

**Best Practices in Public Companies 2005 including the comment of Bank Zachodni WBK S.A.**

Principle	Yes No	Published comment BZ WBK SA
<b>A. GENERAL PRINCIPLES</b>		
<p><b><u>I. Objective of the Company</u></b>            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</p>	Yes	
<p><b><u>II. Majority Rule and Protection of Minority</u></b>            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.</p>	Yes	
<p><b><u>III. Honest Intentions and No-Abuse of Rights</u></b>            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.</p>	Yes	
<p><b><u>IV. Court Control</u></b>            The company's authorities and persons chairing a general meeting cannot decide on issues which should be resolved by court judgments. 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.</p>	Yes	

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<p><u>V. Independent Opinions Ordered by the Company</u></p> <p>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.</p>	Yes	
<b>B. BEST PRACTICES OF GENERAL MEETINGS</b>		
<p>1. A general meeting should take place in a place and at a time to allow the participation of as many shareholders as possible.</p>	Yes	
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• Such announcements is also available in the Internet and will include a detailed agenda and drafts of the resolutions.</li> <li>• A shareholder has the right to claim a copy of motions included in the agenda a week before a general meeting of shareholders.</li> </ul> <p>This rule does not apply to personal issues raised at general meetings of shareholders.</p>
<p>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.</p>	Yes	
<p>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.</p>	Yes	
<p>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</p>	Yes	

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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.	Yes	
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.	Yes	<ul style="list-style-type: none"> <li>• According to the Statutes, general meetings are opened by the Chairman of the Supervisory Board or his/her alternate, who procures the election of the chairman of the general meeting.</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>• To date the shareholders elected a person with adequate knowledge of law, AGM Regulations and issues to be raised. The Management Board and the Supervisory Board recommend that this policy be continued at future general meetings.</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>• All members of the Management Board and Supervisory board will be invited to every general meeting. A general meeting will be attended by at least two Mgmt Board and Supervisory board members, including a Mgmt Board member responsible of issues raised at the general meeting.</li> <li>• The absence of the Management Board member or Supervisory Board Member at the AGM requires explanation.</li> <li>• The Mgmt Board will invite an expert auditors to AGMs and EGMs if financials matters of the company are the subject of the meeting.</li> </ul>

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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.	Yes	
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.	Yes	<ul style="list-style-type: none"> <li>The Company's Management Board when answering the questions will take account of the need to protect inside information.</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>The Chairman of the general meeting may order short breaks in order to: <ul style="list-style-type: none"> <li>- make it possible for a shareholder to formulate a motion in writing</li> <li>- make it possible for the shareholders to agree their stance</li> <li>- consult experts present the general meeting</li> </ul> </li> </ul> <p>The Chairman may order a technical break if the general meeting takes more than 2 hours</p>
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.	Yes	
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.	Yes	The necessary amendments have been made to the Bank's Statutes
15. A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection.	Yes	
16. Due to the fact that the Code of Commercial Companies does not provide for court control in the	Yes	<ul style="list-style-type: none"> <li>The Chairman of a general meeting is obliged to chair the</li> </ul>

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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.		meeting in such a way so that a resolution is adopted in each case the general meeting is to take a decision on an issue. This will enable a dissatisfied shareholder to take an action against the resolution in line with the rules set in the Commercial Companies Code
17. At the request of a participant in the general meeting, his written statement is recorded in the minutes	Yes	<ul style="list-style-type: none"> <li>A written statement may concern only an item on the agenda being considered at a particular moment and present the shareholder's viewpoint in this regard.</li> </ul>
<b>BEST PRACTICES OF SUPERVISORY BOARDS</b>		
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.	Yes	<ul style="list-style-type: none"> <li>The Supervisory Board will submit a brief evaluation of the company's standing to the AGM on an annual basis</li> <li>The document will be made available along with other documents prepared for the AGM</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>A list of the candidates will be published along with the necessary information about the candidates.</li> </ul>
20 <sup>1</sup> . <ul style="list-style-type: none"> <li>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;</li> <li>b) Detailed criteria of independence should be laid down in the statutes of the company<sup>2</sup>;</li> </ul>	Yes	In its Statutes, the Bank defined the independence criteria for the supervisory board members stating that: <ul style="list-style-type: none"> <li>An independent Supervisory Board member should be free of any connections with the Bank, shareholders or staff, if these connections could have a material impact on the independent member's capacity to take objective decisions.</li> <li>In particular, an individual:</li> </ul>

<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.

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<p>c) Without the consent of the majority of independent members of the supervisory board, no resolutions should be adopted on the following issues:</p> <ul style="list-style-type: none"> <li>• any benefits provided by the company and its connected entities to the management board members;</li> <li>• 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;</li> <li>• selection of a chartered auditor to audit the company's financial statements.</li> </ul> <p>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".</p>		<ol style="list-style-type: none"> <li>1. who has been a Management Board Member within the last 3 years,</li> <li>2. who has been the Bank's auditor or an employee of the auditor examining the Bank's statements within the last 3 years,</li> <li>3. who receives directly or indirectly any remuneration from the Bank, other than Supervisory Board Member fees, which would materially interfere with the exercise of their independent judgment,</li> <li>4 who holds directly or indirectly more than 1% of the Bank's shares,</li> <li>5 who is a related person to the Supervisory Board and/or Management Board members as well as to the persons listed in points 1-4".</li> </ol> <p>Changes to the Statutes have been made adopting the clause/wording from the Principle 20d defined in sub-item d)</p>
<p>21. A supervisory board member should, most of all, bear in mind the interests of the company.</p>	Yes	
<p>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.</p>	Yes	
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• A Supervisory Board member will advise other members of existing conflict of interest and will not participate in the discussions (and voting) on such issues</li> <li>• Depending on the type of the issue, the Chairman may decide not to provide the Supervisory</li> </ul>

<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)

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		Board with materials concerning a given issue
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• On the day of his/ her appointment a supervisory board member submits a statement on personal, actual and organisational connections with a given shareholder.</li> <li>• By personal connections with a Bank's shareholder we mean also connections of the persons related to the Supervisory Board member (i.e. his or her spouse, own or adopted child minor of age, family member or any other person in the same household)</li> <li>• Actual connections mean connections of business nature</li> <li>• Organizational connections mean connections resulting from employment agreements or other similar agreements.</li> <li>• The company will disclose information about Supervisory Board member's connections with shareholders who hold more than 1% of shares.</li> </ul>
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• The Chairman of the Supervisory Board advises the President of the Management Board of the date and agenda of the meeting. The president takes a decision about participation of a Mgmt Board member/ all members in the Supervisory Board meeting</li> </ul>
<p>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.</p>	Yes	
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• The total remuneration of all SB members with a break down into their individual remuneration is each time publishing in the annual report.</li> </ul>

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<p>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.</p> <p>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 with access to those reports.</p>	Yes	<ul style="list-style-type: none"> <li>• The Supervisory Board regulations along with other corporate regulations it is available at the Bank's Internet site, in line with the law and the rules herein.</li> <li>• The Supervisory Board appointed the following committees: <ol style="list-style-type: none"> <li>1. Audit Committee,</li> <li>2. Remuneration&amp;Nominations Committee,</li> <li>3. Social Responsibility Committee</li> </ol> </li> <li>• Scope and mode of the Committees' operations are defined by their terms of reference adopted by force of the SB resolutions.</li> <li>• Reports on the Committees' operations are contained in the SB report and are made available to shareholders each time before an AGM.</li> </ul>
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• The date and the agenda of the meeting has to be agreed and sent to the Supervisory Board members at least 7 days prior to the meeting. The materials to be submitted to the Supervisory Board have to be provided no later than 3 days prior to the meeting. In justified cases the terms may be shortened by the Chairman</li> <li>• In the course of a meeting the agenda may be changed or a new item may be included if actions need to be taken by the Supervisory Board to protect the company against a loss or when a resolution is to be passed to assess whether there is a conflict of interest between the company and a member of the Supervisory Board.</li> </ul>
<p>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.</p>	Yes	<ul style="list-style-type: none"> <li>• If a Supervisory Board member is delegated, the Board will set the scope and way of reporting on the performance</li> </ul>
<p>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</p>	Yes	



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particular, if it could hinder the timely adoption of an important resolution.		
<b>D. BEST PRACTICES OF MANAGEMENT BOARD</b>		
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.	Yes	
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.	Yes	
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.	Yes	The Management Board acts with utmost care when executing transactions with shareholders and strives to ensure that transactions are concluded on the arms' length basis.
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.	Yes	

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36. A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.	Yes	<ul style="list-style-type: none"> <li>Long -term investments mean investments for minimum 3 years</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>A Management Board member will advise the Supervisory Board and the Mgmt Board President of a conflict of interest. The Supervisory Board, in liaison with the President of the Mgmt Board, will take adequate decisions.</li> </ul>
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.	Yes	Remuneration of the management board members is determined by the Supervisory Board based on the Remuneration & Nominations Committee's recommendations.
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.	Yes	<ul style="list-style-type: none"> <li>The total remuneration of all MB members with a break down into their individual remuneration is each time publishing in an annual report.</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>The Supervisory Board sets the division operating within the Bank in the Bank's Organisational regulations.</li> <li>The Mgmt Board defines organisational structure of individual divisions</li> <li>On the basis of a relevant authorisation, the Mgmt Board President assigns responsibilities and discretions to Mgmt Board members</li> </ul>
<b>E. BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS</b>		
41. The selection of a chartered auditor for a company should guarantee impartiality of performance of the	Yes	<ul style="list-style-type: none"> <li>Supervisory Board selects an auditor pursuant to the Bank's Statutes.</li> </ul>

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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.	Yes	<ul style="list-style-type: none"> <li>• The Supervisory Board annually reviews the activities of the auditor in line with existing internal procedures.</li> <li>• The Supervisory Board will choose the auditor in line with the Group policy re one auditor for all entities within the Group</li> <li>• In recognition of the principle, the Bank's authorities will try to ensure that the auditors' team be replaced at least every five years</li> </ul>
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.	Yes	<ul style="list-style-type: none"> <li>• A chartered auditor is selected by the Supervisory Board in line with the Group's policy re. having one auditor for all entities within the Group.</li> </ul>
44. An auditor auditing annual accounts of a company or its subsidiaries cannot act as a special purpose auditor for the same company.	Yes	
45. A company should acquire its own shares in such a way that no group of shareholders be privileged.	Yes	
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.	Yes	<ul style="list-style-type: none"> <li>• The Bank will publish on the Internet: <ul style="list-style-type: none"> <li>- The Bank Statutes</li> <li>- AGM Regulations</li> <li>- Mgmt Board Regulations</li> <li>- Supervisory Board Regulations</li> <li>- information and documents concerning general meetings</li> </ul> </li> </ul> <p>periodic reports</p>
47. The Company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the	Yes	<ul style="list-style-type: none"> <li>• If representatives of media wish to attend a general meeting, each time the Chairman informs</li> </ul>

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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.		<p>the shareholders of the presence of the media at the meeting.</p> <ul style="list-style-type: none"> <li>• The presence of the media at a general meeting has to be accepted by the shareholders in a voting requested by any of the shareholders</li> </ul>
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.	Yes	Bank Zachodni WBK annual reports on its operations will contain information on the application of corporate governance principles.