

V. INFORMATION ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Report on the Compliance in 2016 with the Corporate Governance Code for the Companies Listed on the NASDAQ OMX Vilnius Stock Exchange

Public limited liability company Žemaitijos pienas (hereinafter the 'Company'), following Part 3 of Article 21 of the Law on Securities of the Republic of Lithuania and clause 24.5 of the Listing Rules of NASDAQ OMX Vilnius, hereby presents and describes its compliance with the Corporate Governance Code for the companies listed on the NASDAQ OMX Vilnius and with specific provisions thereof. Where the Code or any provisions thereof are not complied with, it is specified which particular provisions are not complied with and the reasons for such non-compliance:

PRINCIPLES / RECOMMENDATIONS	YES / NO / NOT RELEVANT	COMMENTS
<p>Principle I: Basic Provisions</p>		
<p>The overriding objective of the company should be to operate in common interests of all the shareholders through the steady increase in the value of shareholders' equity.</p>		
<p>1.1. A company should design and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and to increase the value of shareholders' equity.</p>	<p>Yes</p>	<p>The Company makes public the essential aspects of the development strategy and objectives by publishing the Company's annual and half-yearly operation reports.</p>
<p>1.2. All bodies of a company should act in furtherance of the declared strategic objectives in view of the need to increase the value of shareholders' equity.</p>	<p>Yes</p>	<p>The Company follows the Company's operation plans, under which it aims to be profitable in the development and strengthening of the technically modern enterprise with the goal of increasing the value of shareholders' equity.</p>
<p>1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p>Yes</p>	<p>The Supervisory Council, the Board and the Manager of the Company work in close co-operation in order to attain maximum benefit for the Company and its shareholders.</p>
<p>1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.</p>	<p>Yes</p>	<p>The Company's supervisory and management bodies ensure that the rights and interests of Company's shareholders, employees and suppliers of raw materials are duly respected. The employees are provided with the opportunity to improve their qualification in training courses and seminars in Lithuania and abroad, and the raw milk producers are given various concessions. A considerable part of the employees and milk producers are shareholders of the Company.</p>
<p>Principle II: The Corporate Governance Framework</p>		
<p>The corporate governance framework should ensure the strategic governance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, and protection of the shareholders' interests.</p>		

<p>2.1. Besides the obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – the general meeting of shareholders and the chief executive officer of a company, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates a clear separation of the management and supervisory functions in the company, accountability and control of the chief executive officer of a company, which, in turn, facilitates a more efficient and transparent company management process.</p>	<p>Yes</p>	<p>The Board and the Chief Executive Officer of the Company are Company's management bodies, and the Supervisory Council and the Audit Committee are the Company's supervisory bodies.</p>
<p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the activities of company's management bodies.</p>	<p>Yes</p>	<p>The collegial management and supervisory bodies of the Company – the Supervisory Council and the Board – are carrying out the functions indicated in the recommendation.</p>
<p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such case, the supervisory board is responsible for the effective monitoring of the functions performed by the chief executive officer of a company.</p>	<p>Not relevant</p>	<p>Both the Supervisory Council and the Board are set up in the Company.</p>
<p>2.4. The collegial supervisory body to be elected by the general meeting of shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.⁶</p>	<p>Yes</p>	<p>Two collegial bodies have been set up – the Supervisory Council and the Board of the Company. Provisions of Principles III and IV are applicable to them.</p>
<p>2.5. Company's management and supervisory bodies should be comprised of such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.⁷</p>	<p>Yes</p>	<p>The Supervisory Council of the Company is comprised of 3 (three) members. The Board of the Company has 7 (seven) members <i>de jure</i> and 5 (five) members <i>de facto</i>. The Company believes that such number of the members of the Board is sufficient for effective operations of the Company.</p>
<p>2.6. Non-executive directors or members of the supervisory council should be appointed for a specified period of time subject to individual re-election, at maximum intervals provided for in the legislation of the Republic of Lithuania with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated, however, this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>	<p>Yes</p>	<p>According to the Company's Articles of Association, the Board and the Supervisory Council of the Company are elected for 4 (four) years. The number of terms of office is not limited. Removal or resignation from office of the Company's Board and Supervisory Council members are regulated by the laws of the Republic of Lithuania.</p>

⁶ Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory council but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory council (e.g. formation of the committees), should not be applied to the board, as the competence and functions of this body according to the Law on Companies of the Republic of Lithuania (*Official Gazette Valsstybės Žinios*, 2003, No. 123-5574) are different. For instance, clause 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; clause 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; clause 4.6 of the Code concerning the independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns the independence from the chief executive officer of a company.

⁷ The terms 'executive director' and 'non-executive director' are used in cases when a company forms only one collegial body.

<p>2.7. A chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory council but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. A former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. Where a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Chief Executive Officer and the members of the Board of the Company operate within the Company as individual persons, as well as the Chief Executive Officer of the Company is independent from the Chairman of the Supervisory Council and its members.</p>
<p>Principle III: Procedure for Formation of a Collegial Body to be Elected by the General Meeting of Shareholders</p>		
<p>The procedure for the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.⁸</p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and impartial monitoring of the company's management bodies as well as appropriate representation of minority shareholders.</p>	<p>Yes</p>	<p>The collegial supervisory body of the Company – the Supervisory Council – is elected at the shareholders' meeting. The Company discloses information on the candidates to be elected as the collegial body members of the Company.</p> <p>The rights of minority shareholders to represent their interests and have their representative in the collegial body are not restricted.</p>
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken, other important work-related obligations and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence (the sample list of which is set out in Recommendation 3.7, should be also disclosed). The collegial body should also be informed on any subsequent changes in the provided information indicated in the present clause. The collegial body should, on yearly basis, collect the data on its members provided in this clause and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>The information about members of the collegial supervisory body (full names, the relationship with the issuer and capital management, other important work-related obligations) is presented in the annual report.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order for shareholders and investors to be able to ascertain whether the member's competence is further relevant, the collegial body should, in each annual report of the company, disclose the information on its composition and particular competences of its individual members, which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>Prior to the election of the members of the Supervisory Council, the information about them is presented along with the materials related to the meeting.</p>

⁸ Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of clause 3.1 as well.

<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by collegial body members, the desired composition of the collegial body should be determined with regard to the company's structure and nature of activities, and periodically evaluated. The collegial body should ensure that it is composed of the members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and / or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	Yes	The collegial body should ensure that it is composed of the members of the Company's collegial bodies have long-term experience in corporate governance and the required diversity of knowledge and experience to complete their tasks properly.
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify the fields where its members need to update their skills and knowledge.</p>	Yes	Any new members of the Company's Board are provided information about their duties, corporate organization and activities at the meetings of the Board and individually, when needed.
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should be comprised of a sufficient number⁹ of independent members¹⁰.</p>	Yes	The Board of Žemaitijos pienas is comprised of relevantly independent members of the Board, who based on the possibility, ensure the proper resolution of conflicts of interest.

⁹ The Code does not provide for a specific number of independent members to comprise a collegial body. Many codes in foreign countries fix a particular number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a specific number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

¹⁰ It is notable that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. However, even a member of the collegial body elected by the majority shareholders may be considered independent if he / she meets the independence criteria set out in the Code.

<p>3.7. A member of the collegial body should be considered to be independent only if he / she is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates or may create a conflict of interest and impair his / her judgment. Since all cases when a member of the collegial body is likely to become dependant are impossible to list, moreover, the relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, the assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent should be the following:</p> <ol style="list-style-type: none"> 1) He / she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) of the company or any associated company and has not been such during the last five years; 2) He / she is not an employee of the company or any associated company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He / she is not receiving or has been not receiving significant additional remuneration from the company or any associated company other than a remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance-based pay systems; it does not include the compensation payments for the previous office in the company (provided that such payment is in no way related with a later position) as per pension plans (inclusive of deferred compensations); 4) He / she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Part 1 of Article 1); 5) He / she does not have and did not have any material business relations with the company or an associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is 	<p>No</p>	<p>Based on the recommendations provided, currently, the members of Company's Board are not fully independent.</p>
--	-----------	--

<p>considered to have business relations when it is a major supplier or service provider (including financial, legal, counselling and consulting services), a major client or an organization receiving significant payments from the company or its group;</p> <p>6) He / she is not and has not been, during the last three years, a partner or an employee of the current or former external audit company of the company or an associated company;</p> <p>7) He / she is not an executive director or member of the board in some other company where the executive director or member of the board of the company (if a collegial body elected by the general shareholders' meeting is the supervisory council) is a non-executive director or member of the supervisory council, he / she may not have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He / she has not been in the position of a member of the collegial body for more than 12 years;</p> <p>9) He / she is not a close relative to an executive director or a member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) or to any person listed in above subclauses 1 to 8. A close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he / she still may not be considered independent due to special personal or company-related circumstances.</p>		<p>The Company has not set additional criteria for the independence of the members of collegial bodies.</p>
<p>3.9. Necessary information on the conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should disclose in each of its annual reports which members of the collegial body it considers to be independent.</p>	<p>Yes</p>	<p>The members of the Company's Supervisory Council meet the criteria for absolute independence indicated by the legislation.</p>

<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require the independent members to have their independence periodically re-confirmed.</p>	<p>Yes</p>	<p>The Company believes and tries to ensure by the means of internal legislation that the members of collegial bodies would be loyal to the Company.</p>
<p>3.11. In order to remunerate the independent members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds¹¹. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>No</p>	<p>The members of the Supervisory Council and the Board of the Company are remunerated for their work within the Supervisory Council and the Board.</p>
<p>Principle IV: Duties and Liability of a Collegial Body Elected by the General Meeting of Shareholders</p>		
<p>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies¹² and protection of interests of all the company's shareholders.</p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure the integrity and transparency of the company's financial accounting and the control system. The collegial body should consistently issue recommendations to the company's management bodies as well as monitor and control their activities while managing the company.¹³</p>	<p>Yes</p>	<p>The Board of the Company approves and presents to the general meeting of shareholders the comments and suggestions on the Company's annual financial statements, profit distribution plan, the Company's annual report, as well as reviews regarding the performance of the Company throughout the year. It also performs other functions within the competence of the Board.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. The independent members of the collegial body should: (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that a decision of the collegial body is against the interests of the company. Should a collegial body have passed any decisions an independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from office, he / she should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, a respective body (institution) not pertaining to the company.</p>	<p>Yes</p>	<p>When carrying out their duties, the members of the Company's Supervisory Council and the Board are guided by the interests of the Company and the shareholders, and there have been no instances providing any reasons to believe otherwise.</p>

⁶ It is notable that currently it is not yet completely clear, in what form members of the supervisory council and / or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette Valstybės žinios*, 2003, No. 123-5574) provides that members of the supervisory council / the board may be remunerated for their work in the supervisory council / the board by payment of annual bonuses (Fr. tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (Fr. tantiems) should be the only form of the company's compensation to members of the supervisory council and / or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory council or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

¹² See Footnote 3.

¹³ See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.3. Each member should devote sufficient time and attention to perform his / her duties as a member of the collegial body. Each member of the collegial body should undertake to limit his / her other professional obligations (in particular, any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half¹⁴ of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The members of collegial bodies perform their functions properly: participate in the meetings of collegial bodies and devote sufficient time for the execution of their duties as the members of collegial bodies. Each meeting of the collegial bodies met as a quorum, which enabled a constructive decision-making.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>There have been no conflicts between the shareholders and collegial bodies. The shareholders are informed on the Company's affairs in accordance with the procedure provided for by legal acts, i.e., as established by the Law on Companies and Articles of Association of the Company.</p>
<p>4.5. It is recommended that the transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided that the majority of the independent members of the collegial body voted for such decision.</p>	<p>Yes</p>	<p>Company's management bodies enter into transactions following the provisions of legal acts and Articles of Association of the Company.</p>
<p>4.6. The collegial body should be independent in adopting decisions that are significant for the company's operations and strategy. In addition to this, the collegial body should be independent from the company's management bodies¹⁵. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. A company should ensure that the collegial body and its committees are provided with sufficient resources (including financial) to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information and to seek independent legal, accounting or any other advice from relevant external professionals on the issues pertaining to the competence of the collegial body and its committees. When using the services of the above consultants or professionals with a view to obtaining the information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the</p>	<p>No</p>	<p>The members of the Board are employees of the Company, therefore, they are not completely independent. When adopting any decisions, the Supervisory Council and Board of the Company represent the interests of shareholders.</p>

¹⁴ It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

¹⁵ In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<p>human resources department, executive director or collegial management bodies of the company concerned.</p>		
<p>4.7. Activities of the collegial body should be organized in the manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees¹⁶. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However, they may decide to merge these functions and set up less than three committees. In such case, a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company be comprised of a small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case, the provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>Yes / No</p>	<p>The Nomination Committee and Remuneration Committee indicated in recommendations 4.12 to 4.13 are not formed in the Company as, according to the Company's opinion, the Board, while performing its functions, partly performs the functions of the above Nomination Committee and Remuneration Committee. Furthermore, these functions are appropriately realised by the five specialised departments operating in the Company.</p>

¹⁶ The Law on Audit of the Republic of Lithuania (*Official Gazette Valstybės Žinios*, 2008, No. 82-3233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to public companies whose securities are traded in the regulated market of the Republic of Lithuania and / or any other member state).

<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless, the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>No</p>	<p>The Audit Committee is guided by the Audit Committee Regulations, monitors the preparation of financial reports and the conduct of the audit. The collegial bodies remain fully responsible for the decisions taken within their scope and take the final decisions.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with a small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, the remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that the committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes</p>	<p>The Audit Committee consists of 3 members, one of which is an independent member.</p>
<p>4.10. The authority of each of the established committees should be determined by the collegial body itself. Members of the committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also publish in the annual report a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>The Audit Committee Regulations have been approved by the General Meeting of Shareholders. This committee will provide the information on its activity and performance to the General Meeting of Shareholders.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular employees or experts. A chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Yes</p>	<p>Where appropriate, the Company's employees responsible for the fields of activities discussed by the Audit Committee may participate in meetings of the Committee, and provide all necessary information.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <p>1) Identify and recommend, for the approval of the collegial body, candidates to fill management bodies' vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</p> <p>2) Assess the structure, size, composition and performance of the supervisory and management bodies on a regular basis, and make recommendations to the collegial body regarding the means of achieving necessary changes;</p> <p>3) Assess the skills, knowledge and experience of individual directors on a regular basis and report on this to the collegial body;</p> <p>4) Properly consider issues related to succession planning;</p> <p>5) Review the policy of the management bodies for selection and appointment of senior management.</p> <p>4.12.2. The nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory council) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>No</p>	<p>The Nomination Committee is not formed in the Company (See Comment 4.7).</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <p>1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body of the company;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and members of management bodies in order their remunerations are consistent with the company's remuneration policy and the evaluation of the performance of these persons. In doing so, the</p>	<p>No</p>	<p>The Remuneration Committee is not formed in the Company (See Comment 4.7).</p>

<p>committee should be properly informed on the total compensation amount obtained by executive directors and members of the management bodies from other related companies;</p> <p>3) Ensure that the remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</p> <p>4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the disclosure of remuneration-related information (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) Provide general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) as well as observe the level and structure of remuneration for senior management based on the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider the general policy regarding the application of the above mentioned incentive schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the remuneration committee should at least address the chairman of the collegial management body and / or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting of the shareholders for this purpose.</p>		
<p>4.14. Audit Committee</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group</p>	<p>Yes</p>	<p>The Company essentially follows this recommendation. The main objective of the Audit Committee is to oversee the performance of audit of the Company's financial reporting and the procedure for submitting of the accounting and financial reporting to the persons concerned. The primary function of this Committee is to systematically and</p>

<p>(including the criteria for the consolidation of the financial statements of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, re-appointment and removal of the head of the internal audit department and on the budget of the department, as well as by monitoring the responsiveness of the company's management to the findings and recommendations of this department. Should there be no internal audit authority in the company, the need for one should be reviewed at least once annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external firm of auditors (to be done by the general shareholders' meeting) and with the terms and conditions of the contract to be concluded with it. The committee should investigate the situations that lead to a resignation of the firm of auditors or an auditor and make recommendations on the actions required in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable requirements relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed <i>inter alia</i> data on all remunerations paid by the company and its group to the auditor and network, should at all times monitor the nature and extent of the non-audit services. Having regard to the principles and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing the types of non-audit services the purchase of which from the audit company is (a) prohibited, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review the efficiency of the external audit process and responsiveness of the management to the recommendations made in the external auditor's letter to the management.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case, a special consideration should be given to company's operations in offshore centres and / or activities carried out through special purpose enterprises (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether</p>	<p>comprehensively assess and promote improvement in the efficiency of the organization's risk management, control and oversight processes, as well as to provide conclusions to the General Meeting of Shareholders, the Supervisory Council and the Board on the implementation of goals and objectives, risk management procedures, and internal control functioning.</p>
---	--

<p>participation of the chairman of the collegial management body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with the management, but also with free access to the collegial body. For this purpose, the audit committee should act as the principal contact person for the maintenance of communication with internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with a report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished with the information on all issues related to the audit of the company.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for the proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the annual and half-yearly reports are approved.</p>		
--	--	--

<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include the evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its activity objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, as well as specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>The Company does not apply the Supervisory Council and Board activity assessment practice.</p>
---	-----------	---

Principle V: Working Procedure of the Company's Collegial Bodies

The working procedure of supervisory and management collegial bodies established in the company should ensure the efficient operation and decision-making of these bodies and encourage active co-operation between the company's bodies.

<p>5.1. The company's supervisory and management collegial bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for the proper convocation of the collegial body meetings. The chairperson should ensure that the information about the meeting being convened and its agenda is communicated to all members of the collegial body. The chairperson of a collegial body should also ensure the appropriate conducting of the meetings of the collegial body as well as the order and working atmosphere during the meeting.</p>	<p>Yes</p>	<p>The meetings of the Company's Supervisory Council are chaired by the Chairman of the Supervisory Council or other authorized member of the Supervisory Council. The meetings of the Company's Board are chaired by the Chairman of the Board or other authorized member of the Board.</p>
<p>5.2. It is recommended that the meetings of the company's collegial bodies should be convened at certain intervals of time according to the schedule approved in advance. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month¹⁷.</p>	<p>Yes</p>	<p>Board meetings are convened according to the schedule approved in advance (once a month) and, in addition, extraordinary meetings are convened. The meetings of the Supervisory Council are convened at least once every six months.</p>
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure a fruitful discussion followed by the adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	<p>All members of collegial bodies are submitted all material relevant to the agenda in advance by e-mail. The agenda may be supplemented during the meeting only if the meeting is attended by all members, any important issue arises and all members of the body agree that it requires immediate resolution.</p>
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>	<p>Yes</p>	<p>The meetings of Supervisory Council are open, and members of the Board are free to attend them.</p>
<p><i>Principle VI: Equitable Treatment of Shareholders and Shareholder Rights</i></p> <p>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</p>		

¹⁷ The frequency of meetings of the company's collegial bodies provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company: the board and the supervisory council. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory council, i.e. at least once in a quarter.

<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	<p>The authorized capital of the Company consists of ordinary registered shares that grant their holders the same property and non-property rights.</p>
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	<p>The company provides investors with the information on the rights attached to the shares of the new issue or already issued shares.</p>
<p>6.3. The transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting¹⁸. All shareholders should be furnished with equal opportunity to be familiarized with and participate in the decision-making process when any significant corporate issues, including approval of the transactions referred to above, are discussed.</p>	<p>Yes</p>	<p>The approval of the General Meeting of Shareholders is obtained for especially important transactions the criteria of which are set by the Law on Companies of the Republic of Lithuania, other legislation and the Articles of Association of the Company.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the general shareholders' meeting should not hinder active shareholder participation at the meeting.</p>	<p>Yes</p>	<p>The General Meetings of Shareholders of the Company are convened in accordance with requirements of the Law on Companies of the Republic of Lithuania and other legal requirements, as well as provisions of the Articles of Association of the Company. All of the Company's shareholders are informed of the venue, date and time of the General Meeting of Shareholders. Prior to the General Meeting of Shareholders, as required by the Law on Companies of RL and Articles of Association of the Company, all shareholders of the Company are provided with an opportunity to get familiarised with the materials concerning the meeting no later than within the time limits provided for by legal acts.</p>
<p>6.5. If possible, in order to ensure the right to access information of the shareholders living abroad, it is recommended that the documents regarding the general shareholders' meeting should be placed on the publicly accessible website of the company not only in the Lithuanian language but also in English and / or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and / or adopted resolutions should be also placed on the publicly accessible website of the company in Lithuanian, English and / or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or that the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>Following the procedure established by the Law on Companies of the Republic of Lithuania, no later than 21 days before the General Meeting of Shareholders, the documents or any drafts thereof prepared for the General Meeting of Shareholders are published on the VSE website, as well as on the Company's website, which enables the shareholders to publicly access the information.</p>

¹⁸ The Law on Companies of the Republic of Lithuania (*Official Gazette Valstybės Žinios*, 2003, No. 123-5574) no longer assigns the resolutions concerning the investment, transfer, lease, mortgage, acquisition, etc. of the long-terms assets with a book value accounting for more than 1/20 of the company's authorised capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activities should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activities and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in clauses 3, 4, 5 and 6 of Part 4 of Article 34 of the Law on Companies or derogate from them in accordance with the specific nature of their operation and their attempt to ensure an uninterrupted and efficient functioning of the company.

<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>The shareholders of the Company have the right to attend the General Meeting of Shareholder both in person and through a representative, if such representative has an appropriate authorisation letter or a contract concerning the transfer of voting rights concluded with him / her following the procedure established by legal acts. The Company also provides the shareholders with an opportunity to vote by completing the general voting ballot, as provided for by the Law on Companies of RL.</p>
<p>6.7. In order to increase the shareholders' opportunities to participate at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases, the security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>The installation of the tools referred to in this recommendation would require a disproportionate cost compared to the likely benefits. On the other hand, the Company provides an opportunity for shareholders to state their views by use of specific technologies and without direct participation at the meetings.</p>
<p>Principle VII: The Avoidance of Conflicts of Interest and their Disclosure</p> <p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his / her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within a reasonable time limit, inform other members of the same collegial body or the company's body that has elected him / her or the company's shareholders about the situation of a conflict of interest, indicate the nature of the interest and value, where possible.</p>	<p>Yes</p>	<p>The Company follows these recommendations.</p>
<p>7.2. Any member of the company's supervisory and management body should distinct the company's assets, the use of which has not been mutually agreed upon, from his / her personal assets or use them or the information which he / she learns by virtue of his / her position as a member of a corporate body for his / her personal benefit or for the benefit of any third person without a consent of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a corporate body a member of which he / she is. Such a transaction (except for insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or verbally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him / her or to the company's shareholders. Transactions</p>	<p>Yes</p>	

specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when any decisions concerning the transactions or other issues pertaining to his / her personal or business interest are voted on.	Yes	The Company complies with this recommendation. A member of the Company's collegial body abstains from voting when the decisions concerning the transactions or other issues pertaining to his / her personal or business interest are voted on.
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the 'remuneration statement') which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual report, as well as posted on the company's website.	No	The Company does not make a public statement of the company's remuneration policy, as it is not required under legal acts. However, the data on remuneration under certain categories is published in half-yearly and annual financial statements.
8.2. The remuneration statement should mainly focus on company directors' remuneration policy for the following financial year and, if appropriate, the subsequent years. The statement should also contain a summary of the implementation of the remuneration policy during the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company does not publish the remuneration statement, as it is not required under legal acts.
8.3. The remuneration statement should leastwise include the following information: 1) Proportion of the variable and non-variable components of directors' remuneration and explanation thereof; 2) Sufficient information on performance criteria that entitles directors to share options transactions, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the connection between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in clause 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in clause 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of the supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	No	For the above reasons, the remuneration policy, following which the remuneration statement would be developed, is not approved at the Company.

<p>8.4. The remuneration statement should also summarize and explain the company's policy regarding the terms and conditions of the contracts executed with executive directors and members of the management bodies. It should include, <i>inter alia</i>, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination of the contracts with executive directors and members of the management bodies.</p>	<p>No</p>	<p>General information about the payments and loans to the members of the Company's Supervisory Council and Board is made publicly available in the annual and half-yearly reports.</p>
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in clauses 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and / or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and benefits received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and / or bonus payments and the reasons why such bonus payments and / or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his / her resignation from the office during the previous financial year; 6) Total estimated value of the non-cash benefits considered as remuneration, other than the benefits covered in clauses 1 to 5 above. <p>8.5.2. As regards the shares and / or rights to acquire share options and / or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of share options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of transactions of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the following financial year. <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits 	<p>No</p>	<p>The Company does not publish the remuneration statement, as it is not required under legal acts. However, the data on remuneration under certain categories is published in the half-yearly and annual reports.</p>

<p>under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid, in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate, to each person who has served as a director in the company at any time during the relevant financial year.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Yes	The Company's remuneration policy meets the principle where remuneration consists of a non-variable and variable component.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Yes	The Company estimates a variable component of remuneration based on the established performance assessment indicators.
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a certain period of time meeting the criteria of reasonableness. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	Yes	The Company estimates a variable component of remuneration based on the established performance assessment indicators.
<p>8.9. The contractual arrangements with executive directors or members of management bodies should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of the data which subsequently proved to be manifestly misstated.</p>	No	
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than the amount comprising two years of the non-variable component of remuneration or the equivalent thereof.</p>	No	
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	Yes	If a contract of employment is terminated due to bad results, a termination payment is withheld or a relevant portion thereof is reduced following requirements of legal acts.
<p>8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. The information should include the data, if applicable, on the authority and composition of the remuneration committee, names and surnames of the external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	

8.13. In case the remuneration is not based on the share award, shares should not vest for at least three years after their award.	Not relevant	The Company does not apply this practice.
8.14. Share option transactions or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other rights to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not relevant	The Company does not apply this practice.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of the total annual remuneration (the non-variable plus the variable components).	Not relevant	The Company does not apply this practice.
8.16. Remuneration of non-executive directors or supervisory council members should not include share option transactions.	Yes	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings of shareholders and make considered use of their votes regarding directors' remuneration.	No	
8.18. Without prejudice to the role of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The voting may be either mandatory or advisory.	No	The Company presents the information that is required under the Law on Securities of RL and / or other legal acts.
8.19. The schemes anticipating remuneration of directors in the form of shares, share option transactions or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a relevant resolution prior to their adoption. The approval should be related to the scheme itself and the shareholders should not make decisions regarding the benefits based on the shares granted under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such cases shareholders should be notified on all terms and conditions of the suggested changes and get an explanation on the impact of the suggested changes.	Not relevant	The Company does not apply the schemes anticipating remuneration of directors in the form of shares, share option transactions or any other right to purchase shares or be remunerated on the basis of share price movements.

8.20. The following issues should be subject to approval by the shareholders' annual general meeting:

- 1) Remuneration allocation on share-based schemes, including share option transactions, to directors;
- 2) Determination of maximum number of shares and the general share granting procedure;
- 3) The term within which options can be exercised;
- 4) The conditions for any subsequent change in the exercise of the options, if permissible by law;
- 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms and conditions.

The annual general meeting of shareholders should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this clause to individual directors.

8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market price of the share prevailing on the day of the price determination, or the average of the market price over several days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.

8.22. Provisions of clauses 8.19 and 8.20 should not be applicable to the schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.

8.23. Prior to the annual general meeting that is intended to consider the decision stipulated in clause 8.19, the shareholders should be provided with an opportunity to familiarize with the draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of the key terms and conditions thereof, as well as full names of the participants in the schemes. The notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. The draft resolution must have a clear reference to the scheme itself or contain a summary of its key terms and conditions. Shareholders should also be presented with the information on how the company intends to provide for the shares required to meet its obligations under incentive schemes: it should be clearly stated whether the company intends to buy the required shares on the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this clause must be posted on the company's website.

Principle IX: Role of Stakeholders in Corporate Governance

<p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage an active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should ensure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The corporate governance framework of the Company ensures that the rights of stakeholders that are provided for by laws are respected. The major part of the shareholders is comprised of the Company’s employees and milk producers.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consultations with employees regarding the corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have an opportunity to get familiarised with relevant information.</p>		
<p><i>Principle X: Information Disclosure</i></p> <p>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		
<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The activities and financial results of the company; 2) Company objectives; 3) Persons holding under the right of ownership or in control of a packet of shares in the company; 4) Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and related persons, as well as transactions concluded outside the course of the company’s regular operations; 7) Material issues regarding employees and other stakeholders; 8) Company governance structure and strategy. <p>This list should be deemed as a minimum disclosure, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in clause 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. When the information specified in clause 4 of Recommendation 10.1 about the members of the</p>	<p>Yes</p>	<p>The information about the Company referred to in these recommendations is disclosed in the annual and interim reports, notices of material events of the Company, and financial statements of the Company. This information is published through the Stock Exchange information disclosure system. After the disclosure of material events, the information is additionally published in the media, and further comments on it are provided.</p>

<p>company's supervisory and management bodies is under disclosure, it is recommended that the information on the professional background, qualifications of the members of supervisory and management bodies and chief executive officer of the company should be disclosed, as well as potential conflicts of interest that may have an effect on their decisions. It is also recommended that the information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as specified in a more detailed manner in Principle VIII.</p> <p>10.4. It is recommended that the information about the relationships between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc., should be disclosed when information specified in clause 7 of Recommendation 10.1 is under disclosure.</p>		
<p>10.5. Information should be disclosed in such a way that no shareholders or investors are discriminated in terms of the manner or scope of information receipt. Information should be disclosed to all the aforementioned persons and simultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have an equal opportunity to get familiarised with the information and make informed investing decisions.</p>	<p>Yes</p>	<p>As far as possible, the Company provides information through the Vilnius Stock Exchange information disclosure system in Lithuanian and English simultaneously. The Stock Exchange publishes the received information on its website and trading system, thus ensuring simultaneous presentation of information to everyone. In addition, the Company does its best to publish the information before or after a trading session on NASDAQ OMX Vilnius and simultaneously to all markets that trade in the Company's securities. The Company does not disclose the information which may affect the price of securities issued by the Company by any comments, interviews or otherwise as long as such information is made public through the Stock Exchange information system.</p>
<p>10.6. The channels for disseminating information should provide for fair, timely, inexpensive and, in cases provided for by legal acts, free of charge access to information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The Company makes its annual and interim reports public on the Company's website, thus ensuring the fair and inexpensive access to information. Website address: www.zpienas.lt</p>
<p>10.7. It is recommended that the company's annual report, set of financial statements and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company publishes its annual and interim reports, performance, audited financial statements, the notices of material events and changes in the price of the shares on the Stock Exchange in the Lithuanian and English languages on the Company's website.</p>

Principle XI: Selection of the Company's Firm of Auditors

The mechanism of the selection of the company's auditor should ensure the independence of the firm of

auditor's conclusion and opinion.		
11.1. In order to obtain an objective opinion on the set of interim financial statements of the company, an audit of the company's set of annual financial statements and annual report should be conducted by an independent firm of auditors.	Yes	The audit of the set of annual financial statements and annual report of the Company is conducted by an independent firm of auditors.
11.2. It is recommended that the company's supervisory council and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The General Meeting of Shareholders authorises the Board to select a firm of auditors unless the shareholders decide otherwise.
11.3. Where a firm of auditors has received any payments from the company for non-audit services rendered to the company, it is recommended that the company should disclose this to its shareholders. This information should be also known to the company's supervisory council and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not relevant	The firm of auditors has not received any payments for non-audit services from the Company.