

Confirmation of the provision of Best Practice report

Company: TALEX Spółka Akcyjna

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Title: TALEX S.A. - information on the status of implementation of the Code of Best Practice 2021

Contents:

Pursuant to §29. 3 of the Rules of the Warsaw Stock Exchange S.A. ("WSE"), TALEX SA provides information on the status of implementation of the Code of Best Practice 2021.

INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.

This principle is applied.

1.2. Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.

This principle is applied.

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

This principle is not applied by the Company.

In the practice of its operations, the Company attaches great importance to environmental aspects, in particular to reducing fuel consumption, water demand and the use of alternative energy sources. However, the Company has not currently set specific, measurable targets in this regard.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

This principle is applied.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

This principle is not applied by the Company.

The Company is in the course of preparing the information it is going to publish on its website.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

This principle is not applied by the Company.

The explanation of the above stated will be presented after compilation of the information referred to in point 1.4.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

This principle is not applied by the Company.

The explanation of the above stated will be presented after compilation of the information referred to in point 1.4. At the same time, the Company informs that in practice it applies the principles of equal remuneration taking into account the content of the job and the length of service.

1.5. Companies disclose at least on an annual basis the amounts expended by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

This principle is applied.

1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

This principle is not applied by the Company.

The main investors of the Company are its founders who are also members of the Management Board. The Company remains open to contact with shareholders who, based on the Company's long experience, prefer individual meetings with the Company's Management Board. The Company's practice to date has not confirmed the shareholders' interest in more extensive meetings.

1.7. If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.

This principle is applied.

MANAGEMENT BOARD, SUPERVISORY BOARD

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

This principle is not applied by the Company.

The Company currently has one diversity policy. The Company's governing bodies have undertaken work to prepare a diversity policy separate for the Management Board and the Supervisory Board.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

This principle is not applied by the Company.

The main shareholders of the Company are its founders, who are also members of the Management Board. These persons are of one gender. The selection process for the members of the Management Board involves the use of substantive criteria and the composition of the Management Board is not determined by an election based on the provision of a specific gender diversity index. The composition of the Supervisory Board takes into account the gender diversity index.

2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

This principle is applied.

2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.

This principle is applied.

2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.

This principle is applied.

2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.

This principle is applied.

2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.

This principle is applied.

The Company's comments on the manner of the above principle.

At the moment the Company does not belong to a capital group.

2.8. Supervisory board members should be able to devote the time necessary to perform their duties.

This principle is applied.

2.9. The chairman of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.

This principle is applied.

2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;

This principle is applied.

2.11.2. summary of the activity of the supervisory board and its committees;

This principle is applied.

2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;

This principle is applied.

2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of 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, and information about measures taken by the supervisory board to perform such assessment;

This principle is applied.

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

This principle is not applied by the Company.

The Company intends to apply the rule as of the next annual report.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

This principle is not applied by the Company.

The Company intends to apply the rule as of the next annual report.

INTERNAL SYSTEMS AND FUNCTIONS

3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.

This principle is applied.

3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

This principle is applied.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

This principle is not applied by the Company.

The Company intends to apply the rule as of the next annual report.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

This principle is applied.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

This principle is applied.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

This principle is not applied by the Company.

The Company intends to apply the rule as of the next annual report.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

Not applicable.

At the moment the Company does not belong to a capital group.

3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.

This principle is not applied by the Company.

The Company intends to introduce the rule in this year.

3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

This principle is not applied by the Company.

The Company intends to introduce the rule in this year.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

Not applicable.

The Company declares willingness to apply this rule in case the Company is qualified to the indicated indices.

GENERAL MEETING, SHAREHOLDER RELATIONS

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

This principle is not applied by the Company.

Main investors of the Company are its founders who are also members of the Management Board. The Company's practice has so far not confirmed the shareholders' interest in participating in the General Meeting by means of electronic communication.

4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

This principle is applied.

4.3. Companies provide a public real-life broadcast of the general meeting.

This principle is not applied by the Company.

Main investors of the Company are its founders who are also members of the Management Board. The Company's practice has so far not confirmed the shareholders' interest in the real-life broadcast of the General Meeting.

4.4. Presence of representatives of the media is allowed at general meetings.

This principle is applied.

4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

This principle is applied.

4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.

This principle is applied.

4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.

This principle is applied.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

This principle is not applied by the Company.

The Company allows for the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Commercial Companies Code.

4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:

4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

This principle is not applied by the Company.

The Company allows for the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Commercial Companies Code. The Company declares that the information submitted by shareholders concerning the proposed candidates will be immediately published on the Company's website.

4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

This principle is applied.

4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

This principle is applied.

4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.

This principle is applied.

4.12. Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.

This principle is applied.

4.13. Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:

- a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
- b) the persons granted the pre-emptive right are to be selected according to objective general criteria;
- c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.

This principle is not applied by the Company.

Decisions regarding the issues will be made taking into account the essential needs of the Company as they exist at a given time.

4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:

- a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
- b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;

- c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
- d) the company generates insufficient cash flows to pay out dividends;
- e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
- f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

This principle is not applied by the Company.

The Company declares the implementation of this principle in practice, taking into account the essential needs of the Company existing at the time of adopting the relevant resolution.

CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.

This principle is applied.

5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.

This principle is applied.

5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.

This principle is not applied by the Company.

At the moment the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.

This principle is applied.

5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.

This principle is not applied by the Company.

At the moment the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.

This principle is not applied by the Company.

At the moment the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.7. If a decision concerning the company's significant transaction 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, including an opinion of the supervisory board referred to in principle 5.6.

This principle is not applied by the Company.

At the moment the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

REMUNERATION

6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.

This principle is applied.

6.2. 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 standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

This principle is applied.

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

This principle is not applied by the Company.

At present the Company does not have a managerial stock options programme. The Company declares its willingness to implement this principle.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

This principle is applied.

6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.

This principle is applied.

Appendices :

Representatives of the Company

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