and exercise their voting rights in person or by proxy.

#### **5.4. Participation in ASG's General Meetings**

In accordance with Article 21 § 1 of the Lithuanian Company Law, the right to participate in the Company's General Meeting is vested only in the persons that are the Company's shareholders at the end of the record date before the date of the General Meeting (date of registration in the General Meeting). The record date of the public limited-liability company shall be the fifth working day before the General Meeting or the fifth working day before the repeat General Meeting.

At the request of the shareholder, filed no earlier than the announcement of convening the General Meeting has been published and no later than on the working day following the day when the participation in the General Meeting has been registered, the entity where the securities account is kept issues a personal certificate of entitlement to attend the General Meeting. This certificate includes:

- the business name, seat, address and stamp of the issuer and the certificate number,
- number of shares held,
- type and code of shares,
- the business name, seat and address of the Company,
- nominal value of shares,
- name and surname or the business name of the shareholder,
- the seat (place of residence) and address of the shareholder,
- purpose of issuing the certificate,
- date and place of issuing the certificate,

- signature of the person authorised to issue the certificate.

At the request of the shareholder, the certificate should specify part or all of shares registered in his/her securities account.

The list of shareholders eligible to participate in the General Meeting is compiled by the Company on the basis of a specification prepared by the entity maintaining the securities deposit National Securities Depository prepares the list of entities entitled to participate in the General Meeting on the basis of specifications provided no later than twelve days prior to the date of the General Meeting date by the eligible entities. The lists submitted to the National Securities Depository are compiled on the basis of issued certificates of entitlement to participate in the General Meeting. The National Securities Depository provides such a list for the company's review no later than a week prior to the date of the General Meeting.

The General Meeting may be attended by the members of the Management Board and the Supervisory Council, who can take the floor, even if they are not shareholders, without any invitations being sent.

General Meetings of Shareholders can also be attended by other persons invited by an authority convening the General Meeting or allowed to enter the meeting room by the Chairman, specifically, certified auditors, legal and financial advisers or the Company's employees. ASG, as far as admissible under the applicable law and with due consideration of the Company's interests, allows media representatives to attend the General Meetings.

Members of the Management Board and the Supervisory Council and the Company's certified auditor provide the Meeting participants with explanations and information about the Company, within the scope of their authorisation and to the extent required for the issues discussed by the General Meeting to be resolved.

A special section dedicated to the Company's General Meetings is included on the corporate ASG website where information about the planned shareholders' meetings is provided along with material relating to such meetings, archive materials from the meetings held, including texts of resolutions adopted in the General Meetings.

### **5.5. General Meeting in 2011**

The General Meeting of the Company was held on 29 April 2011. This was the Ordinary General Meeting of Shareholders of ASG.

During the debates of the Ordinary General Meeting the shareholders approved the consolidated annual report of the Group as well as the separate and consolidated financial statements for the year ended 31 December 2010. The General Meeting resolved on electing "PricewaterhouseCoopers" UAB, as the Company's audit enterprise to perform the audit of the separate and consolidated financial statements for the year 2011. The General Meeting also consented to the profit (loss) allocation of the Company for the period since the Company's incorporation till 31 December 2010. The General Meeting appointed Mr. Dariusz Marek Formela to the ASG Supervisory Council.

## **6. Composition and proceedings of the management and supervisory authorities in ASG and their committees**

### **6.1. Composition of ASG's Management Board**

Since the Company's incorporation the following persons are acting as members of the Management Board in ASG:

Name	Position held in ASG's Management Board	In the position	
		Since	Until
Gediminas Žiemelis	Chairman of the Management Board	25 August 2010	25 August 2014
Saulius Batavičius	Member of the Management Board	25 August 2010	25 August 2014
Aurimas Sanikovas	Member of the Management Board	25 August 2010	25 August 2014
Jonas Butautis	Member of the Management Board	25 August 2010	25 August 2014
Vytautas Kaikaris	Member of the Management Board	25 August 2010	25 August 2014

## 6.2. Composition of ASG's Supervisory Council

The Company's business is monitored by the Supervisory Council in the following composition:

Name	Position held in ASG's Supervisory Council	In the position	
		Since	Until
Vladas Bagavičius	Chairman of the Supervisory Council	23 August 2010	23 August 2014
Michal Ireneusz Bobrowski	Member of the Supervisory Council	23 August 2010	23 August 2014
Džiuginta Balčiūnė	Member of the Supervisory Council	23 August 2010	23 August 2014
Hubert Bojdo	Member of the Supervisory Council	23 August 2010	23 August 2014
Dariusz Marek Formela	Member of the Supervisory Council	29 April 2011	23 August 2014

## 6.3. Composition of Supervisory Council Committees in ASG

Name	Position held in Supervisory Council Committees in ASG	In the position	
		Since	Until
<b>Audit Committee</b>			
Džiuginta Balčiūnė	Member of the Audit Committee	1 September 2010	1 September 2014
Michal Ireneusz Bobrowski	Member of the Audit Committee	1 September 2010	1 September 2014
Vladas Bagavičius	Member of the Audit Committee	1 September 2010	1 September 2014
<b>Nomination and Remuneration Committee</b>			
Hubert Bojdo	Member of the Nomination and Remuneration Committee	1 September 2010	1 September 2014
Džiuginta Balčiūnė	Member of the Nomination and Remuneration Committee	1 September 2010	1 September 2014
Dariusz Marek Formela	Member of the Nomination and Remuneration Committee	29 April 2011	1 September 2014

#### **6.4. The rules of conduct of the Management Board and Supervisory Council and Supervisory Council Committees in ASG**

Apart from generally applicable laws, the rules of conduct for ASG Supervisory Council, its Committees and the Management Board are regulated in ASG Articles of Association and the Supervisory Council, its committees' and the Management Board Regulations, respectively. The proceedings of the management and supervisory authorities in ASG are also subject to the corporate governance principles set out by the Warsaw Stock Exchange.

#### **6.5. The rules of conduct of ASG's Supervisory Council**

##### **6.5.1. Appointing and recalling members of ASG's Supervisory Council**

Members of ASG Supervisory Council are appointed for a common term of four years of office, ending on the day when the Ordinary General Meeting has been held. Individual members of the Supervisory Council and the entire Supervisory Council can be recalled at any time before the end of the term of office. The Chairman of the Supervisory Council and the secretary are appointed by the Supervisory Council from amongst the other members of the Board.

ASG Supervisory Council is composed of five members. All the members are appointed and recalled by the General Meeting of Shareholders.

In order to guarantee that shareholder's interests and aims of the Company shall be represented respectfully, fairly and properly, the shareholders of the Company shall be provided all necessary information about candidates to the Council in no less than 10 (ten) days until the General Meeting. Shareholders shall know further information about candidates: name, surname, information about education, work experience and competence directly connected to collegial organs, other important professional responsibilities, potential conflicts and other information about candidate's independency. Moreover, shareholder shall know whether candidate is considered to be independent. The Council members shall immediately inform the Council about any changes of the information. This information (mentioned above) and documents about independence of members of the Council shall be presented in the annual report of the Council.

On 29 April 2011 the Annual General Meeting of ASG reelected one independent Supervisory Council Member to the remaining term of office of the ASG Supervisory Council. The decision on independence of the Council member is being passed grounded on the information about candidates.

##### **6.5.2. Organisation of ASG's Supervisory Council's operations**

In pursuance of continuous solving of fundamental questions of the Company management, the Council meetings shall be convened once a quarter, according the schedule, adopted in advance.

The Chairman of the Council, following the Regulations, shall convene the Council Meetings at the time and place set by the Chairman of the Council by sending each Member of the Council and other persons participating the Council Meeting a notice to that effect no later than 8 (eight) working days before the Council Meeting. Usually the Council Meeting takes place on the Company's residence address.

The Council meeting shall be convened by the decision of the Council members of no less than 1/3 votes. In case the Council Member provides a written request to the Chairman of the Council to convene the Council meeting, which defines proposed questions of the Agenda and drafts of the decisions, also necessary document on Agenda questions are provided, the Chairman shall convene the Council Meeting in 10 (ten) business days after the request of the Council Member was received.

The Council meetings are open for members of the Board and the General Manager of the Company. Employees of the Company and auditor of the company can be invited also.

The Chairman of the Council shall indicate the date and Agenda of the Council meeting, and shall collaborate with the Chairman of the Board in order to avoid date conjunction. Each Council Member shall have right to propose additional questions to the Agenda of the Council Meeting, which should be included to the Agenda if the Chairman receives such a written proposal to supplement the Agenda not later than in 6 (six) days before the Council Meeting. The proposal supplement the Agenda shall contain detailed information about the proposed questions and proposed draft of decision. The Chairman shall inform personally the members of the Council and other persons attending the Council Meeting not later than in 5 (five) business days before the Council Meeting.

The Council shall be entitled to pass its decisions and the Meeting shall be acknowledged as legitimate if no less than a half of the Council Members are participating the Meeting. The members of the Council and members who voted in advance in written shall be deemed to be present at the meeting.

The decision of the Council shall be adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Council shall have the decisive vote.

### **6.5.3. Competence of ASG Supervisory Council**

The Council shall implement it's functions and shall have rights, stated in the laws, Articles of Association and decisions of the General Meeting. The Council shall have no right to transfer implementing of its functions to other organs of the Company.

The members of the Council have the following rights:

- to attend the Council Meetings in person and vote on all issues;
- to authorize another person to vote for him/her at the Council Meeting, if it does not confront with the interest of the Company and it's shareholders;
- to get familiar with Agenda issues, draft decisions, and other documents related to the Council Meetings;
- to initiate the Council Meeting;
- to make proposals for the Agenda of the Council Meeting under the procedures set herein;
- to express his/her opinion at each Council Meeting on any Agenda issue;
- to vote in the meeting "for" or "against" provided decision or suspend from voting;
- to vote in writing before the Meeting "for" or "against" known Agenda issues of the Council Meeting if he/she has no possibility to attend such meeting. Voting using means of telecommunication, if text and signature is secure, shall be equal to voting in writing;
- attend in the General Meeting of the shareholders;
- to get acquainted with the documents of the Company, to receive all information from the employees of the Company, General Manager and Management Board about the commercial and financial activities of the Company, which is necessary for the organization of the Council activity and decision making;
- in case a certain decision of the Council is passed, to refer to outside law, accountant or other professionals solving arising during the Council activity;
- to resign from office as a Member of the Council any time announcing in a written assignment before 14 calendar days;
- to get remuneration (bonuses) for his/her activity in the Council according the Law of the companies;
- other rights indicated by laws, Articles of Association and these Regulations.

Members of the Council have the following duties:

- to act in good faith and reasonably with regard to the interests of the Company and it's shareholders, also regarding to the interests of the employees and interests of community;
- to proceed in the Council meeting personally or by a authorized representative;
- to state clearly his disagreement in case he considering the Council decision can cause harm to the Company;

- to be loyal to the Company;
- to avoid situation where his/her private interests conflict or may conflict with the interests of the Company, notify other Members of the Council of occurrence, nature and value of such situations;
- to communicate with the shareholders and obligate to them following the rules states in laws, Articles of Association of the Company, Regulations and Council decisions and requirements;
- to guarantee that electors do not make any influence to the decisions of the Council;
- maintain Company's commercial (trade) secrets, which were disclosed to the Council member during the Council membership term;
- not to confuse his/her own property with that of the Company and not to use information obtained in the performance of his/her office as a Member of the Council for his/her personal benefit or benefit of third parties in a way other than that allowed by the General Meeting of Shareholders;
- to notify in nearly meeting of the Council about the contracts with the Company (except for the low value contracts or contracts concluded while usual operation of the Company and usual standard terms, applied for the third persons);
- to restrain from voting, in case the Council decisions concerning contracts and other questions, are related with the certain Council member personally or matter-of-fact;
- to give information about own activities and stock contracts closely connected according the Law and the Terms;
- to participate in the Council meetings and pay attention to the performing of duties of the Council member. In case the Member of the Council misses more than 2/3 Council meeting during the financial year of the Company, the shareholders shall be informed about that in the General Meeting;
- to inform immediately the Council, in case information about the member of the Council provided before was changed. The information shall be disclosed at the companies annual report;
- to perform other duties stated by laws, Articles of Association and these Regulations.

Independent Members of the Council have:

- to keep independent opinion on analysis, decisions and actions;
- do not accept any unreasonable privileges, which might discredit their independence;
- to confirm own independency during the Council Meeting once in a year.

Without the duties of the Council member, the Chairman of the Council has the following duties:

- to organize the work of the Council duly, to preside over the Council meetings and to warrant order and efficiency of the meetings;
- to convene the Council Meetings on his/her own initiative or on proposal of 1/3 Member's of the Council, to draw up Agendas of the Council Meetings convened, draft decisions for voting and other documents respectfully or appoint another persons to prepare the mentioned documents;
- to notify the members of the Council about the Council meetings, provide the Agenda, also to allow the Council members to get acquainted with the documents on Agenda issues;
- to preside over the Council Meetings, except for the cases set by these Regulations;
- to provide to the Council meeting offers and responses based on strategy of the company, annual financial accounting reports, profit projects and the approved Board's annual report, the Board's and the General Manager's activities;
- to perform other duties stated by laws, Articles of Association and these Regulations.

Given the best practice standards and in order to enable the shareholders to make a true and fair view of the Company, the Supervisory Council of ASG is in charge of the additional duty to submit to the General Meeting of the Company a concise assessment of ASG standing. The assessment is submitted annually, before the date of the Company's General Meeting to allow time for ASG shareholders to get acquainted with it.

#### 6.5.4. Committees of ASG's Supervisory Council

The Supervisory Council of ASG may elect permanent or *ad hoc* committees which act as its collective advisory and opinion making bodies. The following permanent Committees operate within the Supervisory Council of ASG: Audit Committee and Nomination & Remuneration Committee. The said Committees report annually to the Supervisory Council on its activities.

The members of the Committees as well as their Chairmen are appointed by the Supervisory Council, based on the recommendations of (i) the Nomination and Remuneration Committee (in case of the Audit Committee) and (ii) the elected members of the Nomination and Remuneration Committee (in case of the Nomination and Remuneration Committee). The Committees consist of a number of members established by the Supervisory Council, but in any event not less than 3 members of who has to be the members of the Supervisory Council. The members of the Committees may receive remuneration for work in the Committees which shall be established by the Supervisory Council. The Supervisory Council has the right to withdraw the entire Committees *in corpore* or their individual members and to appoint a new Committees or individual members of the Committees.

The Committees must organise their meetings at least once per year. The Committees may adopt the decisions and the meeting shall be considered as valid if it is attended by 2/3 or more of its members. The members of the Committees who vote in advance shall be considered as participating in the meeting. The Committees' decisions shall be deemed adopted if they receive more votes in favour than against. In the event of a tie, the Chairmen of the Committees shall have the casting vote.

The Chairmen of the Committees have to report to the Supervisory Council on the activities of the Committees. Additionally the Audit Committee is obliged to regularly inform the Supervisory Council on its activities and performance, providing its activity reports at least once every 6 months, when yearly and semi-annual reports are approved (in case of Nomination and Remuneration Committee the regularity of such provision of information is not clearly indicated).

#### 6.5.5. Audit Committee

The Committee in its activities shall be guided by its laws, the Company's Articles of Association, resolutions of the general meeting of shareholders, the European Commission's recommendations, these regulations and other binding legislation. Activities of the Committee shall be subject apply *mutatis mutandis* the Rules of Procedure of the Supervisory Council as regards the work procedures and other procedural matters.

The Committee members must have experience in the fields of finance accounting, and (or) audit of listed companies and meet other requirements set out in the legislation of the Republic of Lithuania and the corporate governance code of Warsaw Stock Exchange.

The main functions of the Committee are as follows:

- Observe the integrity of financial information provided by the Company with particular attention to the relevance and consistency of methods used by the Company and the Group;
- at least once a year to review internal controls and risk management systems to ensure that the main risks (including the risk associated with compliance with the existing laws and regulations) are properly established, managed and information of them is disclosed;
- to ensure the effectiveness of internal control functions;
- make recommendations to the Supervisory Council with regard to the selection of external audit firm, its appointment, reappointment and dismissal, and with the terms and conditions of agreement with the audit firm. The Committee shall examine situations in which the audit firm or an auditor has a basis to resign, and provide recommendations on actions required in such case;
- to monitor the independence and objectivity of the external audit firm, to check whether the audit firm

takes into account the requirements in relation to the audit partner rotation, inspect the amount of remuneration paid by the Company to the audit firm and other matters;

- to check the effectiveness of the external audit process and the administration's response to the recommendations made by the external auditor's firm in the letter to management;
- decide and approve whether the Committee is satisfied with the independence of the audit process, providing a brief description of the steps taken to reach the appropriate conclusions.

The Committee may make decisions and the meeting shall be considered as valid if it is attended by 2/3 or more of its members. The Committee members who vote in advance shall be considered as participating in the meeting. The Committee's decision is adopted if it receives more votes in favor than against. In the event of a tie, the Chairman of the Committee shall have the casting vote.

The Committee members may receive a compensation for work on the Committee which shall be established by the Company's Supervisory Council.

#### **6.5.6. Nomination and Remuneration Committee**

The Committee in its activities shall be guided by its laws, the Company's Articles of Association, resolutions of the general meeting of shareholders, the European Commission's recommendations, these regulations and other binding legislation. Activities of the Committee shall be subject apply *mutatis mutandis* the Rules of Procedure of the Supervisory Council as regards the work procedures and other procedural matters.

The Committee members must have experience in the fields of finance and management, and meet other requirements set out in the legislation of the Republic of Lithuania and the corporate governance code of Warsaw Stock Exchange. At least one of the Committee members must have knowledge and experience of remuneration policy.

The Committee shall provide assistance to the Supervisory Council in all matters relating to the appointment of candidates to the Company's board members, company directors or senior management positions. Specifically, the Committee shall:

- select and recommend candidates to the Supervisory Council to vacant positions in the management bodies. The Committee shall assess the Balance of skills, knowledge and experience in management bodies, establish the list of roles and capabilities required for each office, and assess the time required for carrying out the obligations;
- discuss the nominations proposed by the Company's shareholders and management to the Board members or senior management;
- recommend candidates to the Supervisory Council to other committees established by the Supervisory Council;
- regularly assesses the structure, size, composition and performance of management bodies, provide guidance on how to achieve the necessary changes;
- regularly evaluate knowledge, skills and experience of individual directors and shall notify the Supervisory Council;
- properly consider issues related to succession planning;
- review the Company's policy with regard to the selection and appointment of the Company's board members and senior management.

The Committee may make decisions and the meeting shall be considered as valid if it is attended by 2/3 or more of its members. The Committee members who vote in advance shall be considered as participating in the meeting.



The Committee's decision is adopted if it receives more votes in favor than against. In the event of a tie, the Chairman of the Committee shall have the casting vote.

The Committee members may receive a compensation for work on the Committee which shall be established By the Company's Supervisory Council.

## **6.6. The rules of ASG's Management Board operations**

The Board is a collegial management body of the Company comprised of 5 (five) members elected for the tenure of 4 (four) years pursuant to the procedure determined by the Lithuanian Company Law.

The ASG Management Board's principal objective is to realise the Company's interest, which is understood as building the value of its assets entrusted by its shareholders, with due respect for the rights and interests of the parties other than the shareholders, involved in the Company operations, especially creditors and employees.

The Management Board of ASG ensures transparency and efficiency of the Company's management system, and guarantees that the Company's affairs will be handled in accordance with applicable law and good business practice.

### **6.6.1. Appointing and recalling ASG's Management Board**

The Board is elected by the Supervisory Council according the procedure stated in the Law on Companies.

The following persons may not be appointed or elected as members of the Board:

- members of the Supervisory Council of the Company, subsidiary company or parent company;
- a person who, under the laws of the Republic of Lithuania, may not serve on the Board.

The Board shall implement its functions during the term it was elected, or until new Board is elected and starts its work, but not longer than the Annual General Meeting during the final year of its term of office.

Number of terms a member may serve on the Board shall not be limited.

In order to guarantee that shareholder's interests and aims of the Company shall be represented respectfully, fairly and properly, the shareholders of the Company at a written request shall be provided all necessary information about candidates to the Board in no less than 10 (ten) days until the Supervisory Council meeting, in which elections of the Board Members is planned, indicating: date of birth, work experience, information about education, information about other elected posts of the candidate. Candidate to the Board members can not be elected if all necessary information is not submitted or the indicated term is violated. Information and documents (mentioned above) about members of the Board shall be administered and preserved by a member of the Board, which shall be appointed by the Chairman decision. The members or the Board shall immediately inform the Board about the changes of the information indicated, after that the Board shall immediately inform the Supervisory Council.

The Supervisory Council shall have right to revoke the Board *in corpore* or separate members of it until the expiring of the term.

The member of the Board may resign from office upon 14 (fourteen) days written notice to the Chairman of the Board until expire of the term (in case the Chairman resigns such a notice shall be provided to the Company). No separate decision of the Board is required for resignation come into effect.

The Chairman of the Board shall be elected by the first Board Meeting by simple majority of the votes; if the chairman is not re-elected, he/she shall lead all cadence of the Board.

### **6.6.2. Organisation of ASG's Management Board activity**

In pursuance of continues solving of fundamental questions of the Company management, the Board meetings shall be convened once a month, according the schedule, adopted in advance.

The Chairman of the Board, following the Regulations, shall convene the Board Meetings at the time and place set by the Chairman of the Board by sending each Member of the Board and other persons participating the Board Meeting a notice to that effect no later than 5 (five) business days before the Board Meeting. Usually the Board Meeting take place on the Company's residence address.

In case the Board Member provides a written request to the Chairman of the Board to convene the Board meeting, which defines proposed questions of the Agenda and drafts of the decisions, also necessary document on Agenda questions are provided, the Chairman shall convene the Board Meeting in 10 (ten) business days after the request of the Board Member was received.

The Board Meeting initiating Member shall have right to convened the Board Meeting in case the Chairman of the Board:

- does not perform above mentioned duty to convene the Board Meeting;
- resigns or not appointed;
- can not serve as the Chairman due to other reasons.

In the above mentioned situation the Member of the Board shall perform functions of the Chairman of the Board relating convening of the Board.

The notice about the Board Meeting shall contain information about the date, time, place and Agenda of the Meeting as well as a proper description of the issues to be considered at such Meeting. Final Agenda and related information, also drafts of the decisions, shall be sent by the Chairman not later than 2 (two) business days before the Board Meeting.

The Agenda of the Board Meeting shall be prepared by the Chairman of the Board.

Each Board Member shall have right to propose additional questions to the Agenda of the Board Meeting, which should be included to the Agenda if the Chairman receives such a written proposal to supplement the Agenda not later than in 3 (three) business days before the Board Meeting. The proposal to supplement the Agenda shall contain detailed information about the proposed questions and proposed draft of decision. The Chairman shall inform personally the members of the Board and other persons participating in the Board Meeting not later than in 2 (two) business days before the Board Meeting.

During the Board Meeting the Agenda shall be supplemented only in case all Board Members participate in the Board Meeting and all Board Members agree with supplements or urgent question should be solved and procedure stated in these Regulation could not be followed and 2/3 or more of the Board Members are attending the Board Meeting and all agree with that.

The Board Meetings shall be presided by the Chairman or by other Member of the Board, elected to preside over the certain Meeting. The secretary of the Board shall be elected for the Meeting.

The Board shall be entitled to pass its decisions and the Meeting shall be acknowledged as legitimate if no less than 2/3 of the Board Members are participating the Meeting. The members of the Board who voted in advance in written shall also be deemed to be present at the meeting also the Board Member who signed Board Members registration list shall be deemed as participating the Meeting nevertheless he leaves the Meeting before the close of it. At such a case the Board Member shall be evaluated as restrained from voting.

The decision of the Board shall be adopted if more votes for it are received than the votes against it. In the event of a tie, the chairman of the Board shall have the casting vote.

A member of the Board shall not be entitled to vote when the meeting of the Board discusses the issue related to his work on the Board or the issue of his responsibility.

If all Members of the Board consent, the Board may adopt decisions in writing without convening a Meeting. In such case the Chairman of the Board shall draw up a written decision of the Board and deliver it to all Members of the Board for signing. The decisions laid down in a written decision of the Board shall be deemed adopted when such written decision of the Board is signed by all Members of the Board. Such decisions also can be signed using telecommunications.

The Minutes (protocol) of the Board shall be taken and shall be signed by the Chairman and the secretary of the Meeting.

### **6.6.3. Competences of ASG's Management Board**

The Board adopts decisions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds LTL 150 000 (one hundred and fifty thousand Litass) (calculated individually for every tape of transaction), to pledge or mortgage the tangible long-term assets the book value whereof exceeds LTL 150 000 (one hundred and fifty thousand Litass) (calculated for the total amount of transactions), to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds LTL 150 000 (one hundred and fifty thousand Litass), to acquire the tangible long-term assets the price whereof exceeds LTL 150 000 (one hundred and fifty thousand Litass).

Other competences of the Board are the same as the competence of the board defined under the Lithuanian Company Law.

The Board shall elect and remove the Manager of the Company (General Manager), decide on his remuneration, other terms of employment contract, adopt statutes of duties, decide on bonuses and punishments.

The Board shall also decide on the scope of information, which shall be the commercial (trade) secret of the Company. Commercial (trade) secret of the Company shall not be the information which is public according the laws.

The members of the Board have the following rights:

- to attend the Board Meetings in person and vote on all issues, except for the cases under the laws where the Members of the Board have no voting right;
- to authorize another person to vote for him/her at the Board Meeting, if it does not confront with the interest of the Company and it's shareholders. In all cases the Member of the Board shall be responsible for the actions of a such authorized person the above mentioned proxy shall be notarized and the proxy (notarized copy) shall be provided to the Chairman before the Meeting;
- to initiate the Board Meeting;
- to get familiar with Agenda issues, draft decisions, and other documents related to the Board Meetings;
- to make proposals for the Agenda of the Board Meeting under the procedures set herein;
- to express his/her opinion at each Board Meeting on any Agenda issue;
- to vote in the meeting "for" or "against" provided decision or suspend from voting;
- to vote in writing before the Meeting "for" or "against" known Agenda issues of the Board Meeting if he/she has no possibility to attend such meeting. Voting using means of telecommunication, if text and signature is secure, shall be equal to voting in writing;
- attend in the General Meeting of the shareholders;
- to get acquainted with the documents of the Company, to receive all information from the employees of the Company about the commercial and financial activities of the Company, which is necessary for the

organization of the Board activity and decision making. Board members requests to receive the information shall be presented to the Manager of the Company;

- in case a certain decision of the Board is passed, to refer to outside law, accountant or other professionals solving arising during the Board activity;
- to resign from office as a Member of the Board;
- to get remuneration (bonuses) for his/her activity in the Board if so decided by the General Meeting of Shareholders of the Company. Different remuneration for the Board members can be appointed subject to role of a certain member of the Board in management of the Company;
- other rights indicated by laws, Articles of Association and these Regulations.

The members of the Board have the following duties:

- to act in good faith and reasonably with regard to the interests of the Company and it's shareholders, also regarding to the interests of the employees and interests of community;
- to state clearly his disagreement in case he considering the Board decision can cause harm to the Company;
- to be loyal to the Company;
- to avoid situation where his/her private interests conflict or may conflict with the interests of the Company, notify other Members of the Board of occurrence, nature and value of such situations;
- communicate with the shareholders and obligate to them following the rules states in laws, Articles of Association of the Company, Regulations and Board decisions and requirements;
- maintain Company's commercial (trade) secrets, which were disclosed to the Board member during the Board membership term;
- not to confuse his/her own property with that of the Company and not to use information obtained in the performance of his/her office as a Member of the Board for his/her personal benefit or benefit of third parties in a way other than that allowed by the General Meeting of Shareholders;
- to notify in nearly meeting of the Board about the contracts with the Company (except for the low value contracts (not exceeding 150 000 Litas) or contracts concluded while usual operation of the Company and usual standart terms, applied for the third persons);
- to restrain from voting, in case the Board decisions concerning contracts and other questions, are related with the certain Board member personally or objectively;
- to participate in the Board meetings and pay attention to the performing of duties of the Board member. In case the Member of the Board misses more than 2/3 Board meeting during the financial year of the Company, the shareholders shall be informed about that in the General Meeting;
- to inform immediately the Board, in case information about the member of the Board provided before was changed;
- to perform other duties stated by laws, Articles of Association and these Regulations.