

## **CORPORATE GOVERNANCE STATEMENT OF PBG S.A.**

### **1. A set of Corporate Governance rules adopted by PBG S.A.**

PBG S.A. adopted Corporate Governance rules contained in the document "Code of Best Practice of WSE Listed Companies" published at <http://www.corp-gov.gpw.pl>

### **2. Non-adoption of Corporate Governance rules**

The Management Board of PBG S.A. hereby declares that the Company complied with Corporate Governance rules contained in the document "Code of Best Practice of WSE Listed Companies" in 2008.

### **3. Basic principles of the internal control and risk management systems adopted by the Company in relation to the process of preparation of financial statements and consolidated financial statements**

The Company's Management Board is responsible for the Company's internal control system and its effective functioning in the process of preparation of financial statements and current reports drawn up and published pursuant to the Regulation of the Polish Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and on the conditions under which information required by the regulations adopted by countries other than Member States is considered equivalent (Journal of Laws of 2009, no. 33 item 259). The process of preparation of financial statements is handled by the Department of Accounting Coordination Director of the Capital Group and supervised directly by the Financial Statements Consolidation Department in co-operation with other organisational units of the Company responsible for information which does not result directly from the Company's accounts but is included in the financial statements.

Given the specific type of the Company's business, the Controlling Department plays the key role in the process of preparation of the financial statements. The effective assessment and analysis of the implemented construction contracts is the key risk management tool adopted by the Company. In accordance with IAS 11, revenues and costs of the implemented contracts are calculated based on their individual budgets. Budgets are prepared based on the best knowledge and experience of well-trained contract directors. During the preparation and implementation of construction projects, all budgets are analysed and updated by the responsible persons on an on-going basis. Results of analyses and budget updates are discussed at regular weekly meetings. This process is based on the formal set of rules adopted by the Company and is subject to specific supervision by the Management Board.

When presenting its financial information, the Company applies consistent, specific accounting principles in accordance with the principles of measurement and presentation applied across the entire PBG Capital Group.

Since 1 January 2009, the Chief Accountant (in the case of separate financial statements) and the Capital Group's Accounting Coordination Director (in the case of consolidated financial statements) are persons responsible for the signing of financial statements and for their preparation. Persons who prepare financial statements and are responsible for the control and co-ordination of the reporting process are specialists with the relevant knowledge and experience in this field, and have signed confidentiality agreements.

In the Management Board of PBG SA, responsibility for the preparation of financial statements lies with the President of the Board Jerzy Wiśniewski, Vice-President of the Board Przemysław Szkudlarczyk, and the Proxy Eugenia Bachorz. In accordance with the adopted procedure, during the preparation of financial statements, the above members of the Management Board shall review the data and information contained in these statements and suggest matters to be considered in the preparation of these statements, while representing the entire Management Board. After the financial statements are drawn up, they are handed over for review or audit, pursuant to the applicable law. The entire Management Board signs the financial statements before the Company receives the statutory auditor's opinion.

Financial statements are reviewed or audited by an entity authorised to audit financial statements selected by the Company's Supervisory Board from among well-known auditing companies, guaranteeing the high quality of services and meeting the independence criteria.

When reviewing the Company's financial statements and accounts, the statutory auditor shall meet with the Company's key management personnel, including members of the Management Board responsible for the Company's finance, to discuss the specific matters contained therein. The final financial statements including the agreed adjustments (if any) made by the statutory auditor or any person involved in the preparation thereof or any member of the Management Board shall be read out again and signed by those persons.

Every year, the Company's Supervisory Board performs an assessment of the Company's audited financial statements to find out whether the statements are consistent with the underlying accounts and documents, as well as the actual situation. Results of this analysis are presented in the annual report of the Supervisory Board published by the Company.

The Company's risk management connected with the process of preparation of its financial statements is based on the identification and assessment of risk areas, as well as definition of actions necessary to reduce or eliminate those risks.

**4. Shareholders holding large blocks of the Company's shares, either directly or indirectly; number of shares held by these shareholders; percentage share in share capital; number of**

### **votes attached to these shares and their percentage share in the total vote at the General Meeting**

As at 31 December 2008, the Company's share capital totalled PLN 13,430 k and was divided into 4,500,000 registered preference shares and 8,930,000 ordinary bearer shares. The nominal value of preference shares and ordinary shares was PLN 1.00 per share. One preference share carries two votes at the General Meeting of Shareholders.

To the best of the Company's knowledge, the following shareholders hold shares representing at least 5% of the total vote at the General Meeting:

As at 31 December 2008				
Shareholder	Number of shares	Total nominal value in PLN	% of share capital held	% of votes in the total vote
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47%	50.14%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	899,265 ordinary shares	916,334	6.70%	5.02%
As at the date of submission of the report				
Shareholder	Number of shares	Total nominal value in PLN	% of share capital held	% of votes in the total vote
Jerzy Wiśniewski	4,495,054 shares, of which: 4,495,054 registered preference shares	4,495,054	33.47%	50.14%
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA	916,334 ordinary shares	916,334	6.82%	5.11%
ING Nationale - Nederlanden Polska PTE SA	912,991 ordinary shares	912,991	6.80%	5.09%

The Company has no knowledge of any other shareholders holding at least 5% of the total vote at the General Meeting of Shareholders and had not been informed thereof before the date of preparation of this report.

### **5. Holders of any securities carrying special rights of control and description of these rights**

There are no securities carrying special rights to control the Company. There are no limitations set for the transfer of ownership titles and for the exercise of voting rights carried by the Company's shares.

### **6. Any limitations regarding the exercise of voting rights, such as the limitation of voting rights for holders of the specific portion or number of votes, temporary limitations on voting rights, or any provisions under which the equity rights carried by the securities are separated from their holders**

The Issuer's Articles of Association contain no provisions regarding any limitations of the exercise of voting rights by holders of the specific portion or number of votes.

## **7. Rules of the appointment and dismissal of members of the Management Board, as well as the scope of their powers, in particular the right to decide on the issue or buy-back of shares**

### **The Issuer's Management Board**

The Company's Management Board acts pursuant to the Code of Commercial Companies, the Company's Articles of Association, and Regulations of the Management Board.

The Management Board shall be responsible for all matters not reserved to other Company's authorities under the Code of Commercial Companies or the Articles of Association.

According to the provisions of the Issuer's Articles of Association (§ 37), the Company's Management Board is composed of several members, including the President, one to four Vice-Presidents, and up to three Members appointed and dismissed by the Supervisory Board. President of the Management Board is appointed by the Supervisory Board; Vice-Presidents and other members of the Management Board are appointed by the Supervisory Board upon the motion of the President of the Management Board.

Only a natural person with full legal capacity may be appointed member of the Management Board.

Two Vice-Presidents acting jointly, or one Vice-President and one Member acting jointly, or one Vice-President with the Proxy, or one Member with the Proxy may represent the Company. President of the Management Board is entitled to represent the Company individually. The Management Board may grant powers of attorney to act on the Company's behalf. Powers of attorney may be general, limited (authorisation to perform certain types of activities) and special (authorisation to perform specific activities).

The Management Board may grant proxies. Proxy must be approved by all members of the Management Board. It may be withdrawn by each Management Board member alone.

With due regard to the Company's interests, the Management Board shall determine the Company's strategy and its key objectives, present them to the Supervisory Board, and be responsible for their implementation and achievement. The task of the Management Board is to ensure transparency and efficiency of the corporate management system and compliance with the law and best practices.

Members of the Management Board shall be appointed, dismissed and suspended by the Supervisory Board pursuant to the Code of Commercial Companies and the Articles of Association. Candidates for the Management Board members are presented by the President of the Management Board.

The Supervisory Board shall conclude and terminate agreements with members of the Management Board. These agreements are signed on behalf of the Supervisory Board by its Chairperson or his/her deputy. Other activities connected with the employment of Management Board members shall also be based on the same procedure.

Remuneration of the Management Board members shall be determined by the Supervisory Board, taking into account its incentive nature and ensuring effective and trouble-free management of the Company.

The term of office of the Management Board members shall expire:

- 1) upon their dismissal from the Management Board,
- 2) on the day of the General Meeting approving the financial statements for the last full financial year of performing the function of a Management Board member,
- 3) upon their death;
- 4) upon their resignation.

If a member resigns from the Management Board, resignation shall be delivered to the Supervisory Board, with a copy for the Management Board.

Without the consent of the Supervisory Board, members of the Management Board must not:

- 1) engage in any business competitive to the Company's business;
- 2) participate in any competitive entity as a partner in a (private) partnership, or as a member of any authority of any company, or as a member of any authority of any other competitive legal person,
- 3) hold interest in any competitive company, in the case of holding at least 10% of shares or the right to appoint at least one member of the management board.

A Management Board member shall promptly notify the Supervisory Board of any circumstances listed above. A Management Board member shall remain fully loyal to the Company and shall refrain from taking any actions with the exclusive goal to gain one's own benefits. If a Management Board member receives any information on any potential investments or other profitable transaction related to the Company's business activities, she/he should immediately notify the Management Board thereof to make it possible for the Management Board to consider whether this option may be used to the benefit of the Company. Such information may be used by a Management Board member or passed over to any third party only upon consent of the Management Board and only on condition that it does not affect the Company's best interest. Management Board members should notify the Supervisory Board of each instance of a conflict of interest related to their function or of any risk of such conflict. A Management Board member should consider the Company's shares as a long-term investment.

Any activities outside the ordinary management of the Company must be approved by the Management Board's resolution. In particular, the Management Board's resolution shall be required in the following cases:

- 1) taking decisions on material investment projects and methods of their financing,

- 2) determining strategic plans for the Company's development and defining the Company's financial targets,
- 3) determining the Company's organisational structure,
- 4) determining the Company's regulations and other internal normative acts;
- 5) determining the internal division of responsibilities among members of the Management Board,
- 6) determining the assumptions of the payroll and personnel policy, including the terms of incentive schemes.

With the exception of the above matters, individual members of the Management Board shall be responsible for the individual management of the Company's affairs resulting from the division of responsibilities.

In the case of any obstacles to the performance of duties by the Management Board members, they shall immediately inform the Management Board President thereof. The President of the Management Board shall decide which of the remaining members of the Management Board shall temporarily perform these duties.

### **The Issuer's Supervisory Board**

The Company's Supervisory Board acts pursuant to the Code of Commercial Companies, the Company's Articles of Association, and Regulations of the Supervisory Board.

The Supervisory Board shall be composed of at least five members appointed by the General Meeting by a secret ballot for one year, and mandates of the Supervisory Board members shall expire on the day of the General Meeting approving the financial report for the last full financial year of performing the function of a Supervisory Board member. Number of the Supervisory Board members shall be determined by the General Meeting of Shareholders.

The Supervisory Board members may be re-elected. At least 50% of the Supervisory Board members should be independent, i.e. satisfy the following requirements:

A member of the Supervisory Board is considered independent if he/she:

- 1) is not employed by the Company or its related party;
- 2) is not a member of the supervisory board or management board of any related party;
- 3) is not a shareholder holding at least 5% of votes at the General Meeting of the Company or any related party;
- 4) is not a member of the management board or supervisory board of, or employed by an entity holding at least 5% of votes at the General Meeting of the Company or any related party;
- 5) is not the ascendant, descendant, spouse, sibling, spouse's parent or adoptee/adopter of any of the aforementioned persons.

The above criteria must be met throughout the entire term of office of Supervisory Board members.

Within the meaning of the Issuer's Articles of Association, a Related Party shall include the Company's parent company, the Company's subsidiaries, or subsidiaries of the Company's parent company.

Within the meaning of the Issuer's Articles of Association, an entity is a "Related Party" of another entity (a "Parent Company") if the Parent Company:

- 1) holds the majority of votes in authorities of another entity (subsidiary), also by way or arrangement with other eligible persons, or
- 2) is entitled to appoint or dismiss the majority of members of management bodies of another entity (subsidiary), or
- 3) more than 50% of management board members of another entity (subsidiary) are at the same time members of the management or executives of the parent or another entity which is a subsidiary of the parent.

A subsidiary of the Company's parent company shall also be an entity which is a subsidiary of another entity subsidiary to the Company's parent company.

The Supervisory Board shall exercise permanent supervision over the Company's operations in all areas of its activity. Each year, the Supervisory Board shall submit to the General Meeting a concise assessment of the Company's condition, determined during the Supervisory Board meeting convened before the Annual General Meeting.

**APPROVAL OF THE SUPERVISORY BOARD IS REQUIRED IN PARTICULAR FOR:**

- 1) acquisition of an enterprise or an organised part thereof,
- 2) establishment and closing down of the Company's branch offices in Poland and abroad,
- 3) taking over any third-party obligations (civil law sureties, guarantees, avals) in excess of the Company's share capital; this rule does not apply to any obligations of the Capital Group companies, which require no approval of the Supervisory Board,
- 4) involvement of Management Board members in competitive business operations and acting as a registered partner or a senior executive of competitive companies,
- 5) acquisition, take-over, transfer, and waiver of the pre-emptive right to shares, except for shares of listed companies where the stake does not exceed 1% (one percent) of the total number of shares,
- 6) payout of an interim dividend expected at year-end,
- 7) payment of any obligations made by the Company, except for employment-related obligations towards the Company's Management Board members.
- 8) conclusion of a material agreement by the Company or its subsidiary with the Company's related party (except for conclusion of agreements with Capital Group

companies), member of the Supervisory Board or the Management Board, and their related parties,

- 9) purchase or sale of real property, perpetual usufruct rights or interest in real property,
- 10) selecting a statutory auditor,
- 11) representing the Company in agreements and disputes between the Company and members of the Management Board,
- 12) approving the Regulations of the Management Board,
- 13) appointing and recalling members of the Management Board,
- 14) expressing opinion on matters presented by the Management Board.

In order to perform its duties, the Supervisory Board may review each area of the Company's business, request reports and explanations from the Company's Management Board and employees, and review the Company's assets, books and documents. Members of the Supervisory Board shall take any actions as may be necessary to ensure that the Management Board provides regular and complete information on any significant matters concerning the Company's operations and the business risks and methods of risk management. At each meeting of the Supervisory Board, the Management Board shall present a report on any significant matters concerning the Company's business. In urgent cases, the Supervisory Board members shall be notified by the Management Board in writing. In such a case, the President, or two Vice-Presidents of the Management Board, or one Vice-President and one Member, or one Vice-President and a Proxy, or one Member and a Proxy shall notify the Supervisory Board Chairperson in writing.

In the case of any obstacles to the performance of duties by the Supervisory Board members, they shall immediately inform the Supervisory Board Chairperson thereof.

The Supervisory Board member should immediately inform other Board members of:

- a) any conflict of interest with the Company. In such a case, the Supervisory Board member should refrain from taking part in discussions and from voting on a resolution on the matter where the conflict of interest has arisen. The information on the reported conflict of interest should be included in the minutes of the Supervisory Board.
- b) personal, actual and organisational relations between the Supervisory Board member and a shareholder, in particular with a majority shareholder, which may have an impact on the Company's business.

The personal relations with a shareholder shall mean first or second degree relation. The actual relations with a shareholder shall mean remaining in regular business relations. Organisational relations with a shareholder shall mean relations arising from contracts of employment or other similar agreements.



The Company shall have the right to request for a statement from a Supervisory Board member regarding the above relations.

## **8. Amendment to the Issuer's Articles or Memorandum of Association**

Amendment to the Company's Articles of Association shall require:

- resolution of the General Meeting of Shareholders adopted by the majority of  $\frac{3}{4}$  of votes ([Art. 415 of the Code of Commercial Companies.](#)), in the form of a Notarial Deed (resolution on the significant amendment of the Company's core business requires the majority of  $\frac{2}{3}$  of votes (Art. 416 thereof)).
- entry in the National Court Register (Art. 430 of the Code of Commercial Companies).

## **9. Functioning and primary competencies of the General Meeting of Shareholders, rights of shareholders and methods of their exercise, in particular principles arising from Regulations of the General Meeting**

### **9. 1. Functioning of the General Meeting of Shareholders**

The General Meeting of Shareholders shall act pursuant to its Regulations.

The General Meeting may be participated by shareholders who submit registered depository receipts, issued by an entity managing their securities account pursuant to provisions of the Law on Public Trading of Securities, not later than one week before the set date of the General Meeting of Shareholders, as specified in the announcement of the General Meeting of Shareholders, and collect these receipts only after the Meeting has been closed.

A General Meeting of Shareholders shall be valid if the shareholders present at the Meeting represent at least 50% of the Company's share capital.

A General Meeting should be attended by members of the Supervisory Board and the Management Board. Absence of any member of the Management Board or Supervisory Board at the General Meeting must be explained. Justifications shall be presented at the General Meeting.

The statutory auditor should participate in the Annual General Meeting and in the Extraordinary General Meeting if the Company's finances are to be discussed thereat.

The General Meeting or its relevant part may be attended by experts and guests invited by the entities convening the Meeting, in particular when their participation is necessary to present expert opinions on matters under discussion to the participants of the General Meeting.

The task of the Chairperson is to ensure that the conduct of the Meeting is in line with the adopted agenda, the applicable laws, the Company's Articles of Association, and

Regulations of the General Meeting, and that the rights and interests of all shareholders are respected.

The Chairperson may not remove matters from the agenda, change the order of the agenda, or introduce new matters of substance under discussion.

After addressing each matter included in the agenda, the Chairperson shall draw up a list of speakers and open a discussion, giving the floor to the participants in the adopted order of speaking. The Chairperson shall decide when to close the discussion. The Chairperson may give the floor out of turn to members of the Management Board and the Supervisory Board, as well as the invited experts. They are not taken into account when drawing up the list and number of speakers. Speakers may only discuss matters included in the agenda and refer to the item currently under discussion. When discussing every item of the agenda, depending on its subject area, the Chairperson may set the time of speaking for a single speaker, both for the statement and the reply. The said restriction cannot be applied to members of the Management Board and Supervisory Board, or the invited experts. The Chairperson shall decide on whether to extend the time for presentation or give extra time to the speaker.

Each participant of the General Meeting shall have the right to ask questions to the Management Board, Supervisory Board and the statutory auditor with regard to matters included in the agenda, with respect to the item currently under discussion. Members of the Supervisory Board and the Management Board as well as the statutory auditor shall, within their powers, answer these questions, to the extent necessary to decide on the matters under discussion of the General Meeting. All answers should take into account the fact that the Company should report and provide information in compliance with the provisions of the Law on Public Trading of Securities, and certain information cannot be provided otherwise than pursuant to these provisions. Immediately after the discussion, the Chairperson orders the vote on formal motions. At the request of participants of the General Meeting, their written statements may be included in the minutes. Such statements are adopted at the end of the Meeting.

Resolutions of the General Meeting shall be adopted by absolute majority of votes, unless the law or the Articles of Association require a qualified majority to pass a given resolution.

## **9.2. Competencies of the General Meeting of Shareholders**

Pursuant to § 28 of the Articles of Association of PBG S.A., resolutions of the General Meetings are required in particular for:

- 1) examination and approval of the Company's financial statements and the Management Board's report on the company's activities for the previous financial year,
- 2) granting discharge to members of the company's authorities from liability,
- 3) decision on the distribution of profit or offset of loss,

- 4) any decisions in respect of claims to make good any damage suffered through the formation of the company or exercise of management or supervision;
- 5) disposal or lease of an enterprise or an organized part thereof and establishment of a right in rem thereon,
- 6) issue of convertible bonds or bonds with pre-emptive rights,
- 7) defining the remuneration policy and amount of remuneration payable to members of the Supervisory Board,
- 8) appointing and recalling members of the Supervisory Board,
- 9) setting the date of dividend payout,
- 10) raising, utilisation, and release of reserve capital.

### **9.3. Rights of shareholders and the methods of their exercise**

Pursuant to the Regulations of the General Meeting of Shareholders of PBG S.A., shareholders' rights are in particular as follows:

1. A Shareholder may participate in the General Meeting and exercise their voting rights in person or by a proxy or other representative.

Any such authorisation shall be null and void unless granted in writing, and must be attached to the minutes of the General Meeting. Other representatives of Shareholders must submit relevant documentation confirming the right to act on their behalf.

2. The Chairperson shall be appointed from among the participants in the General Meeting.

3. The Company's Management Board shall convene Annual or Extraordinary General Meetings. The Supervisory Board shall be entitled to convene the Annual General Meeting of Shareholders if the Management Board adopts no resolution to convene the Annual General Meeting within five months after the end of the financial year or if the set date does not comply with provisions of section 2. Shareholders representing at least 10% of the Company's share capital may put forward a motion to the Company's Management Board to convene an Extraordinary General Meeting of Shareholders.

4. Each participant of the General Meeting shall have the right to ask questions to the Management Board, Supervisory Board and the statutory auditor with regard to matters included in the agenda, with respect to the item currently under discussion.

5. Each participant of the General Meeting may put forward a motion on procedural matters. In the case of procedural requests, the Chairperson may give the floor to the requesting participant out of turn. At the request of participants of the General Meeting, their written statements are included in the minutes. Such statements are adopted at the end of the Meeting.

## 10. Composition of the Management and Supervisory Board and its changes during the last financial year, as well as description of the functioning of the Issuer's management, supervisory, or administrative bodies and their respective committees

### 10.1. Composition and functioning of the Management Board

Members of the Management Board from 1 January to 31 December 2008:

- Jerzy Wiśniewski – President of the Board;
- Tomasz Woroch – Vice President of the Board;
- Przemysław Szkudlarczyk – Vice President of the Board;
- Tomasz Tomczak – Vice President of the Board;
- Mariusz Łożyński – Member of the Board until 27 November 2008, Vice-President of the Board since 28 November 2008;
- Tomasz Łatawiec – Member of the Board.

The above members of the Management Board, with the exception of Mr Tomasz Łatawiec, were appointed on 10 May 2006 by the Supervisory Board of PBG S.A. to perform their functions for the next term of office. Mr Tomasz Łatawiec was appointed Member of the Board by resolution of the Supervisory Board of PBG S.A. on 3 October 2007. On 28 November 2008, upon the motion of the Company's Management Board, the Supervisory Board of PBG S.A. decided to appoint Mr Mariusz Łożyński, former Member of the Board, as Vice-President of the Management Board. This proposal was submitted in connection with changes in the division of responsibilities within the Company's Management Board, resulting from the conclusion of the largest ever contracts in the Company's history in the area of crude oil and natural gas. Mr Tomasz Tomczak, Vice-President of the Board, formerly responsible for the entire area of production, shall now manage contracts signed in the area of oil and gas (construction of the LMG crude oil mining facilities and construction of the underground gas depot in Wierzchowice). Mr Mariusz Łożyński shall be responsible for the supervision of contracts signed in Poland and abroad, and in addition for orders within PBG Capital Group and implementation of contracts in the hydrotechnical and renovation segment.

	No.	NAME	FUNCTION IN THE MANAGEMENT BOARD	AREA OF RESPONSIBILITY
MANAGEMENT BOARD	1.	Jerzy Wiśniewski	President of the Management Board	Strategy and development
	2.	Tomasz Woroch	Vice-President of the Board	Environmental protection projects
	3.	Przemysław Szkudlarczyk	Vice-President of the Board	Economy and finance
	4.	Tomasz Tomczak	Vice-President of the Board	Implementation of natural gas, crude oil, and fuels projects

AUTHORISED REPRESENTATIVES (PROXY HOLDERS)	5.	Mariusz Łożyński	Vice-President of the Board	Offers and signing of contracts in PBG Capital Group; implementation of projects in the hydro-technical and renovation segment
	6.	Tomasz Latawiec	Member of the Board	Renovation projects
	1.	Tomasz Przebieracz	Proxy	Natural gas, crude oil, and fuels projects
	2.	Cezary Pokrzywniak	Proxy	Engineering – design of technical processes and plants
	3.	Wojciech Byczkowski	Proxy	Logistics
	4.	Eugenia Bachorz	Proxy	Accounts of PBG Capital Group
	5.	Rafał Wilczyński	Proxy	Economy and finance
	6.	Paweł Buczkowski	Proxy	Hydro-technical engineering projects

The current term of office of the Management Board shall expire on 10 May 2009. Pursuant to § 37 section 7 of the Articles of Association of PBG SA, mandates of the Management Board members expire at the date of the General Meeting approving the financial statements for the last full financial year of the Board's term of office.

Until the date of publication hereof, composition of the Company's Management Board had not changed.

The Management Board is competent in all matters related to the Company not restricted to competencies of the General Meeting of Shareholders or the Supervisory Board. The role, duties and Regulations of the Management Board are defined in a formal document. Individual members of the Management Board shall manage the specific areas of the Company's business, and their work is coordinated by the President of the Management Board.

## 10.2. Composition and functioning of the Supervisory Board and its committees

As at 31 December 2008, the Supervisory Board of PBG SA was composed of six members:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Jacek Kseń – Vice-Chairman of the Supervisory Board;
- Wiesław Lindner – Secretary of the Supervisory Board;
- Jacek Krzyżaniak - Member of the Supervisory Board;
- Małgorzata Wiśniewska – Member of the Supervisory Board until 31 August 2008;
- Mirosław Dobrut – Member of the Supervisory Board until 12 March 2008;
- Dariusz Sarnowski – Member of the Supervisory Board

- Adam Strzelecki – Member of the Supervisory Board.

The above Supervisory Board members were appointed on 23 May 2007 by the Annual General Meeting of Shareholders to perform their functions for the next term of office. In the reporting period, i.e. in March 2008, Mr Mirosław Dobrut handed in his resignation from the position of Member of the Supervisory Board of PBG SA due to a potential conflict of interest related to his membership in the management board of another listed company. Another change in the composition of the Supervisory Board was connected with the resignation from office handed in by Mrs Małgorzata Wiśniewska as of 1 September 2008, as she became President of the Management Board of Infra SA, a subsidiary company of PBG SA.

The term of office of the Supervisory Board appointed in May 2007 ended at the date of the Annual General Meeting of Shareholders approving the Company's financial statement for FY 2007. On 18 June 2008, the Annual General Meeting of Shareholders of PBG SA discharged all the above Members of the Supervisory Board for the performance of their duties, and decided to re-appoint them as members of Supervisory Board of PBG SA. In the current term of office, the Supervisory Board was composed of seven members, and as at the date of submission hereof the Board is composed of six members. Mr Maciej Bednarkiewicz was appointed Chairman of the Supervisory Board, Mr Jacek Kseń is Vice-Chairman of the Supervisory Board, and Mr Wiesław Lindner is Secretary of the Supervisory Board.

There were no other changes in the composition of the Supervisory and Management Board PBG S.A. in the reporting period.

Until the date of publication hereof, composition of the Company's Supervisory Board had not changed.

The term of office of the Supervisory Board members is one year, and their remuneration is determined by the General Meeting of Shareholders. The Supervisory Board shall exercise permanent supervision over the Company's operations in all areas of its business activity. In particular, the task of the Supervisory Board is to analyse the Company's financial statements and the Management Board's report on the Company's operations in terms of their compliance with the underlying accounts and documents and the actual state of affairs, to analyse the Management Board's proposals of the distribution of profit or offset of loss, as well as to submit the annual report on the results of this analysis to the General Meeting of Shareholders.

The role, duties and Regulations of the Supervisory Board are defined in a formal document. The Supervisory Board shall perform its duties jointly, but has assigned part of its competencies to the specific persons or committees presented below.

PBG SA Supervisory Board formed the following committees:

1. Audit Committee
2. Remuneration Committee

Members of the Audit Committee:

- Jacek Kseń
- Dariusz Sarnowski

The Audit Committee shall meet as need be, at least once a quarter.

In particular, the Audit Committee shall be responsible for:

- a) review of the independence of the selected statutory auditor, and advising the Supervisory Board on the selection of the statutory auditor as well as on the terms and conditions of the contract signed with the auditor and the amount of the auditor's fee. Should the Supervisory Board select a statutory auditor other than the expert recommended by the Audit Committee, such a decision must be well justified,
- b) analysis and evaluation of relations and dependencies within the Company, the Supervisory Board, and the Management Board with respect to any actual or potential conflicts of interest; taking actions to eliminate such problems; and ensuring optimum communication between the statutory auditor and the Supervisory Board,
- c) review of quarterly, half-year, and annual financial statements of the Capital Group companies; as well as quarterly, half-year, and annual consolidated financial statements of the Company's Capital Group.

The Audit Committee shall meet as need be, at least once a quarter.

Members of the Remuneration Committee:

- Maciej Bednarkiewicz
- Wiesław Lindner
- Jacek Krzyżaniak

The Remuneration Committee shall be composed of 2 persons and shall be responsible for:

- a) general monitoring of remuneration practices and remuneration levels across the Company,
- b) defining the terms of employment of the Management Board members and the Company's executives,

c) defining the bonus plan for the financial year.

The Remuneration Committee shall meet as need be, at least once a quarter.