

## **AS TRIGON PROPERTY DEVELOPMENT**

### **Corporate Governance Report 2017**

#### **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 1<sup>st</sup> 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. The ordinary General Meeting is held once a year. The management board may call extraordinary General Meetings in the cases set out in the law.

11.05.2017 ordinary General Meeting was held where 59,67% of votes represented by shares were present. At the General Meeting the shareholders approved Annual Report 2016, covering of loss proposal and elected auditor for 2017. It was also decided to introduce no par value shares and adopt the amended articles of association. Additionally the shareholders approved the reduction of share capital which was carried out by making a monetary payment to shareholders. New amount of share capital is EUR 2,299,020.17. At the meeting the management board gave an overview of the activities during past year.

16.10.2017 extraordinary General Meeting was held where 59,62% of votes represented by shares were present. The shareholders decided to as of 16.10.2017 recall Martin Mets from the supervisory board and elect Torfinn Losvik as the new members of the supervisory board with the term of office of 5 years.

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 Kempfi to chair the ordinary General Meeting held on the 11<sup>th</sup> of May in 2017 and the extraordinary General Meeting held on 16<sup>th</sup> of October in 2017 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 ordinary General Meeting held on 11.05.2017 and in the extraordinary General Meeting held on 11.05.2017. 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.

Considering the aforementioned descriptions of general meetings held in 2017, TPD has largely complied with the Recommendations in informing the shareholders, convening and holding the general meeting.

### **Supervisory Board**

Supervisory Board plans the activities of TPD, guides and supervises the Management Board. TPD Supervisory Board comprises of 3 members, according to the Articles of Association up to 7 members may be elected in the Supervisory Board. No transactions with Supervisory Board members or their related parties were executed in 2017. No remuneration was paid to Supervisory Board members in 2017, therefore no respective information in this regard is to be published. No conflict of interest events occurred in 2017 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 2017 in the meaning of the Recommendations. Joakim Johan Helenius is the member of the Management Board of OÜ Trigon Wood, the controlling shareholder of TPD and Martin Mets, who was the member of the supervisory board until October 2017, was also member of the management board of AS Trigon Capital, shareholder of OÜ Trigon Wood, and a member of the management board of several group companies of AS Trigon

Capital. The newly elected member Torfinn Losvik is the member of the Management Board of OÜ Trigon Wood, the controlling shareholder of TPD. Regardless of the above, TPD is in the opinion that there is no basis for emergence of conflict of interest and taking into account the background and experience of the current Supervisory Board members there are no deficiencies in the activities of the Supervisory Board.

### **Management Board**

According to the Articles of Association up to 7 members may be elected to the Management Board of TPD. In order to elect a member of the Management Board, his or her consent is required. According to the Articles of Association, a member of the Management Board shall be elected for a specified term of up to three years. Extension of the term of office of a member of the Management Board shall not be decided earlier than one year before the planned date of expiry of the term of office, and not for a period longer than the maximum term of office prescribed by the law or Articles of Association. Currently, the Management Board of TPD has one member.

The Management Board member has the right to represent TPD by himself. The Management Board member is not authorized to issue shares or decide the acquisition of own shares. Transactions which are beyond the scope of everyday economic activities may only be concluded by the Management Board with the consent of the Supervisory Board.

No remuneration was paid to Management Board member in 2017, 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.

In 2017 the Management Board concluded a real right agreement about the transfer of ownership of a property to AS Metsä Wood as was previously agreed in a sales agreement.

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 is not receiving remuneration 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 2017, TPD published interim reports and Annual Report 2016. 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.