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Confirmation of submission of the Best Practice report

Company:	Photon Energy N.V.
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Market types:	CORPORATE GOVERNANCE - rynek regulowany
Title:	Photon Energy N.V. Report on the scope of compliance with the Best Practice
Detailed data:	

Pursuant to Article 29.3 of the Rules of the Warsaw Stock Exchange, Photon Energy N.V. presents information on Best Practice 2021 compliance

Following on the publication of the Annual Report 2023 and Sustainability Report 2023, the Management Board publishes the updated compliance report with the Warsaw Stock Exchange Best Practises 2021. The changes relate to the principles: 1.4.2., 1.5, 2.11.5. and 4.5 Please see the

comments to the changes in the description of each principle below.

DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

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.

The 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.

The 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;

The principle is applied.

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.

The 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:

The principle is applied.

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

The principle is applied.

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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The Company publishes its adjusted Gender Pay Gap ratio in the Sustainability Report 2023 which is available on the website <https://www.photonenergy.com/sustainability-and-esg>.

1.5. Companies disclose at least on an annual basis the amounts expensed 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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The Company disclosed expenses incurred by the Group in support of culture, sport, charities, the media and social organizations in its Annual report 2023 in the section: Management Report

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.

The principle is applied.

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.

The 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%.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The diversity policy of the Supervisory Board was in place during the year 2022 and assumes that the Supervisory Board strives for a mixed composition in respect of gender, age, nationality and background. Its aim is to have a composition consisting of at least twenty five percent (25%) female members and at least twenty five percent (25%) male members. The diversity and inclusion policy for the Board of Directors was proposed by the Supervisory board as of 14 October 2022. The diversity policy for the Management Board assumes a target for gender diversity ratio in such a manner that each gender minority shall be represented on the Management Board by at least 30%.

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.

The Company does not apply this principle.

The target minimum participation of the minority group of at least 30% was achieved in case of the composition of the Supervisory Board. Due to the size of the Board of Directors, which consists of two members - founders only, the target minimum participation of the minority group of at least 30% was not achieved. The diversity policy assumes that in case of an enlargement of the Management Board from the current size, the Supervisory Board shall make best efforts to nominate a person in order to reflect the following ratio: at least 30% of the Management Board will be comprised of women and at least 30% of the Management Board will be comprised of men.

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.

The principle is applied.

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

The 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.

The 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.

The 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.

The Company does not apply this principle.

The principle is not applied however in the Rules of Procedure of the Supervisory Board point 3.2 states that "Management Board members and Supervisory Board members, shall report any other positions they may have to the Supervisory Board in advance and, at least annually, the other positions should be discussed at the Supervisory board meeting". This partially mitigates the risks which are addressed by this principle.

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

The principle is applied.

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

The 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.

The principle is applied.

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;

The principle is applied.

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

The 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;
The 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;

The principle is applied.

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

The principle is applied.

Comments of the Company on the mode of application of the principle.

The assessment is provided in the Supervisory Board Report which is included in the Annual Report 2023

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.

The principle is applied.

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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The Company maintains efficient control, risk management, internal audit and compliance systems, adequate to the current size of the business. Due to the small size of the Company the tasks of the risk management and controlling was carried out by internal, financial specialists who are reporting directly to the Board of Directors. The function of internal audit unit is performed by internal audit specialists, with competence and knowledge of accounting and auditing procedures. The compliance function was carried out by the Compliance Counsel, who was directly reporting to the Board of Directors. During the course of year 2022, the Supervisory Board assessed the existing risk management, controlling systems and internal audit measures and further details on this evaluation can be found in the Supervisory Board report for year 2022.

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.

The Company does not apply this principle.

The Management Board and Supervisory Board believe that the current organization and resources responsible for the individual systems are sufficient and adequate to the size of the Company and specifics of its business. Given the nature of the Company's business, it seems reasonable to keep risk management and controlling department integrated as a part of the financial department, as they all provide necessary input for the investment decisions. This ensures that both financial and non-financial information is collected, analysed, and processed within the same department and the optimal business decision is taken. For more details please see the Supervisory Board report for the year 2023.

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.

The Company does not apply this principle.

The Audit Committee has performed a thorough and continuous review of the internal risk management systems, internal audit function and controlling throughout the year and also during its on-site visits in May, June and September 2023. The assessment includes the evaluation of the existing processes in place, human resources, its competences, and responsibilities as well as the reporting structure within the organization. The chairman of the Audit Committee performed the analysis through the consultations with the responsible personnel (the management, the head of risk, head of treasury, finance director, the head of accounting and consolidation, the head of legal and head of compliance). He reviewed the procedures and evaluated whether adequate resources are in place, and discussed relevant topics with external auditors. He analysed the need to establish an internal audit function. The Audit Committee concluded that while the current measures with respect to internal audit function are more or less adequate and there is no indication of any fraud, a stronger formalization of the internal audit function (either through hiring of an appropriate candidate or sourced out externally with the consulting firms) is desirable at this stage. The results of this analysis were discussed with the Board of Directors. Currently, proposals from external consultants are being gathered and evaluated. The Company will seek their advice to create a more formal framework ensuring the internal audit function can operate adequately.

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.

The principle is applied.

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

The 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.

The Company does not apply this principle.

This principle is not applied as there is no separate internal audit unit in the Company, there is no head of the internal audit department, who could be placed in the organizational structure as required by this principle. Further explanation can be found in comment to principles 3.1. and 3.3.

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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

All the companies within the Group are following the same procedures and adhere to the same risk management, controlling, compliance and internal audit procedures.

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.

The principle is applied.

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.

The principle is applied.

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.

The principle not applicable.

The Company is in the second year of this obligation hence this obligation to review the internal audit function by an independent auditor was not required in the course of the reporting period.

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.

The Company does not apply this principle.

Historically, there has never been an interest expressed by minority shareholders to participate in a general meeting by means of electronic communication (e-meeting). While the company does not offer participation at the general meeting through electronic means of communication, it provides its shareholders an option to (i) vote in advance on all resolutions on the agenda of a general meeting; and (ii) ask questions in advance, in order to ensure full participation of all shareholders. The shareholders also have an option to participate in quarterly investors podcast where they can pose questions and learn in detail about financial results, business development and strategy.

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.

The principle is applied.

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

The Company does not apply this principle.

Please see the explanation provided in the principle 4.1.

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

The 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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

Annual General Meetings of the Company are organized by the Board of Directors within the time periods designated by the applicable laws. Extraordinary General Meetings were in the past organized when the need arose. Throughout the existence of the Company, there has not been a case when the Board of Directors failed to act and the General Meeting (ordinary or extraordinary) would have to be organized by the Supervisory Board or shareholder(s) based on the court's authorization as presumed by Article 400 of the Polish Commercial Code.

Also, no shareholder has ever used its right to convene an extraordinary general meeting.

In the past the Company indicated that this principle is not applied, as the Polish commercial code regulations are not applicable to the Company and hence there is no obligation to follow those regulations and remain compliant with this principle. However, to demonstrate the dedication of the Company to stay compliant with the Best Practises 2021 of the Warsaw Stock Exchange and upon analysis of the requirements of the Polish regulations specified in this principle, and comparing them to the respective Dutch regulations, the management concluded that the Company has not violated those regulations during the reporting period.

Furthermore, the Dutch Civil Code (which is the law of the Home Member State, applicable to the Company) stipulates similar rights of the Supervisory Board and shareholders to convene the general meeting in the event the Board of Directors does not act. It goes further and provides even more protection to the shareholders. Under Dutch Civil Code, shareholders representing at least 10% of issued capital may ask the judge to grant a provisional relief to convene an extraordinary general meeting.

If the Board of Directors or Supervisory Board fail to organize an annual general meeting (or if they fail to convene a general meeting when equity had decreased dramatically), any shareholder is authorized to ask the judge for a provisional relief to convene a general meeting.

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.

The 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.

The 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.

The principle is applied.

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;

The principle is applied.

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.

The 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.

The 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.

The 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.

The 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.

The principle is applied.

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.

The principle is applied.

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.

The 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.

The 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.

The principle is applied.

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

The 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.

The principle is applied.

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.

The principle is applied.

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.

The principle is applied.

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.

The 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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The Company's management board as well as the key managers receive a monthly bonus in form of the Company's shares, which alligns their goals with the long-term shareholders' value creation. Apart from that, there is an additional incentive scheme which links remuneration of the key managers to the financial results of the Company, its growth and stability.

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.

The principle is applied.

Comments of the Company on the mode of application of the principle.

The Companies' incentive schemes does not include a stock option programme for managers. The Company maintains an Employee Share Purchase Program ("ESPP"). According the ESPP the employee receives a monthly bonus of 10% to his gross salary minus taxes, which is paid in form of the Company's shares transferred to each employee's securities account. ESPP programme does not depend on the beneficiaries' achievement. The shares are transferred to employees at the average market price without any discount. In the Management's view ESPP aligns goals of the employees with the long-term value creation of its shareholders therefore is viewed as an effective and fair substitute of stock option programme.

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.

The principle is applied.

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

The principle is applied.

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