

14-04-2005

Subject: Resolutions of the Annual General Meeting of BZ WBK Shareholders

Current report 7/2005

Bank Zachodni WBK hereby announces the contents of the resolutions adopted by the AGM on 14 April 2005.

By virtue of **Resolution 1** Mr Andrzej Leganowicz was elected Chairman of the AGM.

**Resolution 2** set out the following agenda:

1. Opening of the General Meeting of Shareholders
2. Election of the Chairperson of the General Meeting of Shareholders
3. Establishing whether the General Meeting of Shareholders has been duly convened and has the capacity to adopt resolutions
4. Adopting the agenda for the Meeting
5. Reviewing and approving the Management Board's report on the Bank's performance and the Bank's financial statements for 2004.
6. Reviewing and approving the Management Board's report on the BZ WBK Group performance and the consolidated financial statements of the BZ WBK Group for 2004.
7. Adopting a resolution on profit distribution, dividend registration day and dividend payment day.
8. Adopting resolutions re: giving the discharge to the members of the Bank's Management Board.
9. Reviewing and approving the Supervisory Board's report on its operations in 2004 and the Supervisory Board's report on the examination of the Bank's and Group's financial statements as well as the reports on the Bank's and Group's operations.
10. Adopting resolutions re: giving the discharge to the members of the Bank's Supervisory Board.
11. Appointing members of the Bank's Supervisory Board for the new term in office.
12. Appointing Chairman of the Bank's Supervisory Board for the new term in office.
13. Consent for the disposal of a perpetual usufruct title to the property.
14. Adopting the "Best practices in the public companies 2005".
15. Closing of the General Meeting of Shareholders.

### **Resolution 3**

Pursuant to art. 393 point 1 and art. 395 §2 of the Commercial Companies Code, the following is hereby resolved:

#### § 1

The General Meeting of Shareholders has considered and hereby approves the following documents submitted by the Bank's Management Board:

- a) financial statements of Bank Zachodni WBK SA seated in Wrocław for the period beginning on the first day of January of the year two thousand and four /1.01.2004/

and finishing on the thirty first day of December of the year two thousand and four /31.12.2004/, including:

- introduction,
  - balance sheet prepared as at the thirty first of December two thousand and four /31.12.2004/ which on the assets and liabilities side shows the amount of PLN 26 485 532k,
  - profit and loss account for the accounting year from the first of January two thousand and four /1.01.2004/ until the thirty first of December two thousand and four /31.12.2004/ which shows profit-after-tax in the amount of PLN 443 326 k,
  - cash flow statement for the accounting year from the first of January two thousand and four /1.01.2004/ until the thirty first of December two thousand and four /31.12.2004/ which shows a decrease of PLN (147 368)k in the net cash balance,
  - movements in the equity showing as at 31 December 2004 the equity of PLN 3 011 825k,
  - specification of off-balance sheet commitments totalling PLN 72 975 699k,
  - explanatory notes and additional explanatory notes,
- b) Management Board report on BZ WBK SA performance in 2004.

## § 2

The resolution becomes effective as of the date of its adoption.

### **Resolution 4**

Pursuant to art. 395 § 5 of the Commercial Companies Code, the following is resolved:

## § 1

Annual General Meeting of Shareholders of Bank Zachodni WBK S.A. has reviewed and hereby approves the following documents submitted by the Bank's Management Board:

- a) consolidated financial statements of Bank Zachodni WBK S.A. for the period beginning on the first day of January of the year two thousand and two /1.01.2004/ until the thirty first day of December of the year two thousand and four /31.12.2004/, including:
- introduction,
  - consolidated balance sheet prepared as at the thirty first of December two thousand and four /31.12.2004/ which on the assets and liabilities side shows the amount of PLN 27 587 874 k
  - consolidated profit and loss account for the accounting year from the first of January two thousand and four /1.01.2004/ until the thirty first of December two thousand and four /31.12.2004/ which shows profit-after-tax in the amount of PLN 444 452 k,
  - consolidated cash flow statement for the accounting year from the first of January two thousand and four /1.01.2004/ until the thirty first of December two thousand and four /31.12.2004/ which shows the decrease in net cash balance of PLN (151 546) k,
  - movements in consolidated equity showing as at the thirty first of December two thousand and four /31.12.2004/ the amount of PLN 3 021 948 k,
  - specification of off-balance-sheet items totalling PLN 70 638 164 k,
  - explanatory notes and additional explanatory notes.

b) Report on Bank Zachodni WBK Group Performance in 2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 5**

Pursuant to art. 348 §3 and art. 395 §2 of the Commercial Companies Code, the following is hereby resolved:

§ 1

1. General Meeting of Shareholders has divided the net profit generated by BZ WBK in the accounting year commenced on 01.01.2004 and ended on 31.12.2004 in the amount of PLN 443 326 189,90 in the following way:
  - PLN 177 293 490,12 will be allocated to the dividend to shareholders,
  - PLN 236 032 699,78 will be allocated to the reserve capital,
  - PLN 30 000 000,00 will be allocated to the general banking risk fund,
  
2. The number of shares eligible for the dividend is 72 960 284 (say: seventy two million nine hundred and sixty thousand two hundred and eighty four) series A, B, C, D, E, F and G.  
Dividend per share is PLN 2,43.  
The dividend will be paid to the shareholders eligible as at the end of the dividend registration day.  
The dividend registration day is 29 April 2005.  
The dividend will be paid on 17 May 2005.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 6**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Jacek Kseń, the Management Board President, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 7**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Cornelius O’Sullivan, the 1<sup>st</sup> Vice-President of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 8**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Declan Flynn, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 9**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Michał Gajewski, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 10**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Michael Keegan, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 30.06.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 11**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Justyn Konieczny, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 12**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Janusz Krawczyk, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 13**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Jacek Marcinowski, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 14**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Mateusz Morawiecki, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 15**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§1

Mr. James Murphy, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.07.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 16**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§1

Mr. Feliks Szyszkowiak, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 17**

Pursuant to art. 395, §2 point 3 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Maciej Węgrzyński, the member of the Management Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 14.01.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

### **Resolution 18**

Pursuant to art. 382 §3 and 395 §5 of the Polish Companies Code, the following is resolved:

§ 1

Approval is given for the BZ WBK Supervisory Board's report on its activities in the period from 1.01.2004 to 31.12.2004 (Appendix 1 hereto) and the Supervisory Board's report on the examination of: BZ WBK financial statements for 2004; consolidated financial statements of the BZ WBK Group for 2004; report on BZ WBK operations, report on the BZ WBK Group operations and the Management Board's motion concerning distribution of profit earned in 2004 (Appendix 2 hereto)."

§ 2

The resolution becomes effective as of the date of its adoption.

App.1

## REPORT ON THE SUPERVISORY BOARD ACTIVITY IN 2004

Wrocław, February 2005

### I. COMPOSITION OF THE SUPERVISORY BOARD

1. The Supervisory Board commenced its operations in 2004 in the following composition:

- |                                          |                           |
|------------------------------------------|---------------------------|
| ▪ Chairman of the Supervisory Board      | - Mr. Marian Górski       |
| ▪ Vice Chairman of the Supervisory Board | - Mr. Gerry Byrne         |
| ▪ Members of the Supervisory Board:      | - Mr. Waldemar Frąckowiak |
|                                          | - Mr. Aleksander Galos    |
|                                          | - Mr. Marek Grzegorzewicz |
|                                          | - Mr. Declan Mc Sweeney   |
|                                          | - Mr. John Power          |
|                                          | - Mr. Aleksander Szwarc   |
|                                          | - Mr. Jacek Ślotała       |

## 2. Changes in the Supervisory Board's composition in 2004:

- As from 20 April 2004, Mr. Marek Grzegorzewicz resigned from the function of the Supervisory Board Member.
- The General Annual Meeting of Shareholders of Bank Zachodni WBK SA, held on 20 April 2004, appointed Mr. Don Godson a new SB Member.
- As at 1 January 2005, the Supervisory Board operated in the following composition:
  - Chairman of the Supervisory Board - Mr. Marian Górski
  - Vice Chairman of the Supervisory Board - Mr. Gerry Byrne
  - Members of the Supervisory Board:
    - Mr. Waldemar Fraćkowiak
    - Mr. Aleksander Galos
    - Mr. Don Godson
    - Mr. Declan Mc Sweeney
    - Mr. John Power
    - Mr. Aleksander Szwarc
    - Mr. Jacek Ślotała

## II. STATISTICAL DATA ON THE SUPERVISORY BOARD ACTIVITY IN 2004

In the period from 1 January to 31 December 2004, the Supervisory Board held 9 meetings and adopted 30 resolutions.

## III. MAIN AREAS OF THE SUPERVISORY BOARD'S ACTIVITY IN 2004

### 1. WORK ON THE FINANCIAL AND BUSINESS PLANS FOR 2005

As part of the planning process, the Supervisory Board held a discussion on the assumptions of the Financial and Business Plans submitted for approval by the Bank's MB:

- The Plans focus primarily on the income side of the P&L account, including maximisation of business growth potential leveraging the Bank's network and alternative delivery channels, improvement of the portfolio quality and other effectiveness ratios, as well as support for actions conditioning the business growth by adequate allocation of resources. In addition, they show the Bank's drive to improve profitability and generate adequate ROE.
- The very good quality of the loan portfolio, a low level of credit provisions, progress noted in reducing the cost/income ratio, increased share of the subsidiaries'

contribution to BZ WBK Group performance will be conducive to executing the 2005 Plans. It will be supported by the proper incentive programs adopted in 2005. Pursuant to Resolution no. 28/2004, the SB approved the BZ WBK Group Financial Plan and Business Plan for 2005.

### 3. ASSESSMENT OF FINANCIAL PERFORMANCE AND PROGRESS AGAINST BUSINESS OBJECTIVES

As part of its responsibilities arising from §32 of the Bank's Statutes, the Supervisory Board conducted on-going assessment of financial performance of the Bank and BZ WBK Group. The evaluation was based on the monthly financial reports presented by the Management Board. When assessing the financial results, the Bank's Supervisory Board primarily focused on the following:

- performance against the objectives set out in the 2004 Financial Plan,
- individual P&L lines against the assumptions adopted in the Plan and against the same lines in the corresponding periods of the previous year,
- changes in the mix of deposits and loans against the assumptions adopted in the Plan,
- structure of the bad debts portfolio and changes in the balance of provisions raised and released,
- the Bank's share in the loan and deposit market,
- dynamics and structure of non-interest income.

The Bank's cost/ income ratio was also analysed by the SB in relation to:

- assumptions of the Financial Plan,
- corresponding periods of the previous year,
- dynamics of the Bank's income.

The Board also periodically reviewed the performance against the business objectives set out in the Business Plan for 2004. The reviews aimed at assessing how the progress against Business Plan related to such aspects as delivering distinctive customer proposition and other supportive actions translated into the execution of "Po pierwsze klient" strategy adopted by BZ WBK and into capacity to deliver superior profits.

### 4. PROGRESS IN THE IMPLEMENTATION OF KEY PROJECTS

Within the Business reports presented by the MB and the Audit Committee, the SB was informed about the progress in the implementation of the following projects:

- Sarbanes-Oxley Program – works delivered by BZ WBK are a part of the program carried out by AIB Group and aim at meeting the requirements related to the stock exchange reports preparation. The dedicated Team and Steering Committee were appointed in BZ WBK in order to progress the Programme.
- The project of a new IT platform for the Treasury Division aimed among other, at:
  - developing the Treasury business operations by offering a complete set of products and services to the customers and thereby achieving revenues growth and the delivery of the Bank's strategy,
  - fulfilling the recommendations of the Internal Audit and the General Inspectorate for the Banking Supervision re. the implemented systems for control, risk monitoring and Treasury finance management.



## 5. APPLICATION OF “BEST PRACTICES”

In view of the decisions related to the adoption and manner of applying “Best Practices” in Bank Zachodni WBK S.A., the SB introduced relevant changes in the following regulations: :

- SB Terms of Reference,
- MB Regulations.

At the same time, all SB Members submitted written statements on their independence status or on their personal, actual and organisational connections with the Bank’s shareholders. As at 31 December 2004, in line with the statements made, the following individuals held the status of independent Board members:

- Mr. Marian Górski
- Mr. Waldemar Frąckowiak
- Mr Aleksander Galos
- Mr John Power
- Mr Aleksander Szwarc
- Mr Jacek Ślotała

## 6. OPERATIONS OF THE SB COMMITTEES

Independent of the SB meetings, Members of the SB worked in internal SB committees (task forces). The Supervisory Board of this term of office established the following committees:

- Remuneration Committee,
- Audit Committee,
- Social Responsibility Committee.

The composition of individual committees was defined by force of the SB decision. The Committees’ terms of reference are also defined in the Regulations adopted by force of the SB resolutions.

The operations of the Committees contribute materially to boosting the effectiveness of the SB work by way of supporting the SB in delivering its statutory tasks as well as by preparing working recommendations and proposed SB decisions in relation to the SB own motions as well as those submitted by the MB.

### ▪ REMUNERATION COMMITTEE – assists SB in:

1. overall monitoring of the market remuneration practices and levels;
2. preparing recommendations for the SB decisions as to fair and competitive Remuneration policies and practices, ensuring adequate motivation for the MB Members and the top management to constantly improve the Bank’s performance.

The Committee based its recommendations for the SB on the actual research results on the remuneration in the banking sector prepared by an independent agency.

In 2004 the composition of the RC was as follows:

- Gerry Byrne (Chairman),
- Marian Górski

In 2004 the Committee held 6 meetings during which it:

- Considered the MB's proposal on the annual salary review rules, and prepared recommendations for the SB on the rules of such a review for the MB members.
  - Conducted the annual review of the bonus system for MB members and the senior executive population and tailored to the recommendations re rules of granting and determining the bonus pool for 2005.
  - Considered and recommended to the SB the introduction of the separate bonus schemes for some business units and subsidiaries, adjusted to the specific nature of their operations, so that to better motivate the staff in those units.
- **AUDIT COMMITTEE** is to assist the SB in fulfilling its oversight responsibilities to shareholders and other stakeholders in relation to:
    1. the quality and integrity of the accounting policies, financial statements and disclosure practices;
    2. compliance with relevant laws and regulations, taxation obligations and relevant Codes of Conduct and good business ethics;
    3. the independence and performance of the internal and external Auditors; and
    4. the system of internal control and management of financial and non-financial risks.

In 2004, the AC composition was as follows:

- John Power ( Chairman )
- Waldemar Frąckowiak
- Aleksander Szwarc
- Aleksander Galos

The Audit Committee met nine times during the course of the 2004 and reviewed key areas as regards compliance and risk management systems. The independent Auditors, KPMG, and the Bank's Internal Auditor were invited to attend all meetings along with other senior members of the Management Team

The Committee has reviewed and discussed the Company's audited financial statements with the MB who has primary responsibility for preparing the financial statements. The Committee also reviewed and discussed with KPMG their independent review of the financial statements and the resulting recommendations for the Bank's MB.

Based on the conducted reviews and discussions, the Committee recommended to the Supervisory Board the approval of the audited financial statements as well as their inclusion in the Company's annual report for the year ended 31st December 2004. The SB accepted the said Committee's recommendation.

The Committee recommended to the Board the election of KPMG as the Company's independent accountants. In addition, the Committee approved the scope of non-audit services to be performed by KPMG and the estimated cost of those services.

- **SOCIAL RESPONSIBILITY COMMITTEE** – The Committee operates to inspire and assist the Bank in the process of contributing to the community development, by way of presenting to the SB the tasks related to assessment and possible recommendations re those strategies, values and objectives, which while being consistent with the Bank's vision, values and objectives, will allow to shape a desired brand value.

In 2004, the Social Responsibility Committee's was as follows:

- Mr. Marek Grzegorzewicz - Chairman
- Mr. Jacek Ślotała

In relation to resignation from the function of the Supervisory Board Member by Mr. Marek Grzegorzewicz, the SB appointed Mr. Gerry Byrne as a Committee Member and entrusted him with the Chairman position.

The Committee held 4 meetings in 2004 during which the particular focus was put on:

- Review of the progress and achievements in the delivery of adopted in 2003 strategy for charity and sponsorship activities called „Bank Dziecięcych Uśmiechów” (Bank of Children Smiles).
- Utilisation of 2004 charity and sponsorship budgets, as well as giving opinions on these budgets for 2005.
- Proposed modifications for the aforementioned strategies resulting from 2004 experience.
- Results of customer surveys of the Bank's brand perception and proposed modifications to the brand strategy.

## 7. OTHER

The scope of SB work in 2004 included also getting familiar with the operations of recently created Corporate Business Centres in Kraków and Gdańsk. Taking the opportunity of having the SB sittings in those cities, the SB members met with the CBC management and staff as well as the Branch Banking management in those locations.

App.2:

### I. REPORT OF THE SUPERVISORY BOARD ON THE EXAMINATION OF :

- FINANCIAL STATEMENTS OF BANK ZACHODNI WBK S.A. FOR 2004
- REPORT ON OPERATIONS OF BANK ZACHODNI WBK S.A. FOR 2004
- CONSOLIDATED FINANCIAL STATEMENTS OF BANK ZACHODNI WBK GROUP FOR 2004
- REPORTS ON OPERATIONS OF BANK ZACHODNI WBK GROUP FOR 2004
- MOTION OF THE MANAGEMENT BOARD ON THE 2004 PROFIT DISTRIBUTION

### II. APPRAISAL OF BZ WBK ACTIVITIES IN 2004

**Wrocław, February 2005**

### I. REPORT OF THE SUPERVISORY BOARD

This report was produced based on the conducted examination and includes the opinion of the Supervisory Board on the following documents presented by the Bank's Management Board to the Annual General Meeting of Shareholders of Bank Zachodni WBK, convened for 14 April 2005:

- Financial Statements of Bank Zachodni WBK S.A. for 2004,
- Report on operations of Bank Zachodni WBK S.A. for 2004,
- Consolidated Financial Statements of Bank Zachodni WBK Group for 2004,
- Report on operations of Bank Zachodni WBK Group for 2004,
- The Bank's Management Board motion on the 2003 profit distribution.

The obligation to review the above documents is imposed on the Supervisory Board by § 32 clause 1 and clause 6 of the Bank's Statutes.

### **1. Examination of Financial Statements and Reports on operations for 2004**

By force of resolution no. 16/2004, adopted on 15 June 2004, the Supervisory Board selected KPMG Polska Sp. z o.o. as the Bank's auditor and vested it with a task of auditing the 2004 Financial Statements. The above audit covered the following documents produced by the Bank's Management Board:

1. Financial Statements on the operations of Bank Zachodni WBK S.A., including:
  - Balance sheet as at 31 December 2004,
  - Profit & Loss Account for the accounting period from 1 January to 31 December 2004,
  - Cash Flow Statement for the accounting period from 1 January to 31 December 2004,
  - Movements in equity,
  - Off-balance sheet liabilities,
  - Notes.
2. Report on operations of Bank Zachodni WBK S.A. for 2004.
3. Consolidated Financial Statements of Bank Zachodni WBK SA Group for 2004, including:
  - consolidated Balance Sheet as at 31 December 2004,
  - consolidated Profit & Loss Account for the accounting period from 1 January to 31 December 2004,
  - consolidated Cash Flow Statements for the accounting period from 1 January to 31 December 2004,
  - movements in equity,
  - off-balance sheet liabilities,
  - notes.

#### 4. Report on operations of Bank Zachodni WBK Group for 2004.

Based on the findings of the audit conducted by KPMG Audyt Polska Sp. z o.o., presented in the following documents:

- opinion of a chartered auditor on the audited Financial Statements of Bank Zachodni WBK SA,
- report on the audit of the Financial Statements of Bank Zachodni WBK SA for 2004, review of the audit of the Consolidated Financial Statements of Bank Zachodni WBK SA for 2004,

the Supervisory Board stated that the 2004 Financial Statements of Bank Zachodni WBK S.A. and the 2004 Consolidated Financial Statements of Bank Zachodni WBK Group presented by the Management Group, comply with the books, documents and the actual state of affairs and give a true, fair and clear view of the financial position of Bank Zachodni WBK and Bank Zachodni WBK Group as at 31 December 2004 and of the financial results for the accounting period from 1 January to 31 December 2004. The Supervisory Board decided:

- with resolution no. 6/2005, dated 21 February 2005, to submit the Financial Statements of Bank Zachodni WBK SA for 2004 and the Report on operations of BZ WBK S.A. for 2004 to the AGM for approval,
- with resolution no. 10/2005, dated 10th March 2005, to submit the Consolidated Financial Statements of Bank Zachodni WBK SA Group for 2004 and the Report on operations of BZ WBK SA Group for 2004 to the AGM for approval.

#### **2. Review of the Bank's Management Board motion related to the 2004 profit distribution**

The Supervisory Board examined the Bank's Management Board motion related to the 2004 profit distribution, and based on that it stated that the Bank's Management Board's proposal complies with the Bank's needs and covers all the purposes to which the 2004 profit should be allocated.

With resolution no. 7/2005, dated 21 February 2005, the Supervisory Board decided to recommend approval of the above motion to the General Annual Meeting of Shareholders.

#### **3. Wrap-up**

The Supervisory Board stated that it acted with due diligence with regard to comprehensive examination of the documents presented by the Bank's Management Board and in line with its resolution no. 11/2005, dated 10 March 2005, the Supervisory Board presents this report to the General Annual Meeting of Shareholders of Bank Zachodni WBK.

## **II. APPRAISAL OF BZ WBK ACTIVITIES IN 2004**

The GDP growth in 2004 was 5.4% (according to the preliminary data of the Chief Statistics Office) against a 3.8% growth in the previous year. In the first 6 months of 2004, as a result of the increased demand prior to Poland's accession to the UE, the private consumption grew at a very rapid pace. Moreover, the contribution of net exports to the GDP growth was high. The second half of the year saw a certain slow-down in the consumption dynamics and the impact of the net exports on the economic growth became negative.

The money supply in 2004 increased by 8.7% and total deposits by 8%, which stemmed primarily from the nearly 25% growth in deposits of businesses which did not undertake investment activities on a broad scale. Companies deposited a large portion of their free funds in banking accounts. Loans for households increased quite strongly (in total by over 13%) which was mainly related to the development of the mortgage loan market.

Annual CPI was 4.4%, i.e. ca 2 percentage points above the inflation target set by the Monetary Policy Council. Inflation, higher than expected, influenced the Central Bank's interest rate policy – over the period June – August, the interest rates went up by 125 Bps. In subsequent months, MPC decided to keep the reference rate at 6.5%.

In 2004, the Bank's total income was PLN 1,690.8m and was up by 6.3%. It was triggered primarily by higher interest rates, improving economic situation and better financial standing of enterprises in relation to Poland's accession to the EU.

The Bank's PBT in 2004 totalled PLN 455.6m and was 117.7% up on 2003, whereas PAT amounted to PLN 443.3m and increased by 278.9%. As a result, ROE for the Bank was 17.3% and ROE for BZWBK Group was 17.2%. The Bank's EPS went up from PLN 1.60 in 2003 to PLN 6.08 in 2004. The Bank's share price as at 2003-end was PLN 75.70 and throughout 2004 it increased by 28% to reach PLN 97.00.

Such a good performance of the Bank in 2004 was driven primarily by: positive tendencies in the business development – growth in the deposit – savings base by 6.8% and increase in the net personal loan portfolio by 9.2%, as well as by a regular improvement in the assets quality reflected in the drop in the problem loan ratio from 12.6% to 9.2%, which is one of the best ratios on the market. As at 2004-end, specific provision cover for amounts due from non-financial and public sector categorized as “sub-standard”, “doubtful” and “lost” (excluding interest) was 50.4%. In 2003, this ratio was 40.6%.

Net balance of provisions went up by 5.5% and net interest income by 2.9%. Income from the equity investment portfolio totalled PLN 63.8m.

The Bank succeeded in containing total costs to PLN 1,109.5m and reducing the cost/income ratio from 78.9% in 2003 to 65.6% in 2004.

As at 31 December 2004, the Bank's balance sheet total was PLN 26,485.5m and was higher than in 2003 by 12.6%. This stems, inter alia, from the strong growth in deposits and standardizing the disclosure of sell-buy-back and repo type of transactions in line with the Ordinance of the Finance Ministry, dated 12 December 2001 re. detailed recognition principles, valuation methods, scope of disclosure and manner of presenting financial instruments.

Despite the growing competition on the savings market, deposits of the Bank's customers totalled PLN 18,738.9m, i.e. 6.8% up on 2003-end. In view of the change in preferences of customers who seek return rates higher than those on deposits, the Bank offered a broad array of alternative products. The Bank's branches sold products of the Bank's subsidiaries which led, inter alia, to a dynamic growth in assets of Arka funds by 91.1% up to PLN 2,837m.

As at December-end, the deposits and savings resources of Bank Zachodni WBK, including customer deposits from the non-financial and public sector as well as own bonds totalled PLN 19,298m and were higher than in the previous year by 6.8% - taking into account assets of investment funds the growth amounted to 15%. As at September-end, the Bank had a 5.7% deposit market share and ranked 6th in this respect. As at December-end 2004, the share of ARKA funds in the mutual funds market was 7.5% against 4.5% at 2003-end. In terms of the assets value, ARKA funds (PLN 2.8bn) rank 4th on the market as compared to the 8th position at 2003-end.

As at December-end 2004, amounts due from customers totalled PLN 12,226.1m and went down by 2.5% as compared to the previous year. Taking into account the receivables categorized as "regular" and "watch" only, their portfolio increased by 2%. Drop in the total loan book (net) stems from lower volumes of loans sanctioned to businesses and other institutional customers. In 2004, the Bank's credit exposure (net) to personal customers increased by 9.2%, where all strategic loan portfolios disclosed an upward tendency: cash loans by 42.5%, credit card receivables by 17.5% and mortgage loans by 7.5%

As at September-end, the Bank's share in the lending market was 6%. The Bank ranked 5th in terms of the loan book size.

Bank Zachodni WBK is an effectively managed and secure bank which was confirmed on 5 October 2004 by Fitch Ratings company assigning the following financial credibility ratings to Bank Zachodni WBK S.A.: long-term rating: A, short-term: F1, individual: C/D, support: 1, outlook to retain the long-term rating: stable.

### **Resolution 19**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

#### § 1

Mr. Marian Górski, the Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

#### § 2

The resolution becomes effective as of the date of its adoption.

### **Resolution 20**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Gerry Byrne, the Vice Chairman of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 21**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Waldemar Frąckowiak, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 22**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Aleksander Tadeusz Galos, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 23**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Don Godson, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 20.04.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 24**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Marek Grzegorzewicz, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 20.04.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 25**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:



§ 1

Mr. Declan McSweeney, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 26**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. John Power, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 27**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Aleksander Szwarc, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 28**

Pursuant to art. 395, §2 point 3 of the Polish Companies Code, the following is resolved:

§ 1

Mr. Jacek Ślotała, the member of the Bank's Supervisory Board, is granted the word of approval for performance of his duties in the period from 1.01.2004 to 31.12.2004.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 29**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Gerry Byrne shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 30**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

## § 1

Mr. Kieran Crowley shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

## § 2

The resolution becomes effective as of the date of its adoption.

**Resolution 31**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

## § 1

Mr. Waldemar Frąckowiak shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

## § 2

The resolution becomes effective as of the date of its adoption.

**Resolution 32**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

## § 1

Mr. Aleksander Galos shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

## § 2

The resolution becomes effective as of the date of its adoption.

**Resolution 33**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

## § 1

Mr. Declan McSweeney shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

## § 2

The resolution becomes effective as of the date of its adoption.

**Resolution 34**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

## § 1

Mr. John Power shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

## § 2

The resolution becomes effective as of the date of its adoption.

**Resolution 35**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Aleksander Szwarc shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 36**

Pursuant to art. 385 §1 of the Polish Companies Act, the following is resolved:

§ 1

Mr. Jacek Ślotała shall be appointed as a member of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 37**

Pursuant to §25 section 1 of the Bank Statutes, the following is resolved:

§ 1

From amongst the Supervisory Board Members, Mr. Aleksander Szwarc shall be appointed as Chairman of the Supervisory Board of Bank Zachodni WBK S.A.

§ 2

The resolution becomes effective as of the date of its adoption.

**Resolution 38**

Pursuant to art. 393 point 4 of the Polish Companies Act, the following is resolved:

§ 1

The Annual General Meeting of Shareholders hereby consents to the sale of perpetual leasehold of the properties owned by Bank Zachodni WBK S.A. at the date of this Resolution.

§ 2

The Resolution becomes effective on the day of its signing.

**Resolution 39**

In view of the recommended by the Warsaw Stock Exchange instruction to strengthen corporate governance in the public companies, acting pursuant to art. 395 §5 of the Commercial Companies Code, the following is resolved:

§ 1

AGM approves the contents of “Best practices in the public companies 2005”, introduced by way of Resolution no. 44/1062/2004 of the Warsaw Stock Exchange Board in the wording appended to this resolution and approved for implementation by the Management Board and the Supervisory Board of BZ WBK S.A.

§ 2

The Resolution becomes effective as of the day of its adoption.

App.:

# **BEST PRACTICES IN PUBLIC COMPANIES IN 2005**

**developed by the Best Practices Committee**

# BEST PRACTICES IN PUBLIC COMPANIES IN 2005

## Preamble

Decent behaviour which takes account of interests of different units is good for all stakeholders in a company. This is related to the idea of compromise and moderation which each public company needs as it is a pitch where different business interests meet and interact. Good corporate habits and rules can be strengthened if written in the format of the so-called "best practices." Generally, those rules are formulated softly to avoid formal strictness and ensure that they can be flexibly applied in different circumstances and also in different companies. However, some detailed rules can be used while formulating statutes or terms of reference of governing bodies of companies. "Best Practices" are a set of detailed rules and behaviours addressed to both governing bodies of companies, members of those bodies as well as majority and minority shareholders. This set of "Best Practices" written to meet the needs of the Polish capital markets outlines the basic corporate governance standards in a public joint stock company. This document is by no means exhaustive; it was built based on the Polish market experience and should be updated on an ongoing basis to reflect the changing market needs.

The implementation process of *corporate governance* rules in the Polish market commenced in Autumn 2002. All quoted companies declared application of most of the best practices rules. The "Best practices" became a subject of extremely important critical considerations by public companies that at the same time made the effort to organize their corporate practices and to conduct an internal dialogue on the best practices.

In accordance with the declaration contained above referring to the Preamble of the „Best practices in public companies 2002” document, the Best Practices Committee has decided to verify and modify the rules presented in the market in 2002. This document called „Best practices in public companies 2005” is a result of broad sector consultations. The conducted changes account for 2 years’ of practical experience, opinions and suggestions given by market players and most recent recommendations of the European Commission in this respect.

### **Best Practice Committee Corporate Governance Forum:**

**prof. Grzegorz Domański** – Partner w Kancelarii Domański, Zakrzewski, Palinka sp. k.

**Henryka Bochniarz** – Prezydent Polskiej Konfederacji Pracodawców Prywatnych

**Krzysztof A. Lis** – Prezes Polskiego Instytutu Dyrektorów

**Wiesław Rozłucki** – Prezes Giełdy Papierów Wartościowych i Giełd w Warszawie

**Jacek Socha** – Minister Skarbu Państwa

**prof. Stanisław Sołtysiński** – Kancelaria Prawna Sołtysiński, Kawecki & Szlęzak

*Warsaw, 29 October 2004 r.*

## **General rules:**

### ***I. Objective of the Company***

*The basic objective of operations of a company's authorities is to further the interest of the company, i.e. to increase the value of the assets entrusted by its shareholders, with consideration to the rights and interests of entities other than shareholders, involved in the functioning of the company, including, in particular, the company's creditors and employees*

### ***II Majority Rule and Protection of Minority***

A joint-stock company is a capital venture, and, therefore, it must respect the principle of capital majority rule, and the primacy of majority over minority. A shareholder who contributed bigger capital also bears a higher economic risk. It is, therefore, justified that its interest be taken into consideration in proportion to the contributed capital. The minority must have a guarantee of proper protection of their rights, within limits set by the law and commercial integrity. While exercising its rights, the majority shareholder should take into account the interests of the minority.

### ***III Honest Intentions and No-Abuse of Rights***

The exercise of rights and the reliance on legal institutions should be based on honest intentions (good faith) and cannot reach beyond the purpose and economic reasons for which these institutions have been established. No activities should be taken which exceed the limits so set and, thus, constitute an abuse of the law. The minority should be protected against abuse of ownership rights by the majority and the interests of the majority should be protected against abuse by the minority of its rights, thus, ensuring the best protection of equitable interests of the shareholders and other market participants.

### ***IV Court Control***

The company's authorities and persons chairing a general meeting cannot decide on issues which should be resolved by court judgements. This does not apply to activities which are within the powers of the company's authorities and persons chairing general meetings or which they are obliged to undertake by force of law.

### ***V Independent Opinions Ordered by the Company***

When choosing an entity which is to provide expert services, including, in particular, the services of a chartered auditor, financial and tax advisory services, as well as legal services, the company should consider whether there exist circumstances limiting the independence of this entity when performing the entrusted tasks.

## **Best Practices of General Meetings**

1. A general meeting should take place in a place and at a time to allow the participation of as many shareholders as possible.

*2. A request for convening a general meeting and placing certain issues on its agenda, made by parties entitled to do that, should be justified. Draft resolutions proposed to be adopted by the general meeting and other key documents should be presented to the shareholders along with a justification and an opinion of the supervisory board prior to the general meeting, in advance so as to allow them to review and evaluate the same.*

3. The general meeting convened at the request of shareholders should be held on a date given in the request, and if this date cannot be kept, on the closest date which will allow the general meeting to settle the issues placed on its agenda.

4. A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a general meeting may be cancelled if its holding is hindered (force majeure) or is obviously groundless. The meeting is called off in the same manner as it has been convened, ensuring as little negative consequences for the company and its shareholders as possible, and in any case no later than three weeks prior to the original date of the meeting. A change in the date of the general meeting is made in the same manner as the cancellation, even if the proposed agenda does not change.

5. In order for a representative of a shareholder to participate in a general meeting, his right to act on behalf of the shareholder should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting is in conformity with the law and does not require any additional confirmations and acknowledgement unless its authenticity or validity prima facie raises doubts of the company's management board (upon drawing-up the attendance list) or the chairman of the general meeting.

*6. The general meeting should have regular by-laws setting forth the detailed principles of conducting the meetings and adopting resolutions. The by-laws should contain, in particular, provisions concerning elections, including elections to the supervisory board by voting in separate groups. The by-laws should not be subject to frequent changes; it is advisable that the changes enter into force as of the subsequent general meeting.*

7. A person opening the general meeting should procure an immediate election of the chairman of the meeting, and should refrain from any substantial or formal decisions.

8. The chairman of the general meeting ensures an efficient conduct of the meeting and observance of the rights and interests of all shareholders. The chairman should counteract, in particular, the abuse of rights by the participants of the meeting and should guarantee that the rights of minority shareholders are respected. The chairman should not, without sound reason, resign from his function, or put off the signing of the minutes of the meeting.



9. A general meeting should be attended by members of the supervisory board and the management board. A chartered auditor should be present at an annual general meeting and at an extraordinary general meeting if financial matters of the company are to be discussed thereat. The absence of the Management Board member or Supervisory Board Member at the AGM requires explanation. This explanation should be presented at a general meeting.

10. Members of the supervisory board and the management board and the chartered auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the general meeting, provide the participants of the meeting with explanations and information concerning the company.

*11. All answers provided by the management board to the questions posed by the general meeting should take into account the fact that the reporting obligations are performed by a public company in a manner which follows from the Law on Public Trading in Securities, and certain information cannot be provided otherwise.*

12. Short breaks in the session which do not defer the session, ordered by the chairman in justified cases, cannot be aimed at hindering the exercise of the rights by the shareholders.

13. Voting on issues placed on the agenda may be carried out only on issues related to the conduct of the meeting. This voting procedure cannot apply to resolutions which may have impact on the exercise by the shareholders of their rights.

14. Resolution on the decision not to discuss an item on the agenda can be passed for sound reasons only. Rationale behind such a motion must be thoroughly justified. A decision to remove an item from the agenda or not to discuss an item on the agenda at the request of the shareholders requires passing an AGM resolution – having obtained an approval of all the shareholders who tabled the motion and the support of 75% of votes at the AGM.

15. A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection.

16. Due to the fact that the Code of Commercial Companies does not provide for court control in the event where a resolution is not adopted by the general meeting, the management board or the chairman of the meeting should form the resolutions in such a way that each person who does not agree with a decision being the subject of the resolution, have the possibility of challenging the same; provided that he is entitled to do so.

17. At the request of a participant in the general meeting, his written statement is recorded in the minutes

## **Best Practices of Supervisory Boards**

18. The supervisory board submits to the general meeting an annual concise evaluation of the company's standing. The evaluation should be made available to all shareholders early enough to allow them to become acquainted with it before the annual general meeting.

19. A member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board should be presented and supported by reasons in sufficient detail to allow an educated choice.

20<sup>1</sup>.

- a) Independent members should represent at least half of the composition of the supervisory board unless specified otherwise in point d). Independent members should have no relation with the company, the shareholders or employees which might have significant impact on the independent member's ability to make impartial decisions;
- b) Detailed criteria of independence should be laid down in the statutes of the company<sup>2</sup>;
- c) Without the consent of the majority of independent members of the supervisory board, no resolutions should be adopted on the following issues:
  - any benefits provided by the company and its connected entities to the management board members;
  - approval for a significant agreement to be entered into by the company or its connected entities with another connected entity, supervisory board member or management board members or entities connected with them;
  - selection of a chartered auditor to audit the company's financial statements.
- d) In companies where one shareholder has a shareholding entitling to over 50% of votes at the AGM, the supervisory board should encompass at least two independent members, including an independent chairman of the audit committee, if there is such committee".

21. A supervisory board member should, most of all, bear in mind the interests of the company.

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<sup>1</sup> The rule 20 may be implemented by a public company at other time than other rules included in this document, however, not later than by 30th, June 2005.

<sup>2</sup> The Corporate Governance Committee recommends rules arising from the European standards i.e. independence criteria included in the Commission Recommendation on strengthening the role of non – executive or supervisory directors [http://europa.eu.int/comm/internal\\_market/company/independence/index\\_en.htm](http://europa.eu.int/comm/internal_market/company/independence/index_en.htm)

22. Members of the supervisory board should take relevant actions in order to receive from the management board regular and complete information on any and all significant issues concerning the company's operations and on the risk related to the carried out business and ways of managing such risk.
23. A supervisory board member should inform the remaining members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.
24. Information on personal, actual, and organizational connections of a supervisory board member with a given shareholder, and, in particular, with the majority shareholder, should be available to public. The company should have a procedure in place for obtaining information from members of the supervisory board and for making it available to the public.
25. Supervisory board meetings, save for issues which directly concern the management board or its members, and, in particular, removal, liability, and setting remuneration, should be accessible and open to members of the management board.
26. A supervisory board member should enable the management board to present publicly and in an appropriate manner information on the transfer or acquisition of the shares of the company or of its dominant company or a subsidiary, and of transactions with such companies, provided that such information is for financial standing.
27. Remuneration of members of the supervisory board should be fair, but should not constitute a significant cost item in the company's business or have material impact on its financial results. The remuneration should be in reasonable relation to the remuneration of members of the management board. The aggregate remuneration of all members of the supervisory board should be disclosed in the annual report.
28. The supervisory board should operate in accordance with its terms of reference which should be available to the public. The terms of reference should envisage establishment of at least two committees, i.e.:
- audit committee and
  - remuneration committee.

The audit committee should be composed of at least two independent members or at least one with qualification and experience of the company's accounting and finance. The responsibilities of the committees should be specified in the Terms of

Reference of the Supervisory Board. The supervisory board committees should provide the supervisory board with reports on their activities. The company should provide its shareholders access to those reports.

29. The agenda of a supervisory board meeting should not be amended or supplemented during the meeting which it concerns. This requirement does not apply if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda, and in instances where the adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in the case of a resolution which concerns the determination whether there exists a conflict of interest between a supervisory board member and the company.
30. A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit to the supervisory board detailed reports on the performance of his task.
31. A supervisory board member should not resign from his function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.

### **Best Practices of Management Boards**

32. Bearing in mind the interest of the company, the management board sets forth the strategy and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the 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 the legal regulations and best practice.
33. While making decisions on corporate issues, members of the management board should act within the limits of justified economic risk, i.e. after consideration of all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. While determining the interest of the company, one should keep in mind the justified in long-term perspective interests of the shareholders, creditors, employees of the company and other entities and persons cooperating with the company, as well as the interests of local community.

34. In transactions with shareholders and other persons whose interests have impact on the interest of the company, the management board should act with utmost care to ensure that the transactions are at arms' length.
35. A management board member should display full loyalty towards the company and avoid actions which could lead to implementing exclusively own material interest. If a management board member receives information on the possibility of making an investment or another advantageous transaction concerning the objects of the company, he should present such information immediately to the management board for the purpose of considering the possibility of the company taking advantage of it. Such information may be used by a management board member or be passed over to a third party only upon consent of the management board and only when this does not infringe the company's interest.
36. A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.
37. Management board members should inform the supervisory board of each conflict of interest in connection with the performed function or of the risk of such conflict.
38. The remuneration of management board members should be set based on transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in reasonable relation to the economic results, and be related to the scope of liability resulting from a given function, taking into account the level of remuneration of members of management boards in similar companies in a similar market.
39. The aggregate remuneration of all members of the management board should be disclosed and itemized in the annual report. If the amount of remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.
40. The management board should lay down the principles and procedure of operations and allocation of powers in the by-laws which should be open and generally available.

## **Best Practices in Relations with Third Parties and Third Party Institutions**

41. *The selection of a chartered auditor for a company should guarantee impartiality of performance of the entrusted tasks.*
42. In order to ensure proper impartiality of opinion, the company should change the chartered auditor at least once every five years. The change means the change of the person conducting the audit. In addition, the company should not avail of services of the entity auditing the financial statements over a longer period of time.
43. The entity to be appointed a chartered auditor should be selected by the supervisory board after the audit committee has presented relevant recommendations or by the general meeting after presentation of the recommendation by the supervisory board. If the supervisory board or general meeting selects an auditor other than recommended by the audit committee, this decision should be fully justified. Information re. the selection of the entity to be the chartered auditor should be included in the annual report.
44. An auditor auditing annual accounts of a company or its subsidiaries cannot act as a special purpose auditor for the same company.
45. A company should acquire its own shares in such a way that no group of shareholders be privileged.
46. The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements should be made available in the registered office of the company and on its website.
47. The Company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations and taking into account its interests, make available to mass media representatives information on its current operation and business, standing, and enable their presence in general meetings.
48. In its annual report, a company should make public its statement on the application of corporate governance standards. If the standards are not applied to any extent, the company should also publicly explain this fact.

**Legal basis:**

§45 section 1 point 5 of the Council of Ministers Ordinance dated 21 March 2005 on current and periodic information provided by the issuers of securities (Journal of Laws of 2005, no. 49, item 463).