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GPW Closed Services EBI System

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Current Report

Company: Kopex Spółka Akcyjna

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Types of markets: CORPORATE GOVERNANCE- regulated market

Title: Kopex Spółka Akcyjna Report on the application scope of
Good Practice

Content:

Kopex Spółka Akcyjna submits a report on non- application of detailed principles contained in Best Practice for GPW Listed Companies 2016, based on Par. 20, Section3 of the Warsaw Stock-Exchange By-laws.

Information policy and communication with investors

I.Z.1.3. a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;

Comment of the company on application of the above principle.

Due to technical and organizational reasons, the required information referred to in the above principle will have been placed on the corporate website by the Company by the end of the first half of 2016. Preparation of amendments to the By-laws and the Company's organizational structure is underway.

I.Z.1.8. selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;

Comment of the company on application of the above principle.

Due to technical and organizational reasons, the required financial data referred to in the above principle will have been placed on the corporate website by the Company in a format that allows their processing by the end of the first half of 2016.

I.Z.1.9. information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

Comment of the company on application of the above principle.

Due to technical and organizational reasons, the required information referred to in the above principle will have been placed on the corporate website by the Company by the end of the first half of 2016.

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

Comment of the company on application of the above principle.

In the past the Company did not undertake a decision to publish financial forecasts due to the specificity of the mining industry in which they operate, and changing external conditions. Ongoing downturn in the mining market, lack of more specific regulations on functioning of entities in the mining industry make the publication of financial forecasts could be burdened with high risk of incompleteness which could unreasonably expose investors to undertake wrong investment decisions.

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

Comment of the company on application of the above principle.

The principle is partially applied. Elements of diversity policies have not been formalized in a document policy diversity in relation to the bodies of the Company and its key managers. However, the Company will strive to develop and implement such a policy in the future, recognizing it as an important element to build a competitive advantage, assuming that the diversity policy document will have been developed by the end of 2016. Despite the lack of such a policy, daily activities in the field of implementing human resources policy, in particular in the process of recruitment and selection, evaluation of career paths, suitability for the Company and implementing its strategy include the following elements: gender diversity, field of stud, age and professional experience as well as knowledge of the industry.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

Comment of the company on application of the above principle.

The principle is not applied because principle IV.Z.2. on ensuring transmission of a general meeting in real time is not applied.

I.Z.1.19. shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

Comment of the company on application of the above principle.
Answers to shareholders' questions regarding the issues included in the agenda, only in relation to the questions asked by shareholders in writing, will be placed on the corporate website by the Issuer.

I.Z.1.20. an audio or video recording of a general meeting;

Comment of the company on application of the above principle.
Audio recordings of general meetings are placed on the company's corporate webpage www.kopex.com.pl, in the "Investor Relations" / General Meeting of Shareholders" tab by the Issuer.

Management Board and Supervisory Board

II.Z.1. The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

Comment of the company on application of the above principle.
Due to technical and organizational reasons, schematic division of operational responsibilities among Management Board Members will have been placed on the corporate website by the Company by the end of the first half of 2016

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

Comment of the company on application of the above principle.
The Company is considering implementation of relevant records in internal documents of corporate bodies until the end of the first half of 2016 years.

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

Comment of the company on application of the above principle.
Currently no committees operate in the Supervisory Board, however members with adequate knowledge and competencies in the tasks of the committees are in the composition of the Supervisory Board.

II.Z.8. The chairperson of the audit committee should meet the independence criteria referred to in principle II.Z.4.

Comment of the company on application of the above principle.
Currently no separate Audit Committee operates in the Supervisory Board.

II.Z.10.3. an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

Comment of the company on application of the above principle.
Assessment of the fulfillment of information obligations on applying principles of corporate governance will be presented for the first time to the Ordinary General Meeting for the year 2016.

II.Z.10.4. an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.

Comment of the company on application of the above principle.
Assessment of the rationality of the company's policy on business sponsorship, charity or any other of a similar nature for the first time will be presented Ordinary General Meeting for the year 2016.

Internal Systems and Functions

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

Comment of the company on application of the above principle.
The principle is applied partially. For entire application of this principle, the Company is going to consider the implementation of reporting procedures directly to the Supervisory Board or the Audit Committee (if any will be formed)

III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

Comment of the company on application of the above principle.
Annual overall assessment of the functioning effectiveness of the systems and functions referred to in the above principle will be included for the first time in the Supervisory Board Report for 2016.

General Meeting, Shareholder Relations

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Comment of the company on application of the above principle.

The current shareholding structure of the Company does not justify incurring additional costs related to the organising live transmissions of general meetings. Since 2013 audio recordings of general meetings have been placed on the company's corporate website.

Conflict of Interest and Related Party Transactions

V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company.

The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

Comment of the company on application of the above principle.

The Company is going to consider to complete internal corporate documents by entering the record on the demand to obtain Supervisory Board's approval by the Management Board for the conclusion of a significant agreement with a shareholder holding at least 5% of the total number of votes in the Company or related entity, referred to in principle V.Z.5.

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

Comment of the company on application of the above principle.

To implement the above principle, until the end of 2016, the Company is going to endeavour to elaborate internal regulations including among others things, ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding a member of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest.

Remuneration

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Comment of the company on application of the above principle.
Current principles for remunerations and salaries set individually for KOPEX S.A. Management Board members and the Company's key managers are associated with the assessment of consolidated financial results of the KOPEX Group and assessment of the implementation of the strategic objectives defined for individual Management Board members by the Supervisory Board.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

Comment of the company on application of the above principle.
Current principles of remuneration and bonuses for KOPEX S.A. Management Board members and the Company's key managers are not linked with the Company's shares. If such a program is adopted in the future, the Issuer will notify about that in a separate communicate.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Comment of the company on application of the above principle.
The principle is partially applied. Information on remuneration to the extent provided by law are presented in the Company activity report. This information includes basic data with respect to the Issuer's Management Board. The Company is going to consider the manner and scope of disclosure referred to in detailed principle VI.Z.4.

Representation of the company:

Krzysztof Zawadzki, Management Board Member

Marek Uszko, Management Board Member

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