

**CODE OF CORPORATE GOVERNANCE
ANNUAL QUESTIONNAIRE**

MAIN COMPANY INFORMATION:

CONTACT PERSON AND CONTACT PHONE:

DATE OF QUESTIONNAIRE COMPLETE:

AD PLASTIK d.d. Matoševa 8, 21210 Solin

Marko Jerončić, 021/206-664

20.04.2018.

All the questions contained in this questionnaire relate to the period of one business year to which the annual financial statements also relate.

If a question in the questionnaire asks for an explanation, it is necessary to explain the answer provided.

All the answers in the questionnaire will be measured in percentages, as explained at the beginning of each chapter.

COMPANY HARMONIZATION WITH THE PRINCIPLES OF CORPORATE GOVERNANCE CODE

Answers to this questionnaire chapter will be valued with a max. 20% of the whole questionnaire valuation of company harmonization with the principles of Corporate Governance Code

Question No.	Questions	Answer YES/NO	Explanation
1	Has the company accepted implementation of the code of corporate governance of the Zagreb Stock Exchange?	YES	
2	Does the company have its own code of corporate governance?	NO	
3	Have any principles of the code of corporate governance been adopted as part of the company's internal policies?	YES	
4	Does the company disclose harmonization with the principles of corporate governance in its annual financial statements?	YES	

SHAREHOLDERS AND GENERAL MEETING

Answers to this questionnaire chapter will be valued with max. 30% of whole questionnaire valuation of company harmonization with the principles of Corporate Governance Code

Question No.	Questions	Answer YES/NO	Explanation
5	Is the company in a cross-shareholding relationship with another company or other companies? (If so, explain)	NO	
6	Does each share of the company have one voting right? (If not, explain)	YES	
7	Are there cases of different treatment of any shareholders? (If so, explain)	NO	
8	Has the procedure for issuing power of attorney for voting at the general assembly been fully simplified and free of any strict formal requirements? (If not, explain)	YES	
9	Has the company ensured that the shareholders of the company who, for whatever reason, are not able to vote at the assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders? (If not, explain)	NO	Until now the Company has not received any requirements in this sense
10	Did the management or Management Board of the company, when convening the assembly, set the date for defining the status in the register of shares, which will be relevant for exercising voting rights at the general assembly of the company, by setting that date prior to the day of holding the assembly and not earlier than 6 days prior to the day of holding the assembly? (If not, explain)	YES	
11	Were the agenda of the assembly, as well as all relevant data and documentation with explanations relating to the agenda, announced on the website of the company and put at the disposal of shareholders on the company's premises as of the date of the first publication of the agenda? (If not, explain)	YES	
12	Does the decision on dividend payment or advance dividend payment include information on the date when shareholders acquire the right to dividend payment, and information on the date or period during which the dividend will be paid? (If not, explain)	YES	
13	Is the date of dividend payment or advance dividend payment set to be not later than 30 days after the date of decision making? (If not, explain)	YES	
14	Were any shareholders favoured while receiving their dividends or advance dividends? (If so, explain)	NO	

15	Are the shareholders allowed to participate and to vote at the general assembly of the company using modern communication technology? (If not, explain)	NO	So far, the Company didn't find justifiable to use modern communication technology, because the practice of the current voting system, defined by the Statute and the Rules of Procedure of General Assembly has proved to be an optimal solution
16	Have the conditions been defined for participating at the general assembly by voting through proxy voting (irrespective of whether this is permitted pursuant to the law and articles of association), such as registration for participation in advance, certification of powers of attorney etc.? (If so, explain)	YES	For the reasons of legal certainty and organizing the General Assembly
17	Did the management of the company publish the decisions of the general assembly of the company?	YES	
18	Did the management of the company publish the data on legal actions, if any, challenging those decisions? (If not, explain)	NO	No, because there were none

MANAGEMENT AND SUPERVISORY BOARD

PLEASE PROVIDE THE NAMES OF MANAGEMENT BOARD MEMBERS AND THEIR FUNCTIONS

Marinko Došen, President of the Management Board,
Katija Klepo, Management Board member,
Sanja Biočić, Management Board member,
Mladen Peroš, Management Board member

PLEASE PROVIDE THE NAMES OF SUPERVISORY BOARD AND THEIR FUNCTIONS

Dmitrij Leonidovič Drandin, President of the Supervisory Board,
Ivica Tolić, Deputy
Zoja Crnečki, member,
Hrvoje Jurišić, member,
Nadezhda Anatolyevna Nikitina, member,
Igor Antoljevič Solomatin, member
Robert Kuhta, member

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Question No.	Questions	Answer YES/NO	Explanation
19	Did the Supervisory or Management Board adopt a decision on the master plan of its activities, including the list of its regular meetings and data to be made available to Supervisory Board members, regularly and in a timely manner? (If not, explain)	YES	
20	Did the Supervisory or Management Board pass its internal code of conduct?	YES	
21	Does the company have any independent members on its Supervisory or Management Board? (if not, please explain)	YES	
22	Is there a long-term succession plan in the company? (If not, explain)	YES	
23	Is the remuneration received by the members of the Supervisory or Management Board entirely or partly determined according to their contribution to the company's business performance? (If not, explain)	YES	
24	Is the remuneration to the members of the Supervisory or Management Board determined by a decision of the general assembly or in the articles of association of the company? (If not, explain)	YES	
25	Have detailed records on all remunerations and other earnings of each member of the management or each executive director received from the company or from other persons related to the company, including the structure of such remuneration, been made public (in annual financial statements)? (If not, explain)	NO	Summary data for key personnel are published in Annual report
26	Have detailed records on all remunerations and other earnings of each member of the Supervisory or Management Board received from the company or from other persons related to the company, including the structure of such remuneration, been made public (in annual financial statements)? (If not, explain)	NO	Summary data for key personnel are published in Annual report
27	Does every member of the Supervisory or Management Board inform the company of each change relating to their acquisition or disposal of shares of the company, or to the possibility to exercise voting rights arising from the company's shares promptly and no later than three business days, after such a change occurs? (If not, explain)	YES	

28	Were all transactions involving members of the Supervisory or Management Board or persons related to them and the company and persons related to it clearly presented in reports of the company? (If not, explain)	YES	
29	Are there any contracts or agreements between members of the Supervisory or Management Board and the company?	NO	
30	Did they obtain prior approval of the Supervisory or Management Board? (If not, explain)	NO	there are no such contracts
31	Are important elements of all such contracts or agreements included in the annual report? (If not, explain)	NO	there are no such contracts
32	Did the Supervisory or Management Board establish the appointment committee?	YES	
33	Did the Supervisory or Management Board establish the remuneration committee?	YES	
34	Did the Supervisory or Management Board establish the audit committee?	YES	
35	Was the majority of the audit committee members selected from the group of independent members of the Supervisory Board? (If not, explain)	NO	In 2017. the majority of the audit committee members were not independent members of the Supervisory Board. Mr. Drandin is the only committee member selected from the group of independent members of the Supervisory Board. Mr Tolić is a former employee and therefore is not considered as independent member of the Supervisory Board. Mr. Škomrlj and Janovskis are not Supervisory board members.
36	Did the committee monitor the integrity of the financial information of the company, especially the correctness and consistency of the accounting methods used by the company and the group it belongs to, including the criteria for the consolidation of financial reports of the companies belonging to the group? (If not, explain)	YES	
37	Did the audit committee assess the quality of the internal control and risk management system, with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks related to the compliance with regulations), as well as managing those risks in an adequate manner? (If not, explain)	YES	
38	Has the audit committee been working on ensuring the efficiency of the internal audit system, especially by preparing recommendations for the selection, appointment, reappointment and dismissal of the head of internal audit department, and with regard to funds at his/her disposal, and the evaluation of the actions taken by the management after findings and recommendations of the internal audit? (If not, explain)	YES	
39	If there is no internal audit system in the company, did the audit committee consider the need to establish it? (If not, explain)	YES	
40	Did the audit committee monitor the independence and impartiality of the external auditor, especially with regard to the rotation of authorised auditors within the audit company and the fees the company is paying for services provided by external auditors? (If not, explain)	YES	
41	Did the committee monitor nature and quantity of services other than audit, received by the company from the audit company or from persons related to it? (If not, explain)	YES	
42	Did the audit committee prepare rules defining which services may not be provided to the company by the external audit company and persons related to it, which services may be provided only with, and which without prior consent of the committee? (If not, explain)	YES	
43	Did the audit committee analyse the efficiency of the external audit and actions taken by the senior management with regard to recommendations made by the external auditor? (If not, explain)	YES	
44	Was the documentation relevant for the work of the Supervisory Board submitted to all members on time? (If not, explain)	YES	
45	Do Supervisory Board or Management Board meeting minutes contain all adopted decisions, accompanied by data on voting results? (If not, explain)	YES	
46	Has the Supervisory or Management Board evaluated their work in the preceding period, including evaluation of the contribution and competence of individual members, as well as of joint activities of the Board, evaluation of the work of the committees established, and evaluation of the company's objectives reached in comparison with the objectives set?	YES	
47	Are detailed data on all earnings and remunerations received by each member of the management or each executive director from the company published in the annual report of the company? (If not, explain)	NO	Summary data for key personnel are published in Annual report
48	Are all forms of remuneration to the members of the management, Management Board and Supervisory Board, including options and other benefits of the management, made public, broken down by items and persons, in the annual report of the company? (If not, explain)	NO	Summary data for key personnel are published in Annual report
49	Are all transactions involving members of the management or executive directors, and persons related to them, and the company and persons related to it, clearly presented in reports of the company? (If not, explain)	YES	

50	Does the report to be submitted by the Supervisory or Management Board to the general assembly include, apart from minimum information defined by law, the evaluation of total business performance of the company, of activities of the management of the company, and a special comment on its cooperation with the management? (If not, explain)	YES	
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AUDIT AND MECHANISMS OF INTERNAL AUDIT

Answers to this questionnaire chapter will be valued with a max. 10% of the whole questionnaire valuation of company harmonization with the principles of Corporate Governance Code

Question No.	Questions	Answer YES/NO	Explanation
51	Does the company have an external auditor?	YES	
52	Is the external auditor of the company related with the company in terms of ownership or interests?	NO	
53	Is the external auditor of the company providing to the company, him/herself or through related persons, other services?	YES	The provision of non-audit services by the external auditor has not affected the independent opinion by the external auditor, thereby ensuring a fair presentation of company's financial statements.
54	Has the company published the amount of charges paid to the independent external auditors for the audit carried out and for other services provided? (If not, explain)	YES	
55	Does the company have internal auditors?	YES	
56	Does the company have an internal audit system in place? (If not, explain)	YES	

TRANSPARANCY AND THE PUBLIC OF ORGANIZATION OF BUSINESS

Answers to this questionnaire chapter will be valued with a max. 20% of the whole questionnaire valuation of company harmonization with the principles of Corporate Governance Code

Question No.	Questions	Answer YES/NO	Explanation
57	Are the semi-annual, annual and quarterly reports available to the shareholders?	YES	
58	Did the company prepare the calendar of important events?	YES	
59	Did the company establish mechanisms to ensure that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it?	YES	
60	Did the company establish mechanisms to ensure supervision of the flow of inside information and possible abuse thereof?	YES	
61	Has anyone suffered negative consequences for pointing out to the competent authorities or bodies in the company or outside, shortcomings in the application of rules or ethical norms within the company? (if yes, explain)	NO	
62	Did the management of the company hold meetings with interested investors, in the last year?	YES	
63	Do all the members of the management, Management Board and Supervisory Board agree that the answers provided in this questionnaire are, to the best of their knowledge, entirely truthful?	YES	

Statement on the application of the corporate governance

- AD Plastik d.d. applies the Corporate Governance Code (hereinafter: the Code) published on the official website of Zagreb Stock Exchange, www.zse.hr.
- The Company has not adopted or implemented its own corporate governance code in its regular business operations, instead the Company has implemented recommendations and guidelines prescribed by the Code of Zagreb Stock Exchange.
- All information was published required by regulations and in the interest of shareholders. By regularly submitting annual surveys published on the official website of the Zagreb Stock Exchange (www.zse.hr) and on the Company's website (www.adplastik.hr), we demonstrate our commitment to adhere to the principles of corporate governance and social responsibility in detail.
- The Company did not deviate from the legally binding and accepted Corporate Governance Code, except from its individual recommendations, as explained in detail in the Annual Survey of the said Code.
- The internal control system in place at the Company is organized in such a way that the internal organization and operating procedures define check-points and ensure accuracy flow and integrity of specific data relating to financial, business and legal obligations that may pose significant risks for the Company. The Controlling and Internal Audit Department is responsible for performing internal control functions. Controlling subsequently notifies the Management Board, whereas the Internal Audit department informs the Management Board and the Audit Committee on monitoring results. Controlling subsequently notifies the Management Board, whereas the Internal Audit department informs the Management Board and the Audit Committee on monitoring results. Such informing is provided through the report on conducted monitoring. Supervision and coordination of business reporting by the Controlling include encouraging communication between different functions of the Company, and coordination with the preparation of reports and analysis of business results; evaluating the overall business efficiency, and proposing guidelines for improvement; giving orders and determination of preventive and corrective activities; and forecasting the impact of external and internal changes in the overall business.

The Internal Audit scope includes assessments and recommendations for improving the corporate governance process, assessment of control adequacy and efficiency in managing organisation, business operations and information system, monitoring of objective achievement and compliance with laid down policies, procedures and guidelines, reporting and providing opinions on implementation per business areas, anticipating and managing risks, and protecting Company's assets.

- Ten significant indirect and direct shareholders are listed on page 31. The Company has no holders of securities with special control rights, nor limitations on voting rights of holders of a given percentage or number of votes. The Company has no specific rules on appointment and recalling of Management Board members, nor specific rules on authority of Management Board members. The Company Statute prescribes that the shareholder Open Joint Stock Company "Holding Autokomponenti" from St. Petersburg, Russia, shall appoint two members of the Supervisory Board.

The provisions of the Companies Act and the provisions of the Company Statute are applied on the aforementioned relations.

On 20 July 2017, the Company's General Assembly gave authorisation to the Management Board, for the period of five years, to acquire own shares.

On 31 12/ 2017, the Company owned 23,801 own shares.

- Company bodies are as follows: Management Board, Supervisory Board and General Assembly
- The General Assembly is responsible for making decisions on the following issues: electing and granting relieve from duty to Supervisory Board members, use of profit, granting relieve from duty to Management Board members, appointing auditors, amending the Statute, increasing or reducing share capital and on other issues under its responsibility as regulated by the law. Shareholders exercise their rights via the General Assembly.

Activities of the General Assembly are regulated by the Companies Act and the Rules of Procedure for the General Assembly published on the Company's website (www.adplastik.hr).

Members of the Management Board and Supervisory Board are listed on pages 19, 22 and 23.

In accordance with the Companies Act and the Rules of Procedure for the Supervisory Board, the Company has established three committees whose activities assist the work of the Supervisory Board by preparing decisions that shall later be taken by the Supervisory Board, and supervising their implementation. The Committees are as follows: Audit Committee, Remuneration Committee and the Appointment Committee

- The objective of the diversity policy of AD Plastik Group applied on the Company managing bodies is to establish necessary standards ensuring the diversity of the Management and Supervisory Boards members. This improves the quality of their work and enables them to make better management decisions.

Appointment criteria are as follows: candidates' skills and experience, industry knowledge, personal qualities and integrity, while diversity criteria such as gender, age, work experience, nationality and individual differences

in professional and personal experience are also taken into consideration.

- The Appointment Committee tasked with electing members of the Management Board and the Supervisory Board implements the Diversity policy objectives by suggesting candidates for members of the Management Board and the Supervisory Board according to these criteria.
- The Company's Management Board was appointed in 2016, for the period of four years, and no changes occurred in the Management Board members during the reporting period. An even balance was established as per gender, skills, experience and competence criteria, which is evident from the members' CVs.

The Supervisory Board consists of seven members, three of whom are Russian citizens, while four members are Croatian citizens. With respect to the gender criteria, the Supervisory Board consists of two women and five men, and the age criteria was fulfilled by having a good age balance ranging from 32 to 66 years of age.

Members of the Supervisory Board are listed on page 19.

Marinko Došen
President of the Management Board



Katija Klepo
Member of the Management Board



Sanja Biočić
Member of the Management Board



Mladen Peroš
Member of the Management Board



Amount of fees paid to external auditors

During 2017, AD Plastik d.d. paid to external auditors HRK 500,547 for audit services and HRK 365,739 for other services. The amounts include VAT.