

## **Statement on the Issuer's application of corporate governance procedures**

Pursuant to the Rules of the Warsaw Stock Exchange, the Company, as an issuer whose shares are admitted to trading on the main market of the Warsaw Stock Exchange, should comply with the principles of corporate governance set out in the document entitled "Good Practices of WSE Listed Companies" as adopted by the Supervisory Board of the Warsaw Stock Exchange in its Resolution 12/1170/2007 dated 4 July 2007 and as applicable since 1 January 2008 ("Good Practices"). On 19 May 2010, the Warsaw Stock Exchange amended the above document by way of its Resolution 17/1249/2010. The amended document came into effect on 1 July 2010 (except for the principle set out in Part IV, Section 10 of the Good Practices, which principle should be applied not later than from 1 January 2012).

Corporate governance is a set of principles of conduct addressed to both the governing bodies of companies and the members of such bodies, as well to shareholders in companies. If a particular principle of corporate governance is not applied by a company permanently or is violated only occasionally, the company is required to publish a report containing information in this regard. In addition, the company's annual report should be accompanied by a report on its application of the principles of corporate governance in the financial year for which the report is prepared.

The Issuer intends to apply and comply with all of the principles of corporate governance, except for those which the company has decided not to apply and comply with:

### **RECOMMENDATIONS REGARDING GOOD PRACTICES OF LISTED COMPANIES**

"1. A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular:

- maintain a company website whose scope and method of presentation should be based on the model investor relations service available at <http://naszmodel.gpw.pl/>;
- ensure adequate communication with investors and analysts, and use to this purpose also modern methods of Internet communication;
- enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website."

The Issuer has decided not to apply the above principle with regard to broadcasting General Meetings over the Internet, recording General Meetings, and publishing the recordings on the company website. In the opinion of the Issuer's Management Board, the technical costs of such broadcasts and recordings of its General Meetings over the Internet are not legitimate given the present shareholding structure of the Issuer. In addition, according to the Issuer's Management Board, there are no threats posed by the Issuer's failure to comply with the above recommendation to the extent it is not applied by the Issuer, especially because the Company will publish, in current reports and on its website, all such information and

documents as it is legally required to communicate to the public to ensure that investors have access to information on the matters dealt with at the Company's General Meetings.

"5. A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of the company's supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company."

The Issuer will not apply the above principle to the extent of defining a remuneration policy and the rules of defining the policy for members of the supervisory and management bodies of the company. The Issuer has implemented Rules of Remuneration adopted by way of a resolution of the Management Board. The Rules define the rules for remuneration and other pecuniary benefits for the Issuer's employees. The provisions of the Rules apply to all employees of the Issuer, except for the President of the Issuer's Management Board and members of the Management Board. In accordance with the applicable provisions of law, the remuneration for members of the Supervisory Board is defined by the General Meeting, and the remuneration for members of the Management Board is determined by the Supervisory Board by way of resolution. The rules for defining the remuneration for members of the supervisory and management bodies of the Issuer depend on the General Meeting and the Supervisory Board, and so it is these bodies that decide whether or not the rules they apply need to be written down.

"9. The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

In the opinion of the Issuer's Management Board, the main criteria in selecting candidates for management and supervisory functions within the Company should be the candidate's professionalism and competencies required to perform such functions, and other factors (including the candidate's gender) should not determine the selection of candidates for such functions. Therefore, the Issuer does not think that it is legitimate to introduce regulations based on pre-defined parity, and the decision to select candidates for management and supervisory functions remains with the authorised bodies of the Company.

### III. GOOD PRACTICES APPLIED BY MEMBERS OF SUPERVISORY BOARDS:

"6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant

relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting."

The above principle is not and will not be applied by the Issuer. The Issuer's governing bodies are of the opinion that, in accordance with the general principle of majority rule and the principle of protecting minority interests, a shareholder contributing a greater amount of capital takes a greater business risk. Therefore, it is legitimate for such a shareholder's interests to be taken into account in proportion to the shareholder's capital contribution, which means that the shareholder should also have the right to put forward such candidates to sit on the Supervisory Board as to ensure that the Issuer's strategies can be implemented. In the opinion of the Issuer, this allows the Issuer's strategy to be implemented properly and effectively and provides sufficient protection of the interests of all groups of shareholders and other groups connected with the Issuer. Given the Issuer's present shareholding structure, the above principle, if applied, would significantly limit the corporate rights of the majority shareholder and would be against the principle of majority rule at public companies. The Issuer's General Meeting elects members of the Supervisory Board from among a group of individuals with proper education, professional and life experience, with high moral standards and with enough time to be able to properly perform their duties as members of the Supervisory Board. In the opinion of the Management Board, the above criteria are sufficient to ensure that members of the Issuer's Supervisory Board work effectively for the benefit of the Issuer's interests and, in consequence, for the benefit of all of the Issuer's shareholders.