STATEMENT ON COMPLIANCE
BY LSI Software S.A.
WITH CORPORATE GOVERNANCE RULES IN 2016
Indication of a set of corporate governance principles applied by the issuer

On 13 October 2015 the Warsaw Stock Exchange Supervisory Board adopted a Resolution No 26/1413/2015 on the adoption of a new set of corporate governance principles “Best Practice for GPW Listed Companies 2016” (hereinafter “Best Practice 2016”) which came into force as of 1 January 2016. The subject document is available on the following website: www.corp-gov.gpw.pl. On 27 January 2016, the Company disclosed the relevant report on compliance with new Best Practice and, in accordance with rule I.Z.1.13, published on its website a statement on the Company’s compliance with the corporate governance recommendations and principles contained in Best Practice 2016.

The Management Board of LSI Software S.A. discloses the following information in accordance with Par. 91 Section 5 item 4 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information and with consideration of Par. 29 Section 5 of the Warsaw Stock Exchange Rules as regards the scope and structure of the report on compliance by listed companies with corporate governance rules.

Indication of the extent to which the Issuer derogates from the application of corporate governance rules and explanation of the reasons for this derogation

According to the current state of compliance with Best Practice, the Company does not apply 4 recommendations: III.R.1., IV.R.2., IV.R.3., VI.R.3.


I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation

The Company does not publish and did not publish the financial projections in the last 5 years.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting

The Company does not apply the principle regarding the transmission of the general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

I.Z.1.20. an audio or video recording of a general meeting

The Company does not apply the principle regarding an audio or video recording of a general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.
I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

The shareholding structure and the nature and scope of business activities do not support the application of this principle. However, the Company ensures the availability of its website is available in English to the extent required under the Liquidity Support Program.

II.Z.2. A company’s management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

This derogation is temporary. The Company will make every effort to ensure that at the forthcoming meeting of the Supervisory Board of the Company, the issue regarding performing by Member of LSI Software S.A. Management Board of functions in a company from outside the group, is reviewed.

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The Company has not established an audit committee. Therefore, the principle is not applied.

III.R.1. The company’s structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company’s activity.

Company’s structure will not include separate units responsible for the performance of tasks in individual systems or functions, due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.1. The company’s management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit functions.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.
III.Z.2 Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.3 The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.4 The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.5 The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company’s management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied by the Company in respect of the internal audit functions due to the size and type of the Company’s activity.

IV.R.2. The principle is not applied by the Company in respect of the internal audit functions due to the size and type of the Company’s activity. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company
is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through: 1) real-life broadcast of the general meeting; 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The Company does not provide for the possibility of conducting the General Meeting by means of electronic communication due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The shares of the Company are listed in Poland only.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The Company does not apply the principle regarding the transmission of the general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

IV.Z.9. Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

This principle will be applied unless its application will not be detrimental to the Company.
V.Z.6. **In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company’s internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.**

The Company does not apply this principle. The Company, however, does not prejudice the possibility of preparation of internal regulations providing among others for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest.

VI.R.3. **If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.**

The Company has not appointed a remuneration committee within its Supervisory Board.

VI.Z.2. **To tie the remuneration of members of the management board and key managers to the company’s long-term business and financial goals, the period between the allocation of options or other instruments linked to the company’s shares under the incentive scheme and their exercisability should be no less than two years.**

Before the entry into force of the "Best Practice for GPW Listed Companies 2016", as part of the incentive programs, the instruments were used, which were characterized by the fact that the period between their allocation and execution was less than 2 years.

I. **Manner of operation of the General Meeting, its basic powers and description of the shareholders’ rights along with the procedure for their exercise**

The manner of operation of the General Meeting, its basic powers as well as the shareholders’ rights along with the procedure for their exercise are determined by the provisions of the Commercial Companies Code, the Company’s Articles of Association, the Rules of the General Meeting and Best Practice for GPW Listed Companies. The text of the Rules and the text of Best Practice for GPW Listed Companies are available on the Company's website: [www.lsisoftware.pl](http://www.lsisoftware.pl) in Investors/Documents section.
II. Composition and activities of the Company’s management, supervisory and administrative bodies or of their committees

The Management Board of LSI Software S.A. operates on the basis of:
- Commercial Companies Code
- Articles of Association of LSI Software S.A. – consolidated text

As at 1 January 2016, the composition of LSI Software S.A. Management Board was as follows:
• Bartłomiej Grduszak – President of the Management Board
• Michał Czwojdziński – Member of the Management Board
• Henryk Nester – Member of the Management Board

On 30 June 2016, the General Meeting appointed Mr. Grzegorz Strąk as Member of the Management Board.

As at 31 December 2016, the composition of LSI Software S.A. Management Board was as follows:
• Bartłomiej Grduszak – President of the Management Board
• Michał Czwojdziński – Member of the Management Board
• Henryk Nester – Member of the Management Board
• Grzegorz Strąk – Member of the Management Board

The Supervisory Board of LSI Software S.A. operates on the basis of:
- Commercial Companies Code
- Articles of Association of LSI Software S.A. – consolidated text
- Rules of the Supervisory Board of 15 January 2010

As at 1 January and 31 December 2016, the composition of LSI Software S.A. Supervisory Board was as follows:
• Grzegorz Siewiera – Chairman of the Supervisory Board
• Krzysztof Wolski – Vice-Chairman of the Supervisory Board
• Andrzej Kurkowski – Member of the Supervisory Board
• Piotr Kardach – Member of the Supervisory Board
• Grzegorz Kwiatkowski - Member of the Supervisory Board

The text of mentioned documents is available on the Company’s website: www.lsisoftware.pl in Investors/Documents section.
III. Description of the main features of the Issuer’s internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements

Internal control and risk management in relation to the process of preparing financial statements are executed by the Supervisory and Management Boards, and employees at all levels. Developed and implemented system of internal control in the field of accounting records ensures the reliability, completeness and timeliness of the information contained in the financial statements, as well as compliance with applicable laws and regulations. The Company monitors significant legal risk factors on an ongoing basis. One of the basic elements of control in the process of preparing financial statements is verification by the independent statutory auditor. Annual and semi-annual financial statements are audited and reviewed by an independent statutory auditor. The auditor is appointed by the Supervisory Board by selection of the best offer submitted as a response to the inquiries sent. Quarterly, semi-annual and annual financial statements are submitted periodically by the Management Board to the Supervisory Board.

IV. Indication of shareholders holding, directly or indirectly significant blocks of shares with an indication of the number of shares held by these entities, their share in the capital, the number of votes attached to such shares and their share in the total number of votes at the General Meeting

As at 28 April 2017

<table>
<thead>
<tr>
<th>Person</th>
<th>Number of shares</th>
<th>Number of votes</th>
<th>% of votes at GM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grzegorz Siewiera/SG Invest Sp. z o.o.</td>
<td>1 000 000</td>
<td>2 600 000</td>
<td>53.49%</td>
</tr>
<tr>
<td>Piotr Kraska/Yavin Limited</td>
<td>443 488</td>
<td>443 488</td>
<td>9.12%</td>
</tr>
</tbody>
</table>

V. Identification of holders of any securities conferring special control powers with respect to the Issuer, including a description of such powers

As at 28 April 2016, 400 000 B-series registered shares are multiple-vote securities which means that each share entitles to five (5) votes at the General Meeting of the Company, giving a total of 2 000 000 votes held by Grzegorz Siewiera.

VI. Restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, time limitations on exercising voting rights, or provisions under which, with the company’s cooperation, the equity rights attached to securities are separated from the holding of securities

There are no such restrictions.
VII. Restrictions on the transfer of ownership rights to the Issuer securities

There are no such restrictions.

President of the Management Board
Bartłomiej Grduszak

Member of the Management Board
Michał Czwojdziński

Member of the Management Board
Henryk Nester

Member of the Management Board
Grzegorz Strąk

Łódź, 28 April 2017