

Echo Investment Spółka Akcyjna

## Information on the application by the company of the principles included in the Best Practices of WSE Listed Companies 2021

According to the current state of application of the Best Practices the Company does not apply 8 principles: 1.4.1., 1.4.2., 2.1., 2.2., 2.11.6., 4.1., 4.3., 6.3.

### 1. INFORMATION POLICY AND COMMUNICATION WITH INVESTORS

**In the interest of all market participants and in its own interest a stock exchange listed company shall take care of proper communication with stakeholders, by conducting transparent and reliable communication policy.**

- 1.1. The company shall conduct efficient communication with capital market participants, by reliably informing about matters concerning the company. To this end the company shall use various tools and forms of communication, including but not limited to its corporate website, on which it shall post all information significant for investors. *The principle is applied.*
- 1.2. The company shall make it possible to review its financial results, included in the periodic report, as soon as possible after the end of the reporting period, and if it is not possible for justified reasons, it shall publish, as soon as possible, at least preliminary estimated financial results.  
*The principle is applied.*
- 1.3. In its business strategy the company shall also take into account ESG topics, in particular covering:
  - 1.3.1. environmental issues, including indices and risks related to climate change and sustainable development issues;  
*The principle is applied.*
  - 1.3.2. social and staff related matters, concerning among others activities undertaken and planned with a view to ensuring gender equality, proper working conditions, respect for employee rights, dialogue with local societies, relationships with clients.  
*The principle is applied.*
- 1.4. In order to ensure proper communication with stakeholders, with respect to the adopted business strategy, the company shall post on its website information on assumptions of its strategy, measurable objectives, including in particular long-term goals, planned activities and progress in its implementation, determined using financial and non-financial indices. Information on the strategy in the area of ESG should among others:  
*The principle is applied.*
  - 1.4.1. explain how issues related to climate change are taken into account in decision making processes of the company and entities comprising its group, and indicate the risks arising therefrom;  
*The principle is not applied.*  
**Company comment:** *The Issuer intends to apply the Principle in the future. The data describing such topics will be presented in the Issuer's ESG report for 2021.*
  - 1.4.2. indicate the value of the equal pay index with respect to salaries paid to its employees, calculated as a percentage difference between the average monthly salary (including bonuses, awards and other allowances) of women and men for the last year and present information about steps taken to eliminate any inequalities in this respect, including the indication of the risks related thereto and the timeframe in which achievement of equality is planned.  
*The principle is not applied.*  
**Company comment:** *The Issuer intends to apply the Principle in the future. The data describing such topics will be presented in the Issuer's ESG report for 2021.*
- 1.5. At least once a year the company shall disclose expenditures incurred by it and its group to support culture, sports, charitable institutions, media, social organizations, labor unions, etc. If in the year covered by the report, the company or its group incurred expenditures for these kinds of purposes, information shall contain a statement of such expenditures.

*The principle is applied.*

- 1.6. In case of WIG20, mWIG40 or sWIG80 companies, once a quarter, and in case of other companies, not less frequently than once a year, the company shall organize a meeting for investors, and invite thereto in particular shareholders, analysts, industry experts and representatives of the media. During such meetings the management board of the company shall present and comment on the adopted strategy and its implementation, financial results of the company and its group, and most significant events affecting the operations of the company and its group, achieved results and prospects for the future. During such meetings the management board of the company shall publicly give answers and explanations to the questions asked.

*The principle is applied.*

- 1.7. If an investor makes a request for information on the company, the company shall respond immediately, but not later than within 14 days.

*The principle is applied.*

## **2. MANAGEMENT BOARD I SUPERVISORY BOARD**

**In order to achieve the highest standards with respect to the company's management board and supervisory board fulfilling their duties and performing their responsibilities efficiently, only persons having appropriate qualifications, skills and experience shall be appointed to the management board and the supervisory board.**

**Members of the management board shall act in the interest of the company and are responsible for its activity. The management board's responsibilities include in particular: leadership in the company, involvement in setting its strategic goals and their achievement and ensuring effective and safe operation of the company.**

**With respect to their roles and duties performed in the supervisory board, members of the supervisory board shall be guided in their conduct, including decision making, by independence of their own opinions and judgments, while acting in the interest of the company.**

**The supervisory board shall promote a debate culture, by analyzing the company against a background of the sector and the marked on the basis of materials provided to it by the management board of the company and the company's internal systems and functions, and obtained from outside of the company, using the results of work of its committees. In particular, the supervisory board shall assess the company's strategy and verify the management board's work with respect to the achievement of the set strategic goals and monitor the results achieved by the company.**

- 2.1. The Company should have a diversity policy with respect to the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy sets out diversity objectives and criteria, among others in areas such as gender, field of education, specialist knowledge, age and professional experience, and indicates the deadline and manner of monitoring the achievement of such objectives. With respect to gender diversity, diversity of the company's governing bodies will be ensured on the condition that the participation of minority in the relevant governing body shall be no less than 30%.

*The principle is not applied.*

**Company comment:** *The Company has a diversity policy in place with respect to its employees; however, due to the fact that the general meeting and the supervisory board have not thus far passed resolutions in this respect, the company has not adopted a gender diversity policy with respect to the management board and the supervisory board. In confirmation of the fact that the management board of the Issuer applies the diversity policy with respect to employment of broadly understood managerial staff, including all directors and managers, the Issuer informs that the diversity index being a measure of participation of women in the so defined managerial staff amounts to approx. 30%.*

- 2.2. Persons taking decisions on the appointment of members of the management board or the supervisory board of the company should ensure versatility of such bodies by appointing to such bodies individuals ensuring diversity, making it possible among others to achieve the target minority participation index not less than 30%, in accordance with the objectives specified in the adopted diversity policy referred to in principle 2.1.

*The principle is not applied.*

**Company comment :** *Due to the fact that the general meeting and the supervisory board have not thus far passed resolutions in this respect, the Company has not adopted a gender diversity policy with respect to the management board and the supervisory board.*

- 2.3. At least two members of the supervisory board meet the independence criteria mentioned in the Act on Auditors, Audit Firms and Public Supervision dated 11 May 2017, and have no actual and significant links with a shareholder holding at least 5% of the total number of votes in the company.

*The principle is applied.*

- 2.4. The supervisory board and the management board shall vote by open ballot, unless otherwise provided for in the applicable laws.

*The principle is applied.*

- 2.5. Members of the supervisory board and the management board voting against any resolution can submit a dissenting opinion to be recorded in the minutes.

- 2.6.** Holding a position in the management board of the company constitutes the main area of professional activity of a member of the management board. A member of the management board should not undertake any additional professional activity if time spent on such activity prevents him/her from performing his/her duties in the company properly.  
*The principle is applied.*
- 2.7.** Members of the management board of the company holding positions in governing bodies of entities from outside the company's group shall require the supervisory board's consent.  
*The principle is applied.*
- 2.8.** Members of the supervisory board should be able to spend the necessary amount of time on fulfilling their duties.  
*The principle is applied.*
- 2.9.** The chairman of the supervisory board should not hold his position simultaneously with directing the work of the audit committee operating within the board.  
*The principle is applied.*
- 2.10.** The company, adequately to its size and financial situation, shall delegate administrative and financial resources necessary to ensure proper operation of supervisory board.  
*The principle is applied.*
- 2.11.** In addition to activities arising from the provisions of law, once a year the supervisory board shall prepare and submit an annual report for the ordinary general meeting's approval. The report referred to above contains at least:
- 2.11.1.** information on the composition of the board and its committees with indication of the members of the board who meet the independence criteria specified in the Act on Auditors, Audit Firms and Public Supervision dated 11 May 2017, and the members of the board who have no actual and significant links with a shareholders holding at least 5% of the total number of votes in the company, as well as information on the composition of the supervisory board in the context of its diversity;  
*The principle is applied.*
  - 2.11.2.** summary of operations of the board and its committees;  
*The principle is applied.*
  - 2.11.3.** assessment of the company's situation on a consolidated basis, taking into account the assessment of the internal control systems, risk management, compliance and internal audit function, with information on activities which the supervisory board has taken in order to carry out such assessment; such assessment covers all material control mechanisms, including in particular the ones related to reporting and operating activities;  
*The principle is applied.*
  - 2.11.4.** assessment of the application by the company of corporate governance rules and the manner of fulfillment of information obligations concerning their application, as specified in the Stock Exchange Regulations and regulations concerning current and periodic information submitted by issuers of securities, with information on activities which the supervisory board has taken to make such assessment;  
*The principle is applied.*
  - 2.11.5.** assessment of reasonability of expenses referred to in principle 1.5;  
*The principle is applied.*
  - 2.11.6.** information on the level of implementation of the diversity policy with respect to the management board and the supervisory board, including the achievement of objectives referred to in principle 2.1.  
*The principle is not applied.*  
**Company comment:** *The Company does not apply principle 2.1.; therefore, the Report of the Supervisory board will not contain the content referred to in principle 2.11.6.*

### **3. INTERNAL SYSTEMS AND FUNCTIONS**

**Efficient internal systems and functions constitute an indispensable supervision tool in the company.**

**Such systems cover the company and all areas of operation of its group which have a significant impact on the company's situation.**

- 3.1.** A listed company shall maintain the following effective systems: internal control, risk management and compliance, as well as an effective internal audit function, adequate to the company size and type and the scale of its activity, and the management board is responsible for the operation thereof.  
*The principle is applied.*

- 3.2.** The company shall distinguish, within its structure, units responsible for the tasks of particular systems or functions, unless this is not reasonable due to the size of the company or the type of its activity.  
*The principle is applied.*
- 3.3.** WIG20, mWIG40 or sWIG80 companies shall appoint an internal auditor in charge of internal audit function, acting in accordance with the generally recognized international standards for the professional practice of internal auditing. In other companies in which no internal auditors meeting the above-mentioned requirements has been appointed, the audit committee (or the supervisory board, if it plays the role of the audit committee) shall assess every year whether there is a need for appointing such person.  
*The principle is applied.*
- 3.4.** Remuneration of persons responsible for risk management and compliance and in charge of internal audit should depend on the performance of the assigned tasks, and not on short-term company results.  
*The principle is applied.*
- 3.5.** Persons responsible for risk management and compliance shall report directly to the President or any other member of the management board.  
*The principle is applied.*
- 3.6.** The person in charge of internal audit shall report to the president of the management board organizationally, and – functionally - to the chairman of the audit committee or the chairman supervisory board, if the board plays the role of the audit committee.  
*The principle is applied.*
- 3.7.** Principles 3.4 - 3.6 apply also with respect to entities from the company's group of significant importance for its operations, if persons carrying such tasks have been appointed therein.  
*The principle is applied.*
- 3.8.** At least once a year the person responsible for internal audit, and if no such person is appointed in the company – the management board of the company, shall submit to the supervisory board the assessment of effectiveness of operation of the systems and functions referred to in principle 3.1, with an appropriate report.  
*The principle is applied.*
- 3.9.** The supervisory board shall monitor effectiveness of the systems and functions referred to in principle 3.1, based on, among others, reports periodically delivered to it by persons responsible for such functions and the management board of the company, and carry out an annual assessments of effectiveness of such systems and functions, in accordance with principle 2.11.3. If the company has an audit committee, such committee shall monitor effectiveness of the systems and functions referred to in principle 3.1; however, this does not release the supervisory board from the annual assessment of effectiveness of such systems and functions.  
*The principle is applied.*
- 3.10.** At least once every five years a review of the internal audit function shall be carried out in a WIG20, mWIG40 or sWIG80 company by an independent auditor appointed with the participation of the audit committee.  
*The principle is applied.*

#### **4. GENERAL MEETING AND RELATIONSHIPS WITH SHAREHOLDERS**

**The management board of a listed company and its supervisory board should encourage shareholders to get involved in the company's affairs, mainly through proactive participation in the general meeting, whether personally or through a proxy.**

**The general meeting should deliberate with respect for the rights of all shareholders and strive to ensure that resolutions being passed will not violate legitimate interests of particular shareholder groups.**

**Shareholders participating in the general meeting shall exercise their powers in a manner not violating good practices. Participants of the general meeting should come to the general meeting prepared.**

- 4.1.** The Company should make it possible for shareholders to participate in the general meeting using electronic communication means (e-meeting), if it is reasonable due to the shareholders' expectations communicated to the company, as long as it is able to ensure technical infrastructure necessary to carry out such general meeting.  
*The principle is not applied.*  
**Company comment :** *The principle is not applied. Bearing in mind legal risks related to e-meetings and the present shareholding structure, the Issuer decided that presently it is not going to hold general meetings using electronic communication means (e-meetings). As soon as risks related to such general shareholders meetings are eliminated and such need is communicated by a significant number of shareholders, the Issuer will consider implementation of this principle.*
- 4.2.** The company shall determines the place and time as well as the form of the general meeting in a manner enabling as many

shareholders as possible to participate in the meeting. To this end the company also makes efforts to ensure that any cancellation of the general meeting, any change of its date or any adjournment of the meeting will only occur in justified cases and will not prevent or restrict shareholders from exercising their right to participate in the general meeting.

The principle is applied.

**4.3.** The company shall ensure publicly available real-time transmission of the general meeting.

The principle is not applied.

**Company comment:** *The principle is not applied. The company does not ensure publicly available real-time transmission of the general meeting, but after the end of the general meeting it makes available an audio and video recording of the general meeting on its website.*

**4.4.** Representatives of the media shall be allowed to be present at the general meetings.

The principle is applied.

**4.5.** If the management board receives information on convocation of a general meeting on the basis of Article 399 § 2 - 4 of the Commercial Companies Code, the management board shall immediately take steps which it is obliged to take in connection with the organization and holding of the general meeting. The principle applies also in case of convocation of the general meeting on the basis of authorization issued by the registry court in accordance with art. 400 § 3 of the Commercial Companies Code.

The principle is applied.

**4.6.** In order to make it easier for shareholders participating in the general meeting to vote on resolutions with due discernment, draft resolutions of the general meeting concerning any matters and decisions other than procedural matters should contain justification, unless it arises from the documentation submitted to the general meeting. If any matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board shall request such shareholder or shareholders to provide justification of the proposed resolution, unless it has been previously presented by the shareholder or shareholders.

The principle is applied.

**4.7.** The supervisory board shall give opinions on draft resolutions submitted by the management board to the agenda of the general meeting.

The principle is applied.

**4.8.** Draft resolutions of the general meeting regarding matters put on the agenda of the general meeting should be submitted by the shareholders no later than 3 days before the general meeting.

The principle is applied.

**4.9.** If the subject of the general meeting is to be the appointment of the supervisory board or the appointment of the supervisory board for a new term of office:

**4.9.1.** candidates for members of the board should be proposed at such time as makes it possible for the shareholders present at the general meeting to make a decision with due discernment, but no later than 3 days before the general meeting; candidates, with a complete set of materials related to them, should be immediately published on the company's website;

The principle is applied.

**4.9.2.** a candidate for a member of the supervisory board shall submit declarations regarding the fulfilment of the requirements applicable to members of the audit committee set out in the Act on Auditors, Audit Firms and Public Supervision dated 11 May 2017, and with respect to the existence of actual and significant links between the candidate and a shareholder holding at least 5% of the total number of votes in the company.

The principle is applied.

**4.10.** The exercise of the shareholders' powers and the manner of exercising their powers cannot impede the proper operation of the company's governing bodies.

The principle is applied.

**4.11.** Members of the management board and the supervisory board shall participate in the general meeting, at the place of the meeting or by means of electronic two-way real-time communication, in such configuration as makes it possible to speak about the matters being the subject matter of the general meeting and give substantive answers to the questions asked during the general meeting. The management board shall present to the participants of an ordinary general meeting the company's financial results and other material information, including non-financial information, including in the financial statement subject to the general meeting's approval. The management board shall discuss material events related to the last financial year, compare the presented data with the previous years and indicate the degree of realization of the previous year plans.

The principle is applied.

**4.12.** A resolution of the general meeting concerning a rights issue should specify the subscription price or the mechanism for determination thereof, or obligate the authorized body to determine such price before the subscription right date, within such deadlines as makes it possible to take an investment decision.

The principle is applied.

**4.13.** A resolution concerning a new issue of shares pursuant to a specific disapplication of preemption rights which simultaneously grants the right of priority to subscribe for newly issued shares to selected shareholders or other entities may be passed if at least the following conditions are met:

**a)** the company has a reasonable and economically justified need to urgently raise equity or the share issue is related with reasonable and economically justified transactions, such as, among others, a merger with another company or acquisition of another company, or shares are to be subscribed for as part of an incentive scheme adopted by the company;

**b)** persons who will be entitled to the priority right will be indicated according to objective general criteria;

c) the share subscription price will be reasonably correlated to the current share prices of such company or will be determined as a result of a market book building process.

*The principle is applied.*

4.14. The company should strive to distribute its profit through payment of dividends. It is possible to leave the entire profit in the company for any of the following reasons:

- a) the amount of such profit is minimum, and consequently the dividend would be insignificant in relation to the value of shares;
- b) the company reports uncovered losses from previous years, and the profit is intended to reduce such losses;
- c) the company justifies that the application of profit to investments will bring tangible benefits for shareholders;
- d) the company has not generated cash that makes it possible to pay dividends;
- e) payment of dividends would significantly increase the risk of breach of covenants arising from facilities agreements or terms of a bond issue by which the company is bound;
- f) retention of profits in the company complies with the recommendation of the institution exercising supervision over the company due to the fact that it conducts a specific type of activity.

*The principle is applied.*

## 5. CONFLICT OF INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

**For the purposes of this chapter a related party is a related party within the meaning of international accounting standards adopted on the basis of the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.**

**The Company and its group should have transparent procedures for managing conflicts of interests and executing transactions with related parties in the event of a possible conflict of interests. Procedures should provide for methods of identification and disclosure of such situations and courses of actions if they occur.**

**A member of the management board or the supervisory board should avoid undertaking any professional or non-professional activity which could lead to a conflict of interests or adversely affect his/her reputation as a member of the company's governing body, and if a conflict of interests occurs he/she should immediately disclose it.**

5.1. A member of the management board or the supervisory board shall inform the management board or the supervisory board, respectively, of the existing conflict of interests or possibility of occurrence thereof and shall not participate in the consideration of the case in which a conflict of interests may occur with respect to him/her.

*The principle is applied.*

5.2. If a member of the management board or the supervisory board considers that a decision of the management board or the supervisory board, respectively, is contrary to the company's interests, he/she should request that his/her dissenting opinion be entered to the minutes of the meeting of the management board or supervisory board.

*The principle is applied.*

5.3. No shareholder should enjoy more favorable treatment than other shareholders with respect to transactions with related parties. It also applies to transactions of the company's shareholders executed with entities that belong to its group.

*The principle is applied.*

5.4. The company may acquire its own shares (buy-back) only in such a way that the rights of all shareholders are respected.

*The principle is applied.*

5.5. If a transaction of the company with a related party requires the supervisory board's consent, prior to the adoption of a resolution granting such consent the board shall assess whether it is necessary to previously ask for opinion of an external entity which will carry out a valuation of the transaction and analysis of its economic effects.

*The principle is applied.*

5.6. If the execution of any transaction with a related party requires the general meeting's consent, the supervisory board shall prepare an opinion on the reasonability of execution of such transaction. In such case the board shall assess whether it is necessary to seek prior opinion of an external entity, as referred to in principle 5.5.

*The principle is applied.*

5.7. If a decision on the execution of a material transaction by the company with a related party is taken by the general meeting, prior to making such decision the company shall allow all shareholders access to information necessary to assess the impact of such transactions on the company's interests, and in particular present the supervisory board's opinion referred to in principle 5.6.

The principle is applied.

## 6. REMUNERATIONS

**The company and its group shall take care of the stability of managerial staff, among others through transparent, fair, coherent and non-discriminatory remuneration rules, manifested among others through equal pay of women and men.**

**The remuneration policy adopted in the company with respect to members of the company's governing bodies and its key managers specifies in particular the form, structure, manner of determination and payment of salaries.**

6.1. Remuneration of members of the management board and the supervisory board and key managers should be sufficient to recruit, retain and motivate people with qualifications necessary for proper management of the company and supervision over the company. The amount of the remuneration should be adequate to the tasks and duties fulfilled by particular individuals and related liability.

The principle is applied.

6.2. Incentive schemes should be structured in such manner that they should among others make the level of remuneration of the members of the management board of the company and its key managers conditional upon the actual long-term situation of the company with respect to financial and non-financial results and long-term growth in value for the shareholders and sustainable development, as well as stability of the company's operation.

The principle is applied.

6.3. If one of the incentive schemes in the company is a management stock options program, then the implementation of the program should be made conditional on the achievement by the eligible individuals, within at least 3 years, of predetermined realistic and appropriate for the company financial and non-financial goals and sustainable development objectives, and the fixed share purchase price or the option settlement price for the eligible persons cannot be different than the value of shares in the program adoption period.

The principle is not applied.

**Company comment:** *The company is a party to agreements pursuant to which eligible persons will be able to purchase shares below the market price, provided, however, that relevant long-term financial goals are achieved and as long as relevant resolutions are passed by the general meeting. The execution of such agreements in July 2021 was disclosed in a current report.*

6.4. The supervisory board shall fulfill its tasks on a continuous basis; therefore, the remuneration of the members of the board cannot depend on the number of meetings held. The remuneration of the members of committees, in particular the audit committee, should take into account additional workload related to the works in such committees.

The principle is applied.

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

The principle is applied.