

## Corporate Governance Report 2007

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

The listed shall comply with the Recommendations starting from 1 January 2006 ("*comply or explain*" principle).

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

As the principles set out with the Recommendations are merely just recommendations in the nature, a Company does not 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 law and legal regulations in its business activities. As a public company, TPD is guided by Tallinn Stock Exchange requirements and the principle of equal treatment of shareholders and investors. Therefore TPD follows the guidelines of Recommendations in general. The reasons for current non-compliance with particular guidelines are provided below.

### **Article 1.3.1**

*The Chairman of the Supervisory Board and members of the Management Board cannot be elected as Chairman of the General Meeting*

In the Annual General Meeting held on the 18<sup>th</sup> of May 2007, Andres Kivistik was elected as chairman of the meeting and he ensured that the meeting was conducted in Estonian language with consideration to all shareholders interests .

In the Extraordinary General Meeting held on the 6<sup>th</sup> of August 2007, Einar Pähkel was elected as chairman of the meeting and he ensured that the meeting was conducted in Estonian language with consideration to all shareholders interests. Substitute for Notary Public Mall Vendel participated in the meeting and certified the Minutes 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 in the General Meeting.*

All Members of the Management Board and the Chairman of the Supervisory Board participated in the General Meeting held on 18.05.2007. The Chairman of the Supervisory Board and an auditor were not present at the meeting.

All Members of the Management Board and the Chairman of the Supervisory Board participated in the General Meeting held on 06.08.2007. No auditors were present at the meeting since there were no agenda items which could require comments of the auditor.

### **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.*

The Issuer did not make participation in the General Meeting possible by means of communications equipment since the technical equipment was not available and it would be too costly for the Company.

### **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.*

Following the de-merger of the Company, the members of the Management Board, Einar Pähkel, Erik Piile and Andres Kivistik, were recalled from the position of the management board member. Aivar Kempfi was elected as the member of the Management Board. It is planned that the present Chairman of the Supervisory Board Ülo Adamson will be elected as the second member of the Management Board, when the General Meeting adopts the decision on his removal from the position of the Chairman of the Supervisory Board.

A Service Contract has not been 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. Upon election of the second member of the Management Board, a service contracts will be concluded with both of the members of the Management Board.

### **Article 2.2.2**

*The member of the Management Board shall not be at the same time a member of more than two management boards of a company and shall not be the Chairman of the Supervisory Board of another company.*

The Member of the Board Aivar Kempfi is a member of more than two management boards of a company. However, the Supervisory Board holds the opinion, considering the business activity of the Company, it does not damage neither the Company's nor Shareholders' interests. Aivar Kempfi ensures the best possible management for the Company.

### **Article 2.2.3**

*Remuneration of members of the Management Board including bonus schemes shall be such that they motivate the member to act in the best interest of the Issuer and refrain from acting in their own or another person's interest.*

The Commercial Code stipulates that the member of the board may (not must) receive a remuneration, therefore no remuneration is paid to the management board member based on the agreement with the Chairman of the Supervisory Board.

### **Article 2.2.7**

*Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a Management Board member as well as their essential features (incl. Features based on comparison, incentives and risk) shall be published in clear and unambiguous form on website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as of the day of disclosure.*

The Group does not publish the information about the remuneration paid to the Member of the Board, since the Group believes that that such information is quite delicate and could damage privacy of the Board Member; its publication is not essential for estimation of management quality and may damage Group's competitiveness. Therefore the Group has decided not to publish the remunerations of the Management Board member. Currently the Board Member does not receive any remuneration. Nevertheless, the total amount of the remunerations of the Management Board will be published in the Annual Report if applicable.

### **Article 3.2.2**

*At least half of the members of the Supervisory Board of the Issuer shall be independent*

The Supervisory Board of the Company is currently composed of three members, none of whom may be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are the members of the Management Board of OÜ Trigon Wood, the controlling shareholder of the Company and Gleb Ognnyannikov is, *inter alia*, a member of the Supervisory Board of Quadro Media Sp. Z.o.o. (belongs to the same group of companies with OÜ Trigon Wood). The composition of the Supervisory Board does not comply with the independence requirement set by the Recommendations, thus the Company intends to change the composition of the Supervisory Board so that the Chairman of the Supervisory Board Ülo Adamson will take a position of the Member of the Management Board and at least one independent member of the Supervisory Board will be elected instead of him. The Company believes that exceptional experience and knowledge of the aforementioned persons will contribute to the effective and profitable management of the Company, therefore acting in the best interest of the Shareholders.

### **Article 3.2.6**

*If a member of the Supervisory Board has attended less than half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report.*

The Member of the Supervisory Board Gleb Ognnyannikov has attended less than half of the meetings of the Supervisory Board.

### **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.*

The Group did not publish a separate notice 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 a Group publishes all essential information through the stock exchange system. Only previously

published information is discussed in meetings with analysts and press conferences and therefore the Group has no need to disclose meetings schedule.

### **Website of the Issuer**

The Group de-merger was carried out in the financial year and so a new website was created for the divided Group. Development of technical and substantial solutions took unexpectedly long time, therefore the website was not available for investors for a few months. However, all important information was published in Stock Exchange announcements and therefore the Group believes that investor interests were not damaged. The appropriate website is now available.

In all other questions the Group's activity complies with the requirements.