

## **Information Regarding Observance in 2008 of Rules Set out in Best Practices of WSE Listed Companies**

The Management Board of LC Corp SA ("Issuer"), discharging the obligation specified in Art. 29.5 of the Rules of the Warsaw Stock Exchange SA, informs that the rules of the corporate governance listed below were not applied in 2008. This information is provided pursuant to Resolution No. 1013/2007 of the WSE Management Board dated December 11th 2007.

### **Part A**

#### **INDICATION OF THE CORPORATE GOVERNANCE RULES WHICH WERE NOT APPLIED BY THE ISSUER, SPECIFYING THE CIRCUMSTANCES AND REASONS FOR NON-OBSERVANCE OF RESPECTIVE RULES:**

Part II. "Best practices adopted by management boards of listed companies"

Rule No. 1: "The Company maintains a corporate website and places on it:"

Item 4: "information regarding the date and place of the general meeting, its agenda and draft resolutions, including their justification, as well as other available materials related to the company's general meetings, at least 14 days in advance of the date set for the meeting."

This rule was not observed by the Issuer in 2008, in its part regarding the time limit for placing on the Company's website draft resolutions, including their justification, and other available materials related to the Company's general meetings. The time limit for supplying to the public draft resolutions together with enclosures – at least 8 days in advance of the set date for the meeting, referred to in § 39.1.3 in connection with § 97.5 of the Regulation of the Minister of Finance of October 19<sup>th</sup> 2005 on current and periodical reports published by issuers of securities – is sufficient for becoming familiar with their content.

Item 6: "annual reports on the activity of the supervisory board taking account of the work of its committees together with the evaluation of the work of the supervisory board and of the internal control system, as well as the relevant risk management system submitted by the supervisory board."

This rule was not observed by the Issuer in 2008, in its part regarding the report on the work of the committees and the evaluation of the internal control system and the relevant risk management system. There are no committees operating in the scope of the Supervisory Board's activity. Since the Supervisory Board's powers do not include the internal control system or the relevant risk management system the Supervisory Board did not submit any evaluation of such systems.

Item 7: "shareholders' questions on issues on the agenda submitted before and during a general meeting together with answers to those questions."

This rule was not observed by the Issuer in 2008. The Company does not take detailed minutes of the course of the general meeting that would contain all comments and questions. The inclusion of respective issues in the minutes of the general meetings is decided upon by their chairman who is guided by the provisions of law, the significance of a given issue and justified shareholders' requests. Pursuant to the provisions of the Code of Commercial Partnerships and Companies and the General Meeting Rules the attendees of the general meeting have the right to make written statements which are included in the minutes. The Company deems such rules to be sufficient to ensure transparency of the general meeting proceedings.

Item 11: "information imparted to the management board, on the basis of a statement made by a member of the supervisory board, regarding the relation of the member of the supervisory board and a shareholder whose shares represent at least 5% of the total number of votes at the company's general meeting."

This rule was not observed by the Issuer in 2008, as the Company's Management Board does not receive such statements from members of the Supervisory Board in connection with non-observance of Rule no 2 of Part III "Best practices for supervisory board members".

Rule No. 3: "The management board, prior to concluding by the company a significant agreement with a related entity, submits such transaction/agreement for the supervisory board's approval. The above obligation is not applicable to typical transactions, concluded at arm's length as part of the company's operating activity carried out with a subsidiary entity in which the company has a majority holding. For the purpose of this set of rules the definition of a subsidiary entity in the meaning of the Regulation of the Minister of Finance of October 19<sup>th</sup> 2005 on current and periodical information published by issuers of securities was adopted."

This rule was not observed by the Issuer in 2008. In the opinion of the Company's Management Board the regulations included in the provisions of law in force, combined with the Statute and the Regulations for the Company's Supervisory Board regarding the transactions/agreements concluded with a related entity, are sufficient. The Supervisory Board's powers include exercising permanent supervision over the Company's activity, including also decisions on all significant agreements concluded by the Company, whereas the Company's Statute specifies the value criteria for such agreements.

Rule No. 5: "Draft resolutions of the general meeting should be justified, except for resolutions on regulations and formal issues as well as typical resolutions passed in the course of the ordinary general meeting proceedings. Taking account of the above the management board should present justification or ask the entity which proposes a motion to put a given issue on the agenda for the general meeting to present it."

This was not observed by the Issuer in 2008. The obligation to present justification, introduced by way of the above rule, opens up a possibility of objection that the prepared justification is incorrect, insufficient, too short or otherwise unsatisfactory for a shareholder. To minimise the risk related to non-observance of this rule, justifications for draft resolutions before and in the course of the general meeting are presented to the interested Company's shareholders.

### Part III. "Best practices for supervisory board members"

Rule No. 1: "Apart from the activities listed in the provisions of law the supervisory board should:"

Item 1: "once a year draw up and present to the ordinary general meeting a brief evaluation of the Company's situation, taking account of the evaluation of the internal control system and the significant risk management system."

This rule was not observed by the Issuer in 2008, in its part regarding the evaluation of the systems. Since there is no internal control system or significant risk management system the Supervisory Board did not present any evaluation of such systems to the general meeting.

Rule No. 2: "A member of the supervisory board should pass on to the management the information about his relations with a shareholder whose shares represent at least 5% of the total number of votes at the general meeting. The above obligation concerns the relations of economic, family or other nature which might have a bearing on the position of the member of the supervisory board regarding the issue considered by the board."

This was not observed by the Issuer in 2008. The above rule is superfluous in the context of the Supervisory Board's member withdrawal from the Board's decision making should there occur a conflict of interests. The criterion of purpose and effect that the member of the Supervisory Board wants to exert and exerts with his actions is correct and sufficient in accordance with the law in force. Such criterion is acting for the Company's and shareholders' benefit, and the liability for possible actions to the Company's or shareholders' detriment.

Rule No. 6: "At least two members of the supervisory board should meet the criteria of independence of the company and entities having significant relations with the company. With regard to the criteria of independence of the supervisory board members Annex II to the European Commission Recommendation of February 15<sup>th</sup> 2005 on the role of non-executive or supervisory

directors in listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of item b) of the Annex referred to hereinabove, the person who is employed by the company or by its subsidiary or associated entity may not be regarded as meeting the criteria of independence referred to in this Annex. Furthermore, in the meaning of this rule the relation with a shareholder excluding the supervisory board member's attribute of independence should be understood as a real and significant relation with a shareholder who has the right to exercise 5% or more of the total number of votes at the general meeting."

The above rule was not observed by the Issuer in 2008. The Company's authorities take the view that in accordance with the general principle of the majority rule and protection of the minority a shareholder who has contributed more capital bears also a greater economic risk. It is, therefore, justified that his interest should be considered in proportion to the capital he has contributed. Thence, he should also be entitled to put up candidates to the Supervisory Board who guarantee the implementation of the strategy adopted for the Company. In the opinion of the Company's Management Board the proper and effective implementation of the Company's strategy is thus ensured as is the sufficient protection of interests of all groups of shareholders and other groups related to our Company's enterprise. With the Company's present shareholding structure this rule forms a too far-reaching restriction of majority shareholders' corporate rights and infringes the principle of primacy of the majority rule in a joint-stock company.

Rule No. 7: "Within the Supervisory Board there should function at least an audit committee. At least one member of such committee should be independent of the company and entities having significant relations with the company and should have expertise in accounting and financial areas. In the companies where the supervisory board is composed of the minimum number of members required by law the tasks of the committee should be carried out by the supervisory board."

The above rule was not observed by the Issuer in 2008 as there were no committees operating within the framework of the Supervisory Board in 2008. The Company's Supervisory Board is composed of 5 people, and creating separate committees or commissions is pointless from the organisational point of view. Tasks foreseen for committees were carried out by the Supervisory Board in its full makeup. The Regulations for the Supervisory Board did not provide for setting up committees. Nevertheless, the Company took steps to ensure compliance with this rule, by proposing changes in the Company's Articles of Association and Regulations of the Supervisory Board, to be put to voting at the next GM.

Rule No. 8: "In the scope of tasks and functioning of the committees operating within the supervisory board Annex I to the European Commission Recommendation of February 15<sup>th</sup> 2005 on the role of non-executive directors (...) should be applied."

The above rule was not observed by the Issuer in 2008, since Rule No. 7 of Part III "Best practices for supervisory board members" is not applied. There are no committees operating within the framework of the Supervisory Board.

Rule No. 9: "Concluding by the company agreements/transactions with a related entity, meeting the conditions referred to in Part II item 3, is subject to the supervisory board's approval."

This rule was not observed by the Issuer in 2008. The regulations included in the provisions of law in force, combined with the Statute and the Regulations for the Company's Supervisory Board regarding the transactions/agreements concluded with a related entity, are sufficient. The Supervisory Board's powers include exercising permanent supervision over the Company's activity, including also decisions on all significant agreements concluded by the Company, whereas the Company's Statute specifies the value criteria for such agreements.

#### **Part B.**

#### **DESCRIPTION OF THE GENERAL SHAREHOLDERS MEETING'S OPERATION AND FUNDAMENTAL POWERS, AND THE SHAREHOLDERS' RIGHTS AND THE MANNER OF EXERCISING THEM:**

A general meeting is held in the registered office of the Company, or in Warsaw or in Katowice, on the day specified in the announcement published in Monitor Sądowy i Gospodarczy, in compliance with relevant regulations.

A general meeting is convened by the Management Board. A general meeting convened on the shareholders' request should be held on the date given in the request and, if this date cannot be kept under the regulations governing the rules for convening a General Meeting – on the nearest date that would allow the general meeting to settle the issues on its agenda.

A general meeting whose agenda includes certain issues at the request of authorized entities or which has been convened on such a request can only be cancelled with the consent of the requesting parties. In all other instances, a general meeting can be cancelled if its holding is hindered (*force majeure*) or is obviously groundless. A meeting is called off in the same way as it is convened, limiting negative consequences for the company and its shareholders as far as possible and no later than three weeks before the original meeting date. A change in the date of a general meeting is made in the same way as a cancellation, even if the proposed agenda does not change.

Shareholders who submitted in the Company registered certificates of deposit, issued by the entity keeping a securities account in accordance with the provisions on public trading in securities, at least one week before the date of the General Shareholders Meeting, are eligible to take part in the General Shareholders Meeting.

The list of shareholders eligible to participate in a General Meeting, signed by the Management Board – and including the names and surnames or names of eligible companies, their places of residence (seats), share numbers and types, as well as the number of votes – is available at the office of the Management Board for 3 days preceding the General Meeting.

Before a shareholder's representative can participate in a general meeting, his right to act on the shareholder's behalf should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a general meeting conforms with the law and does not require any additional confirmations or acknowledgement unless the company's management board or the chairman of the general meeting has doubts about its authenticity or validity *prima facie*.

Representatives of mass media may participate in a General Meeting unless the Company's interest may be compromised due to their participation General Meeting's agenda. A motion to admit representatives of mass media is submitted for voting by the Chairman promptly after the attendance register is signed.

The Chairman of the Supervisory Board opens a General Meeting, or another member of the Supervisory Board in his absence. Should these persons be absent, the General Meeting is opened by the President of the Management Board, or a person designated by the Management Board. Then, without unreasonable delay, the Chairman of the General Meeting is selected, hereinafter referred to as the "Chairman".

The Chairman is selected from the persons authorized to participate in a General Meeting. The person opening a General Meeting decides on the sequence of granting the floor on the issue of submitting candidates. The persons whose candidacies are put forward, are entered on the list of candidates for the position of the Chairman, provided they agree to candidate. The list of candidates is made by the person opening a General Meeting. There can be up to 3 candidates.

Each shareholder may cast his vote on only one candidate. The person given the largest number of votes becomes the Chairman of the General Meeting. The Chairman runs the meeting according to the adopted agenda. The chairman of the general meeting ensures that the meeting is run efficiently and that the rights and interests of all the shareholders are observed. The chairman should, in particular, counteract any abuse of rights by meeting participants and should guarantee that the rights of minority shareholders are respected. The chairman should not, without good reason, resign from his function or delay signing the meeting minutes.

The chairman of the general meeting ensures that the meeting is run without any unnecessary breaks and delays. Short breaks in the session which do not constitute an adjournment and are ordered by the chairman in justified cases cannot be aimed at hindering the exercising by the shareholders of their rights. Voting on administrative issues may only concern issues related to the running of the meeting. Resolutions which may have an impact on the exercising by the shareholders of their rights cannot be voted on in this way.

Promptly after his selection, the Chairman makes sure that the shareholders have signed the attendance register and submitted the required powers of attorney or documents authorizing them to represent shareholders in the General Meeting.

After the Chairman have signed the attendance register, and following consultation with the notary taking the minutes, the Chairman declares that the General Meeting is convened in a proper manner and has the capacity to adopt resolutions. The Chairman announces this fact to the participants and presents the agenda of the General Meeting.

A general meeting should be attended by the members of both the supervisory board and the management board. The auditor should also be present at an annual general meeting and an extraordinary general meeting if the company's financial matters are to be discussed. Supervisory and management board members and the company's auditor should, within their powers and to the extent needed to settle issues discussed at the general meeting, provide meeting participants with explanations and information about the company. The Chairman may decide on selecting a returning and credentials committee as well as Resolutions and Motions committee, or a person in charge of running the voting and counting its results. Each issue included in the agenda is discussed by the Chairman or a person the Chairman designates. After each item included in the agenda is presented, the Chairman opens a discussion by giving the floor in the order of participants' coming forward. The Chairman may give the floor to members of the Management Board and Supervisory Board. Speakers are allowed only to discuss the issues included in the agenda and being discussed at the particular moment. The Chairman may limit the speech time to 5 minutes for each participant of the General Meeting given the floor. A participant may speak in a discussion on each item of the agenda only twice. The second speech may last up to 2 minutes.

The Management Board and the Supervisory Board may reply to the motions filed during the discussion. The response time should not exceed 5 minutes, although is justified cases this time can be prolonged by the Chairman. The Chairman manages the discussion. In case speakers exceed the time granted for speech or digress from the subject of the discussion, the Chairman may forbid the speaker to continue.

A resolution not to consider an issue on the agenda may be adopted only if it is supported by sound reasons. Any motion in this respect should be accompanied by a detailed justification. It is not allowed to skip consideration of an issue, or adopt a resolution on removing from the agenda an issue included in the agenda by shareholders.

A resolution to be voted should be formed in a way that enables each authorized participant, who objects to the outcome of the resolution, to appeal against it.

The Chairman can give the floor beyond the scope of the agenda or in connection with a discussion only to those speakers who want to submit a formal motion. Formal motions may only concern the issues included in the agenda and the course of the meeting. They are not voted as those resolutions which may influence the exercising of a shareholder's rights.

A member of the supervisory board should have the relevant education, the appropriate professional and practical experience, be of high moral standing and be able to devote the time required to perform his supervisory board function properly.

At the motion by a shareholder or shareholders representing minimum 20% of the share capital, the selection of a Supervisory Board should be made by the nearest General Meeting, by way of voting in separate groups, even if the Articles of Association provides for another manner of appointing the Supervisory Board. The persons – representing at the General Meeting the part of shares which results from dividing the total number of represented shares by the number of Supervisory Board members – may form a separate group in order to select one member of the Supervisory Board. However, they do not participate in selecting the remaining members. The seats in the Supervisory Board unfilled by the respective group of shareholders, are filled in voting attended by all those shareholders, whose votes were not cast during the selection of the Supervisory Board members chosen by way of voting in separate groups. In case no group eligible to elect a member of the Supervisory Board is formed at the General Meeting referred to in section 1, then no elections are held, unless the agenda of the General Meeting anticipated both election by the groups and changes in the composition of the Supervisory Board. The moment at least one member of the Supervisory Board is elected by group voting, the mandates of all current members of the Supervisory Board expire, subject to the exception indicated in internal regulations of the Company.

In principle voting is open. The Chairman decides on secret voting on questions relating to personal issues, those relating to responsibility of members of the Company's management, and all other issues requested by any single shareholder present or represented at the General Meeting.

Resolutions are adopted by an absolute majority vote, unless the Articles of Association (Statute) or mandatory legal provisions provide for otherwise. A resolution is adopted when the number of

affirmative votes is higher than the number of votes against and abstaining votes. Voting at the General Meeting can be performed using an electronic vote-counting machine. The decision on this issue is made by the Chairman. The person voting against a Resolution can demand that his or her objection be included in the minutes together with a brief explanation. If demanded by a participant of the General Meeting, his or her written statement is included in the minutes.

**Part C.**  
**COMPOSITION AND RULES OF OPERATION OF THE COMPANY'S MANAGEMENT AND SUPERVISION BODIES AND THEIR COMMITTEES**

As at December 31<sup>st</sup> 2008, and the date of submitting this information, the composition of the Management Board of LC Corp S.A. was as follows:

- Dariusz Niedośpiał – President of the Management Board
- Dariusz Karwacki – First Vice President of the Management Board
- Waldemar Horbacki – Vice President of the Management Board
- Waldemar Czarnecki – Member of the Management Board

Within the reporting period the composition of the Management Board of LC Corp S.A. changed, and as from January 1<sup>st</sup> 2008, it included:

- Konrad Dubelski – President of the Management Board
- Waldemar Horbacki – Vice President of the Management Board
- Dariusz Karwacki – Vice President of the Management Board

As of October 16<sup>th</sup> 2008, by way of a resolution adopted by the Supervisory Board, Waldemar Czarnecki was appointed Member of the Management Board and Dariusz Karwacki was entrusted with the function of First Vice President of the Management Board.

As of November 24<sup>th</sup> 2008, by way of a resolution of the Supervisory Board, Konrad Dubelski, President of the Management Board, was dismissed from the Management Board, in place of whom Dariusz Niedośpiał was appointed and entrusted with the function of President of the Management Board.

The Management Board is composed of one to five members. Members of the Management Board, including the President, are appointed and dismissed by the Supervisory Board. The term of office of the Management Board lasts for three years. The same person can be appointed member of the Supervisory Board for another term of office lasting not more than three years each.

The Management Board holds regular meetings at least once a week, with their dates and locations established by the members of the Management Board. Meetings of the Management Board are convened and run by the President of the Management Board or a member of the Management Board authorized by the President. Each member of the Management Board may file a motion with the President of the Management Board concerning the convening of a meeting to discuss issues which require prompt decisions by the Management Board, or provide information on important issues concerning the Company. In such cases, the President of the Management Board convenes a meeting within the period enabling the participants to make appropriate decisions. The participants should be notified about the Management Board meeting minimum 24 hours before it begins, in any manner allowing the participant to receive the notification and confirm its reception.

Resolutions of the Management Board can be passed only after all members of the Management Board have been properly notified about the Board's meeting. Resolutions of the Management Board are adopted by an absolute majority vote, and each member of the Management Board can cast only one vote. The vote of the President of the Management Board is deciding in cases of equal number of votes cast on resolutions of the Management Board. Members of the Management Board may adopt a resolution by way of signing the draft resolution by successive members of the Management Board (by circulation). Each member of the Management Board, who voted against a resolution is entitled to file a written dissenting opinion, which may include justification. A dissenting opinion is attached to the minutes of the Management Board meeting.

The other members of the Board cannot refuse the inclusion of a dissenting opinion in the adopted resolution.

Meetings of the Management Board and their resolutions are included in the minutes, if the meeting concerns crucial issues of the Company, and the Board finds it relevant. By consent of all members, the Management Board may decide not take minutes of the meeting, provided that the resolutions adopted at that meeting are included in separate minutes.

Members of the Management Board must not participate in dealing with issues which may involve a conflict between the interest of the Company and the personal interest of a member of the Management Board, their spouses, in-laws, and relatives up to the second degree.

The Management Board submits for approval of the Supervisory Board all motions and draft resolutions to be voted by the General Meeting. The Management Board submits to the General Meeting motions or draft resolutions, together with the opinions issued by the Supervisory Board or the information stating that the Supervisory Board did not issue its opinion.

Members of the Management Board must obtain approval of the Supervisory Board for their involvement in the activities competitive towards the business of the Company.

As at December 31<sup>st</sup> 2008, and the date of submitting the financial statements for 2008, the composition of the Supervisory Board of LC Corp S.A. was as follows:

- Leszek Czarnecki – Chairman of the Supervisory Board;
- Remigiusz Baliński – Vice Chairman of the Supervisory Board;
- Artur Wiza – Member of the Supervisory Board;
- Andrzej Błażejowski – Member of the Supervisory Board

Within the reporting period the composition of the Supervisory Board of LC Corp S.A. changed, and as from January 1<sup>st</sup> 2008, it included:

- Remigiusz Baliński – Chairman of the Supervisory Board
- Dariusz Niedośpał – Vice Chairman of the Supervisory Board
- Ludwik Czarnecki – Member of the Supervisory Board
- William Michael Pollard – Member of the Supervisory Board
- Jarosław Dowbaj – Member of the Supervisory Board.

On April 21<sup>st</sup> 2008, the day the Ordinary General Meeting was held, Mr Ludwik Czarnecki, Mr Jarosław Dowbaj and Mr William Michael Pollard resigned from their membership in the Supervisory Board. Mr Leszek Czarnecki, Mr Artur Wiza and Mr Andrzej Błażejowski were appointed to replace the aforementioned.

On November 24<sup>th</sup> 2008, Mr Dariusz Niedośpał resigned from his membership in the Supervisory Board.

On January 5<sup>th</sup> 2009 Ludwik Czarnecki was appointed Member of the Supervisory Board.

The Supervisory Board comprises 5 to 7 members, appointed by the General Meeting for a 3-year, joint term of office. The resolution on appointing a member of the Supervisory Board may stipulate his or her function within the Board.

A Chairman and Vice Chairman of the Supervisory Board are elected from among the Board's members.

A Supervisory Board member should not resign from his function during his term of office if this would make it impossible for the board to function, particularly if it could hinder the timely adoption of an important resolution. Information on a Supervisory Board member's personal, actual and organizational connections with a given shareholder, particularly with the majority shareholder (including any relevant changes in the status) should be made available to the Management Board so that the latter can make them publicly available. A member of the Supervisory Board shall provide the Management Board with information on the transfer or acquisition of shares in the company or in its dominant company or subsidiary and of transactions with such companies - provided that such information is relevant to his financial standing, or when the obligation to publish the information on the transaction results from the relevant regulations concerning current and periodic information disclosed by issuers of securities - so as to make it possible for the

Management Board to present the information publicly and in compliance with above-mentioned law.

Meetings of the Supervisory Board are held in the Company's seat or another location within the territory of Poland, as indicated in the invitation. Meetings of the Supervisory Board - except for the issues directly concerning the Management Board or its members, specifically those concerning dismissal, scope of responsibility and establishment of remuneration - should be open and accessible for members of the Management Board. The Supervisory Board may invite to its meetings employees of the Company or other persons from outside of the Company, provided that their presence is justified by the subject of the issues under discussion. The decision to invite any third party is taken by the person convening the meeting or the chairing the meeting.

The Supervisory Board adopts resolutions if at least a half of its members are present at the meeting and all members have been invited. The invitation is considered effective if sent in writing, by fax to the fax number given by members of the Supervisory Board, or via e-mail. The invitation should contain information on the date and agenda of the meeting. Supervisory Board members should confirm receipt of the invitation by annotating the invitation, in writing, by fax, or via e-mail. Should there be no quorum at a meeting of the Supervisory Board, its Chairman shall set the date of another meeting, to be held within 14 days of the meeting which was not held due to the lack of quorum.

Members of the Supervisory Board can take part in adopting resolutions by casting their votes in writing through the agency of another member of the Supervisory Board. The vote in writing cannot be cast on the issues included on the agenda during a meeting of the Supervisory Board. The Supervisory Board may adopt resolutions in writing or using means of remote (direct) communication. A resolution is binding when all members of the Board have been provided with the contents of the draft resolution. No resolution can be adopted through the agency of another member of the Supervisory Board, or in writing using means of remote (direct) communication, if the resolution concerns appointment, dismissal or suspension of a member of the Supervisory Board.

A Supervisory Board member should inform the other members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on any resolution on the issue, in respect of which the conflict of interest has arisen. An agenda of a Supervisory Board meeting is established 7 days before the scheduled date of the meeting, and approved by the Chairman. An invitation together with the date and scheduled agenda of the meeting should be delivered to members of the Supervisory Board at least 3 weekdays before the meeting. The invitation should contain information on the issues included in the agenda. Should any extraordinary circumstances occur, which justify shortening of the deadline referred to above, the said deadline can be shortened. The agenda of the Supervisory Board meeting should not be changed or supplemented during the meeting, unless all members of the Supervisory Board are present and consent to the changing or supplementing of the agenda, or if taking specific steps by the Supervisory Board is necessary to protect the Company against a loss, and also in case of a resolution providing assessment whether there occurs a conflict of interest between a member of the Supervisory Board and the Company. Resolutions of the Supervisory Board are passed by an absolute majority vote. In the case of a deadlock, the Chairman of the Supervisory Board has the casting vote. Voting in meetings of the Board is open. Voting on personal issues is secret. Secret vote is also ordered by the Chairman if requested by at least one member of the Supervisory Board. A meeting of the Supervisory Board is convened by the Chairman of the Board, and in his absence, by Vice Chairman of the Board. A meeting of the Supervisory Board is convened when necessary, at least once every three months. A meeting of the Supervisory Board can be convened at the request (with proposed agenda) of the Management Board or a member of the Supervisory Board. The Chairman of the Board, and in his absence, Vice Chairman of the Board, convenes the meeting within two weeks of receipt of the request. Should the Chairman of the Board, or Vice Chairman of the Board, fail to convene a meeting, the requesting party may convene a meeting independently by establishing the date, location and proposed agenda. Resolutions of the Supervisory Board and Supervisory Board meetings are recorded in minutes taken by a minutes secretary from outside of the Board or by a person designated by the Chairman from among the members of the Supervisory Board. The minutes should include agenda, names and surnames of the members of the Supervisory Board present at the meeting, number of votes cast for individual resolutions and dissenting opinions, as well as the modes

agreed for adoption of resolutions. The minutes are signed by all members of the Supervisory Board present at the meeting.

The Supervisory Board performs its duties collectively, although it can delegate its members to perform specific supervisory tasks independently. The Supervisory Board is represented by its Chairman, and in his absence, by Vice Chairman of the Board.

The work of the Supervisory Board is controlled by the Chairman and in his absence, by Vice Chairman of the Board. A member of the Supervisory Board, delegated by the Supervisory Board or by the Group to provide permanent supervision, should submit to the Supervisory Board a written detailed report on performance of the assignment.

The Company provides administrative support for the Supervisory Board.

There are no committees in place within the Company.

**Part D.**

**DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS ADOPTED IN THE COMPANY WITH REGARD TO DRAWING UP FINANCIAL STATEMENTS**

At the moment the Company has no formal internal and risk management systems implemented in the Company with regard to drawing up financial statements.