

Current Report No. 54/2005 of July 11th 2005

Declaration on the Application of Corporate Governance Standards at PGF

Acting pursuant to Par. 27 of the WSE Rules, the Executive Board of PGF SA of Łódź, hereby submits a declaration on the application of Corporate Governance Standards at the Company. The declaration is attached to this report.

Declaration on the Application of Corporate Governance Standards at PGF SA of Łódź:

	PRINCIPLE	YES/ NO	PGF's COMMENTARY
GENERAL PRINCIPLES			
I	<u>Objective of the company</u> <i>The basic objective of operations of a company's bodies 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.</i>	Yes	

II	<p><u>Majority rule and protection of minority</u></p> <p><i>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 contributes more capital also bears a higher economic risk. It is, therefore, justified that his 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 law and commercial integrity. While exercising its rights, the majority shareholder should take into account the interests of the minority.</i></p>	<p>Yes</p>	
III	<p><u>Honest intentions and non-abuse of rights</u></p> <p><i>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 which 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.</i></p>	<p>Yes</p>	

IV	<p><u>Court control</u></p> <p><i>Neither the company's bodies, nor persons chairing a General Shareholders Meeting, may decide on issues which should be resolved by court judgements. This does not apply to activities which are within the powers of the company's bodies and of persons chairing General Shareholders Meetings, or which they are obliged to undertake by force of law.</i></p>	Yes	
V	<p><u>Independent opinions ordered by the company.</u></p> <p><i>When choosing an entity which is to provide expert services, including in particular the services of an expert 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.</i></p>	Yes	<p><i>According to the "Rules for Using Legal Services at PGF SA," adopted by the Supervisory Board, an entity selected to provide legal services is subject to approval by the Supervisory Board, if such entity is related to a Supervisory Board member or otherwise related to the Company.</i></p>
BEST PRACTICES OF GENERAL SHAREHOLDERS MEETINGS			
1	<p><i>A General Shareholders Meeting should take place in a location and at a time to allow the participation of as many shareholders as possible.</i></p>	Yes	<p><i>The General Shareholders Meetings take place at the Company's registered office in Łódź. The Annual General Shareholders Meeting is held in June and convened before noon.</i></p>

2	<p><i>A request for convening a General Shareholders Meeting and placing certain issues on its agenda, made by parties so entitled, should be justified. Draft resolutions proposed to be adopted by the General Shareholders 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 Shareholders Meeting, in advance so as to allow them to review and evaluate the same.</i></p>	<p>Yes</p>	<p><i>Pursuant to Par. 1 of the General Shareholders Meeting's Rules of Procedure, adopted at the Company's Annual General Shareholders Meeting on June 6th 2003, if requested, drafts of resolutions put forward by the Executive Board or Supervisory Board are presented to the shareholders along with a justification and an opinion of the Supervisory Board at least 15 days prior to the General Shareholders Meeting. This rule also applies to any draft resolution proposed by a shareholder, as long such a draft is submitted to the Company along with a request to convene a General Shareholders Meeting or to place a certain issue on its agenda.</i></p> <p><i>In line with the adopted policy, if a shareholder or shareholders submit(s) a request for convening a General Shareholders Meeting and placing certain issues on its agenda without a justification, the Executive Board will request that such a justification be provided independent of whether it performs its obligation to convene the General Shareholders Meeting.</i></p>
3	<p><i>A General Shareholders Meeting convened at the request of shareholders should be held on the date given in the request, and if this date cannot be kept, on the closest date which will allow the General Shareholders Meeting to settle the issues placed on its agenda.</i></p>	<p>Yes</p>	<p><i>In line with the policy adopted by the Executive Board, a General Shareholders Meeting convened at the request of shareholders is held on the date given in the request, unless there are objective reasons which would entail significant difficulties.</i></p>

4	<p><i>A General Shareholders Meeting whose agenda includes certain issues at the request of authorised 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 Shareholders 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 Shareholders Meeting is made in the same manner as the cancellation, even if the proposed agenda does not change.</i></p>	<p>Yes</p>	<p><i>The Company has a general policy of not cancelling or changing publicly-announced dates of General Shareholders Meetings, unless there are extraordinary and highly justified circumstances to do so.</i></p> <p><i>In the event of such circumstances, the Company follows an appropriate procedure for notifying all those entitled to participate at the General Shareholders Meeting.</i></p>
5	<p><i>In order for a representative of a shareholder to participate in a General Shareholders Meeting, his right to act on behalf of the shareholder should be duly documented. It should be presumed that a written document confirming the right to represent a shareholder at a General Shareholders Meeting is in conformity with the law and does not require any additional confirmations and acknowledgements unless its authenticity or validity prima facie raises doubts by the company's Executive Board (upon drawing up the attendance list) or the chairman of the General Shareholders Meeting.</i></p>	<p>Yes</p>	<p><i>In order for a representative of a shareholder to participate in a General Shareholders Meeting and exercise voting rights, a power-of-proxy must be provided (in written form under the pain of nullity), issued by authorised persons, in accordance with the entry in the relevant register, or – in the case of private individuals – in accordance with the provisions of the Polish Civil Code.</i></p> <p><i>The Company reviews the above documents when preparing an attendance list for a General Shareholders Meeting.</i></p>

6	<p><i>The General Shareholders Meeting should have regular Rules of Procedure setting forth the detailed principles of conducting the meetings and adopting resolutions. The Rules of Procedure should contain, in particular, provisions concerning elections to the Supervisory Board by voting in separate groups. The Rules of Procedure should not be subject to frequent changes; it is advisable that the changes enter into force as of the subsequent General Shareholders Meeting.</i></p>	<p>Yes</p>	<p><i>The General Shareholders Meeting of June 6th 2003 adopted the General Shareholders Meeting's Rules of Procedure (Resolution No. 20). The Rules of Procedure contain, in particular, provisions concerning elections, including the elections of the Supervisory Board, by voting in separate groups.</i></p>
7	<p><i>A person opening the General Shareholders Meeting should procure an immediate election of the chairman of the meeting, and should refrain from any substantial or formal decisions.</i></p>	<p>Yes</p>	<p><i>This rule is reflected in the provisions of the General Shareholders Meeting's Rules of Procedure.</i></p>
8	<p><i>The chairman of the General Shareholders Meeting ensures an efficient conduct of the meeting and observance of the rights and interest 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.</i></p>	<p>Yes</p>	<p><i>Pursuant to Par. 5.2 of the General Shareholders Meeting's Rules of Procedure, binding at the Company, chairman of the General Shareholders Meeting ensures an efficient conduct of the meeting and observance of the rights and interest of all shareholders. The chairman is also obliged to counteract the abuse of rights by the participants of the meeting. In addition, the chairman of the General Shareholders Meeting should guarantee that the rights of minority shareholders are respected.</i></p> <p><i>In line with the adopted policy, the chairman of a General Shareholders Meeting cannot, without sound reason, resign from his function or delay the signing the minutes of the meeting.</i></p>

9	<p><i>A General Shareholders Meeting should be attended by members of the Supervisory Board and the Executive Board. An expert auditor should be present at an annual General Shareholders Meeting and at an extraordinary General Shareholders Meeting if financial matters of the company are to be discussed. An absence of an Executive Board or Supervisory Board member at a General Shareholders Meeting requires an explanation. Such an explanation should be presented at the General Shareholders Meeting.</i></p>	<p>Yes</p>	<p><i>Pursuant to Par. 2 of the General Shareholders Meeting's Rules of Procedure, defining the rules governing the attendance of persons other than shareholders, members of the Supervisory Board and the Executive Board at an annual or extraordinary General Shareholders Meeting, an expert auditor should be present at an annual General Shareholders Meeting and an extraordinary General Shareholders Meeting if financial matters of the Company are to be discussed.</i></p>
10	<p><i>Members of the Supervisory Board and the Executive Board and the expert auditor of the company should, within their powers and to the extent necessary for the settlement of issues discussed by the General Shareholders Meeting, provide the participants of the meeting with explanations and information concerning the company.</i></p>	<p>Yes</p>	<p><i>If necessary, members of the Supervisory Board and Executive Board and the expert auditor, attending a General Shareholders Meeting, provide participants of the meeting with explanations and information concerning the Company, within their powers and to the extent necessary for the settlement of issued discussed by the General Shareholders Meeting.</i></p>
11	<p><i>All answers provided by the Executive Board to the questions posed by the General Shareholders 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.</i></p>	<p>Yes</p>	<p><i>The Company's governing bodies do not restrict access to information, in particular, if a request for information is made by the General Shareholders Meeting. The provisions of the Law on Public Trading in Securities and the Regulation on reporting obligations are complied with.</i></p>
12	<p><i>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.</i></p>	<p>Yes</p>	<p><i>In line with the adopted policy, short breaks in the session may be ordered by the chairman only in justified cases.</i></p>

13	<p><i>Voting on procedural matters 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.</i></p>	<p>Yes</p>	<p><i>Pursuant to the provisions of Par. 14 of the General Shareholders Meeting's Rules of Procedure, the chairman may admit meeting participants to speak out of turn on procedural matters. A request concerning procedural matters may be submitted by any person authorised to participate at a General Shareholders Meeting.</i></p> <p><i>A discussion relating to a request concerning procedural matters should be held directly after the request is submitted. The chairman of the General Shareholders Meeting may close the discussion and order the General Shareholders Meeting to vote on the procedural matter.</i></p>
14	<p><i>A resolution not to consider an issue placed on the agenda may be adopted only if it is supported by sound and substantial reasons. A motion in this respect should be accompanied by a detailed justification. Removing an item from the agenda or a decision not to consider an issue placed on the agenda at the request of the shareholders requires a resolution of the General Shareholders Meeting, adopted following approval by all the present shareholders who submitted such a request, and supported by 75% of the shareholders voting at the General Shareholders Meeting.</i></p>	<p>Yes</p>	<p><i>Pursuant to Par. 8 of the General Shareholders Meeting's Rules of Procedure, chairman of the General Shareholders Meeting cannot, without the consent of the General Shareholders Meeting, remove an issue placed on the agenda or change the order in which agenda items are discussed. A resolution not to consider an issue placed on the agenda may be adopted only if it supported by sound and substantial reasons. A motion in this respect should be accompanied by a detailed justification. A General Shareholders Meeting may not resolve not to consider an issue placed on the agenda at a shareholder's request.</i></p>

15	<i>A party objecting to a resolution must have an opportunity to concisely present the reasons for its objection.</i>	Yes	<i>In line with adopted policy, any party objecting to a resolution is provided with an opportunity to present its arguments and rationale for the objection.</i>
16	<i>Due to the fact that the Commercial Partnerships and Companies Code does not provide for court control in the event where a resolution is not adopted by the General Shareholders Meeting, the Executive 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, has the possibility of challenging the same; provided that he is entitled to do so.</i>	Yes	<i>The chairman of a General Shareholders Meeting has to ensure that resolutions are formulated clearly. In practice, resolutions are formulated in such a manner as to ensure that an issue to be resolved through a resolution is indeed resolved by adopting the resolution rather than rejecting it.</i>
17	<i>At the request of a participant in the General Shareholders Meeting, his written statement is recorded in the minutes.</i>	Yes	<i>Pursuant to Par. 10 of the General Shareholders Meeting's Rules of Procedure, at the request of a participant of the General Shareholders Meeting, his written statement is recorded in the minutes.</i>

BEST PRACTICES OF SUPERVISORY BOARDS

18	<p><i>The Supervisory Board submits to the General Shareholders 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 the same before the annual General Shareholders Meeting.</i></p>	<p>Yes</p>	<p><i>In line with the adopted policy, each year the Supervisory Board adopts a resolution containing its evaluation of the Company's standing. Then, the Supervisory Board submits that document to the General Shareholders Meeting.</i></p> <p><i>The Company's Executive Board makes the substance of the Supervisory Board's evaluation available early enough to allow shareholders to become acquainted with the same before the annual General Shareholders Meeting.</i></p>
19	<p><i>A member of the Supervisory Board should have relevant education, professional and practical experience, be of high moral character and be able to devote all the 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.</i></p>	<p>Yes</p>	<p><i>A justification is always provided in support of candidates for members of the Supervisory Board who are presented to the General Shareholders Meeting. The submitted materials include a detailed curriculum vitae of the candidate. The person proposing the candidate has to provide a formal and substantial assessment of the candidate.</i></p>

1. a) *At least one-half of the members of the Supervisory Board should be independent members, subject to item d) below. Independent members of the Supervisory Board should not have any relations with the company and its shareholders or employees, which relations could have a significant impact on the ability of the independent member to make impartial decisions;*
- b) *Detailed criteria of independence should be laid down in the Articles of Association of the company;*
- c) *Without the consent of the majority of independent members of the Supervisory Board, no resolutions should be adopted on the following issues:*
 - *actions of any kind by the company and any entities associated with the company in favour of members of the Executive Board;*
 - *consent to the execution by the company or a subsidiary of any key agreement with an entity associated with the company, member of the Supervisory Board or the Executive Board, and with their associated entities; and;*
 - *appointment of an expert auditor to audit the financial statements of the company.*
- d) *In companies where a single shareholder holds an interest conferring the right to more than 50% of the total vote, the Supervisory Board should include at least two independent members, including an independent chairman of the audit committee, if such committee was established.*

Yes

On June 29th 2005, Par. 13 of the Company's Articles of Association was amended to include new provisions, designated as Par. 13.2 and Par. 13.3:

"2. At least three of the Supervisory Board members shall be chosen from among:

- *persons without any relations with the Company, its shareholder(s) representing (jointly) at least 5% of the total vote at the General Shareholders Meeting, any of the Company's subsidiaries or a subsidiary of the Company's parent, or its employees – which relations could have a significant impact on the ability of the person to make impartial decisions;*
- *persons not employed at the Company, any of its subsidiaries or a subsidiary of the Company's parent.*

A candidate for Supervisory Board member who meets the above criteria shall submit the relevant written representation to the Company. Once appointed, such a person shall be an independent member of the Supervisory Board.

3. *Without the consent of the majority of independent members of the Supervisory Board, no resolutions shall be adopted on the following issues:*
 - a. *actions of any kind by the Company and any entities associated with the Company in favour of members of the Executive Board;*
 - b. *consent to the execution by the Company or a subsidiary of any key agreement with an entity associated with the Company, member of the Supervisory Board or the Executive Board, and with their associated entities; and;*
 - c. *appointment of an expert auditor to audit the financial statements of the Company."*

21	<p><i>A Supervisory Board member should, above all, bear in mind the interests of the company.</i></p>	<p>Yes</p>	<p><i>In serving at the post, a Supervisory Board member should, above all, bear in mind the interests of the Company.</i></p>
22	<p><i>Members of the Supervisory Board should take relevant actions in order to receive from the Executive Board regular and complete information on any and all significant issues concerning the company's operations and on risks related to the business being conducted and the ways of managing such risk.</i></p>	<p>Yes</p>	<p><i>The Supervisory Board receives regularly, however no less frequently than once a month, reports from the Executive Board on the Company's financial and economic standing.</i></p> <p><i>Supervisory Board members are also provided, on an on-going basis, with current and interim reports that the Company submits to the Polish Securities and Exchange Commission and the Warsaw Stock Exchange in performance of its obligations under regulations governing public trade in securities.</i></p> <p><i>At every Supervisory Board meeting, the Executive Board reports on any significant issues concerning the company's operations. In the case of issues which need immediate attention, information is promptly circulated to all Supervisory Board members.</i></p>
23	<p><i>A Supervisory Board member should inform the remaining members of the Supervisory 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.</i></p>	<p>Yes</p>	<p><i>Pursuant to the Supervisory Board's Rules of Procedure, a Supervisory Board member should inform the remaining members of the Supervisory 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.</i></p>

24	<p><i>Information on the personal, actual and organisational connections of a Supervisory Board member with a given shareholder, and in particular with the majority shareholder should be made available to the 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.</i></p>	<p>Yes</p>	<p><i>As provided in the Supervisory Board's Rules of Procedure, a Supervisory Board member should inform the Company of personal, actual and organisational connections with a given Company shareholder.</i></p> <p><i>In line with the adopted policy, such information obtained from Supervisory Board members is available – at the request of the interested entity – at the Company's registered office.</i></p>
25	<p><i>Supervisory Board meetings, save for issues which directly concern the Executive Board or its members, and in particular their removal, liability and the setting of their remuneration, should be accessible and open to members of the Executive Board.</i></p>	<p>Yes</p>	<p><i>Pursuant to the Supervisory Board's Rules of Procedure, Executive Board members and other persons invited by the chairman of the Supervisory Board may attend Supervisory Board meetings. Executive Board members cannot participate in any part of the Supervisory Board meeting that is devoted to issues which concern removal, appointment, liability or the setting of remuneration of Executive Board members.</i></p>

26

A Supervisory Board member should enable the Executive Board to present publicly and in an appropriate manner information on the disposal or acquisition of shares of the company or of its parent company or subsidiaries, and of transactions with such companies, provided that such information is relevant for his financial standing.

Yes

Pursuant to the "Rules governing transactions executed by entities with access to confidential information", adopted by the Company, a Supervisory Board member has to notify in writing the Executive Board's Proxy responsible for Confidential Information prior to the execution of any such transaction; the written notice should disclose the type and date of the transaction as well as the number of shares or rights to shares it concerns. Promptly after the transaction, the shareholder is obliged to inform the Company of its finalisation and provide information on the transaction type (disposal/ acquisition and legal title), date, purchase or selling price, as well as the number of shares or rights to shares it concerned. In addition, a Supervisory Board member has to inform the Company, promptly upon becoming aware of the fact, of any such transaction executed by a spouse, sibling, ascendant or descendant, or other relation, as well as any entity in which any of the mentioned individuals is a parent company or a manager (associated entities). The scope of the disclosed information should include: transaction type (disposal/acquisition and legal title), date, purchase/selling price, as well as the number of shares or rights to shares it concerns, and the nature of links existing between the person executing the transaction and the Supervisory Board member. On the basis of the notice, the Proxy will make the relevant entry in a register of transactions on the Company shares, executed by parties subject to the above notification requirement and their associated entities.

27	<p><i>Remuneration of members of the Supervisory Board should be established according to transparent procedures and rules. The remuneration should be fair, but should not constitute a significant cost item in the company's business or have material impact on its financial results. It should also be in reasonable relation to the remuneration of members of the Executive Board. The aggregate remuneration of all members of the Supervisory Board as well as individual remuneration of each member of the Supervisory Board should be disclosed in the annual report, together with information on the procedures and rules of establishing the remuneration.</i></p>	<p>Yes</p>	<p><i>Remuneration of Supervisory Board members does not constitute a significant cost item in the Company's business.</i></p> <p><i>The aggregate remuneration of all members of the Supervisory Board as well as individual remuneration of each member of the Supervisory Board is disclosed in the annual report.</i></p> <p><i>In line with the "Rules for Using Legal Services at PGF SA", adopted by the Supervisory Board, remuneration payable to an entity providing legal services which is related to a Supervisory Board member is subject to prior approval by the Supervisory Board.</i></p>
28	<p><i>The Supervisory Board should operate in accordance with its Rules of Procedure which should be available to the public. The Rules of Procedure should provide for creation of at least two committees:</i></p> <ul style="list-style-type: none"> - · <i>audit committee and</i> - · <i>remuneration committee.</i> <p><i>The audit committee should include at least two independent members and at least one member qualified and experienced in accountancy and finance. The duties of the Committees should be specified in detail in the Rules of Procedure of the Supervisory Board. The Supervisory Board Committees should submit to the Supervisory Board annual reports on their activities. Such reports should be made available by the company to its shareholders.</i></p>	<p>Yes</p>	<p><i>The Supervisory Board operates in accordance with its Rules of Procedure, which are available on the Company's website, in line with the prevailing practice.</i></p> <p><i>Supervisory Board's Rules of Procedure require that the audit committee and the remuneration committee are appointed; their members must be independent members of the Supervisory Board.</i></p>

29	<p><i>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.</i></p>	<p>Yes</p>	<p><i>The agenda of a Supervisory Board meeting may be amended or supplemented only if all Supervisory Board members are present and agree to it. An invitation to a Supervisory Board meeting, including the meeting agenda, is served at least seven days before the date of the meeting, via e-mail, registered mail or against confirmation of receipt.</i></p> <p><i>Materials to be discussed at a Supervisory Board meeting should be delivered to every Supervisory Board member at least seven days before the date of the meeting.</i></p>
30	<p><i>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.</i></p>	<p>Yes</p>	<p><i>The Supervisory Board may delegate one or several Supervisory Board members to perform specific supervisory tasks. Pursuant to the Supervisory Board's Rules of Procedure, delegated members have to submit written reports on the performance of their tasks to the Supervisory Board and recommend adoption of the relevant resolutions.</i></p>
31	<p><i>A Supervisory Board member should not resign from his function during a term of office if this could render the functioning of the board impossible, and in particular, if it could hinder the timely adoption of an important resolution.</i></p>	<p>Yes</p>	<p><i>The Company's Supervisory Board abides by this rule as it follows from the resolution on the acceptance of "Best Practices", adopted by the Supervisory Board.</i></p>

BEST PRACTICES OF EXECUTIVE BOARDS

32	<p><i>Bearing in mind the interest of the company, the Executive Board sets forth the strategy and the main objectives of the company's operations, and submits them to the Supervisory Board. The Executive Board is liable for the implementation and performance of the same. The Executive Board cares for transparency and effectiveness of the company management system and the conduct of its business in accordance with legal regulations and best practice.</i></p>	<p>Yes</p>	<p><i>The Executive Board sets forth long-term plans, including financial plans, which reflect the Company's business strategy, and submits them to the Supervisory Board.</i></p>
33	<p><i>When making decisions on corporate issues, members of the Executive 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 Executive Board, should be taken into account in a given case in view of the company's interest. When determining what is in the interest of the company, the justified long-term interests of shareholders, creditors, employees and other entities and persons co-operating with the company, as well as the interests of the local community, should be taken into account.</i></p>	<p>Yes</p>	<p><i>The Company's Executive Board analyses thoroughly the actions taken and decisions made.</i></p> <p><i>Executive Board members fulfil their duties with due care and to the best of their knowledge and experience.</i></p>
34	<p><i>In transactions with shareholders and other persons whose interests have impact on the interest of the company, the Executive Board should act with utmost care to ensure that the transactions are at arms' length.</i></p>	<p>Yes</p>	<p><i>In line with the adopted policy, the value of transactions with shareholders and other persons whose interests have impact on the interest of the Company is established on the basis of the market price, provided it is known. If the market price is not known, then such transactions are concluded on terms which reflect the market criteria.</i></p>

35	<p><i>An Executive Board member should display full loyalty towards the company and avoid any actions which could result exclusively in enhancing said member's own material interest. If an Executive Board member receives information on the possibility of making an investment or other advantageous transaction concerning the business of the company, he should present such information immediately to the Executive Board for the purpose of considering the possibility of the company taking advantage of it. Such information may be used by an Executive Board member or be passed over to a third party only upon consent of the Executive Board and only when this does not infringe upon the company's interest.</i></p>	<p>Yes</p>	<p><i>This rule is fully reflected in Par. 19 of the Executive Board's Rules of Procedure.</i></p>
36	<p><i>An Executive Board member should treat his shares in the company and in its parent companies and subsidiaries as a long-term investment.</i></p>	<p>Yes</p>	<p><i>In line with adopted policy, shares in PGF or its subsidiaries held by Executive Board members are long-term investments.</i></p>
37	<p><i>Executive Board members should inform the Supervisory Board of each conflict of interest in connection with the performed functions or of the risk of such conflict.</i></p>	<p>Yes</p>	<p><i>As provided in Par. 19 of the Executive Board's Rules of Procedure, Executive Board members are obliged to inform the Supervisory Board of each conflict of interest in connection with the performed functions or of the risk of such conflict.</i></p>

38	<p><i>The remuneration of Executive 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 reasonable in 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 Executive Boards in similar companies in a similar market.</i></p>	<p>Yes</p>	<p><i>The remuneration of Executive Board members includes a fixed and variable component, the latter dependent on the Company's financial performance.</i></p> <p><i>Each year, the amount of the remuneration is reviewed by the Supervisory Board.</i></p>
39	<p><i>The aggregate remuneration of all members of the Executive Board, as well as individual remuneration of each member of the Executive Board, should be disclosed and itemised in the annual report, together with the information on the procedures and rules of establishing the remuneration. If the amount of remuneration of individual members of the Executive Board significantly differs, it is recommended that a relevant explanation be published.</i></p>	<p>Yes</p>	<p><i>The aggregate remuneration of all members of the Executive Board, as well as individual remuneration of each member of the Executive Board is disclosed in the annual report along with the relevant commentary.</i></p> <p><i>Differences in remuneration paid to individual Executive Board members are not significant and result solely from differences in the functions served and the related scope of responsibilities.</i></p>
40	<p><i>The Executive Board should lay down the principles and procedure of operations and allocation of powers in the Rules of Procedure which should be open and generally available.</i></p>	<p>Yes</p>	<p><i>The Executive Board's Rules of Procedure lay down the principles and procedure for operations and allocation of powers among Executive Board members. In line with the adopted policy, the Executive Board's Rules of Procedure are available on the Company's website .</i></p>

BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND THIRD PARTY INSTITUTIONS

41	<i>The selection of an expert auditor for a company should guarantee impartiality of performance of the entrusted tasks.</i>	Yes	<i>The Company has developed a competitive procedure for selecting expert auditors.</i>
42	<i>In order to ensure due impartiality of opinion, the company should change the expert auditor at least once every five years. The change of expert auditor shall include a change of the person conducting the audit. Furthermore, the company should not use the services of the same auditing entity over a long period.</i>	Yes	<i>In line with the adopted policy, the Company changes its expert auditor once every five years.</i>
43	<i>The entity performing the function of an expert auditor should be selected by the Supervisory Board of the company, upon receiving recommendations from the audit committee, or by the General Shareholders Meeting, upon receiving recommendations from the Supervisory Board, including recommendations of the audit committee. In the event of selection of a different expert auditor by the Supervisory Board or the General Shareholders Meeting than recommended by the Audit committee, the decision requires a detailed justification. Information on the selection of the entity to perform the function of an expert auditor, along with the justification, should be included in the annual report.</i>	Yes	<i>The Supervisory Board selects an expert auditor after it reviews the opinion of the Executive Board and recommendations from the audit committee. Information on the selected expert auditor is disclosed in the annual report.</i>
44	<i>An auditor auditing annual reports of a company or its subsidiaries cannot act as a special purpose auditor for the same company.</i>	Yes	<i>In line with the adopted policy, the auditor of the Company's or its subsidiaries' financial statements cannot be appointed the Company's special purpose auditor.</i>

45	<i>A company should acquire its own shares in such a way that no group of shareholders be privileged.</i>	Yes	<i>The Executive Board represents that in the event of such a transaction it will exercise due care to ensure that no group of shareholders is privileged.</i>
46	<i>The Articles of Association of the company, its basic internal regulations, information and documents related to General Shareholders Meetings, and the financial statements should be made available in the registered head office of the company and on its website.</i>	Yes	<i>The Company's Articles of Association and financial reports are available on the Company's website. In line with the adopted policy, the website also includes the basic internal regulations, information and documents related to General Shareholders Meetings, as well as financial statements. All documents which are covered by this rule may be obtained at the Company's registered office.</i>
47	<i>The company should have proper media relations procedures and regulations, and an information policy ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations and taking into account its interests, make available to mass media representatives information on its current operations and business standing, and allow their presence at General Shareholders Meetings.</i>	Yes	<p><i>The Company has developed rules which govern its information policy. In applying the rules, the Company's Executive Board ensures that mass media representatives are provided with reliable information on the Company's current operations and business standing, allowing for the performance of its disclosure obligations in compliance with the regulations governing public trade in securities.</i></p> <p><i>In addition, the Company organises press conferences. The Company's annual General Shareholders Meeting is usually broadcast on-line over the Internet.</i></p>

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In its annual report, a company should make public its declaration 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

In line with the adopted policy, the Company will publish its declaration on the application of corporate governance standards in its annual report.