

AS TRIGON PROPERTY DEVELOPMENT

Corporate Governance Report 2015

General

Corporate Governance Recommendations (Recommendations) are a set of guidelines and advisable rules recommended to be followed in terms of management and control primarily by listed companies whose shares have been admitted to trading on a regulated market operating in Estonia.

The listed companies must comply with the Recommendations starting from 1st of January 2006 (“*comply or explain*” principle).

The Recommendations regulate, among other matters, the convening and the procedure of the General Meeting of Shareholders; requirements for the compositions, duties and activities of the Management and Supervisory Board, disclosure requirements and financial reporting.

As the principles set out with the Recommendations are merely just recommendations in the nature, a company is not obligated to comply with all of them. However it shall explain in the Corporate Governance Report the reasons of its non-compliance.

AS Trigon Property Development (TPD) follows the laws and legal regulations in its business activities. As a public company, TPD is guided by Nasdaq OMX Baltic Stock Exchange (Tallinn Stock Exchange) requirements and the principle of equal treatment of shareholders and investors. Therefore TPD follows the guidelines of Recommendations in general.

The Recommendations are available: <http://www.nasdaqbaltic.com/files/tallinn/bors/press/HYT.pdf>

General Meeting of Shareholders

The highest governing body of TPD is the general meeting of shareholders (General Meeting). According to the Commercial Code and Recommendations, TPD convenes the General Meeting by publishing the respective notice via Tallinn Stock Exchange, on the web page of TPD and in the national daily newspaper. Simultaneously the following is published: General Meeting agenda approved by the Supervisory Board, draft resolutions with regards to each agenda item, documents to be submitted for exercising voting rights and other essential information. Both the notice and aforementioned information is published in Estonian and in English.

18.06.2015 ordinary General Meeting was held and the shareholders approved Annual Report 2014, profit allocation proposal and elected auditor for 2015. No extraordinary General Meeting were held in 2015.

TPD herein presents requirements of Recommendations with “*comply or explain*” principle i.e. explains the requirements of the Recommendations that were partly or wholly not complied with.

Article 1.3.1: The Chairman of the Supervisory Board and members of the Management Board cannot be elected as Chair of the General Meeting.

The shareholders elected the member of Management Board Aivar Kempri to chair the General Meeting held on the 18th of June in 2015 because the member of the Management Board has the best overview of the company’s activities and the every-day manager of the company ensured the smooth course of the meeting.

Article 1.3.2: All Members of the Management Board, the Chairman of the Supervisory Board and if possible, the members of the Supervisory Board and at least one of the auditors shall participate at the General Meeting.

The member of the Management Board and one member of Supervisory Board participated in the General Meeting held on 18.06.2015. The other two members of the Supervisory Board and an auditor were not present at the meeting. The Supervisory Board is convinced that presence of one member is sufficient. No auditors were present at the meeting since there were no agenda items which could not be replied by the participating Supervisory Board member or Management Board. At the same time, TPD had agreed with the auditors that they will be available via phone should the shareholders wish (for example, ask questions). Shareholders had no questions to the auditors.

Article 1.3.3: The Company shall make participation in the General Meeting possible by means of communications equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer.

TPD did not make participation in the General Meeting possible by means of communications equipment since no such technical solutions are available to TPD.

Supervisory Board

Supervisory Board plans the activities of TPD, guides and supervises the Management Board. TPD Supervisory Board comprises of 3 members. No transactions with Supervisory Board members or their related parties were executed in 2015. No remuneration was paid to Supervisory Board members in 2015, therefore no respective information in this regard is to be published. No conflict of interest events occurred in 2015 between TPD and the other activities of the Supervisory Board members.

TPD herein presents requirements of Recommendations with “*comply or explain*” principle.

Article 3.2.2: At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number dependent members.

Two members of the Supervisory Board couldn't be considered as independent in 2015. Ülo Adamson and Joakim Johan Helenius are the members of the Management Board of OÜ Trigon Wood, the controlling shareholder of TPD and two members are also members of governing bodies of AS Trigon Capital, shareholder of OÜ Trigon Wood, group companies as at 31.12.2015. As long as composition of the Supervisory Board does not comply with the independence requirement set by the Recommendations, TPD may consider changing the composition of the Supervisory Board. However, the experience and knowledge of the current Supervisory Board members has so far ensured the effective management of TPD.

Management Board

TPD Management Board comprises of 1 member. No remuneration was paid to Management Board member in 2015, therefore no respective information in this regard is to be published. No transactions with Management Board member or his related parties were executed. Management Board answers to and cooperates with the Supervisory Board, participates at the General Meetings, replies to shareholders' inquiries and runs TPD on a daily basis. No conflict of interest events have occurred as the other activities of the Management Board member are not related to property in Pärnu where TPD owns land.

The following in the Recommendations were not complied with and below explanations are presented.

Article 2.2.1: The Management Board shall have more than one (1) member; a service contract shall be concluded with the member of the management board.

Aivar Kempfi is the only member of the Management Board, but enlargement of the Board is not ruled out in the future.

No service contract is concluded with Aivar Kempfi since he is currently the only Member of the Management Board and his rights and obligations are stipulated by the law. In case more members of the Management Board are appointed, service contracts shall be concluded.

Publishing financial reports and other information

During 2015, TPD published interim reports and Annual Report 2014. The Annual Report is audited by AS PricewaterhouseCoopers. The audit is done in compliance with international standards on auditing.

TPD herein presents with “comply or explain” principle the requirements of Recommendations which were not complied with.

Article 5.2: The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year at the beginning of the fiscal year in a separate notice, called financial calendar.

TPD did not publish a separate financial calendar however information subject to disclosure was published not later than dates set by the law.

Article 5.6: The Company shall disclose the dates and places of meetings with analysts and presentations and press conference organized for analysts, investors or institutional investors on its website.

The Tallinn Stock Exchange Regulations require that an issuer publishes all essential information through the stock exchange system. Only previously published information is discussed in meetings with analysts and press conferences and therefore TPD has foreseen no need to disclose meetings schedule.

Article 6.1.1: Together with the annual report, the Supervisory Board shall make available to shareholders the written report concerning the annual report.

No report was published simultaneously with the notice of General Meeting; however, the participating member of Supervisory Board gave an overview of the report at the General Meeting.

Article 6.2.1: If there is a desire to appoint an auditor who has audited Issuers reports on previous financial year the Supervisory Board shall pass judgment on their work.

No judgment was published simultaneously with the notice of General Meeting; however, the participating member of Supervisory Board expressed judgment at the General Meeting.