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Submission of the Best Practices Report – Confirmation

Company: LARQ Spółka Akcyjna
Number: 2/2016
Date: 2016-12-30 11:05:21
Market Type: CORPORATE GOVERNANCE – Regulated Market
Title: LARQ Spółka Akcyjna – Report regarding the extent of compliance with the Best Practices

Text:

Pursuant to § 29.3 of the Regulations of the Warsaw Stock Exchange, LARQ Spółka Akcyjna submits this report regarding its deviation from detailed rules as set forth in the Best Practices of the WSE-Listed Companies 2016.

Information Policy and Communication with Investors

I.Z.1.9. Disclosure of dividend planned and dividend paid out by the company during the last five financial years, with details of dividend record date, dividend payment dates and dividend amounts – totals and per share.

The Company does not comply with the above principle.

This rule is not applied to the extent of posting any information about dividend planned on the Company's website.

I.Z.1.15. Disclosure of the company's diversity policy applicable to its 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 had not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website.

To date, the Company has not formally adopted any diversity policy, however, it follows certain aspects thereof in its daily business operations, predominantly the criteria of gender, education, age, professional experience.

I.Z.1.16. Information about the planned broadcast of a general meeting – at the latest seven days before the date of general meeting.

The Company does not comply with the above principle.

The Company has deviated from the above rule since it does not follow Rule IV.Z.2.

Management and Supervisory Boards

II.Z.7. With reference to the tasks and operation of the committees of the supervisory board, the provisions of Annex I to the Commission recommendation as referred to in Rule II.Z.4. If the function of audit committee is fulfilled by the supervisory board, the above principles apply accordingly.

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

In accordance with § 14.4 second sentence of the Rules of Procedure of the Company's Supervisory Board and since the Company's Supervisory Board has five members, the tasks of audit committee are fulfilled by the Company's Supervisory Board. The Company's Supervisory Board has not appointed any other committees as allowed under § 14.2 of the Rules of Procedure of the Company's Supervisory Board.

II.Z.8. The chairperson of the audit committee satisfies the criterion of independence as defined in Rule II.Z.4.

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

As stated in the reasons behind Rule II.Z.7, the tasks of audit committee are fulfilled by the Company's Supervisory Board and the Chairperson of the Company's Supervisory Board satisfies the criterion of independence as defined in Rule II.Z.4.

Internal Systems and Functions

III.Z.1. The Management Board of the Company is responsible for the implementation and maintenance of efficient internal control, risk management, compliance and internal audit functions.

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

The Company points out that, at present, the Management Board is responsible for controls over operations of the Company, including controls of its internal processes and risk management.

However, the Company does not have any formalised internal control, risk management or compliance procedures or units. The Management Board cannot see any current need to appoint such units unless their appointment seems necessary in the opinion of the Supervisory Board. The Company believes that, considering its size and scope of business, the existing control and audit and risk management systems are found sufficient.

III.Z.3. With reference to the person heading the internal audit functions and other persons responsible for fulfilment of such tasks, the independence rules apply as defined in the generally recognised and accepted international standards of the professional internal audit practice.

The Company does not comply with the above principle.

The Company does not have any separate internal audit unit nor a separate post for a person heading that function. The Company complies with the principles described in the reasons for rule III.Z.1. above.

III.Z.4. At least once a year, the person responsible for internal audit (if the company has such a separate function) and the management board should report to the supervisory board with their assessment of the efficiency of the systems and functions mentioned in rule III.Z.1, and submit a relevant report.

The Company does not comply with the above principle.

As already mentioned in the reasons for non-compliance with rule III.Z.3 above, the company does not have a separate internal audit function nor a separate post for a person heading that function. In addition, as stated in the reasons for non-compliance with rule III.Z.1, the Management Board of the Company fulfils internal control, risk management, compliance and internal audit tasks as a part of its responsibilities, however, it does not submit any separate assessment of the efficiency of the a/m systems otherwise than in contacts with the Supervisory Board.

III.Z.5. The supervisory board monitors the efficiency of the systems and functions mentioned in Rule III.Z.1, among others based on periodic reports furnished to it directly by persons responsible for those functions and by the company's management board; it also performs the annual assessment of operating efficiency of those systems and functions as required under II.Z.10.1. If the company has an audit committee, that committee monitors the efficiency of the systems and functions mentioned in Rule III.Z.1 which, however, does not exempt the supervisory board from the annual assessment of operating efficiency of those systems and functions.

The Company does not comply with the above principle.

As mentioned in the reasons for Rule III.Z.1, the Company does not have any formalised internal control, risk management or compliance procedures or units. In view of the foregoing, the Company's Supervisory Board monitors the efficiency of the a/m systems by reliance on regular contacts with the Management Board of the Company which is responsible for fulfilment of the said tasks, while the Supervisory Board carries out its separate assessment of operating efficiency of those systems and functions pursuant to Rule II.Z.10.1.

General Meetings and Shareholder Relations

IV.Z.2. If it is reasonable considering the shareholding structure, companies should ensure publicly available real-time broadcasts of general meetings.

The Company does not comply with the above principle.

Considering the shareholding structure and the lack of interest in such broadcasts of meetings by its shareholders, the Company believes that, at present, it is not reasonable to broadcast its general meetings. The decision to deviate from this principle was made due to the lack of relevant equipment and technical facilities that would allow for compliance with obligations under the above principle, as well as considering excessively high costs that the Company would need to incur; the Company believes that such costs would be disproportionate to any potential advantages for shareholders.

Conflict of Interest and Related Party Transactions

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 or supervisory boards from participation in reviewing matters affected by conflict of interest which has arisen or may arise.

The Company does not comply with the above principle.

At present, the Company does not have in place any internal regulations defining the criteria and circumstances under which conflict of interest may arise in the Company; neither does it have any regulations or rules how to proceed when conflict of interest has arisen or may arise.

In accordance with § 4.4 of the Rules of Procedure of the Company's Supervisory Board, a member of the Supervisory Board has a duty to notify the Supervisory Board that any conflict of interest arose or may arise; furthermore, she or he must not take part in any discussion regarding the matter affected by conflict of interest. As regards members of the Management Board, the Company applies Article 377 of the Commercial Companies Code whereunder "If there is any conflict of interest between the company and any member of management board, his or her spouse, relatives by blood and relatives by affinity up to a second degree or any persons with whom he or she has personal ties, that board member should refrain from addressing such matters and may demand a mention thereof in the minutes."

The Company will review its existing practice in this area and does not preclude an option of adopting relevant internal regulations in the future.

Emoluments

VI.Z.2. To tie emoluments of members of the management board and key managers to the company's long-term business and financial goals, the period between the grant 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.

The Company does not comply with the above principle.

The Company has to incentive schemes for the Company's executives, including its Board Members, that allow for exercise of other instruments tied to shares in the Company during a period of less than two years after their grant.

IV.Z.4. In its business review 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 emoluments of each member of the management board, broken down by fixed and variable remuneration components, and the terms of payment of severance pay 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 components of emoluments due to each member of the management board and key manager;
- 4) Significant amendments to 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.

The Company does not comply with the above principle.

The above principle is not fully followed by the Company since the Company has not adopted any remuneration policy. Emoluments of members of its Supervisory Board are fixed by the General Meeting, while emoluments of members of the Management Board are fixed by the Supervisory Board. The Management Board fixes the remuneration of key managers. In its business review report, the Company addresses the emoluments of members of its Management and Supervisory Boards.

Attachments:

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Persons representing the company

Krzysztof Przybyłowski, Chairman of Management Board
Mikołaj Chruszczewski, Member of Management Board
Małgorzata Dzieciół, Member of Management Board

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