

# Corporate Governance

The premeditated strategy or effective management are not the only factors in success of a large company like PGNiG. In order to draw investors' attention, a company must demonstrate that it abides by principles of good supervision and management, namely corporate governance. The Management Board of PGNiG makes every effort to properly abide by these principles and to make our operations transparent to investors. As a result, this makes our company more attractive.

## Governing Bodies of PGNiG

### General Shareholders Meetings

The General Shareholders Meeting is the Company's highest governing body which operates pursuant to the rules stipulated in the Commercial Companies Code and the Rules of Procedure for the General Shareholders Meeting. Shareholders exercise their corporate rights through a general shareholders meeting. The General Shareholders Meeting reviews and approves director's reports as well as makes decisions on dividend amounts, form and record dates. The State Treasury, as the majority shareholder of PGNiG retains 84.75% of votes at the General Shareholders Meeting.

### Supervisory Board

This governing body performs continuous supervision over the functioning of PGNiG in all areas of its operations, in accordance in the Rules of Procedure for the Supervisory Board. The Supervisory Board is composed of five to nine members, including one independent member, appointed by the General Shareholders Meeting of PGNiG for a common term of three years. The State Treasury is entitled to appoint or remove one member of the Supervisory Board.

### Management Board

The Management Board is the executive governing body which manages the Company's operations and represents it in court and out of court. The Management Board is composed of two to seven persons, whereas the number of members is determined by the Supervisory Board. Members of the Management Board are appointed for a common term of three years. All issues relating to PGNiG's operations which had not been

reserved for other governing bodies under relevant legal regulations or provisions of the Company's Articles of Association fall within the scope of responsibilities of the Management Board. The Management Board operates pursuant to legal regulations in force, and in particular pursuant to provisions of the Commercial Companies Code, the Company's Articles of Association and Rules of Procedure for the Management Board.

Compliance with the corporate governance requirements is of great importance to the Management Board of PGNiG. From its initial public offering in 2005 to the end of 2007 the Company complied with the rules presented in "Best Practices in Public Companies 2005" recommended by the Warsaw Stock Exchange. In 2007, PGNiG observed 49 out of 53 rules described therein. The Company's non-compliance with four rules (No. 2, 20, 28 and 43) was primarily due to the nature of the Company's legal situation.

» **Rule No. 2** (best practices of general shareholders meetings) recommends the need to justify a request for convening a general shareholders meeting and for including specific items in the meeting's agenda.

Pursuant to the internal regulations, namely Par. 57 of the Company's Articles of Association, requests concerning the subject or the convening of the General Shareholders Meeting must be justified by the Management Board whereas the Supervisory Board must render a written opinion on such requests.

» **Rule No. 20** (best practices of supervisory boards) provides that at least half of the supervisory board members should be independent members. The Company's Supervisory Board is composed of five to nine members and pursuant to Art. 12 of the Polish Commercialisation and Privatisation Act of August 30th 1996, representatives of the Company's employees sit on the Supervisory Board of PGNiG. At the same time, the State Treasury as the majority shareholder is entitled to appoint a majority of the Supervisory Board's members. In such a situation, PGNiG is unable to provide a larger number of independent members to sit on the Supervisory

Board as it would be impossible for the State Treasury to exercise its rights in this respect.

» **Rule No. 28** (best practices of supervisory boards) obliges supervisory boards to operate in accordance with their publicly available rules of procedure. Pursuant to the rules of procedure, at least two committees may be established: the audit committee and the remuneration committee. The audit committee should be composed of at least two independent members.

As provided for in PGNiG's Articles of Association, there is only one independent member on the Supervisory Board, therefore the Company does not abide by this rule.

» **Rule No. 43** (best practices in the area of external relations) defines the procedure for selection of an auditor. According to the Rule, a recommendation of the audit committee is one of the requirements to make a decision on selection of the auditor.

Given the fact that the Company has not adopted Rule No. 28, Rule No. 43 was also repealed. The auditor is selected by the Supervisory Board of PGNiG.

Since 2008, PGNiG has observed the corporate governance rules laid down in "Best Practices of WSE Listed Companies" with an exception of three rules relating to independent members of the Supervisory Board and the audit committee within the Supervisory Board. Due to the importance of these rules, the Company is considering introduction of appropriate solutions so that the rules could be complied with in the future.

In order to minimise the risk related to the financial reporting process, PGNiG constantly upgrades individual modules of the integrated management system and works on improvement of practical skills of the employees using the system. We also use an expert system of general financial security management covering such areas as liquidity, exchange rate risk and budget-related processes.

PGNiG complies with the disclosure requirements by publishing current reports and interim

financial reports and by holding press conferences. To secure wide coverage, our conferences on the PGNiG Group's financial performance are broadcast via the Internet. Additionally, our corporate information portal has been extended to offer quick and easy access to important operating and financial information on the Group. Our employees regularly participate in conferences devoted to best business practices. This contributes to the higher quality of our communication with the capital market.

The functionality and intuitiveness of our corporate portal (at [www.pgnig.pl](http://www.pgnig.pl)) was recognised in March 2008. Our web site ranked fifth place in the corporate web site ranking for Poland's 16 largest companies. The survey was conducted by Hallvarsson & Halvarsson, a Swedish consultancy.

