

## **11. The Management Board's statement on the application of corporate governance principles in the Company**

The statement of Grupa Kęty S.A. concerning the application of corporate governance principles in the Company prepared pursuant to § 91 Clause 5 item 4 of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and conditions of considering information required by the law of countries which are not EU members as equal (Journal of Laws No. 23, item 259).

### ***1. The set of corporate governance principles the Issuer is governed by and the places where the text of the set of principles is publically available.***

Grupa Kęty S.A. applies corporate governance principles set out in the document titled "The Code of Best Practice for WSE Listed Companies" adopted on 4 July 2007 by the Supervisory Board of Giełda Papierów Wartościowych SA w Warszawie (Warsaw Stock Exchange, WSE) by virtue of Resolution No. 12/1170/2007 amended with Resolution No. 17/1249/2010 of 19 May 2010. The text of corporate governance principles is publically available at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl), which is an official website of Warsaw Stock Exchange dedicated to corporate governance issues of listed companies.

### ***2. To the extent to which the Issuer deviated from the provisions of the set of corporate governance principles, indicating the provisions and explaining the reasons for such deviation.***

The Management Board of Grupa Kęty S.A. adopted all the principles of the Best Practice for WSE Listed Companies adopted by virtue of the above-mentioned resolution.

Furthermore, the Company informs that it does not apply the Recommendations listed below.

#### ***Recommendation I.1.***

A company should pursue a transparent and effective information policy using both traditional methods and modern technologies and latest communication tools ensuring fast, secure and effective access to information. Using such methods to the broadest extent possible, a company should in particular:

(...)

- enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website.

The recommendation was not applied as regards the broadcast and recording of General Meetings of Shareholders over the Internet. Since 2012, the Company intends to introduce the possibility of broadcasting and recording the General Meetings of Shareholders, recording General Meetings of Shareholders, and publishing the recordings on the company website.

#### ***Recommendation I.5***

A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remunerations of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and

Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.

The remunerations of the Members of the Supervisory Board are determined by the General Meeting of Shareholders, and the remunerations for Members of the Management Board are determined by the Supervisory Board. The remunerations of the Members of the Management Board are determined on the basis of the scope of duties, competences and accountability resulting from performed functions and generated economic results. Furthermore, each year, in its annual report, the Company publishes information about the remunerations of members of supervisory and management bodies pursuant to §91 Clause 6 item 17 of the Ordinance of the Minister of Finance on current and periodic information (...) of 19 February 2009 (Journal of Laws of 2009 No. 33 item 259).

***Recommendation I.9.***

The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

The selection of the Members of the Management Board and of the Supervisory Board is an independent decision of the Supervisory Board and of the General Meeting of Shareholders accordingly. Competences and professionalism are the main selection criteria for the members of the Company's authorities and other factors such as gender are not selection criteria in this respect.

***3. The description of the main features of the internal control and risk management systems applied in the Issuer's business in relation to the process of preparing financial statements and consolidated financial statements.***

The Company prepares consolidated and separate financial statements in accordance with the International Accounting Standards ("IAS") and the International Financial Reporting Standards ("IFRS"). IAS and IFRS cover the interpretations approved by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements is supervised by the Management Board and the financial function headed by the Chief Financial Officer, a Member of the Management Board of Grupa Kęty S.A. The financial statements are prepared directly by Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa Kęty S.A. Dekret employs accounting specialists, who have knowledge supported with required certificates and education, and appropriate experience needed to prepare financial statements according to the law in an appropriate way. Dekret Centrum Rachunkowe sp. z o.o. obtains the data needed to prepare financial statements from departments of the companies of the Capital Group engaged in the processes, whose description and data are elements of the full financial statements.

The accounting policy adopted by the Group's Management Board which stipulates the basic principles of recording economic events is the fundamental element of the process of preparing financial statements. The Company's accounting books are prepared as a result of recording economic events in line with the accounting policy. They are the basis for the preparation of the financial statements.

The process of preparing financial statements entails control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of outcomes of control reports).

The following risks were identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation system;
- the application of erroneous estimates; lack of the integration of IT systems.

The risks are mitigated by:

- the uniform system of mapping data from source systems to financial statements, which ensures the proper presentation of data;
- the reviews by internal specialists, mainly so as to confront their knowledge with financial figures and detect any possible improper presentations of data and erroneous input data;
- estimates are based on the best knowledge of the Management Board and certain estimates are prepared with the assistance of independent advisors (e.g. licensed actuaries or property appraisers);
- the Company's and the Capital Group's financial statements are audited on an annual basis and reviewed every six months by an independent auditor. The audits and reviews conducted every six months are to facilitate the detection of material irregularities, including omissions, in the process of preparing financial statements;
- the Company operates an integrated IT system, which ensures full data integration. The verification of data from the IT system is monitored according to the Company's IT systems security procedures. The books of accounts of the companies of the Group based in Poland are maintained in compliance with uniform principles valid in Grupa Kęty, according to the uniform Chart of Accounts, applying the International Financial Reporting Standards.

Dekret CR sp. z o.o. has a tax department which maintains tax books of Polish companies of the Group and approves of material transactions for their compliance with accounting principles. The companies of the Capital Group maintain systems of internal regulations comprising normative acts (e.g. procedures, instructions and rules) which govern the most important processes. Controlling Departments are responsible for the compliance with internal regulations, except for the functional supervision being the responsibility of superiors. The departments run such controls on an ongoing basis.

Compliance-related tasks ensure that the whole Company observes respective laws, regulations, supervisory requirements and internal principles and procedures, which ensures the elimination of the risk of losing the Company's reputation and exposure to risk of, e.g. fiscal penalties.

The high quality of these financial statements reflects the effectiveness of control and risk management procedures in the process of preparing financial statements of Grupa Kęty S.A. It is confirmed by opinions, without objections, issued by auditors from the audit of these financial statements.

In addition, Grupa Kęty participates in The Best Annual Report contest organized by Instytut Rachunkowości i Podatków (Accounting and Tax Institute), and is ranked high in it.

In order to ensure the effectiveness of its internal control system, Grupa Kęty undertakes measures focused on:

1. Efficiency and effectiveness of activities

Financial statements are prepared as fast as possible following the termination of the period, in order to plan measures of the Capital Group adjusting it to the present economic environment. To this effect, the Company established an internal system of collecting reporting data, which accelerates the preparation time and, hence, ensures the timely preparation and eliminates the possibility of errors related to the entering of data.

2. Reliability, completeness and current status of financial and management data (information-related tasks); the Group achieves the above through:

- the accounting policy determined and approved by the predominant entity and applied in all subsidiaries, defining the uniform method of documenting and presenting transactions of a similar nature;
- an integrated IT system for the majority of the Capital Group's companies, which ensures a uniform and high data processing standard; all new planned transactions are discussed in detail with specialists, which results in the development of the method of documenting such an event in books of accounts;
- the active internal control system supervising the implementation and adherence to approved solutions and procedures. The above solution allows to:
  - prepare information of proper quality and integrity so that the users can rely on it in the decision-making process;
  - eliminating the risk of incompleteness and, at the same time, of the lack of reliability of the prepared financial statements.

### 3. The observance of respective laws and regulations (compliance-related tasks)

The risk management structures functioning in Grupa Kęty S.A. allow for the coordination of actions aiming at the limiting of the basic risks in particular business segments and at the level of the Capital Group. The structures comprise: Controlling Departments in particular segments, which estimate the scales of particular risks (mainly of currency risk and price risk) and submit the proposed hedging strategy (and following its acceptance, they order its implementation); the Department of the Chief Risk Management Specialist, which - verifies the strategies of segments in terms of their effectiveness and compliance with the group's interest, is responsible for the negotiations of agreements and contracts concluded on the financial and insurance markets, and coordinates the measures at the level of the Capital Group; and the Risk Management Committee, which is an authority that finally accepts the strategy of hedging the price and currency risks for particular segments. The committee comprises Members of the Management Board of Grupa Kęty S.A. and managers responsible for particular business segments. The Risk Management Committee also plays the control role for the Chief Risk Management Specialist.

### ***4. Shareholders holding directly or indirectly substantial blocks of shares and the number of shares held by such entities, their percentage share in the initial capital, the number of votes resulting from them and their percentage share in the total number of votes at the General Meeting of Shareholders.***

For many years now, open-end pension funds and investment funds have been the largest shareholders of Grupa Kęty. At the end of 2010, they held the total of ca. 68% of the Company's shares as compared to ca. 58% recorded as at 31 December 2009. The number of Brokerage Houses has also been on the constant rise; they analyse the Company's situation on an ongoing basis and issue recommendations regarding it. At the end of 2010, there were as many as 11 such houses. The commitment of open pension funds in the Company is the highest among all listed companies, which is a sign of trust in financial institutions, particularly in the context of the development strategy published at the end of April 2010, whose implementation by the Company within a few next years will bring about an increase in the value for shareholders.

<b>As of 31.12.2010</b>	<b>No. of shares equal to No. of votes</b>	<b>Share in votes and in initial capital (%)</b>
Otwarty Fundusz Emerytalny ING	1 638 843	17.76%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1 390 780	15.08%
OFE PZU „Złota Jesień“	471 350	5.11%
Others	5 724 690	62.05%
<b>TOTAL</b>	<b>9 225 663</b>	<b>100%</b>

**5. Owners of all securities which incorporate special control rights and their description.**

N/A

**6. Any restrictions regarding the exercising of the voting rights such as the restriction on the exercising of the voting right by owners of a specific part or number of votes, time restrictions concerning the exercising process.**

N/A

**7. Any restrictions on the transfer of ownership rights to the Issuer's securities.**

N/A

**8. The rules of appointing and dismissing managing persons and concerning their rights, including the right to decide to issue or redeem shares.**

The Management Board directed by its President manages the Company's affairs and represent the Company vis-a-vis third parties. According to the Articles of Association of Grupa Kęty, the Management Board may be composed of 1-5 members appointed by the Supervisory Board, where the remaining Members of the Management Board are appointed upon the motion of the President of the Management Board. The joint term of office of the Management Board is three years. The Supervisory Board may recall any Member of the Management Board at any time. Any matters related to the management of the Company's affairs, not reserved to other authorities of the Company, are resolved by the Management Board. The work of the Management Board is determined in detail in the By-laws of the Management Board approved by the Supervisory Board.

Where the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with the Proxy shall make statements and sign documents on behalf of the Company. When the Management Board consists of more than one member, the Management Board is a collective body which exercises its rights through resolutions. The meetings of the Management Board, convened by the President, are held at least once a month. The resolutions of the Management Board may be passed if all Members of the Management Board are invited to the meeting. In order for a resolution to be valid, at least two members of the Management Board must be present at the meeting. The Company's Management Board passes resolutions in open voting by absolute majority of votes cast. In the case of an equal

number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman. The following affairs require the resolution of the Management Board:

- a) presenting, to the General Meeting of Shareholders, the Management Board's annual report on the Company's operation and the financial statements for the preceding financial year along with a motion on the distribution of profit or the covering of losses;
- b) presenting, to the General Meeting of Shareholders, motions with the Supervisory Board's opinion on the following issues:
  - changing the Company's objects;
  - amending the Company's Articles of Association;
  - increasing and reducing the Company's initial capital;
  - merger, division or transformation of the Company;
  - dissolution and liquidation of the Company;
  - issue of bonds;
  - transfer and lease of an enterprise or an organized part thereof and creation of a limited right in things thereon;
  - acquisition or transfer of a real estate related to the Company's core business;
- c) summoning the Ordinary or Extraordinary General Meeting of Shareholders:
  - upon the Management Board's own initiative;
  - upon a written request of the Company's Supervisory Board;
  - upon a written request of shareholders representing at least one tenth of the Company's initial capital;
- d) dividing duties among members of the Management Board;
- e) establishing the organisational by-laws and the structure of the Company;
- f) establishing and closing departments, units, plants and other separated organizational units of the Company;
- g) appointing and dismissing proxies and representatives of the Management Board for particular matters;
- h) establishing the working rules for the Company's employees and rules concerning the corporate payroll, award and incentive system for the employees;
- i) approving annual and long-term strategies, plans and action plans, including changes in the directions of the Company's activity;
- j) concluding agreements by the Company or performing other legal acts binding the Company to make a performance with a value exceeding 25% of the Company's initial capital;
- k) expressing consent to the disposal of and giving fixed assets for use, except for matters to be resolved by the General Meeting of Shareholders;
- l) making charitable or social donations;
- m) making decisions on employee redundancies.

Members of the Management Board do not have the right to decide on the issue or redemption of shares; they only have the rights to initiate the taking of measures concerning the issue or redemption of shares.

#### **9. The principles of amending the Issuer's Company's Articles of Association.**

The Code of Commercial Companies governs in detail the amendments to the Articles of Association of a joint-stock company in Chapters 4, 5 and 6 of the provisions on a joint-stock company (Article 430 of the Code and the following provisions).

The Articles of Association of Grupa Kęty S.A. do not provide for any special provisions governing amendments to the Articles of Association; in this respect, the Company applies the provisions of the Code of Commercial Companies, according to which an amendment to the Articles of Association of a joint stock company requires:

- a resolution by the General Meeting of Shareholders;
- an entry in the National Court Register (Article 430 of the Code of Commercial Companies)

The procedure begins with the adoption by the Company's Management Board of a resolution containing draft amendments, which is further presented for the approval of the Supervisory Board of Grupa Kęty. When the approval is granted, the draft amendments are presented to the General Meeting of Shareholders. Resolutions of the General Meeting of Shareholders concerning amendments to the Articles of Association are made with a majority of votes pursuant to the principles set out in the Code of Commercial Companies and the Company's Articles of Association.

Amendments to the Articles of Association become effective upon the entry of an amendment to the National Court Register. The duty to report the amendment to the Articles of Association is the responsibility of the Company's Management Board. The Management Board has an obligation to report an amendment to the Articles of Association within 3 months from the making of an appropriate resolution.

***10. The operation mode of the General Meeting of Shareholders and its essential rights and the description of the rights of shareholders and of the method of their exercising, particularly the principles resulting from the by-laws of the General Meeting of Shareholders, if such by-laws were adopted, if the relevant information does not follow directly from the law.***

The General Meeting of Shareholders, as the Company's authority, acts under the law in force (particularly the Code of Commercial Companies), the Company's Articles of Association and the adopted By-laws. All the documents can be downloaded from the website of Grupa Kęty. The following matters shall be within the powers of the General Meeting of Shareholders (except for other matters set forth in the law):

- 1) examination and approval of the Management Board's report on the Company's activities and of financial statements for the preceding financial year;
- 2) adopting resolutions on distribution of profit or the covering of the loss;
- 3) discharging members of the Company's authorities from their duties;
- 4) changing the Company's objects;
- 5) amending the Company's Articles of Association;
- 6) increasing and reducing the Company's initial capital;
- 7) merger, division or transformation of the Company;
- 8) dissolution and liquidation of the Company;
- 9) issue of bonds;
- 10) transfer and lease of an enterprise of the Company or of an organized part thereof and creation of a limited right in things thereon;
- 11) the acquisition or sale of real estate of the Company related to its core business;
- 12) decisions in respect of claims for making good on damage suffered through the formation of the Company or exercise of management or supervision;
- 13) resolutions consenting the Company to conclude credit, loan, guarantee or other similar contracts with a member of the Management Board, Supervisory Board, Proxy, Liquidator or in favour of any of these persons;

14) determination of the date of the acquisition of rights to dividend and of the date of payment of the dividend;

15) resolutions on the redemption of the Company's shares.

#### **The principles concerning the convening of the General Meeting of Shareholders**

The By-laws of the General Meeting of Shareholders set out the principles and procedure of Ordinary and Extraordinary General Meetings of Shareholders ("GMS") of Grupa KĘTY S.A. ("Company"). These By-laws and the provisions of the Code of Commercial Companies as well as the provisions of the Company's Articles of Association are the legal basis for the Company GMS operation. The General Meetings of Shareholders (both ordinary and extraordinary) are held in the Company's seat in Bielsko-Biała or in Warsaw, and they are summoned by the Management Board through a notice published on the Company's website and in the manner defined for the publication of current information according to the provisions on public offer and the conditions of introducing financial instruments to an organized trading system and on public companies. A General Meeting of Shareholders may be convened also by the Supervisory Board or shareholders representing at least half of the initial capital. Shareholders representing at least 5% of the initial capital may request the summoning of the General Meeting of Shareholders and including certain specific items in the agenda of the Meeting.

Due to the fact that the Company is a public company, only the shareholders who are owners of bearer shares sixteen days prior to the date of the General Meeting of Shareholders may participate in it and exercise their voting rights. They must properly register the participation in the General Meeting of Shareholders pursuant to the Code of Commercial Companies.

Furthermore, members of the Management Board and of the Supervisory Board as well as the Company's Certified Auditor and other persons invited by the body convening the General Meeting of Shareholders may participate in the General Meeting of Shareholders, unless, upon the request of shareholders filed before proceeding to the discussion over issues included in the agenda, the General Meeting of Shareholders resolves otherwise with a simple majority of votes. The list of shareholders entitled to participate in the General Meeting of Shareholders, signed by the Management Board, including the names of authorised persons or companies, their addresses (registered offices), the type and number of shares and the number of their votes, is available in the Company's seat for the first three business days prior to the General Meeting of Shareholders.

#### **By-laws of the General Meeting of Shareholders**

Shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through proxies. Shareholders present at the General Meeting of Shareholders confirm their presence with their own signatures on the roll placed in the meeting room and collect their voting ballots. Furthermore, proxies file the originals of their powers of attorney granted to them by the shareholder and legibly sign on the roll, with their full name and surname, at the empowering shareholder's name.

The Chairman of the Supervisory Board or a person indicated by him/her shall open the General Meeting of Shareholders; afterwards the Chairman of the General Meeting of Shareholders shall be elected from among persons having voting rights. Candidates for the position of the Chairman of the General Meeting of Shareholders may be put forward by persons authorized to vote at the General Meeting of Shareholders. Following the election of the Chairman, he/she declares that the GMS is validly held and that it is capable of adopting resolutions as regards matters included in the agenda, and rules to adopt the agenda. During the meeting, the Chairman is responsible and has the right to supervise the compliance of the proceeding of the General Meeting of Shareholders with the Code of Commercial Companies, the Company's Articles of Association and the By-laws of the General Meeting

of Shareholders, to give and take the floor to the participants of the General Meeting of Shareholders, to order breaks during discussions, to order voting on resolutions, to confirm that the discussion on them is properly held and its results are correct and valid.

Basic rights and obligations of persons authorized to vote are as follows: exercising their voting rights freely; submitting motions; demanding confidential voting; demanding that his/her objections and other statements are included in the minutes; making enquiries and demanding explanations from members of the Management Board and of the Supervisory Board present at the meeting; observing the agreed agenda, law, provisions of the Company's Articles of Association, these By-laws and mere decency. The proceeding of the General Meeting of Shareholders is recorded in the minutes by a notary public and an excerpt from the minutes along with the proof of convening the General Meeting of Shareholders and the powers of attorney granted by shareholders shall be attached by the Management Board to the book of minutes that the shareholders may view and demand the issue of copies of resolutions certified by the Management Board. Resolutions of the General Meeting of Shareholders are adopted with the majority of votes as set out in the Articles of Association and the Code of Commercial Companies. Votes are cast and counted in an electronic votes counting system. Voting is open. A confidential vote is ordered during the elections and with regard to motions to dismiss members of the Company's authorities, bringing them to justice as well as with respect to personal issues. Confidential vote is also ordered when at least one shareholder present or represented at the General Meeting of Shareholders requests so. After discussing all matters included in the agenda, the Chairman announces the closing of the General Meeting of Shareholders.

***11. The composition and changes in the composition in the last financial year, and the description of the operation, of the Issuer's managing, supervising or administering authorities and of their committees.***

**Management Board**

The composition of the Management Board of Grupa Kęty in 2010 did not change and was as follows:

- Dariusz Mańko, President of the Management Board, Chief Executive Officer
- Adam Piela, Member of the Management Board, Chief Financial Officer

The Management Board directed by its President manages the Company's affairs and represent the Company vis-a-vis third parties. Where the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with the Proxy shall make statements and sign documents on behalf of the Company. When the Management Board consists of more than one member, the Management Board is a collective body which exercises its rights through resolutions.

The meetings of the Management Board, convened by the President, are held at least once a month. The resolutions of the Management Board may be passed if all members of the Management Board are invited to the meeting. In order for a resolution to be valid, at least two members of the Management Board must be present at the meeting.

**Adopting resolutions**

The Company's Management Board passes resolutions in open voting by absolute majority of votes cast. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the meeting chairman. The following affairs require the resolution of the Management Board:

- a) presenting, to the General Meeting of Shareholders, the Management Board's annual report on the Company's operation and the financial statements for the preceding financial year along with a motion on the distribution of profit or the covering of losses;
- b) presenting, to the General Meeting of Shareholders, motions with the Supervisory Board's opinion

on the following issues:

- changing the Company's objects;
  - amending the Company's Articles of Association;
  - increasing and reducing the Company's initial capital;
  - merger, division or transformation of the Company;
  - dissolution and liquidation of the Company;
  - issue of bonds;
  - transfer and lease of an enterprise or an organized part thereof and creation of a limited right in things thereon;
  - acquisition or transfer of a real estate related to the Company's core business;
- c) summoning the Ordinary or Extraordinary General Meeting of Shareholders:
- upon the Management Board's own initiative;
  - upon a written request of the Company's Supervisory Board;
  - upon a written request of shareholders representing at least one tenth of the Company's initial capital;
- d) dividing duties among members of the Management Board;
- e) establishing the organisational by-laws and the structure of the Company;
- f) establishing and closing departments, units, plants and other separated organizational units of the Company;
- g) appointing and dismissing proxies and representatives of the Management Board for particular matters;
- h) establishing the working rules for the Company's employees and rules concerning the corporate payroll, award and incentive system for the employees;
- i) approving annual and long-term strategies, plans and action plans, including changes in the directions of the Company's activity;
- j) concluding agreements by the Company or performing other legal acts binding the Company to make a performance with a value exceeding 25% of the Company's initial capital;
- k) expressing consent to the disposal of and giving fixed assets for use, except for matters to be resolved by the General Meeting of Shareholders;
- l) making charitable or social donations;
- m) making decisions on employee redundancies.

#### **Supervisory Board**

The Supervisory Board exercises supervision and control over the Company's activities. Save for matters that are within the authority of the Supervisory Board pursuant to the Polish Code of Commercial Companies and the Articles of Association, special duties of the Board shall include the following:

- 1) the assessment of the Company's financial statements and the Management Board's report on the Company's operations;
- 2) the assessment of the Management Board's motions on the distribution of profit or the covering of losses;
- 3) submitting to the General Meeting of Shareholders written reports on findings concerning actions mentioned in items 1 and 2 above;
- 4) submitting to the General Meeting of Shareholders a brief assessment of the Company's situation;
- 5) submitting to the General Meeting of Shareholders an annual report and assessment of the Board's activity;

- 6) appointing and dismissing members of the Management Board and determining the rules of remunerating them;
- 7) suspending the Management Board or a member thereof in their duties because of important reasons;
- 8) delegating member(s) of the Supervisory Board to temporarily perform duties of members of the Management Board who are incapable of discharging their duties;
- 9) approving of the By-laws of the Company's Management Board;
- 10) approving of annual budgets and strategic plans of the Company;
- 11) the election of the auditor to audit the Company's financial statements.

Furthermore, the Management Board must obtain the consent of the Supervisory Board before performing any acts enumerated in the Company's Articles of Association. The Supervisory Board is composed of 5-6 members appointed and dismissed by the General Meeting of Shareholders. The joint term of office of the Supervisory Board is three years. At least half of the members of the Supervisory Board should be independent members. Independent members of the Supervisory Board should be free from any connections which might substantially influence the capacity of the independent member to take impartial decisions.

#### **The organisation of the works of the Supervisory Board**

The Supervisory Board elects, from among its members, a Chairman, a Vice-Chairman and, if needed, a Secretary of the Supervisory Board. The Chairman of the Supervisory Board convenes and chairs the Board meetings and manages its works. If the Chairman is not able to perform his/her duties or he/she is absent, the Vice-Chairman performs his/her duty.

The Supervisory Board acts in compliance with the by-laws passed by it that determine in detail the work procedure of the Board. The Supervisory Board completes its tasks and exercises its rights by passing resolutions at meetings and through control and advisory activities. The Supervisory Board shall be summoned at least once in each quarter. Resolutions of the Supervisory Board are adopted in open voting by a simple majority of votes cast, except for personal matters which are decided in confidential voting.

The Supervisory Board may adopt resolutions if all members are invited to the meeting of the Supervisory Board. The meeting of the Supervisory Board is recorded in minutes, which should contain the following information: the agenda, names

of the members of the Supervisory Board present at the meeting and of other persons, the description of the proceedings, the texts of the resolutions and the number of votes cast for particular resolutions. The minutes must be signed by all members of the Supervisory Board present at the meeting. Furthermore, the Members of the Supervisory Board must validate their presence at the meeting by signing the roll. The following committees operate within the Supervisory Board: the Audit Committee and the Remunerations Committee.

The composition of the Supervisory Board in 2010 did not change and was as follows:

- Krzysztof Głogowski – Chairman (an independent member)
- Maciej Matusiak – Vice-Chairman (an independent member)
- Szczepan Strublewski – Member (an independent member)
- Tadeusz Iwanowski – Member (an independent member)
- Jerzy Surma – Member (an independent member)

#### **Activities of the Audit Committee**

The Audit Committee in the Supervisory Board of Grupa Kęty S.A. was appointed on 23 September 2004 by virtue of the Resolution of the Supervisory Board No. V/13/04. The Committee's works are governed by the by-laws adopted by the Supervisory Board on 23 September 2004. The Committee

Members are appointed by a resolution passed by the Supervisory Board, from among the Board's members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointments procedure. According to the corporate governance standards, the Audit Committee is headed by an independent member of the Board. The meetings of the Committee were open to other members of the Supervisory Board and the discussion summary notes are disclosed to all members of the Supervisory Board. Committee members do not receive any additional consideration for their work in the Committee.

The fundamental aim of the Audit Committee is the cooperation with the Management Board of Grupa Kęty S.A. in order to ensure coherence of financial statements of the Company, conformance to legally binding regulations and principles, independence of auditor's opinion and conducting internal audits in the Company, as well as drawing a Committee's report, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders. The Committee's most important tasks are as follows: the review of selected issues related to the application of accounting principles and the presentation of financial statements, the rules of applying transfer prices by the companies of the Capital Group, the provisions creation policy, reporting according to IFRS, tax situation of special economic zones (SEZ) – the recognition of tax benefits resulting from the operation of Alupol Sp. z o.o. subsidiary in the SEZ, the cooperation with certified auditors auditing subsidiaries. The Committee also discusses, with the Management Board and the Company's internal and external auditors, the risk assessment and risk management policies. Such discussion should account for major financial risks for the Company and measures taken by the Management Board with a view to monitor and control these risks. The Committee presents recommendations to the Supervisory Board in the form of resolutions; however, the Committee's resolutions are not binding for the Supervisory Board.

The composition of the Audit Committee in 2010 did not change and was as follows:

- Maciej Matusiak
- Szczepan Strublewski
- Jerzy Surma

#### **Activities of the Remunerations Committee**

The Remunerations Committee was appointed on 19 May 2005 by the Resolution of the Supervisory Board No. VI/4/05. The Supervisory Board took such a decision to ensure the observance of corporate governance principles and to measure up to the expectations of the players of the capital market. The Committee is mainly responsible for establishing and controlling remunerations of the Members of the Company's Management Board. The basic objective of the Remunerations Committee is as follows: the control and supervision over the remuneration system for members of the Management Board of Grupa Kęty S.A.; an analysis of the system of remuneration for members of the Management Board as compared with other systems implemented in other entities operating on the market; drawing a report of the Committee, which is attached to the annual report on the operations of the Company's Supervisory Board submitted to the General Meeting of Shareholders.

The composition of the Remunerations Committee in 2010 did not change and was as follows:

- Krzysztof Głogowski
- Tadeusz Iwanowski

## 12. Other statements of the Management Board

### **Grupa Kęty S.A. as at 07.04.2011**

#### **THE STATEMENT OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. CONCERNING THE FAIRNESS OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

The Management Board of Grupa Kęty S.A. hereby declares that, according to its best knowledge, the annual consolidated financial statements for 2010 and comparable data were prepared according to the accounting principles in force and they present a true and fair view of the financial standing, assets and financial result of the Capital Group of Grupa Kęty S.A. The Management Board's annual report on the operation of the Capital Group of Grupa Kęty S.A. for 2010 presents a true view of the development and accomplishments as well as of the standing of the Capital Group of Grupa Kęty S.A., including the description of basic risks and threats.

### **Grupa Kęty S.A. as at 07.04.2011**

#### **THE STATEMENT OF THE MANAGEMENT BOARD OF GRUPA KĘTY S.A. ON THE SELECTION OF AN ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS**

The entity authorized to audit the financial statements that audits the annual consolidated financial statements was selected according to the law. The entity and auditors auditing the financial statements observed the conditions for the issuance of an impartial and independent opinion on the audited annual consolidated financial statements, according to the law and professional standards.

Dariusz Mańko  
*President of the Management Board*

Adam Piela  
*Member of the Management Board*

***Kęty, 7 April 2011***