

Zakłady Urządzeń Komputerowych Elzab Spółka Akcyjna

Information ELZAB S.A. on the state of application of the recommendations and principles contained in the ECR Best Practice for WSE Listed Companies 2016

According to the current state of the application of Best Practices The Company does not apply 5 recommendations: I.R.2., II.R.2., IV.R.2., VI.R.1., VI.R.2.

According to the current state of the application of Best Practices The Company does not apply specific rules 8: IP1.11., IP1.15., IP1.16., IP1.20., II.P.8., III.P.3., IV.P.2., VI.P.4.

I. Information policy and communication with investors

A listed company ensures adequate communication with investors and analysts, leading a transparent and effective information policy. For this purpose, easy and non-discriminatory access to the disclosed information, using a variety of communication tools.

Recommendations

I.R.1. When a company becomes aware of the dissemination in the media of false information which may impact on its evaluation immediately after obtaining such knowledge shall publish on its website a message containing the position with regard to this information - unless, in the opinion of the company nature of the information and the circumstances of their publication give base consider adopting another solution to be more appropriate.

The recommendation is applied.

I.R.2. If the company does business sponsorship, charity or any other of a similar nature, includes in its annual activity report information on policy in this area.

The recommendation not applied

Comment of the company: Comment of the company: The company does not conduct policy sponsorship or charitable activities. Occasionally it happens that the support institutions and individuals only with the Silesian region.

I.R.3. The company should enable investors and analysts to ask questions and get including prohibitions arising from applicable laws explanations on topics of interest to those people. Implementation of this recommendation can be done in the formula of open meetings with investors and analysts, or in any other form provided by the company.

The recommendation is applied.

I.R.4. A company should make every effort, including in advance to take all the steps necessary for the preparation of the interim report, to enable investors to familiarize themselves with the achieved its financial results in the shortest possible time after the end of the reporting period.

The recommendation is applied.

Detailed principles

I.Z.1. The Company maintains a corporate website and publish on it, in a readable form, and in the isolated location, in addition to the information required by law:

I.P.1.1. basic corporate documents, in particular the statutes of the company,,
The principle is applied.

I.P.1.2. the Management Board and the Supervisory Board and curriculum vitae members of these bodies together with information on the compliance of Supervisory board members' independence criteria,
The principle is applied.

I.P.1.3. scheme of division of tasks and responsibilities between the board members drawn up in accordance with the principle of II.P.1,
The principle is applied.

I.P.1.4. the current shareholding structure, indicating shareholders holding at least 5% of the total number of votes in the company on the basis of information provided to the company by the shareholders in accordance with applicable regulations,
The principle is applied.

I.P.1.5. current and periodic reports and prospectuses and information memoranda with annexes, published by the company for at least the last 5 years,
The principle is applied.

I.P.1.6. calendar of corporate events leading to the acquisition or limitation of rights of a shareholder, calendar publishing financial reports and other events relevant to investors - in time to make the investment decisions of investors.
The principle is applied.

I.P.1.7. published by the company supplies information on the company's strategy and its financial results,
The principle is not applied

Comment of the company: The Company does not publish materials about the company's strategy and financial results, beyond the mandatory reports.

I.P.1.8. summary of selected financial data of the company for the last five years of activity in a format that allows processing of these data by their customers
The principle is applied.

I.P.1.9. information on the proposed dividend and the dividend paid by the company in the last 5 financial years, including data on the dividend date, terms of payments and the amount of dividends - total and per share,
The principle is applied.

I.P.1.10. financial projections - when the company decided to publish them published during at least the last five years, along with information about the extent of their implementation,
The principle is not applied

Comment of the company: The Company does not publish financial forecasts.

I.P.1.11. information about the content of the company's internal rule of changing the company authorized to audit financial statements, or the lack of such rules,
The principle is not applied.

Comment of the company: The Company does not apply formal rule concerning changing the entity authorized to audit financial statements. Under the provisions of the Articles of Association the choice of this entity is at the discretion of the Supervisory Board.

I.P.1.12. included in the last published annual report's statement on corporate governance,
The principle is applied.

I.P.1.13. information on the state of application of the company's principles and recommendations contained in this document, consistent with the information in that respect, the company should make on the basis of the relevant provisions,

The principle is applied.

I.P.1.14. Materials submitted to the general meeting, including the assessment report and the position indicated in principle II.Z.10, submitted to the general meeting by the supervisory board,

The principle is applied.

I.P.1.15. information containing the description of the company's diversity policy in relation to the management of the company and its key managers; the description should take into account such elements of the policy of diversity, gender, course of education, age, work experience, and indicate the objectives of diversity policies used and the manner of its implementation during the reporting period; if the company has not developed and does not implement diversity policies, publishes on its website an explanation of such a decision,

The principle is not applied.

Comment of the company: The company has not developed a diversity policy. The choice of members of the Management Board and the Supervisory Board is made respectively by the Supervisory Board and the Annual General Meeting of the Company on the basis of the candidates qualifications.

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

The principle is not applied.

Comment of the company: The Company does not plan to broadcast the proceedings of the general meeting. The reason is the lack of significant interest on the part of shareholders and the high costs associated with the transmission of the meeting.

I.P.1.17. justification to the draft resolutions of the General Assembly on issues and decisions relevant or which may raise doubts shareholders in time for the participants of the general meeting to read them and take on the resolution,

The principle is applied.

I.P.1.18. information on the reasons for cancellation of a General Meeting, change of its date or agenda, as well as information about breaks in a General Meetings and the grounds of a break,

The principle is applied.

I.P.1.19. shareholders' questions addressed to the Board pursuant to art. 428 § 1 and § 6 of the Code of Commercial Companies, with answers to the questions the board, or the detailed reasons of failure to reply, in accordance with the principle of IV.P.13,

The principle is applied.

I.P.1.20. record of the proceedings of the general meeting, in the form of audio or video,

The principle is not applied.

Comment of the company: The Company does not record the image format audio or video due to lack of significant interest on the part of shareholders and also because of high costs.

I.P.1.21. contact details for those responsible in the company for communication with investors, indicating the name and e-mail address or phone number.

The principle is applied.

I.P.2. The company, whose shares are classified as index WIG20 or mWIG40, ensures the availability of its website in the English language, at least to the extent specified in principle I.P.1. This rule should also apply outside the company of these indexes, if it is in their shareholding structure or the nature and scope of its operations.

The principle is not applied.

Comment of the company: Shares of the company are not qualified to index WIG20, or WIG 40.

II. The Management Board and Supervisory Board

A listed company manages the board, its members act in the interests of the company and are responsible for its activities. The board should, in particular, the leadership of the company involved in the setting of its strategic objectives and their implementation and to ensure company efficiency and safety. The Company is supervised by an efficient and competent supervisory board.

Members of the Supervisory Board acted in the interest of the company and are guided in their actions independence own opinions and judgments. The Supervisory Board in particular evaluates the company's strategy and verifies the work of the board in terms of achieving the set strategic objectives and monitors performance of the company.

Recommendations

II.R.1. In order to achieve the highest standards in the performance of the management board and the supervisory board of their responsibilities and fulfill them in an efficient manner, the management board and the supervisory board are appointed persons representing the high qualifications and experience.

The recommendation is applied.

II.R.2. Those making a decision on the election of members of the management board or supervisory board of the company should strive to ensure versatility and diversity of

these bodies, including in terms of gender, the direction of education, age and experience.

The recommendation is not applied.

Comment of the company: The company's authorities in choosing the members of the management board or supervisory board guided by the interests of the company.

II.R.3. Acting as the board of the company is the main area of activity of the professional board member. Additional professional activity board member may not lead to such a commitment of time and effort to adversely affect the proper performance of their function in the company. In particular, a board member should not be a member of the boards of other entities, if the time to perform the functions of other entities prevents him proper performance of duties in the company.

The recommendation is applied.

II.R.4. Members of the supervisory board should be able to devote the time necessary to perform their duties.

The recommendation is applied.

II.R.5. In the event of resignation or inability to function by a member of the supervisory board of the company shall immediately take appropriate measures in order to supplement or make changes in the composition of the supervisory board.

The recommendation is applied.

II.R.6. The supervisory board, being aware of the terms of office of board members as well as their plans to further the function of the board, in advance take measures to ensure the effective functioning of the board.

The recommendation is applied.

II.R.7. The company provides the supervisory board of the possibility of using a professional, independent advisory services, in the opinion of the council is necessary to exercise its effective supervision of the company. When choosing a provider of consulting services, the supervisory board takes into account the company's financial situation.

The recommendation is applied.

Detailed principles

II.P.1. Internal division of responsibilities for different areas of the company's operations between board members should be formulated clearly and transparently, and the sharing pattern available on the company's website.

The principle is applied.

II.P.2. Sitting members of the board of the boards or supervisory boards of companies outside the group of the company requires the consent of the supervisory board.

The principle is applied.

II.P.3. At least two members of the supervisory board meets the independence criteria referred to in Rule II.P.4.

The principle is applied.

II.P.4. The independence criteria of Supervisory Board members shall apply Annex II to the Commission Recommendation 2005/162 / EC of 15 February 2005. On the role of non-executive or supervisory directors of listed companies and on the committees of

the (supervisory). Notwithstanding point 1 b) the document referred to in the preceding sentence, an employee of the company, a subsidiary or affiliate, as well as a person associated with these entities a contract of a similar nature, can not be deemed to meet the criteria of independence. A relationship with a shareholder precluding the independence of a member of the supervisory board within the meaning of this principle is understood as well as actual and significant relationship with a shareholder holding at least 5% of the total number of votes in the company.

The principle is applied.

II.P.5. Member of the Supervisory Board shall inform the other members of the board and the management company's statement that his independence criteria referred to in Rule II.P.4.

The principle is applied.

II.P.6. The supervisory board assesses whether there are relationships or circumstances which may affect the fulfillment by the member of the independence criteria. Evaluation of meeting the independence criteria for members of the supervisory board is presented by the council in accordance with the principle of II.P.10.2.

The principle is applied.

II.P.7. The tasks and functioning of the committees of the Supervisory Board shall apply the provisions of Annex I to the Recommendation of the European Commission, referred to in principle II.P.4. If the function of the audit committee fully supervisory board, these rules shall apply accordingly.

The principle is applied.

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

The principle is applied.

II.P.9. In order to enable the tasks of the supervisory board of the board provides access to information on matters concerning the company.

The principle is applied.

II.P.10. Apart from the activities resulting from the law once a year, the Supervisory Board prepares and presents to the General Meeting:

II.P.10.1. assessment of the company, including an evaluation of internal control systems, risk management, compliance and internal audit functions; This assessment covers all relevant controls, in particular relating to financial reporting and operations;

The principle is applied.

Comment of the company: The company was not established internal audit function.

II.P.10.2. report on the activities of the supervisory board, including at least the following:

- the composition of the board and its committees,
- compliance by members of the criteria of independence,
- the number of meetings of the board and its committees during the reporting period,
- self-made work of the supervisory board;

The principle is applied.

II.P.10.3. evaluating the fulfillment of the obligations of information regarding the application of the principles of corporate governance set out in the Exchange Rules and regulations on current and periodic information published by issuers of securities;
The principle is applied.

II.P.10.4. assessment of the rationality of the company's policy, referred to in the recommendation I.R.2, or information about the absence of such a policy.
The principle is applied.

II.P.11. The supervisory board examines and evaluates issues subject to resolutions of the General Assembly.
The principle is applied.

III. Systems and internal functions

A listed company maintains effective systems: internal control, risk management and supervision of compliance of the law (compliance), as well as the effective internal audit function, corresponding to the size of the company and the type and scale of operations.

Recommendations

III.R.1. The Company distinguishes in its structure units responsible for the tasks in individual systems or functions, unless the separation of organizational units is not justified because of the size or type of business carried out by the company.

The recommendation is applied.

Detailed principles

III.P.1. For the implementation and maintenance of effective internal control systems, risk management, compliance and internal audit functions corresponds to the company's management.

The principle is applied.

Comment of the company: The company was not established internal audit function.

III.P.2. Subject to the principle III.P.3, those responsible for risk management, internal audit and compliance reporting directly to the President or another member of the board, and also have the opportunity of reporting directly to the board of directors or audit committee.

The principle is applied.

Comment of the company: The company was not established internal audit function.

III.P.3. With regard to the person in charge of the internal audit function and other persons responsible for carrying out its tasks, the principles of independence set out in the universally recognized international standards of professional practice of internal audit.

The principle is not applied.

Comment of the company: The company has not established internal audit function.

III.P.4. At least once a year, the person responsible for internal audit (in the case of isolation in the company of such a function) and the board represent the supervisory board of its

own assessment of the effectiveness of the functioning of the systems and functions referred to in principle III.P.1, together with the corresponding report.

The principle is applied.

Comment of the company: The company has not established internal audit function.

III.P.5. The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle III.P.1, based inter alia, on reports periodically supplied directly by the people responsible for these functions, and the company's management, as well as performs an annual assessment of the effectiveness of the functioning of these systems and functions accordance with the principle II.P.10.1. In cases where the company operates the audit committee monitors the effectiveness of the systems and functions referred to in principle III.P.1, however, does not exempt the supervisory board from making an annual assessment of the effectiveness of these systems and functions.

The principle is applied.

Comment of the company: With the exception of the internal audit function.

III.P.6. In the event that the company does not separated organizationally internal audit function, the audit committee (or the board of directors, if the acts of the audit committee) annually assesses whether there is a need to make such a separation.

The principle is applied.

IV. The General Assembly and relations with shareholders

The Board of a listed company and its board of directors and should encourage shareholders to engage in the affairs of the company, expressed primarily active participation in the general meeting.

The General Assembly should deliberate with respect for the rights of shareholders and strive to ensure that the resolutions do not infringe the legitimate interests of various groups of shareholders.

Shareholders participating in the General Meeting of Shareholders shall exercise their powers in a manner not prejudicial to good morale.

Recommendations

IV.R.1. The company should strive to hold the annual general meeting as soon as possible after the publication of the annual report, setting this term, taking into account the relevant provisions of the law.

The recommendation is applied.

IV.R.2. If this is justified due to the shareholding structure or reported to the company expectations of the shareholders, if the company is able to provide the technical infrastructure necessary for the smooth conduct of the General Meeting by means of electronic communication, should enable the shareholders to participate in the general meeting by means of such measures, in particular through:

- 1) broadcast of the debate of the general meeting in the real time,
- 2) two-way communication in real time within which shareholders may speak during the general meeting from a place other than the place of the General Meeting,
- 3) execution, in person or by proxy, voting rights during the general meeting.

The recommendation is not applied.

Comment of the company: Due to the shareholding structure and the lack of expectations of shareholders, as well as economic reasons, the company does not allow shareholders to participate in the General Meeting by means of electronic communication.

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

Recommendation does not apply to the company.

Comment of the company: *Securities issued by the Company are traded only on the domestic market.*

Detailed principles

IV.P.1. The Company determines the place and date of the general meeting to allow the participation of the largest number of shareholders.

The principle is applied.

IV.P.2. If this is justified due to the shareholding structure of the company, the company provides a widely accessible meeting broadcast in real time.

The principle is not applied.

Comment of the company: Due to the shareholding structure and economic reasons, the company does not provide transmission assemblies in real time.

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

The principle is applied.

IV.P.4. In the event that the management information of the general meeting pursuant to art. 399 § 2 - 4 of the Code of Commercial Companies, the board shall immediately take action, which is required in connection with the organization and conduct of the general meeting. The principle also applies in the case of convening a general meeting on the basis of the authorization issued by the court of registration in accordance with Article. 400 § 3 of the Commercial Companies Code.

The principle is applied.

IV.P.5. Regulations of the General Meeting, as well as the conduct of the meeting and adoption of resolutions can not hinder the participation of shareholders in the general meeting and exercise their rights. Changes in the rules of the General Assembly should apply at the earliest from the next general meeting.

The principle is applied.

IV.P.6. The company strives to cancellation of a General Meeting, change of date or the adjournment does not prevent or restrict the exercise of shareholders' right to participate in the general meeting.

The principle is applied.

IV.P.7. Adjournment of the general meeting may take place only in special situations, each indicated in the grounds of a resolution on ordering a break, established on the basis of the reasons put forward by a shareholder applying for ordering a break.

The principle is applied.

IV.P.8. The resolution of the general meeting on the management of break points clear deadline for the resumption of the meeting, the date can not be a barrier to participation in the resumed deliberations by the majority of shareholders, including minority shareholders.

The principle is applied.

IV.P.9. The Company shall endeavor to draft resolutions of the General Assembly contained a justification, if it facilitates the shareholders to take on the resolution. When placing an issue on the agenda of the general meeting at the request of a shareholder or shareholders, the board or the chairman of the meeting requests to provide justification for the proposed resolution. In important matters, or which could raise doubts shareholders, the company shall provide justification, unless otherwise present information to shareholders, which will ensure to take on the resolution.

The principle is applied.

IV.P.10. The exercise of rights of shareholders and the manner of exercise of their powers held not lead to hindering the proper operation of the company.

The principle is applied.

IV.P.11. Members of the management board and the supervisory board participate in the deliberations of the general meeting in the composition enabling to provide substantive answers to questions asked during the meeting.

The principle is applied.

IV.P.12. The Board should present the participants of the annual general meeting of the company's financial results and other relevant information contained in the financial statements subject to approval by the general meeting.

The principle is applied.

IV.P.13. In the case of a shareholder requests for information about the company, no later than within 30 days the company's management is obliged to respond to a request of a shareholder or notify him of refusal to provide information if the board made this decision on the basis of art. 428 § 2 and § 3 of the Commercial Companies Code.

The principle is applied.

IV.P.14. Resolutions of the General Meeting should allow for a sufficient period of time between decisions causing specific corporate events, and the date of setting the rights of shareholders pursuant to such events.

The principle is applied.

IV.P.15. The resolution of the General Assembly on the issue of shares with subscription rights should specify the issue price or the mechanism of setting, or require an authority empowered to fix it before the date of subscription rights within a timeframe enabling an investment decision.

The principle is applied.

IV.P.16. Dividend day and dividend payment dates should be set so that the period between them was not longer than 15 days. A longer period between these dates requires justification.

The principle is applied.

IV.P.17. The resolution of the General Meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfillment must take place before the date of the dividend.

The principle is applied.

IV.P.18. The resolution of the General Meeting to split the nominal value of shares should not set the new nominal value of the shares at a lower level than 0,50 PLN, which could result in a very low unit market value of the shares, which could consequently pose a threat to the correct and reliable valuation of a listed company .

The principle is applied.

V. Conflicts of interest and related party transactions

For the purposes of this chapter, the definition of a related party as 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.

The company should have clear procedures for preventing conflicts of interest and transactions with related parties in the conditions of the possibility of a conflict of interest. Procedures should provide ways to identify such situations, their disclosure and management.

Recommendations

V.R.1. Member of the management board or supervisory board should avoid taking non-professional or professional activity that could lead to a conflict of interest or adversely affect his reputation as a member of the company and, in the case of a conflict of interest should immediately reveal it.

The recommendation is applied.

Detailed principles

V.P.1. No shareholder may be given undue preference over other shareholders with respect to transactions entered into by the company with shareholders and their related entities.

The principle is applied.

V.P.2. Member of the management board or supervisory board shall inform the management board or supervisory board of a conflict of interest or the possibility of its occurrence, and does not participate in voting on a resolution, which in relation to his person may be a conflict of interest.

The principle is applied.

V.P.3. Member of the management board or supervisory board shall not receive benefits that could affect the impartiality and objectivity when making its decision or negative impact on the independence of its opinions and judgments.

The principle is applied.

V.P.4. In the event that a member of the management board or supervisory board that a decision, as appropriate administrative or supervisory board, is contrary to the interests of the company, he may request the inclusion in the minutes of the board meeting or the supervisory board of his position on the subject.

The principle is applied

V.P.5. Before a company executes a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the board asks the supervisory board to agree to such a transaction. The supervisory board before agreeing to assess the impact of such transactions on the company's interest. This obligation does not apply to typical transactions and concluded on market terms within the operating business by the company with the entities belonging to the group of the company. In the event that a decision on the conclusion of the significant agreement with a related entity undertakes the general meeting, before taking such a decision, the company provides all shareholders have access to information necessary to assess the impact of this transaction on the company's interest.

The principle is applied

V.P.6. The Company determines the internal regulations of the criteria and circumstances that can result in the company to a conflict of interest, as well as the rules of conduct in the face of conflict of interest or the possibility of its occurrence. Internal regulations of the company into account, inter alia, how to prevent, identify and resolve conflicts of interest, as well as rules-off member of the management or supervisory board of participation in dealing with matters covered by or at risk of conflict of interest.

The principle is applied.

Comment of the company: The Company has not introduced a special internal regulations concerning resolving conflicts of interest. In the event of conflict of interest are commonly applicable law.

VI. Remuneration

The Company has a remuneration policy at least for board members and key managers. The remuneration policy shall specify in particular the form, structure and method of determining the remuneration of the members of the company and its key managers.

Recommendations

VI.R.1. The remuneration of board members and key executives should result from the adopted remuneration policy.

The recommendation is not applied.

Comment of the company: On the basis of statutes, rules of remuneration of Board members is determined by the Supervisory Board, in turn, determine the remuneration of the members of the Supervisory Board falls within the competence of the General Assembly. Information about the remuneration of the members of the Company are published in the annual reports of the Company. The company has not been adopted remuneration policy.

VI.R.2. Remuneration policy should be closely linked with the company's strategy, its objectives short- and long-term, long-term interests and results, and should include solutions for avoiding discrimination on any grounds.

The recommendation is not applied.

Comment of the company: The company has not been adopted remuneration policy.

VI.R.3. If the supervisory board works committee for remuneration, in terms of its operation, the principle II.P.7.

The recommendation is not applied.

Comment of the company: The supervisory board is not functioning remuneration committee.

VI.R.4. The level of remuneration of members of the management board and the supervisory board and key executives should be sufficient to recruit, retain and motivate people with the competence necessary for the proper management of the company and to exercise supervision over it. The remuneration should be adequate to discharge individuals of tasks and take into account the performance of additional functions, such as. The work in the committees of the supervisory board.

The recommendation is applied.

Detailed principles

VI.P.1. Incentive programs should be designed, inter alia, to make the level of remuneration of the members of the board of the company and its key managers from the real, long-term financial situation of the company and long-term growth in shareholder value and stability of the company.

The principle does not apply to the company.

Comment of the company: The company has not been adopted incentive programs.

VI.P.2. To link the remuneration of board members and key managers with long-term business objectives and financial companies, the period between the award under the incentive program options or other instruments linked to shares of the company, and the possibility of their implementation should be a minimum of 2 years.

The principle does not apply to the company.

Comment of the company: The company has not been adopted incentive programs.

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

The principle is applied.

VI.P.4. Company activity report presents a report on the remuneration policy, including at least:

- 1) general information on the company adopted the system of remuneration,
- 2) information on the conditions and amount of remuneration of each of the board members, broken down into fixed and variable components of remuneration, indicating the key parameters determining the variable remuneration components and principles of severance payments and other payments due to termination of employment, orders, or other legal relationship of similar in nature - separately for the company and each entity within the group,
- 3) information available to individual members of the board and key managers of non-monetary remuneration components,
- 4) an indication of significant changes, which in the past year occurred in the remuneration policy, or information about their absence,

5) the assessment of the functioning of the remuneration policy for the realization of its objectives, in particular long-term growth in shareholder value and stability of the company.

The principle is not apply.

Comment of the company: The Company has not adopted a remuneration policy.