



Wysogotowo, March 22nd 2010

### **1. Corporate Governance Principles Adopted by PBG S.A.**

PBG S.A. adopted the corporate governance principles set forth in the document "Best Practices for WSE-Listed Companies", published at <http://www.corp-gov.gpw.pl>.

### **2. Corporate Governance Principles which PBG S.A. Did Not Comply with**

The Management Board of PBG S.A. represents that in 2009 the Company complied with all the applicable corporate governance principles set forth in the document "Best Practices for WSE-Listed Companies".

### **3. Key Features of the Company's Internal Control and Risk Management Systems Used in the Preparation of Separate and Consolidated Financial Statements**

The Management Board of PBG S.A. is responsible for the internal control system used by the Company as well as for the system's effectiveness in the preparation of financial statements and periodic reports, drawn up and published in accordance with the Regulation of the Polish Council of Ministers on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. No. 33, item 259).

Financial statements are prepared by the Capital Group's Accounting Coordination team, and the process is directly supervised by the Financial Statements Consolidation Department in cooperation with other organisational units, which are responsible for providing accurate information on items not directly sourced from the Company's accounting records, but disclosed in the financial statements. Due to the nature of the industry in which the Company operates, the Controlling Department plays an important role in the preparation of financial statements. The key measures used to reduce the risks include correct assessment and analysis of the construction contracts. As required by IAS 11, revenues and expenses associated with the contracts are estimated on the basis of budgets of individual contracts. These budgets are expertly drawn up by contract managers with relevant training, and then, in the course of contract preparation and execution, the budgets are continuously reviewed and updated by the responsible personnel. Results of the reviews and any adjustments to the budgets are discussed at weekly meetings. The process is based on formal rules adopted by the Company and is subject to close supervision by the Management Board.

The Company's financial information is presented using consistent accounting policies, which are in line with the valuation and presentation policies applied in all PBG Group companies.

As of January 1st 2009, the person responsible for drawing up and signing separate financial statements is the Head Accountant, and for drawing up and signing consolidated financial statements – the Capital Group Accounting Coordination Director. The persons responsible for controlling and coordinating the

process of preparing financial statements are professionals with relevant expertise in the field; all of them are bound by non-disclosure agreements.

Members of the Management Board responsible for the preparation of financial statements are: Jan Wiśniewski, President of the Management Board, Przemysław Szkudlarczyk, Vice-President of the Management Board, and Eugenia Bachorz, Proxy. In line with the internal procedures in effect, in the course of preparation of the financial statements these members of the management team, acting on behalf of the entire Management Board, review the economic information and matters disclosed in the accounts and present their comments and remarks relevant for the preparation of the statements.

Once the financial statements have been prepared, they are audited or reviewed, in accordance with applicable laws. All members of the Management Board are required to sign the financial statements before the auditor's opinion is received.

The financial statements are reviewed or audited by an entity qualified to audit financial statements, selected by the Company's Supervisory Board from among renowned audit firms offering high-quality audit services and satisfying the criterion of independence.

During the audit of financial statements and accounting records, the qualified auditor holds meetings with key members of the Company's staff, including members of the Management Board responsible for economic matters, to discuss individual aspects of the financial statements.

The final version of the financial statements is then prepared, re-read and signed by the persons responsible for the preparation of the financial statements and the managing personnel, and contains any agreed-upon corrections or adjustments made by the qualified auditor, the responsible persons or the managing personnel.

Every year, the Supervisory Board assesses consistency of the Company's audited financial statements with the accounting records and documentation as well as with facts, and presents its findings to the shareholders in an annual report published by the Company.

Managing the risk related to the preparation of financial statements involves identifying and assessing risk areas and defining the relevant mitigating measures.

#### **4. Shareholders Directly or Indirectly Holding Significant Blocks of Shares, along with an Indication of the Numbers of Shares and Percentages of Company's Share Capital Held by Such Shareholders, and the Numbers of Votes and Percentages of the Total Vote that Such Shares Represent at the General Shareholders Meeting**

Currently, the Company's share capital amounts to PLN 14,295 thousand and is divided into 4,240,000 registered shares with voting preference and 10,055,000 ordinary bearer shares. The par value of the preferred and ordinary shares is PLN 1 per share. Each preferred share confers the right to two votes at the General Shareholders Meeting. Nearly 99.9% of the preferred shares are held by Mr Jerzy Wiśniewski, the

founder and main shareholder of PBG S.A. who also serves as the President of the Company's Management Board.

**Share Capital of PBG S.A.**

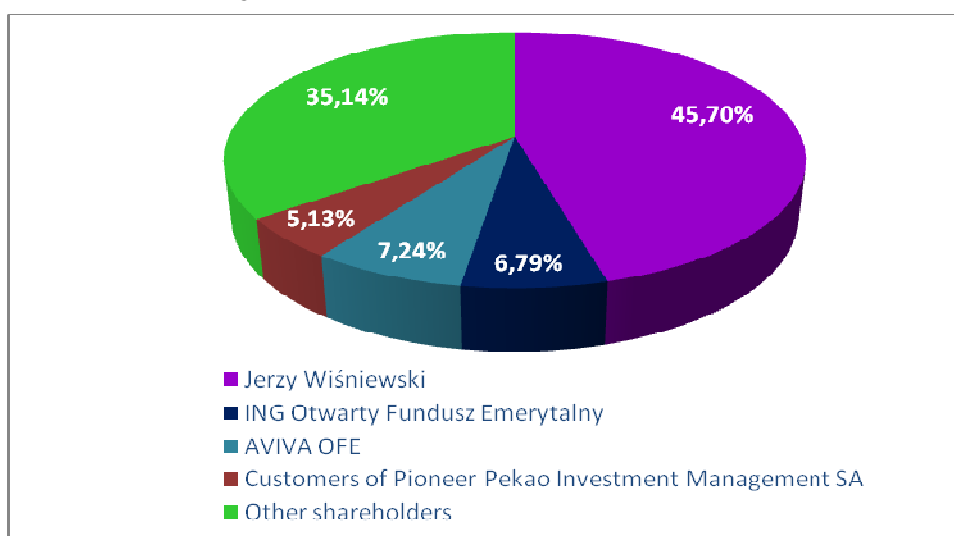
PBG shares	Number of shares	Type of shares	Number of shares	Number of votes	Number of outstanding shares
Series A	5,700,000	conferring voting preference	4,240,000	8,480,000	0
		ordinary	1,460,000	1,460,000	1,460,000
Series B	1,500,000	ordinary	1,500,000	1,500,000	1,500,000
Series C	3,000,000	ordinary	3,000,000	3,000,000	3,000,000
Series D	330,000	ordinary	330,000	330,000	330,000
Series E	1,500,000	ordinary	1,500,000	1,500,000	1,500,000
Series F	1,400,000	ordinary	1,400,000	1,400,000	1,400,000
Series G	865,000	ordinary	865,000	865,000	865,000
		<b>Total</b>	<b>14,295,000</b>	<b>18,535,000</b>	<b>10,055,000</b>

**Shareholders Whose Holdings Exceed the 5% Threshold**

As at Dec 31 2009				
Shareholder	Number of shares held	Total par value (PLN)	% of share capital held	% of total vote
Jerzy Wiśniewski	4,235,054 shares, including 4,235,054 registered preferred shares	4,235,054	29.63%	45.70%
AVIVA Otwarty Fundusz Emerytalny	1,342,417 ordinary shares	1,342,417	9.39%	7.24%
ING Otwarty Fundusz Emerytalny	1,259,078 ordinary shares	1,259,078	8.81%	6.79%
Customers of Pioneer Pekao Investment Management SA	951,18 ordinary shares	951,182	6.65%	5.13%
As at the date of the Report				
Shareholder	Number of shares held	Total par value (PLN)	% of share capital held	% of total vote
Jerzy Wiśniewski	4,235,054 shares, including 4,235,054 registered	4,235,054	29.63%	45.70%

	preferred shares			
<b>AVIVA Otwarty Fundusz Emerytalny</b>	1,342,417 ordinary shares	1,342,417	9.39%	7.24%
<b>ING Otwarty Fundusz Emerytalny</b>	1,259,078 ordinary shares	1,259,078	8.81%	6.79%
<b>Customers of Pioneer Pekao Investment Management SA</b>	951,182 ordinary shares	951,182	6.65%	5.13%

**PBG S.A. Shareholders Whose Holdings Exceed the 5% Threshold**



The Company is not aware of any other shareholders holding 5% or more of the total vote at the General Shareholders Meeting. By the date of the Report, the Company has not been notified of any such shareholders.

**5. Holders of any Securities Conferring Special Control Rights, along with a Description of Those Rights**

There are no securities conferring special control rights with respect to the Company. There are no restrictions with respect to the transfer of the Company shares or limitations on the voting rights attached to them.

**6. Any Restrictions on Voting Rights, such as Limitations of the Voting Rights of Holders of a Given Percentage or Number of Votes, Deadlines for Exercising Voting Rights, or Systems Whereby, with the Company's Cooperation, the Financial Rights Attaching to Securities are Separated from the Holding of Securities**

PBG S.A.'s Articles of Association do not provide for any limitations on the voting rights of holders of a given percentage or number of votes.

In accordance with Par. 11.1 of the Company's Articles of Association, the disposal of Series A registered shares requires the Management Board's approval.

## **7. Rules Governing the Appointment and Removal of the Company's Management Personnel and Such Personnel's Powers, Including in Particular the Power to Make Decisions to Issue or Buy Back Shares**

### **Management Board of PBG S.A.**

The Management Board acts pursuant to the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Management Board. The scope of powers of the Management Board includes any matters which are not reserved for other governing bodies of the Company pursuant to the provisions of the Commercial Companies Code or the Company's Articles of Association.

Pursuant to the provisions of the Articles of Association currently in force (Par. 37), the Management Board of PBG S.A. consists of more than one person and includes the President, from one to four Vice-Presidents and up to three Members, appointed and removed from office by the Supervisory Board. The Supervisory Board appoints President of the Management Board, and subsequently, at the Presidents' request, appoints Vice-Presidents and Members of the Management Board. Only natural persons who have full capacity to enter into legal transactions may be appointed Members of the Management Board.

Two Vice-Presidents acting jointly, a Vice-President acting jointly with a Member of the Management Board, a Vice-President acting jointly with a Proxy or a Member of the Management Board acting jointly with a Proxy are authorised to represent the Company. The President of the Management Board acting individually is authorised to represent the Company. The Management Board may grant powers of attorney (general powers of attorney, powers of attorney to perform certain types of activities, and powers of attorney to perform a certain activity) to act on behalf of the Company.

The Management Board may grant a power of proxy upon consent of all Members of the Management Board. A power of proxy may be revoked by any Member of the Management Board acting individually.

Bearing in mind the interest of the Company, the Management Board sets forth the strategy and the main objectives of the Company's operations, and submits them to the Supervisory Board for approval. The Management Board is responsible for implementation and performance of the same. The Management Board cares for transparency and effectiveness of the Company management system and the conduct of its business in accordance with legal regulations and best practice.

Members of the Management Board are appointed, removed from office and suspended from duties by the Supervisory Board in accordance with the rules set forth in the Commercial Companies Code and the Company's Articles of Association. Candidates are nominated by the President of the Management Board. The Supervisory Board enters into, and terminates, employment contracts with Members of the Management Board. The Chairperson or Deputy Chairperson of the Supervisory Board is authorised to execute such contracts on behalf of the Supervisory Board. Other actions concerning the employment relationship with Members of the Management Board are dealt with in the same manner.

The Supervisory Board determines remuneration for Members of the Management Board, taking into account the remuneration's incentivising function in ensuring effective management of the Company.

Mandate of a Management Board Member expires:

- 1) Upon removal of a given Member from the Management Board,
- 2) On the date of the General Shareholders Meeting approving the financial statements for the last full year during the term of office,
- 3) Upon death,
- 4) Upon resignation.

Resignations by Members of the Management Board should be submitted to the Supervisory Board, with a copy for the Management Board.

Without the consent of the Supervisory Board, a Management Board Member may not:

- 1) Conduct any activity competitive to the Company's business,
- 2) Be a partner in any partnership under civil law or another type of partnership, or a member of a governing body of an incorporated company or any other legal entity which conducts activities competitive to the Company's business,
- 3) Participate in a competitive company in which a given Member holds at least 10% of shares or rights entitling that Members to appoint at least one member of the management board.

A Management Board Member is obliged to immediately notify the Supervisory Board of the occurrence of the circumstances specified above. The Management Board Member should remain fully loyal to the Company and refrain from taking any actions which could lead to the gaining of personal profits only. If a Member of the Management Board receives information on the possibility of investment or any other profitable transaction concerning the Company's business, such Member should promptly present the information to the Management Board so that it can be considered in terms if its possible use by the Company. The use of such information by a Member of the Management Board or its conveying to a third party may only take place with the Management Board's consent and only if it does not infringe upon the Company's interest. Members of the Management Board should notify the Supervisory Board of each actual or potential conflict of interests in relation to the position they hold. A Member of the Management Board should treat its shareholding in the Company as a long-term investment.

Any activities which are beyond the scope of ordinary management require adoption of a resolution by the Management Board. In particular, the following matters require a resolution to be adopted by the Management Board:

- 1) Decisions regarding major projects and the manner of their financing,
- 2) Outlining the Company's strategic development plans and setting the Company's financial targets,
- 3) Definition of the Company's organisational structure,
- 4) Definition of the Company's rules of procedure and other internal regulations,
- 5) Internal division of powers between individual Members of the Management Board,
- 6) Outlining personnel and payroll policies, including assumptions underlying incentive schemes.

With respect to all matters not listed above, Members of the Management Board should be responsible for managing the Company's affairs individually, as per the division of powers. Members of the Management Board are obliged to notify the Supervisory Board immediately of any hindrance in their performance of duties. The President of the Management Board will take the decision which other Management Board Member will perform the duties instead.

### **Supervisory Board**

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

The Supervisory Board is composed of no less than five Members appointed by the General Shareholders Meeting by way of a secret ballot for a one-year term of office. Mandates of Supervisory Board Members expire on the date of the General Shareholders Meeting approving the financial statements for the last full financial year during the term of office. The number of Members is in each case determined by the General Shareholders Meeting.

Members of the Supervisory Board may be re-elected. At least half of the Members of the Supervisory Board should satisfy the criteria of being independent from the Company. A Supervisory Board Member is deemed to be independent when:

- 1) He or she is not an employee of the Company or a Related Party;
- 2) He or she is not a member of supervisory or management bodies of a Related Party;
- 3) He or she is not a shareholder holding 5% or more of the total vote at the Company's General Shareholders Meeting or the general shareholders meeting of a Related Party;
- 4) He or she is not a member of supervisory or management bodies of an entity holding 5% or more of the total vote at the Company's General Shareholders Meeting or the general shareholders meeting of a Related Party;
- 5) He or she is not a descendant or ascendant, a spouse, a sibling, a parent of a spouse, or an adoptee of any of the persons listed above.

The criteria must remain satisfied during the entire term of office.

The Supervisory Board exercises ongoing supervision over the Company's business, across all areas of its operations. Each year, the Supervisory Board submits a brief assessment of the Company's standing to the General Shareholders Meeting.

The Supervisory Board's approval is required in particular for the following:

- 1) Acquisition of an enterprise or an organised part of enterprise,
- 2) Establishment and liquidation of the Company's divisions in Poland and abroad,
- 3) Assumption of liability for third party obligations (sureties, guarantees and avals) whose value exceeds the Company's share capital; however, assumption of liability for obligations of the Group companies does not require such approval,
- 4) Conduct by Members of the Management Board of activity competitive to the Company's business and participation in competitive companies as a general partner or member of the governing bodies,



- 5) Acquisition, subscription for, disposal of and resignation from pre-emptive rights to, shares, except shares in public companies whose number does not exceed 1% of their total number,
- 6) Payment of interim dividend,
- 7) Provision by the Company of any benefits to Members of the Management Board for whatever reason, other than benefits under the employment relationship,
- 8) Execution by the Company or its subsidiary undertaking of a material agreement with a related party (except agreements executed with the Group companies), a supervisory board member, a management board member or their related parties,
- 9) Acquisition or disposal of property, a perpetual usufruct right or interest in property.
- 10) Appointment of a qualified auditor,
- 11) Acting on behalf of the Company in agreements and disputes between the Company and Management Board Members,
- 12) Approval of the Rules of Procedure for the Management Board,
- 13) Appointment and removal from office of Management Board Members,
- 14) Issuing opinions on the matters submitted by the Management Board.

In order to discharge its duties, the Supervisory Board may review each area of the Company's activities, request the Management Board and employees to provide reports and clarifications, review the Company's assets, as well as inspect accounts and documents. Members of the Supervisory Board should receive regular and exhaustive reports on all matters of importance and risks connected with the Company's operations, as well as manner of managing such risks. In the case of issues which need immediate attention, information should be promptly delivered (in writing) by the Management Board to all Supervisory Board Members. In such situations, the President or two Vice-Presidents acting jointly, a Vice-President acting jointly with a Management Board Member, a Vice-President acting jointly with a Proxy, or a Management Board Member acting jointly with a Proxy submit information in writing to the Chairperson of the Supervisory Board.

A Supervisory Board Member should immediately notify the Chairperson of any hindrance in his or her performance of duties, stating the reasons for such hindrance.

A Supervisory Board Member should notify other Supervisory Board Members without undue delay of:

a) an actual conflict of interest with the Company. In such a case, the Supervisory Board Member should refrain from expressing opinions or voting on adoption of resolutions concerning the matter which has given rise to the conflict of interest. Information on the conflict of interest so reported should be recorded in the minutes of the Supervisory Board meeting;

b) Personal and factual relationships or organisational links between a Supervisory Board Member and a particular shareholder, especially the majority shareholder, which may affect the Company's affairs. A personal relationship with a shareholder is understood as a relationship by marriage or blood of the first degree. A factual relationship with a shareholder is understood as maintaining regular economic relations. Organisational links with a shareholder are understood as links under employment or similar contracts. The Company may request a Supervisory Board Member to furnish a statement regarding such relationships and links.

## **8. Rules Governing Amendments to the Company's Articles of Association**

The validity of an amendment to the Company's Articles of Association requires:

- the General Shareholders Meeting's resolution adopted by way of a three-fourths (3/4) majority of the votes cast (Art. 415 of the Commercial Companies Code), in the form of a notary deed (a material change in the Company's business requires a resolution adopted by way of a two-thirds (2/3) majority of the votes (Art. 416 of the Commercial Companies Code));
- an appropriate entry into the National Court Register (Art. 430 of the Commercial Companies Code).

## **9. Manner of Operation of the General Shareholders Meeting and its Key Powers; Shareholders' Rights and the Manner of Exercising Those Rights, including in particular the Principles Stipulated in the Rules of Procedure of the General Shareholders Meeting**

### **9.1 Manner of Operation of the General Shareholders Meeting**

The manner of operation of the General Shareholders Meeting is governed by the Rules of Procedure of the Company's General Shareholders Meeting.

A shareholder is entitled to participate in the General Shareholders Meeting if he/she has submitted to the Company a registered certificate of deposit issued by the entity operating the shareholder's securities account not later than one week prior to the date of the General Shareholders Meeting and such certificate of deposit is not collected by the shareholder prior to the conclusion of the General Shareholders Meeting. The General Shareholders Meeting is valid if the shareholders present at the meeting represent at least a half of the share capital. Members of the Supervisory Board and Management Board should also participate in the General Shareholders Meeting. The absence of any such member must be explained at the General Shareholders Meeting.

The Company's auditor should participate in the Annual General Shareholders Meeting and in any Extraordinary General Shareholders Meeting whose agenda includes discussion of the Company's financial matters. Experts and invited guests may participate in appropriate parts of the meeting, especially if their participation is advisable, given the need to present to the General Shareholders Meeting opinions on the matters discussed.

To harmonise the Company's Articles of Association with the amended Commercial Companies Code which took effect on August 3rd 2009, upon a motion of the Company's Management Board, on June 4th 2009, the General Shareholders Meeting amended the Articles of Association of PBG S.A. to include legal provisions concerning the organisation of general shareholders meetings. The Company's Articles of Association provide for convening general shareholders meetings at which shareholders may cast their votes in an electronic form.

The Chairperson of the General Shareholders Meeting presides over proceedings of the Meeting, in line with the adopted agenda and in compliance with the applicable regulations, the Company's Articles of Association and the Rules of Procedure of the General Shareholders Meeting. The Chairperson may not at his/her sole discretion remove items from the published agenda of the meeting, rearrange items in the

agenda or include in the agenda important matters which were not in the agenda originally communicated to the shareholders. Upon presentation of each item in the agenda, the Chairperson prepares a list of persons who have registered for discussion and – upon closing the list – opens the discussion, giving the floor in the order the speakers registered for the discussion. The Chairperson closes the discussion at his/her sole discretion. The Chairperson may give the floor to members of the Supervisory Board and Management Board and invited experts who may speak out of turn (their speeches/responses are not included in the minutes). Participants of the meeting may take the floor exclusively on the matters in the agenda which are currently under discussion. For the purposes of discussing any individual matter, the Chairperson may limit each participant's speaking time, including the time for speech in reply. The above limitation may not be applied to a member of the Supervisory Board or Management Board and invited experts. The Chairperson decides whether to lengthen the speaking time or give the floor again to the given speaker.

Each participant of the General Shareholders Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion. Members of the Management Board, Supervisory Board and the Company's auditor are obliged to answer the questions. While answering such questions, it should be noted that the Company is required to observe the disclosure requirements under the regulations governing the trade in financial instruments. Forthwith upon closing the discussion, the Chairperson puts a formal motion to vote. At a participant's request, his/her written statement is included in the minutes of the meeting.

The General Shareholders Meeting's resolutions are adopted by way of an absolute majority of votes cast, unless an absolutely binding laws or the Company's Articles of Association require that a given resolution be adopted by way of a qualified majority.

## **9.2 Key Powers of the General Shareholders Meeting**

According to Par. 28 of the Articles of Association of PBG S.A., the matters requiring the General Shareholders Meeting's resolution include:

- 1) Review and approval of the annual financial statements of the Company and the Directors' Report on the Company's operations for the previous financial year,
- 2) Approval of discharge of duties by Members of the Supervisory Board and Management Board,
- 3) Making decisions with respect to profit distribution or coverage of loss,
- 4) Any decisions concerning claims for repair of damage inflicted in the establishment of the Company or in exercise of supervision or management,
- 5) Disposal and lease of a business or its organised part and creation of usufruct rights in a business or its organised part,
- 6) Issue of bonds convertible into shares or conferring pre-emptive rights,
- 7) Defining the rules and amounts of remuneration of the Supervisory Board Members,
- 8) Appointment and removal from office of the Supervisory Board Members,
- 9) Setting the dividend record date,
- 10) Creation, each instance of application, and liquidation of capital reserves.

### 9.3 Shareholders' Rights and the Manner of Exercising Those Rights

According to the Rules of Procedure of the General Shareholders Meeting of PBG S.A.:

1. A shareholder may participate in the General Shareholders Meeting and exercise his/her voting rights personally, through a proxy or another representative. Powers of proxy to act on behalf of a shareholder should be granted in a written form under the pain of nullity and attached to the minutes of the General Shareholders Meeting. Other representatives of shareholders should duly document their authority to act on behalf of shareholders.
2. The General Shareholders Meeting selects its Chairperson from among the participants.
3. The Management Board convenes annual or extraordinary General Shareholders Meetings. If the Management Board fails to adopt a resolution convening the Annual General Shareholders Meeting before the lapse of the fifth month as from the end of the last financial year or convenes the Annual Meeting for a date later than the specified deadline, then also the Supervisory Board will have the right to convene the Annual General Shareholders Meeting. A Shareholder(s) representing at least one-tenth of the share capital may submit to the Management Board a motion for convening an Extraordinary General Shareholders Meeting.
4. Each participant of the General Shareholders Meeting has the right to put questions to the Management Board, Supervisory Board and the auditor on the matters in the agenda which are currently under discussion.
5. Each participant of the General Shareholders Meeting may submit a motion concerning a procedural matter. The Chairperson may allow participants to speak out of turn on procedural matters. At a participant's request, his/her written statement is included in the minutes of the meeting.

## 10. Composition and Activities of the Issuer's Management, Supervisory and Administrative Bodies or of their Committees; Changes in their Composition in the Last Financial Year

### 10.1 Composition and Activities of the Supervisory Board and Its Committees

The composition of the Supervisory Board in the period from January 1st to December 31st 2009 was as follows:

- Maciej Bednarkiewicz – Chairman of the Supervisory Board;
- Jacek Kseń – Deputy Chairman of the Supervisory Board;
- Wiesław Lindner – Secretary of the Supervisory Board;
- Dariusz Sarnowski – Member of the Supervisory Board;
- Adam Strzelecki – Member of the Supervisory Board;
- Jacek Krzyżaniak – Member of the Supervisory Board until June 4th 2009.

<b>Full name</b>	<b>Maciej Bednarkiewicz</b>
<b>Position</b>	<b>Chairman of the Supervisory Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ University of Warsaw – Faculty of Law</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Member of the Parliament, 1989-1991</li> <li>➤ Judge of the State Tribunal of the Republic of Poland</li> </ul>

	<ul style="list-style-type: none"> <li>➤ President of the Central Board of Lawyers (<i>Naczelna Rada Adwokacka</i>)</li> <li>➤ General partner at the Law Office Maciej Bednarkiewicz, Andrzej Wilczyński i Wspólnicy</li> <li>➤ Member of the Supervisory Board of BIG Bank S.A.</li> <li>➤ Chairman of the Supervisory Board of Millenium Bank S.A.</li> <li>➤ Secretary of the Supervisory Board of PZU S.A.</li> <li>➤ Member of the Supervisory Board of Techmex S.A.</li> <li>➤ Chairman of the Supervisory Board of PBG S.A. since 2004</li> </ul>
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<b>Full name</b>	<b>Jacek Kseń</b>
<b>Position</b>	<b>Deputy Chairman of the Supervisory Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Economics – Faculty of International Trade</li> <li>➤ Warsaw School of Economics (formerly: <i>Szkoła Główna Planowania i Statystyki</i>) – Ph.D. in international financial markets</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Currency Market trader at Bank Handlowy</li> <li>➤ President of the Management Board of BZ WBK S.A.</li> <li>➤ Chairman of the Supervisory Board of PLL LOT</li> <li>➤ Chairman of the Supervisory Board of Sygnity</li> <li>➤ Deputy Chairman of the Supervisory Board of Orbis</li> <li>➤ Deputy Chairman of the Supervisory Board of PBG S.A.</li> </ul>

<b>Full name</b>	<b>Wiesław Lindner</b>
<b>Position</b>	<b>Member of the Supervisory Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Economics</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Economics Department Manager; Deputy Economics Director; Deputy CEO; CEO at PGNiG</li> <li>➤ Chief Accountant at Zakład Naprawy Gazomierzy of Poznań</li> <li>➤ Member of the Supervisory Board of ATG Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of PBG S.A. since 2004</li> </ul>

<b>Full name</b>	<b>Dariusz Sarnowski</b>
<b>Position</b>	<b>Member of the Supervisory Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Economics – Accounting</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Certified Chartered Auditor</li> <li>➤ Consulting Department Assistant; Audit Department Assistant at W. Frąckowiak i Partnerzy Sp. z o.o.</li> <li>➤ Inspector at the consultancy division of the Capital Markets Department of BZ WBK S.A.</li> <li>➤ Manager at Trade Institute – Reemtsma Polska S.A.</li> <li>➤ Audit Department Assistant at BDO Polska Sp. z o.o.</li> <li>➤ Audit Department Assistant at HLB Frąckowiak i Wspólnicy Sp. z o.o.</li> <li>➤ Shareholder; President of Sarnowski &amp; Wiśniewski Spółka Audytorska</li> <li>➤ Vice-President of the management Board of Usługi Audytorskie DGA Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Mostostal Poznań S.A.</li> <li>➤ Member of the Supervisory Board of Browary Polskie BROK – STRZELEC S.A.</li> <li>➤ Member of the Supervisory Board of NZOZ Szpital w Puszczykowie Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Swarzędz S.A.</li> <li>➤ Member of the Supervisory Board of PBG S.A. since 2005</li> </ul>

<b>Full name</b>	<b>Adam Strzelecki</b>
<b>Position</b>	<b>Member of the Supervisory Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Nicolaus Copernicus University of Toruń – Faculty of Law and Administration; Doctor of Law</li> <li>➤ University of Warsaw – Faculty of Economic Sciences – Banking</li> <li>➤ Reader; Deputy Dean of the Faculty of Administration of the University of Humanities and Economics of Włocławek</li> <li>➤ Lecturer at the Higher School of Toruń</li> <li>➤ Lecturer at the Higher School of Security and Protection of Warsaw</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Inspector at the Executive Office of the Chełmno County Council</li> <li>➤ Credit Inspector at Bank Rolny of Chełmno</li> <li>➤ Chief Accountant at the Chełmno Branch of NBP</li> <li>➤ Manager of the Lipno Branch of NBP</li> <li>➤ Manager of the Provincial Branch of NBP</li> <li>➤ Manager of the Włocławek Branch of Polski Bank Inwestycyjny</li> <li>➤ Manager of the Włocławek Branch of Kredyt Bank S.A.</li> <li>➤ Shareholder and Member of the Supervisory Board of Zakład Doskonalenia Zawodowego Sp. z o.o.</li> <li>➤ Member of the Management Board of Włocławskie Towarzystwo Naukowe</li> <li>➤ Member of the Supervisory Board of PBG S.A. since 2004.</li> </ul>

<b>Full name</b>	<b>Jacek Krzyżaniak</b>
<b>Position</b>	<b>Member of the Supervisory Board until June 4th 2009</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Life Sciences – Agriculture Economics, 1992–1995</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Director at Fundacja Europa XXI</li> <li>➤ Member of the Management Board and CEO of WIL Lobbying Sp. z o.o.</li> <li>➤ Member of the Supervisory Board of Polski Fundusz Kapitałowy S.A.</li> <li>➤ Member of the Supervisory Board of PC Guard S.A.</li> <li>➤ Member of the Supervisory Board of Hydrobudowa Włocławek S.A.</li> <li>➤ Assistant to the Management Board of Technologie Gazowe Piecobiogaz</li> <li>➤ Investor Relations Director; Spokesman and Member of the Supervisory Board of PBG S.A. from 2004 to June 2009</li> </ul>

The persons listed above were reappointed as members of the Supervisory Board for another term of office by the Annual General Shareholders Meeting on June 18th 2008. On June 4th 2009, Mr Jacek Krzyżaniak tendered his resignation from the Supervisory Board of PBG S.A.

The term of office of the Supervisory Board appointed in June 2008 expired on the date of the Annual General Shareholders Meeting which approved the Company's financial statements for 2008. On June 4th 2009, the Annual General Shareholders Meeting of PBG S.A. granted approval of duties to all members of the Supervisory Board listed above, and resolved to reappoint them as members of the Board. The Supervisory Board currently in office is composed of five members.

As at the release date of the compliance statement, there had been no changes in the composition of the Supervisory Board.

The Supervisory Board members' term of office lasts one year, and their remuneration is determined by the General Shareholders Meeting. The Supervisory Board is responsible for exercising on-going supervision over the Company's activities in all aspects of its operations. Specific duties conferred on the Board include: assessment of the consistency of financial statements and Directors' Reports with the accounting records and documents, as well as with facts; review of the Management Board's proposals concerning profit

distribution or coverage of loss; and presentation of written annual reports on the results of such reviews to the General Shareholders Meeting.

The duties of and the rules for the Supervisory Board are contained in a formal document. The Board carries out its duties as a collective body, with some of its powers delegated to specific persons or committees, as described below.

The following committees operate within the Supervisory Board of PBG S.A.:

1. Audit Committee;
2. Remuneration Committee.

The Audit Committee is composed of:

- Jacek Kseń, and
- Dariusz Sarnowski.

The Audit Committee convenes on an *ad hoc* basis, at least once every three months. In particular, the Committee is responsible for:

- a) Assessing the extent to which a selected auditor satisfies the independence criteria; advising the Management Board on the appointment of the auditor and on the terms and conditions of a contract to be concluded with the auditor (including the auditor's fees). If the Supervisory Board resolves to appoint an auditor contrary to the recommendation, a detailed grounds for the decision are required;
- b) Analysing and assessing links and interdependencies existing within the Company, including within the Supervisory and Management Boards, to identify potential and actual conflicts of interest; taking actions with an eye to eliminating such conflicts of interest and ensuring the fullest possible exchange of information between the auditor and the Supervisory Board;
- c) reviewing separate and consolidated quarterly, semi-annual and annual financial statements.

The Remuneration Committee is composed of:

- Maciej Bednarkiewicz, and
- Wiesław Lindner.

The Remuneration Committee convenes on an *ad hoc* basis, at least once every three months. In particular, the Committee is responsible for:

- overall monitoring of the applied remuneration policies, and the levels of remuneration at the Company;
- defining terms and conditions of employment for members of the Company's Management Board and management staff;
- developing a bonus scheme for a given financial year.

### **Remuneration of the Supervisory Board Members**

The amount of remuneration paid to members of the Supervisory Board is determined based on the resolution of the Extraordinary General Shareholders Meeting of PBG S.A., dated December 10th 2005.

The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Supervisory Board member.

**Table 1: Remuneration of Supervisory Board members for holding office at the Parent Undertaking**

Remuneration [PLN'000]	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits*	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	120	1	121	120	-	120
Jacek Kseń	96	1	97	96	-	96
Wiesław Lindner	60	1	61	60	-	60
Jacek Krzyżaniak	15	1	16	36	-	36
Dariusz Sarnowski	36	1	37	36	-	36
Adam Strzelecki	36	1	37	36	-	36
<b>TOTAL</b>	<b>363</b>	<b>6</b>	<b>369</b>	<b>384</b>	<b>-</b>	<b>384</b>

\*other benefits: third-party liability insurance for members of the Supervisory Board

**Table 2: Remuneration of Supervisory Board members for holding office at subsidiary, jointly-controlled or associated undertakings**

Remuneration [PLN'000]	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Maciej Bednarkiewicz	-	-	-	-	-	-
Jacek Kseń	-	-	-	-	-	-
Wiesław Lindner	-	-	-	-	-	-
Jacek Krzyżaniak	-	-	-	72	3	75
Dariusz Sarnowski	-	-	-	-	-	-
Adam Strzelecki	-	-	-	-	-	-
<b>TOTAL</b>				<b>72</b>	<b>3</b>	<b>75</b>

\* other benefits: third-party liability insurance for members of the Supervisory Board



**Table 3: Company shares or rights to Company shares (options) held by supervising persons of PBG S.A.**

Supervising person	Number of shares	
	As at Dec 31 2009	As at the date of the Report
Jacek Kseń	250	250

## 10.2 Composition and Manner of Operation for the Management Board

The Management Board's composition in the period from January 1st to December 31st 2009 was as follows:

- Jerzy Wiśniewski – President;
- Tomasz Woroch – Vice-President;
- Przemysław Szkudlarczyk – Vice-President;
- Tomasz Tomczak – Vice-President;
- Mariusz Łożyński – Vice-President;
- Tomasz Latawiec – Member (until September 30th 2009).

<b>Full name</b>	<b>Jerzy Wiśniewski</b>
<b>Position</b>	<b>President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Institute of Civil Engineering</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ PGNiG S.A. – manager in charge of gas transmission system operation</li> <li>➤ PBG S.A. – founder, major shareholder and President of the Management Board</li> </ul>
<b>Field of expertise</b>	<ul style="list-style-type: none"> <li>➤ Natural gas and crude oil</li> <li>➤ Environmental protection</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Strategy and development</b>

<b>Full name</b>	<b>Tomasz Woroch</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Adam Mickiewicz University in Poznań – Faculty of Social Sciences (philosophy)</li> <li>➤ University of Science and Technology in Kraków – mining of hydrocarbons</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Mostostal Poznań – head of administration department</li> <li>➤ Stalmost Poznań – vice-president of the management board</li> <li>➤ Piecobiogaz S.C. – deputy director</li> <li>➤ Technologie Gazowe Piecobiogaz – member of the management board</li> <li>➤ Hydrobudowa Polska – president of the management board</li> <li>➤ PBG S.A. – Vice-President of the Management Board</li> </ul>
<b>Field of expertise</b>	<ul style="list-style-type: none"> <li>➤ Natural gas and crude oil</li> <li>➤ Environmental protection</li> </ul>

<b>Areas of responsibility at the PBG Group</b>	<b>Contract execution in the environmental protection sector</b>
<b>Full name</b>	<b>Przemysław Szkudlarczyk</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Institute of Machines and Motor Vehicles</li> <li>➤ Warsaw University of Technology – gas engineering</li> <li>➤ MBA – Rotterdam School of Management</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ PGNiG S.A. – technical assistant (natural gas transmission)</li> <li>➤ Technologie Gazowe Piecobiogaz – development manager, member of the management board</li> <li>➤ KRI S.A. – president of the management board</li> <li>➤ Hydrobudowa Śląsk S.A. – proxy</li> <li>➤ PBG S.A. – Vice-President of the Management Board</li> </ul>
<b>Field of expertise</b>	<ul style="list-style-type: none"> <li>➤ Natural gas and crude oil</li> <li>➤ Environmental protection</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Economics and finance</b>

<b>Full name</b>	<b>Tomasz Tomczak</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Institute of Machines and Motor Vehicles</li> <li>➤ University of Science and Technology in Kraków – Faculty of Drilling, Oil and Gas</li> <li>➤ MBA – Business School of the Poznań University of Economics (MBA programme run in cooperation with Nottingham Trent University)</li> <li>➤ Canadian International Management Institute – management programme</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ VOLVO SERVICE – assistant service manager</li> <li>➤ Piecobiogaz – technical assistant to the management board</li> <li>➤ Technologie Gazowe Piecobiogaz – technical assistant to the management board; site manager; project manager; technical manager</li> <li>➤ PBG S.A. – technical manager; Member of the Management Board; Vice-President of the Management Board</li> </ul>
<b>Field of expertise</b>	<ul style="list-style-type: none"> <li>➤ Natural gas and crude oil</li> <li>➤ Fuels</li> </ul>
<b>Areas of responsibility at the PBG Group</b>	<b>Contract execution in the natural gas, crude oil and fuels sectors</b>

<b>Full name</b>	<b>Mariusz Łożyński</b>
<b>Position</b>	<b>Vice-President of the Management Board</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Institute of Civil Engineering</li> </ul>

<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ BORM Biuro Projektów – senior assistant</li> <li>➤ GEOBUD Poznań – senior assistant designer</li> <li>➤ Concret–Service Poznań – office manager</li> <li>➤ Kulczyk TRADEX – project specialist</li> <li>➤ PTC Poznań – specialist in charge of project planning/designing</li> <li>➤ PBG S.A. – head of technical unit; head of contract execution department; manager in charge of contract preparation; proxy; Member of the Management Board; Vice-President of the Management Board</li> </ul>
<b>Field of expertise</b>	
<b>Areas of responsibility at the PBG Group</b>	<b>bidding processes; securing contracts for the PBG Group; contract execution in the hydraulic engineering and renovation sectors</b>

<b>Full name</b>	<b>Tomasz Latawiec</b>
<b>Position</b>	<b>Member of the Management Board until September 30th 2009</b>
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>➤ Poznań University of Technology – Institute of Civil Engineering</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>➤ Envipol Sp. z o.o. – site manager</li> <li>➤ Aquarius &amp; Co. – site manager</li> <li>➤ K. Lobbe Aquasewer Sp. z o.o. – president of the management board</li> <li>➤ Pollex Polska Sp. z o.o. – president of the management board</li> <li>➤ INFRA S.A. – president of the management board</li> <li>➤ PBG S.A. – Member of the Management Board</li> </ul>
<b>Field of expertise</b>	
<b>Areas of responsibility at the PBG Group</b>	<b>Contract execution in the environmental protection sector</b>

On June 4th 2009, the Supervisory Board reappointed the persons listed above as members of the Management Board for another term of office. On September 30th 2009, Mr Tomasz Latawiec tendered his resignation as member of the Management Board. Mr Latawiec cited family commitments as a reason for his resignation.

The Management Board's term of office lasts three years. If appointed during a term of office, a member of the Management Board remains in office until the expiration of the term of office. The Management Board members' mandates expire on the date of the General Shareholders Meeting which approves the financial statements for the previous full financial year when the members held the office. The current term of office expires on June 4th 2012.

As at the release date of the compliance statement, there had been no changes in the composition of the Management Board.

All matters not reserved for the General Shareholders Meeting or the Supervisory Board fall within the scope of powers and responsibilities of the Management Board. Specific duties and rules of procedure are contained in a formal document, which sets out in detail the role of the Management Board as a corporate body. Members of the Board manage the respective areas of the Company's business, and their work is coordinated by the President of the Management Board.

#### **Remuneration of the Management Board Members**

The Management Board members are appointed by the Supervisory Board by virtue of a relevant resolution, and employed under employment contracts. The Supervisory Board's resolution stipulates that members of the Management Board are entitled to base pay, bonuses and additional remuneration provided for in applicable rules and regulations concerning wages and salaries. The amount of remuneration depends on the respective scope of duties and responsibilities entrusted with an individual Management Board member.

**Table 4: Remuneration of Management Board members for holding office at the Parent Undertaking**

Remuneration [PLN'000]	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	1 200	3	1 203	741	-	741
Tomasz Woroch	420	2	422	420	-	420
Przemysław Szkudlarczyk	300	2	302	300	-	300
Tomasz Tomczak	300	2	302	300	-	300
Mariusz Łożyński	300	2	302	245	-	245
Tomasz Łatawiec	180	1	181	240	-	240
<b>TOTAL</b>	<b>2 700</b>	<b>12</b>	<b>2 712</b>	<b>2 246</b>	<b>-</b>	<b>2 246</b>

\* other benefits: third-party liability insurance for members of the Management Board

**Table 5: Remuneration of Management Board members for holding office at subsidiary, jointly-controlled or associated undertakings**

Remuneration [PLN'000]	Jan 1–Dec 31 2009			Jan 1–Dec 31 2008		
	Base remuneration	Other benefits *	Total	Base remuneration	Other benefits	Total
Jerzy Wiśniewski	-	-	-	190	4	194
Tomasz Woroch	65	-	65	273	5	278
Przemysław Szkudlarczyk	36	-	36	59	-	59
Tomasz Tomczak	9	-	9	-	-	-
Mariusz Łożyński	-	-	-	-	-	-
Tomasz Łatawiec	-	-	-	121	-	121
<b>TOTAL</b>	<b>110</b>	<b>-</b>	<b>110</b>	<b>643</b>	<b>9</b>	<b>652</b>

\* other benefits: third-party liability insurance for members of the Management Board

**Table 6: Company shares or rights to the Company shares (options) held by managing persons and supervising persons of PBG S.A.**

Managing person	Number of shares	
	As at Dec 31 2009	As at the date of the Report
Przemysław Szkudlarczyk	4,500	4,500
Tomasz Tomczak	3,250	3,250
Tomasz Woroch	1,778	1,778
Mariusz Łożyński	3,553	3,553

During the period under review, there had been no changes in the composition of management or supervisory staff of PBG S.A.

### 11. Pending Court, Arbitration or Administrative Proceedings

The value of pending court proceedings instituted by or against PBG S.A. does not exceed 10% of the Company's equity.

### 12. Internal Audit

As a result of the acquisitions made in recent years, the number of the PBG Group companies increased significantly, which necessitated establishing an internal audit function at PBG S.A.

Internal Audit Department (**IAD**) was formed on August 1st 2009, and it incorporated the Procurement Platform (**PP**). Under the current structure, the Internal Audit Department and the Procurement Platform report directly to Mr Jerzy Wiśniewski, President of the Management Board of PBG S.A. The Department employs seven persons, including four at the Procurement Platform and three dedicated strictly to the internal audit activities.

IAD has been designed as a tool in the process of building the Group, which comprises: analysing business processes, including identifying areas where efficiency needs to be enhanced, and implementing a common business strategy, or, more precisely, monitoring proper performance of tasks entrusted with particular Group members, and diagnosing the weak points, reasons for inefficiencies and bottle necks, as well as streamlining various processes. The Management Board of the parent company should have access to instruments which optimise the effects of functioning within a single body of interrelated and complementary entities. The concept of IAD envisages its gradual development. At the current stage, the Internal Audit Department performs standard audit functions which consist in determining – on a test basis – whether particular Group members incur costs and manage resources in a reasonable manner. In particular, the following tasks are performed as part of the internal audit function:

- assessment of risks associated with a given company, and evaluating the efficiency of risk management activities;
- submitting reports on the findings, and, where appropriate, presenting relevant conclusions and suggestions for improvement (recommendations);
- issuing opinions on the effectiveness of the control mechanisms which form part of a system under scrutiny, and performing consulting services;

- based on the assessment of an internal control system, providing a reasonable assurance that a company functions properly.

Types of audit carried out at the Group include:

financial audit designed to

- analyse the correctness of and rationale for costs incurred (i.e. determine whether costs related to a particular project may be evidenced by relevant documents and invoices, and whether funds have been credited to the accounts specified in the contracts);
- determine whether prepayments have been used in a proper manner;
- determine whether the requirement to ensure transparency of operational procedures has been met;
- compare costs incurred against the investment project's budget (determine whether the invoices evidencing costs incurred in connection with the project implementation are correct; examine whether costs have been recorded in the accounting books in a correct manner and in accordance with the accounting standards and applicable laws),

project performance audit designed to

- review contracts concluded with contractors in order to ensure that the contracted services have been delivered in a proper manner, and that the portfolio of project documents is complete;
- determine whether the requirement to ensure transparency of the contract award process has been met, and whether the process has been carried out in line with the applicable procedures;
- determine whether rates of fees payable to the contractor do not materially differ from the rates generally applied to a given type of goods/services in the region;
- determine whether plant and equipment purchased are located on the project's site;
- determine whether contractors meet their warranty obligations.

At a later stage of development, IAD is expected to assume the role of a partner-consultant of the Company's Management Board and its President, as provided for in the International Standards for the Professional Practice of Internal Auditing which define internal audit as an activity that provides independent, objective assurance and consulting services designed to add value and improve organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management.

In the immediate future, IAD will seek to provide a helicopter view (or a fresh look) of the PBG Group, i.e. an opportunity to see its business from afar (from a bird's-eye perspective). It is distance that allows for identifying the sources of influence and dependence, weak points, ways to enhance operating efficiency and alternative solutions. Under the development plans delineated above, the Internal Audit Department will most likely become an organisational unit of the Parent Company (PBG S.A.). Such position will offer IAD an opportunity to independently perform audit functions at the parent and its subsidiaries.

In order to prove its merit, IAD must perform the assigned tasks for all Group members and must at least:

- define the principles for information exchange among the Group members;
- ensure operating efficiency at the Group;
- develop rules governing the cooperation between related parties;
- subordinate the particular interests of the Group companies;

- take account of the discrepancies between organisational cultures of particular Group companies.

The newly assigned tasks and goals will be performed and implemented consistently throughout 2010 and in the years to follow. The process of building a fully fledged Internal Audit Department operating under the new rules, including recruitment and training of new personnel, is planned for completion towards the end of 2012.

The structure of the Internal Audit Control comprises the Procurement Platform, whose basic responsibilities include control and support functions. The former consist in compiling statistics related to tender procedures, orders and invoices, as well as in reviewing the purchase costs incurred as part of business transactions. Key duties performed as part of the support function include obtaining information on prices and contractual terms of business transactions, performing analyses, participating in negotiations, preparing master contracts and organising trainings.

The Procurement Platform is responsible for:

- ensuring fairness of the procurement process (purchase requests, RFPs, offers from suppliers, minutes of negotiation sessions, purchase orders, contracts);
- assisting in the development of master contracts which pertain to typical products appearing in the catalogue of purchase requests of several Group members, and which allow for standardising contractual terms applied to all PBG Group companies. Master contracts offer a chance to benefit from the economies of scale (i.e. goods purchased at the negotiated prices irrespective of their volume, discounts calculated on the total volume sold to all Companies by a given supplier);
- preparing analyses and reports which may form the basis for negotiating better contractual terms for purchase transactions;
- organising trainings to optimise the use of system tools;
- coordinating the index base building processes.

Apart from its controlling role, the Procurement Platform is an intra-Group source of information. If a need arises to check the price of a product, contractual terms or discounts, the information may be quickly obtained through the operated system. Currently, the database contains ca. 26 thousand offers from suppliers, with 97 thousand prices of various materials. Thanks to the data, carefully entered into the database, the PBG Group companies have access to information concerning market participants' behaviour, prevailing price trends, suppliers, contractual terms, payment dates, discounts obtained and execution dates. Such exchange and processing of information is aimed at achieving cost efficiencies through an efficient use of data.