

AS Viisnurk Corporate Governance Recommendations Report 2011

The Corporate Governance Recommendations is a set of guidelines and recommended rules to be carried out primarily by entities whose shares have been admitted to trading on a regulated market in Estonia. From 1 January 2006, the listed entities are required to follow the principle "Comply or Explain".

The Corporate Governance Recommendations lay down the principles of calling and conducting general meetings of shareholders, composition, activities and responsibilities of supervisory and management boards, disclosures and financial reporting.

As the principles outlined in the Recommendations are recommended, the Company does not have to comply with all of them but needs to explain in the Corporate Governance Recommendations Report why these requirements are not complied with.

In its business, AS Viisnurk adheres to prevailing laws and legislative provisions. As a public entity, AS Viisnurk also follows the requirements of the Tallinn Stock Exchange and the principles of equal treatment of shareholders and investors. Pursuant to this, the Company follows most of the guidelines set out in the Recommendations. Below are arguments for noncompliance of the Recommendations that the Company does not comply with.

Clause 1.1.1 The Issuer shall enable shareholders to raise questions on items mentioned in the agenda, including prior to the day of the General Meeting. In the notice calling the General Meeting, the Issuer shall include the address or e-mail address to which the shareholder can send questions. The Issuer shall guarantee a response to valid questions at the General Meeting during bearing of a corresponding subject or before the holding of the General Meeting, giving shareholders enough time for examining the response. If possible, the Issuer shall give its responses to questions presented before holding the General Meeting and shall publish the question and response on its website.

Before the meeting, no questions were presented to the Issuer.

Clause 1.3.2 Members of the Management Board, the Chairman of the Supervisory Board and if possible, all members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.

All members of the Management Board were present at the General Meeting of Shareholders at 30 June 2011. The Chairman of the Supervisory Board and the auditor were not present at the meeting. The auditor was not present at the meeting because the Management Board did not consider the auditor's participation necessary as there were not any issues on the agenda that might have needed the auditor's comments. The auditor has expressed his opinion in the auditor's report, stating that the consolidated financial statements of the Group give a true and fair view, in all material respects, of the financial position of the Group as at 31.12.2010 and the financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. The Supervisory Board has expressed its satisfaction with the auditor's work.

Clause 1.3.3 The Issuer shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive to the Issuer.

The Issuer did not make monitoring and participation in the General Meeting possible by means of communication equipment, because no technical equipment was available.

Clause 2.2.1 The Management Board shall have more than one (1) member and the Chairman shall be elected from among the members of the Management Board. The Management Board or Supervisory Board shall establish an area of responsibility for each member of the Management Board. The Chairman of the Supervisory Board shall conclude a contract of service with each member of the Management Board for discharge of their functions.

The Management Board of the Issuer have two members, one of whom is the Chairman of the Management Board. Contracts of service have been concluded with the members of the Management Board which also regulate the areas of responsibility.

Clause 2.2.7 Basic wages, performance pay, termination benefits, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the 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 at the day of disclosure.

The Issuer shall not disclose the remuneration paid to the members of the Management Board by person because the Issuer considers this information sensitive to a member of the Management Board and invasion of his privacy. Its disclosure is not necessary for making a statement of the management quality of the Issuer and it will harm the competitive position of the Issuer and the members of the Management Board. Thus, the Issuer has decided not to disclose the remuneration paid to the members of the Management Board. In 2011, the gross remuneration paid to the members of the AS Viisnurk Management Board totalled 150 thousand euros. As at 31.12.2011, pursuant to the contracts entered into, termination benefits totalling 6-month remuneration are payable to the members of the Management Board.

Clause 2.3.2 The Supervisory Board shall decide significant transactions of the Issuer and a member of its Management Board or close relative or a related person and shall decide the terms of such transactions. The transactions approved by the Supervisory Board and conducted between a member of the Management Board, its close relative or a related person and the Issuer shall be published in the Corporate Governance Recommendations Report.

There have not been any transactions between the Issuer and a member of its Management Board or a close relative or a related person.

Clause 3.1.3 Upon the establishment of committees by the Supervisory Board, the Issuer shall publish their existence, duties, membership and position in the organisation on its website. Upon a change in the committee's structure, the Issuer shall publish the content of such changes and the period during which the procedures are in effect.

During 2011, the Supervisory Board of the Issuer has not established any committees.

Clause 3.2.2 At least half of the members of the Supervisory Board of the Issuer shall be independent.

The Supervisory Board currently consists of three members, none of whom can be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are members of the Management Board of the shareholder OÜ Trigon Wood controlling the Issuer. Heiti Rüsberg is not independent under the Recommendations because he works at AS Trigon Capital and he reports to the other members of the Supervisory Board. However, the Issuer is convinced that the experience and knowledge of the aforementioned persons shall ensure effective and profitable management of the Issuer and thus take account of the interests of shareholders in every aspect.

Clause 3.2.5 The amount of remuneration of a member of the Supervisory Board appointed at the meeting and the procedure for his payment shall be published in the Corporate Governance Recommendations Report, outlining separately basic and additional remuneration (incl. termination and other payable benefits).

The Issuer does not pay any remuneration to the members of the Supervisory Board.

Clause 3.2.6 If a member of the Supervisory Board has attended fewer than a half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report

All members of the Supervisory Board have participated in more than half of the meetings of the Supervisory Board.

Clause 3.3.2 Before his election, a member candidate of the Supervisory Board shall notify other members of the Supervisory Board of an existence of a conflict of interest, if it arises after the election, he shall immediately notify of it. A member of the Supervisory Board shall immediately notify the Chairman of the Supervisory Board and the Management Board of a business proposal made to a member of the Supervisory Board, his close relative or a related person.

The members of the Supervisory Board have not notified the Issuer of any conflicts of interest by the time of preparing the 2011 annual report.

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

The Issuer did not disclose a separate notice but information subject to disclosure was made public no later than at the dates set out in the law.

Clause 5.6 The Issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website.

According to the rules and regulations of the Tallinn Stock Exchange, the Group shall disclose all relevant information through the stock exchange. The Issuer does not regularly organise press conferences and meetings, therefore, the schedule of meetings cannot be disclosed. At the meetings with investors, only previously disclosed information shall be supplied.

Clause 6.2.1 Together with a notice calling the General Meeting, the Supervisory Board shall make information on an auditor's candidate available to shareholders. If it is desired to appoint an auditor who has audited the Issuer's reports for the previous financial year, the Supervisory Board shall pass judgement on his work.

The auditor shall be paid a fee according to the concluded contract. According to the contract, the amount of the fee shall be confidential. However, the Issuer believes that the disclosure of the fee does not affect the reliability of the audit. As the Supervisory Board wants to continue cooperation with the auditor, it is a proof that the Supervisory Board is satisfied with the current auditor.

The activities of the Issuer comply with the requirements of the Recommendations in all other aspects.