



# CORPORATE GOVERNANCE

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A success of a large company, such as PGNiG SA, depends not only on a well thought-out strategy or efficient management. To attract investors' interest, a company has to prove that it abides by principles of proper supervision and management, that is the principles of corporate governance. The Management Board of PGNiG SA makes every effort to ensure compliance with these principles and to make the Company's operations transparent to investors and thus increase the Company's attractiveness.

## PGNiG SA's Governing Bodies

### General Shareholders Meeting

The General Shareholders Meeting of PGNiG SA is the Company's supreme governing body functioning based on the rules defined in the Commercial Companies Code and the Rules of Procedure for the General Shareholders Meeting. Through the General Shareholders Meeting, the shareholders exercise their corporate rights, including the examination and approval of the Directors' Report, adopting decisions concerning dividend amount, payment manner and payment date. The State Treasury is the majority shareholder of PGNiG SA, holding 84.75% of total vote at the General Shareholders Meeting.

### Supervisory Board

The Supervisory Board exercises continuous supervision over the Company's activities in all areas of its operations, pursuant to the rules stipulated in the Rules of Procedure for the Supervisory Board. The Supervisory Board is composed of between five to nine members, including one independent member, appointed by the General Shareholders Meeting of PGNiG SA for a joint three-year term. The State Treasury is entitled to appoint and remove one member of the Supervisory Board.

### Management Board

The Management Board is the Company's executive body managing the affairs of the Company and representing the Company in all actions before court and out of court. The Management Board is composed of between two to seven members, with the precise number defined by the Supervisory Board. The members of the Management Board are appointed for a joint three-year term. The powers of the Management Board include all matters connected with the management of the affairs of PGNiG SA and not reserved for and delegated to other governing bodies of the Company under the provisions of the applicable laws or the Company's Articles of Association. The Management Board operates in accordance with legal regulations, including in particular the provisions of the Commercial Companies Code, as well as the provisions of the Company's Articles of Association and the Rules of Procedure for the Management Board.

### Audit Committee

The Audit Committee acts within the structure of the Supervisory Board as its standing body assisting the Supervisory Board in the performance of its tasks. The Audit Committee is composed of at least three members of the Supervisory Board, including at least one member independent from the Company and any entity with significant connections with the Company, appointed by the General Shareholders Meeting under Par. 36.1 of PGNiG SA's Articles of Association. Such a person has to be competent in accounting and finance matters. The members of the Audit Committee are appointed by the Supervisory Board.

The Management Board of PGNiG SA puts enormous emphasis on meeting the requirements of corporate governance. Since its stock-exchange debut in 2005, the Company has been following the recommendations of the Warsaw Stock Exchange. In 2008, PGNiG SA followed the principles of corporate governance stipulated in the Best Practices for WSE Listed Companies, published as the Appendix to Resolution No. 12/1170/2007 of the WSE Board, dated July 4th 2007.

The Management Board of PGNiG SA did not comply with the following principles:

- Principle No. 6 (in Best Practice for Supervisory Board Members), which stipulates that at least two members of the Supervisory Board should meet the criteria of being independent.

The Company's Supervisory Board includes one independent member only, who, in accordance with Par. 36.1 of the Company's Articles of Association, is appointed by the General Shareholders Meeting and meets all of the following conditions: he is appointed by way of a special procedure provided for in the Articles of Association; is not an entity being related to or a subsidiary of PGNiG SA; is not related to PGNiG SA's parent undertaking or any other entity being a subsidiary of PGNiG SA's parent undertaking; nor is he a person related to PGNiG SA or any of the aforementioned entities in any way which might materially affect such person's ability to adopt unbiased decisions in his capacity as a member of the Supervisory Board.



Moreover, the Supervisory Board is composed of between five to nine members, and, in accordance with Art. 12 of the Act of August 30th 1996 on the Commercialisation and Privatisation of State-Owned Enterprises, the Supervisory Board includes employees' representatives. The State Treasury, the majority shareholder of the Company, has the right to appoint the majority of the Supervisory Board composition.

PGNiG SA is not able to guarantee a larger share of independent members in the composition of the Supervisory Board, as doing so would restrict the right conferred upon the State Treasury.

- Principle No. 8 (in Best Practice for Supervisory Board Members), which stipulates that Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board.

Pursuant to the Best Practices for WSE Listed Companies, the principles stipulated in Annex I should apply to the tasks and the operation of the committees of the Supervisory Board. In the case of the Audit Committee, the primary objective of these principles is to ensure that the Audit Committee properly performs its functions.

PGNiG SA has met all the requirements concerning the Audit Committee's participation in the supervision over PGNiG SA's operations. However, PGNiG SA has not met all detailed requirements relating to the operations of the Audit Committee. The principles stipulated in Section 4.3, sub-sections 1, 2, 4–6 and 8 of Annex I have not been implemented at the Company.

- Principle No. 8 (in Best Practices for Shareholders), which stipulates that the General Meeting or the Supervisory Board should ensure that the company authorised to audit financial statements changes at least once every seven financial years.

PGNiG SA has refrained from implementing this principle, deeming it not necessary, given the level of risk involved in the

audit of financial statements. Nonetheless, the Company implemented the principle stipulating that the person auditing the Company's financial statements changes at least once in every seven financial years. PGNiG SA believes that such practice is a sufficient guarantee of the objectivity and reliability of the person auditing PGNiG SA's financial statements.

In order to minimise the risk involved in the financial reporting process, PGNiG SA continuously improves individual modules of its integrated management system and ensures that the employees who operate the system enhance their professional skills. A specialist system for managing general financial security has also been implemented. The system supports the following areas: liquidity, foreign exchange risk, as well as budget development and control.

PGNiG SA meets the disclosure requirements through publishing current reports and financial reports, as well as organising press conferences. In order to reach a broad pool of potential users, the conferences concerning the PGNiG Group's financial performance are transmitted on the Internet. PGNiG SA's Web portal has also been enhanced to enable anyone interested in the Company's business to quickly access ample important operating and financial data on the PGNiG Group. It is worth adding here that the Company's employees attend congresses devoted to best practices on an ongoing basis, which increases the quality of PGNiG SA's dialogue with the capital market.

In March 2008, the [www.pgnig.pl](http://www.pgnig.pl) portal was distinguished as highly functional and intuitive. PGNiG SA's Web page ranked fifth among corporate websites of the 16 largest Polish companies. The ranking was based on a research conducted by the Swedish consulting company Hallvarsson & Halvarsson.

In April 2008, PGNiG SA ranked first among fuel sector companies in the ranking assessing the quality of investor relations, conducted by Retail Investor Association (SII). The ranking was designed to provide investors with information on companies implementing a high-quality disclosure policy.

