



**Polski Koncern Naftowy ORLEN**  
Spółka Akcyjna

**Appendix no 1  
to the  
Management Board Report  
on the Operations of  
Polski Koncern Naftowy ORLEN  
Spółka Akcyjna  
for 2008**

**Report on  
Compliance with  
Corporate Governance Rules in  
Polski Koncern Naftowy ORLEN  
in 2008**

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## **I. CORPORATE GOVERNANCE RULES FOLLOWED BY PKN ORLEN S.A. IN 2008**

In 2008 Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN S.A.") complied with the "Best Practices for Warsaw Stock Exchange Listed Companies" (further the "Best Practices for WSE Listed Companies") valid for the Warsaw Stock Exchange. The Code of Best Practices for WSE Listed Companies can be found on the website dedicated to the corporate governance on the Warsaw Stock Exchange [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl). In 2008 PKN ORLEN S.A. followed all the corporate governance rules set out in the Code of Best Practices for WSE Listed Companies.

## **II. DESCRIPTION OF KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING USED IN PKN ORLEN S.A.**

The Management Board of PKN ORLEN S.A. is responsible for the internal control system in the Company and its effectiveness in financial reporting, which involves drawing up financial statements and regular reports prepared and published in accordance with the generally applicable law.

The Company's system of internal control and risk management in the process of drawing up financial statements is designed to:

- determine how financial reporting duties are to be divided;
- establish the accounting policy for PKN ORLEN S.A. and the PKN ORLEN Capital Group (the "ORLEN Group") as regards the measurement and disclosure methods under the International Financial Reporting Standards (IFRS);
- oversee the application of uniform accounting principles in the ORLEN Group companies;
- follow and monitor compliance with accounting standards;
- review published financial reports for the 1<sup>st</sup> quarter, the half-year and the 3<sup>rd</sup> quarter of the year and audit of the yearly financial statements of PKN ORLEN S.A. and ORLEN Group by an independent auditor;
- comply with the procedures to authorize and give opinions about financial statements before they are published;
- carry out an independent and objective evaluation of risk management and internal control systems.

Periodic financial statements are prepared by the Head of the Corporate Accounting Office. He is also responsible for keeping the accounting principles updated to ensure that they comply with the applicable law, specifically, with the IFRS, the Accounting Act and the Minister of Finance Regulation on current and periodic information provided by issuers of securities.

In order to ensure that uniform accounting standards are applied, the ORLEN Group companies are obliged to follow the accounting policy adopted by PKN ORLEN S.A. The Corporate Accounting Office monitors whether this obligation is obeyed.

The consolidated financial statements are drawn up based on the reporting packages provided by the ORLEN Group companies which are reviewed in terms of their cohesion, completeness and continuity.

Data required for the unconsolidated financial statements is derived from accounting records kept in accordance with the PKN ORLEN S.A. procedures.

Disclosures also cover additional information provided by individual organizational units of PKN ORLEN S.A., which is also verified by the Corporate Accounting Office.

In order to ensure for the financial statements to be currently reviewed, the statements are quarterly reviewed by an auditor, i.e. more often than required under the applicable law. The financial statements for the 1<sup>st</sup> quarter, the half-year and the 3<sup>rd</sup> quarter of the year are reviewed, whereas the yearly financial statements are subject to audit. The auditor presents the results of the reviews and audit to the Management Board and the Audit Committee of the Supervisory Board.

The Company has certain procedures to authorize the financial statements. Periodic reports, are submitted to the Management Board upon the completion of reviews/audit by the auditor, and subsequently forwarded to the Audit Committee of the Supervisory Board for an opinion to be issued. Once the relevant opinion has been issued by the Audit Committee, the financial statements are approved by the Management Board for publication and subsequently forwarded by the Investor Relationship Office to the appropriate capital market institutions and made public. Before publishing, the financial statements are treated as confidential by the Company and provided solely to persons involved in the preparation, control and approval procedures.

The Company has an Audit Office which has to ensure an independent and objective evaluation of the risk management and internal control systems, and analyze business processes. The Office operates based on the annual audit plans assessed by the Audit Committee of the Supervisory Board and approved by the Supervisory

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Board. The Audit Office can also carry out *ad hoc* audits as ordered by the Company's Supervisory Board or the Management Board.

In pursuit of the tasks and objectives set, the Audit Office provides recommendations as to the implementation of solutions and standards designed to reduce the risk of the Concern not meeting the targets set, improve the effectiveness of the internal control system and to increase the efficiency of business processes. Additionally, the Audit Office monitors the follow-up on its own recommendations as well as those given by the auditor of the Company's financial statements.

Twice a year the Audit Office draws up a report for the Management Board and the Audit Committee of the Supervisory Board summarizing the conclusions regarding the audit tasks performed, identified risks and information about the follow-up on the recommendations given.

### III. SHAREHOLDERS OF PKN ORLEN S.A. WITH A SIGNIFICANT STAKE

Shares in PKN ORLEN S.A. are listed on the Warsaw Stock Exchange and in the form of Global Depository Receipts (GDR) on the London Stock Exchange. Depository receipts are also traded in the USA on the OTC market.

The share capital of PKN ORLEN S.A. is divided into 427,709,061 ordinary shares with nominal value of PLN 1.25 each. PKN ORLEN S.A.'s depository receipts are lodged with The Bank of New York Mellon. The transaction unit on the London Stock Exchange is 1 GDR which accounts for two shares in PKN ORLEN S.A.

There are no restrictions concerning the transfer of ownership rights of shares in PKN ORLEN S.A.

Below one will find a list of shareholders of PKN ORLEN S.A. with a significant stake specifying the number of shares held, the percentage of their share in the Company's share capital, the number of votes conferred by the same and their percentage in the total number of votes at PKN ORLEN S.A.'s General Shareholders' Meeting.

In 2008 the shareholders of the Company holding over 5% of the Company's share capital each were Nafta Polska S.A. and the State Treasury. The shareholding structure changed on 20 February 2009 when ING Otworthy Fundusz Emerytalny increased its interest in the Company's share capital to 5.17% of the share capital of PKN ORLEN S.A.

The shareholder structure in PKN ORLEN S.A. as at 31 December 2008:

Shareholders	Number of shares	Number of voting rights at the General Shareholders' Meeting of PKN ORLEN S.A.	Share in total number of voting rights at the General Shareholders' Meeting of PKN ORLEN S.A.	% share in share capital of PKN ORLEN S.A.
Nafta Polska S.A.	74,076,299	74,076,299	17.32%	17.32%
State Treasury	43,633,897	43,633,897	10.20%	10.20%
Others	309,998,865	309,998,865	72.48%	72.48%
<b>Total</b>	<b>427,709,061</b>	<b>427,709,061</b>	<b>100.00%</b>	<b>100.00%</b>

The shareholder structure in PKN ORLEN S.A. as at 20 February 2009:

Shareholders	Number of shares	Number of voting rights at the General Shareholders' Meeting of PKN ORLEN S.A.	Share in total number of voting rights at the General Shareholders' Meeting of PKN ORLEN S.A.	% share in share capital of PKN ORLEN S.A.
Nafta Polska S.A.	74,076,299	74,076,299	17.32%	17.32%
State Treasury	43,633,897	43,633,897	10.20%	10.20%
ING Otworthy Fundusz Emerytalny	22,118,813	22,118,813	5.17%	5.17%
Others	287,880,052	287,880,052	67.31%	67.31%
<b>Total</b>	<b>427,709,061</b>	<b>427,709,061</b>	<b>100.00%</b>	<b>100.00%</b>

#### **IV. SHAREHOLDERS OF PKN ORLEN S.A. VESTED WITH SPECIAL CONTROL RIGHTS AND VOTING RIGHT RESTRICTIONS**

One share in PKN ORLEN S.A. confers the right to one vote at the General Shareholders' Meeting of the Company. The voting right of the Shareholders of the Company is restricted to the extent that at the General Shareholders' Meeting none of them (but for those specified in the Company's Articles of Association) can execute more than 10% of the total votes existing in the Company as at the date the General Shareholders' Meeting is held. The restriction does not apply to Nafta Polska S.A., the State Treasury and the depository bank which issued depository receipts in connection with the Company's shares under an agreement with the Company (if the bank exercises the voting right from the Company's shares).

As long as the Minister for the State Treasury Affairs or other minister executes the rights conferred by the shares in PKN ORLEN S.A. owned by the State Treasury under the generally applicable law, the appropriate minister can appoint one or two Observers for the Company, who will be authorized to monitor the Company's activities, participate in the meetings of the Company's authorities, review the Company's documents, require reports and explanations, inspect the Company's assets. Detailed rules regulating the Observers' activity and their powers are set out in the General Shareholders' Meeting, Supervisory Board and Management Board Constitutions. Until the date this report was released, the Minister for the State Treasury affairs has not appointed an Observer for PKN ORLEN S.A.

The State Treasury is entitled to appoint and recall one member of the Supervisory Board. Additionally, one member of the Management Board of PKN ORLEN S.A. is appointed and recalled by the Supervisory Board by motion of the Minister for the State Treasury affairs.

Moreover, special rights for the State Treasury shareholder may also be derived from the generally applicable law.

#### **V. RULES FOR REVISION OF PKN ORLEN S.A.' ARTICLES OF ASSOCIATION**

An amendment to PKN ORLEN S.A.'s Articles of Association requires a resolution of the General Shareholders' Meeting of the Company and has to be entered in the commercial register. The resolution of the General Shareholders' Meeting to amend the Company's Articles of Association is adopted with three quarters of the votes. The General Shareholders' Meeting may authorize the Supervisory Board to formulate the uniform text of the Articles of Association or make other, editorial changes as set out in the resolution passed by the General Shareholders' Meeting.

Once the amendments to the Articles of Association are entered in the commercial register, PKN ORLEN S.A. publishes the relevant current report.

#### **VI. RULES OF CONDUCT OF THE GENERAL SHAREHOLDERS' MEETING OF PKN ORLEN S.A., ITS KEY POWERS AS WELL AS SHAREHOLDERS' RIGHTS AND THEIR EXERCISE**

Rules of conduct of the PKN ORLEN S.A.'s General Shareholders' Meeting are regulated in the Articles of Association and the Constitution of the PKN ORLEN S.A.'s General Shareholders' Meeting. The documents can be found on the PKN ORLEN S.A.'s website: [www.orklen.pl](http://www.orklen.pl) in the "corporate governance" section.

##### **6.1 Convening and calling off PKN ORLEN S.A.'s General Shareholders' Meetings**

A General Shareholders' Meeting of PKN ORLEN S.A. is convened by the Management Board in the situations specified in the Company's Articles of Association or the Code of Commercial Companies.

The ordinary General Shareholders' Meeting of the Company should be held within six months from the end of every financial year.

An extraordinary General Shareholders' Meeting is convened by the Management Board on their own initiative, on the motion of the Supervisory Board or on the motion of a Shareholder or Shareholders representing no less than one tenth of the Company's share capital, within fourteen days from filing the motion.

The motion for the General Shareholders' Meeting to be held should include specific issues for the agenda and does not need any justification.

A General Shareholders' Meeting is convened by an announcement in the official newspaper of the Republic of Poland "*Monitor Sądowy i Gospodarczy*" at least three weeks before the date of the Meeting. Additionally, the Company submits the relevant ongoing report on convening the General Shareholders' Meeting to the appropriate capital market authorities and makes a public announcement in accordance with the regulations on public

companies' reporting obligations, at least 22 days before the date of the General Shareholders' Meeting and no later than on the day when the announcement is lodged with the "*Monitor Sądowy i Gospodarczy*".

The Supervisory Board can convene an extraordinary General Shareholders' Meeting each time it files the relevant motion and the Management Board will not convene a meeting within the prescribed time.

Notwithstanding the requirements set out in the generally applicable law on publishing draft resolutions at least 8 days before the General Shareholders' Meeting in order to enable the Shareholders to review and assess the same, the Company publishes draft resolutions in the form of ongoing reports at least 22 days before the date the General Shareholders' Meeting is to be held.

All the materials to be presented to the Shareholders at the General Shareholders' Meeting, specifically draft resolutions to be adopted by the General Shareholders' Meeting and other important documents with a justification and an opinion of the Supervisory Board are provided by the Company in advance to allow time for the Shareholders to review and evaluate the same, in the Company's seat in Plock and in the Warsaw office, as well as on the corporate website [www.orldn.pl](http://www.orldn.pl). Pursuant to the Best Practices of WSE Listed Companies, materials are provided at least 14 days before the date of the Meeting (whereas the copies of the Management Board report on the Company's operations and the financial statements together with a copy of the Supervisory Board report and the certified auditor's opinion are provided by the Company at least 15 days before the date of the General Shareholders' Meeting).

General Shareholders' Meetings of PKN ORLEN S.A. are held in the Company's seat in Plock, however, they can also be held in Warsaw.

For the Shareholders who cannot participate in the General Shareholders' Meeting in person, the Company arranges for an internet broadcast of the Meeting and offers simultaneous translation into English.

The Shareholders used to be able to vote at the General Shareholders' Meeting via internet, however, in view of little interest in the service, the Company ceased to offer it.

A General Shareholders' Meeting whose agenda includes certain issues at the request of authorized entities or which has been convened at such request may be cancelled only upon consent of the requesting parties. In all other instances, a General Shareholders' Meeting may be cancelled if its holding is hindered or is obviously groundless. The General Meeting is called off and the date of the General Meeting is changed in the same manner as it has been convened, ensuring as few negative consequences for the Company and its shareholders as possible. The cancellation and change in the date of the General Shareholders' Meeting can be made no later than three weeks prior to the original date of the meeting.

## **6.2 Competence of the General Shareholders' Meeting of PKN ORLEN S.A.**

The General Shareholders' Meeting is especially authorized to:

- consider and approve the Company's annual financial statements, report on the Company's operations, consolidated financial statements of the ORLEN Group and report on the ORLEN Group's operations for the previous financial year;
- acknowledge the discharge of duties by the Supervisory Board and Management Board members;
- decide on the distribution of profit and cover of losses as well as on the consumption of funds set up from profit, subject to special regulations which provide for a different way of their consumption;
- appoint the Supervisory Board members and establish principles for their remuneration;
- increase and decrease the share capital unless otherwise stated in the Code of Commercial Companies and the Company's Articles of Association;
- decide on claims for the rectification of damage caused when setting up the Company or exercising supervision or management;
- approve the sale and lease of the Company's enterprise or an organized part thereof and establish a limited property right on such enterprise or an organized part thereof;
- grant consent to the sale of real estate, perpetual usufruct or interest in real estate whose net book value exceeds one twentieth of the Company's share capital;
- amend the Company's Articles of Association;
- set up and dissolve reserve capitals and other capitals and the Company's funds;
- pass resolutions to redeem shares and purchase shares to be redeemed and to establish the redemption rules;
- issue convertible bonds or bonds with pre-emptive rights;
- pass resolutions on winding-up the Company, its liquidation, restructuring and merger with another Company.



Purchase of real estate, perpetual usufruct or interest in real estate, regardless of its value, as well as disposal of real estate, perpetual usufruct or interest in real estate whose net book value does not exceed one twentieth of the Company's share capital does not require a resolution of the General Shareholders' Meeting.

### **6.3 Voting at General Shareholders' Meetings of PKN ORLEN S.A.**

Except as provided otherwise in the Code of Commercial Companies and the Articles of Association, resolutions of the General Shareholders' Meeting are passed with an absolute majority of votes cast, while votes cast mean votes "for", "against" and "abstain."

The resolutions of the General Shareholders' Meeting regarding premium shares and the Company's merger through transfer of all the Company's assets to another Company, winding-up of the Company (including winding-up through transfer of Company's seat abroad), liquidation of the Company, its restructuring and the decrease in the share capital by redemption of some shares without the capital being simultaneously increased are passed with a majority of 90% of votes cast.

The resolutions to remove or not to consider an item placed on the agenda require the majority of 75 % of votes cast provided that the Shareholders present at the General Meeting who requested this issue be placed on the agenda agreed to the issue being removed from the agenda or not considered at all.

One share in PKN ORLEN S.A. confers the right to one vote at the Company's General Shareholders' Meeting. The voting right of the Company's Shareholders is restricted to the extent that at the General Shareholders' Meeting none of them (but for those specified in the Company's Articles of Association) can exercise more than 10% of the total votes existing in the Company as at the date the General Shareholders' Meeting is held.

The shareholders can participate in the General Meeting and exercise their voting rights in person or through their representatives.

### **6.4 Participation in PKN ORLEN S.A. General Shareholders' Meetings**

To attend the General Shareholders' Meeting a registered depository certificate has to be filed at the Company's seat in Plock, at least one week before the date of the General Shareholders' Meeting. The depository certificate should specify the number of shares, voting rights vested in the Shareholder and contain a statement that the shares will not be traded until the end of the General Shareholders' Meeting.

The General Shareholders' Meeting may be attended by the members of the Management Board and the Supervisory Board, who can take the floor, even if they are not the Company's Shareholders, without any invitations being sent. An ordinary General Shareholders' Meeting can be attended by the members of the Management Board and the Supervisory Board whose mandates have expired before the date of the General Shareholders' Meeting and who held their offices in the financial year for which the Management Board report and the financial statements are to be approved by the ordinary General Shareholders' Meeting.

General Shareholders' Meetings can also be attended by other persons invited by an authority convening the General Shareholders' Meeting or allowed to enter the meeting room by the Chairman, specifically, certified auditors, legal and financial advisers or the Company's employees. PKN ORLEN S.A., as far as admissible under the applicable law and with due consideration of the Company's interests, allows media representatives to attend the General Shareholders' Meetings. The Management Board ensures that each General Shareholders' Meeting is attended by an independent expert specialized in commercial law.

The Members of the Management Board and the Supervisory Board and the Company's certified auditor provide the Meeting participants with explanations and information about the Company, within the scope of their authorization and to the extent required for the issues discussed by the General Shareholders' Meeting to be resolved. Questions of the General Shareholders' Meeting participants are answered in view of the fact that PKN ORLEN S.A., as a public Company, fulfils its reporting obligations in a manner specified in the applicable law on the capital market operation and some information cannot be provided otherwise than in conformity with these regulations.

General Shareholders' Meetings can be attended by an Observer appointed by the Minister for the State Treasury affairs. Until the date this report was released, the Minister for the State Treasury affairs has not appointed an Observer for PKN ORLEN S.A.

PKN ORLEN S.A. pays special attention to activities facilitating the Company's communication with the external environment. For the Shareholders who cannot participate in the General Shareholders' Meeting in person, the Company arranges for an internet broadcast of the Meeting and offers simultaneous translation into English

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A special section dedicated to the Company's General Shareholders' Meetings is included on the corporate PKN ORLEN S.A.'s website where information about the planned Shareholders' meetings is provided along with archive materials from the meetings held, including texts of resolutions adopted and audio and video files with internet broadcasts of the General Shareholders' Meetings.

**VII. COMPOSITION AND RULES OF CONDUCT OF THE MANAGEMENT AND SUPERVISORY AUTHORITIES IN PKN ORLEN S.A. AND THEIR COMMITTEES**

**7.1 Composition of the Management Board of PKN ORLEN S.A. in 2008**

In 2008 the following persons were acting as members of the Management Board in Polski Koncern Naftowy ORLEN S.A:

Full name	Position held in the Management Board of PKN ORLEN S.A.
Piotr Kownacki	President of the Management Board, General Director until 6 June 2008 Suspended as President and Member of the Management Board as of 28 February 2008
Cezary Filipowicz	Vice-President of the Management Board, Upstream and Crude Oil Procurement until 6 June 2008
Wojciech Heydel	Vice-President of the Management Board, Sales until 6 June 2008 Acting as President of the Management Board, General Director from 28 February 2008 to 6 June 2008 President of the Management Board, General Director from 7 June 2008 to 18 September 2008
Waldemar Maj	Vice-President of the Management Board, Chief Financial Officer until 6 June 2008
Krzysztof Szwedowski	Member of the Management Board, Procurement and Information Technology until 6 June 2008
Krystian Pater	Member of the Management Board, Production from 20 March 2007 to 6 June 2008 Member of the Management Board from 7 June 2008 Member of the Management Board, Refinery from 17 June 2008
Dariusz Formela	Member of the Management Board, Organization and Capital Group until 6 June 2008
Dariusz Jacek Krawiec	Vice-President of the Management Board from 7 June 2008 Vice-President of Management Board, Crude Oil and Capital Group from 17 June 2008 President of the Management Board, General Director from 18 September 2008
Sławomir Jędrzejczyk	Member of the Management Board from 7 June 2008 Member of the Management Board, Chief Financial Officer from 17 June 2008 Vice-President of the Management Board from 18 September 2008 Vice-President of the Management Board, Chief Financial Officer from 23 September 2008
Wojciech Kotlarek	Member of the Management Board from 7 June 2008 Member of the Management Board, Sales from 17 June 2008
Marek Serafin	Member of the Management Board from 7 June 2008 Member of the Management Board, Petrochemistry from 17 June 2008



## 7.2 Composition of the Supervisory Board of PKN ORLEN S.A. in 2008

In 2008 the Company's business was monitored by the Supervisory Board in the following composition:

Full name	Position held in the Supervisory Board of PKN ORLEN S.A.
Małgorzata Ślepowańska	Chairman of the Supervisory Board until 7 February 2008
Raimondo Eggink	Member of the Supervisory Board until 13 June 2008 Deputy-Chairman of the Supervisory Board until 7 February 2008
Krzysztof Rajczewski	Member of the Supervisory Board, Secretary of the Supervisory Board until 7 February 2008
Robert Czapla	Member of the Supervisory Board until 7 February 2008
Marek Drac-Tatoń	Member of the Supervisory Board until 7 February 2008
Zbigniew Macioszek	Member of the Supervisory Board until 7 February 2008
Agata Mikołajczyk	Member of the Supervisory Board until 7 February 2008
Janusz Zieliński	Member of the Supervisory Board from 6 July 2007
Maciej Mataczyński	Chairman of the Supervisory Board from 7 February 2008
Marek Karabula	Member of the Supervisory Board from 7 February 2008 Deputy-Chairman of the Supervisory Board from 15 February 2008
Ryszard Stefański	Member of the Supervisory Board from 7 February 2008 to 13 June 2008 Secretary of the Supervisory Board from 15 February 2008 to 13 June 2008
Grzegorz Borowiec	Member of the Supervisory Board from 7 February 2008
Krzysztof Kołach	Member of the Supervisory Board from 7 February 2008
Piotr Wielowieyski	Member of the Supervisory Board from 7 February 2008
Grzegorz Michniewicz	Member of the Supervisory Board from 6 June 2008
Angelina Sarota	Member of the Supervisory Board, Secretary of the Supervisory Board from 13 June 2008
Jarosław Ročlawski	Member of the Supervisory Board from 13 June 2008

### 7.3 Composition of the Committees of the Supervisory Board in PKN ORLEN S.A. in 2008

Full name	Position held in the Committee of the Supervisory Board of PKN ORLEN S.A.
<b>Audit Committee</b>	
<b>from 1 January 2008 to 7 February 2008</b>	
Raimondo Eggink	Chairman, Independent Member of the Supervisory Board
Krzysztof Rajczewski	Committee Member
Zbigniew Macioszek	Committee Member
Marek Drac-Tatoń	Committee Member
<b>from 15 February 2008 to 13 June 2008</b>	
Raimondo Eggink	Chairman, Independent Member of the Supervisory Board
Marek Karabula	Committee Member
Ryszard Stefański	Committee Member
Piotr Wielowieyski	Committee Member, Independent Member of the Supervisory Board
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board
<b>from 13 June 2008 until now</b>	
Piotr Wielowieyski	Chairman, Independent Member of the Supervisory Board
Marek Karabula	Committee Member
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board
<b>Corporate Governance Committee</b>	
<b>from 1 January 2008 to 7 February 2008</b>	
Małgorzata Ślepowska	Committee Member
Agata Mikołajczyk	Committee Member
Krzysztof Rajczewski	Committee Member
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board
<b>from 15 February 2008 to 13 June 2008</b>	
Grzegorz Borowiec	Committee Chairman
Maciej Mataczyński	Committee Member
Raimondo Eggink	Committee Member, Independent Member of the Supervisory Board
<b>from 13 June 2008 until now</b>	
Grzegorz Borowiec	Committee Chairman
Maciej Mataczyński	Committee Member, Independent Member of the Supervisory Board
Angelina Sarota	Committee Member,
Grzegorz Michniewicz	Committee Member
<b>Strategy and Development Committee</b>	
<b>from 1 January 2008 to 7 February 2008</b>	
Robert Czapla	Committee Chairman
Raimondo Eggink	Committee Member, Independent Member of the Supervisory Board
Krzysztof Rajczewski	Committee Member
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board
<b>from 15 February 2008 to 13 June 2008</b>	
Marek Karabula	Committee Chairman
Raimondo Eggink	Committee Member, Independent Member of the Supervisory Board
Krzysztof Kołach	Committee Member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee Member, Independent Member of the Supervisory Board
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board
<b>from 13 June 2008 until now</b>	
Marek Karabula	Committee Chairman
Grzegorz Michniewicz	Committee Member
Krzysztof Kołach	Committee Member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee Member, Independent Member of the Supervisory Board
Janusz Zieliński	Committee Member, Independent Member of the Supervisory Board

**Nomination and Remuneration Committee**

**from 1 January 2008 to 7 February 2008**

Małgorzata Ślepowska	Committee Chairman
Zbigniew Macioszek	Committee Member
Robert Czapla	Committee Member
Agata Mikołajczyk	Committee Member

**from 15 February 2008 to 13 June 2008**

Maciej Mataczyński	Chairman, Independent Member of the Supervisory Board
Grzegorz Borowiec	Committee Member
Krzysztof Kołach	Committee Member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee Member, Independent Member of the Supervisory Board

**from 13 June 2008 until now**

Maciej Mataczyński	Chairman, Independent Member of the Supervisory Board
Grzegorz Borowiec	Committee Member
Krzysztof Kołach	Committee Member, Independent Member of the Supervisory Board
Piotr Wielowieyski	Committee Member, independent Member of the Supervisory Board
Jarosław Roślowski	Committee Member

**7.4 Rules of conduct of the Management Board and Supervisory Board and Committees of the Supervisory Board of PKN ORLEN S.A.**

Apart from the generally applicable law, the rules of conduct for PKN ORLEN S.A.'s Management Board and Supervisory Board are regulated in PKN ORLEN S.A.'s Articles of Association and the Supervisory Board and the Management Board Constitutions. The rules of conduct of the management and supervisory authorities in PKN ORLEN S.A. are also subject to the Corporate Governance Principles set out by the Warsaw Stock Exchange.

**7.5 Rules of conduct of the Supervisory Board of PKN ORLEN S.A.**

**Appointing and recalling Members of the Supervisory Board of PKN ORLEN S.A.**

Members of the Supervisory Board of PKN ORLEN S.A. are appointed for a joint three-year term of office. Individual members of the Supervisory Board and the entire Supervisory Board can be recalled at any time before the end of the term of office. The General Shareholders' Meeting of PKN ORLEN S.A. appoints the Chairman of the Supervisory Board, whereas the Vice-chairman and the secretary are appointed by the Supervisory Board from amongst the other members of the Board.

The Supervisory Board of PKN ORLEN S.A. is composed of six to nine members. The State Treasury is authorized to appoint and recall one member of the Supervisory Board, other Members of the Supervisory Board are appointed and recalled by the General Shareholders' Meeting.

Pursuant to the Articles of Association of PKN ORLEN S.A., at least two members of the Supervisory Board have to comply with the following independency provisions:

- not to be an employee of the Company or a Related Entity;
- not to be a member of supervisory or management authorities of a Related Entity;
- not to be a shareholder having 5 % or more votes at the General Shareholders' Meeting of the Company or General Shareholders' Meeting of a Related Entity,
- not to be a member of supervisory or management authorities or an employee of an entity having 5 % or more votes at the Company's General Shareholders' Meeting or General Shareholders' Meeting of a Related Entity,
- not to be an ascendant, descendant, spouse, sibling, spouse's parent or any other person remaining in an adoptive relationship with any of the persons mentioned above.

Independent members of the Supervisory Board, before being appointed to the Supervisory Board, should made to the Company a written statement confirming that they comply with the provisions mentioned above. If the said provisions are not met, a member of the Supervisory Board is obliged to immediately notify the Company thereof. The Company informs the Shareholders about the current number of independent members of the Supervisory Board.

If the number of independent members of the Supervisory Board is less than two, the Management Board of the Company is obliged to immediately convene a General Shareholders' Meeting and put an issue concerning changes in the composition of the Supervisory Board on the agenda of the General Shareholders' Meeting. The Supervisory Board acts in its current composition until the changes in the composition of the Supervisory Board

are made, i.e. the number of independent members is adjusted to the requirements set in the Articles of Association.

#### **Organization of the PKN ORLEN S.A.'s Supervisory Board activities**

Sessions of the Supervisory Board are held when necessary, however, not less frequently than once every two months. Moreover, a Supervisory Board session should be convened following a written request of a shareholder or shareholders representing at least one tenth of the share capital, the Management Board or a member of the Supervisory Board. The session should be convened within two weeks from the receipt of such application and should be held no later than within three weeks of such request being received. If a Supervisory Board session is not convened within two weeks from the request being filed, the requesting party can call the session by himself through a written notice specifying the time, venue and the proposed agenda sent to other members of the Supervisory Board, at least seven days before the date of the session.

Sessions of the Supervisory Board can only take place when all its members have been properly invited. Sessions can also be held without the meeting being formally convened if all the Supervisory Board members are present and grant their consent to the session being held and certain issues being put on the agenda.

The Supervisory Board passes the resolutions if at least half of its members participate in the session. Subject to the provisions of the Code of Commercial Companies, a resolution of the Supervisory Board can be passed in writing or with the use of direct means of remote communication. Resolutions of the Supervisory Board are passed with an absolute majority of the votes cast, in the presence of at least half of the members of the Supervisory Board, while the votes cast mean votes "for", "against" and "abstain." This does not apply to any members of the Management Board or the entire Management Board being recalled or suspended during the term of their office when at least two thirds of all the Supervisory Board members have to vote in favor of the resolution.

Passing resolutions concerning the following matters:

- any contribution to members of the Management Board provided by the Company or any related entities;
  - giving permission to sign any significant agreement between the Company or its subsidiary, with an entity related to the Company, a member of the Supervisory Board, or Management Board, as well as with entities related to them;
  - appointing of a certified auditor to audit the financial statements of the Company
- requires the assent of at least half of the independent members of the Supervisory Board.

With a view to fulfilling its duties, the Supervisory Board can review all the Company documents, demand reports and explanations from the Management Board and the employees, and inspect the Company's assets.

#### **Competence of the Supervisory Board of PKN ORLEN S.A.**

The Supervisory Board exercises permanent supervision over the Company's activities, in all aspects of its operation, specifically, the Supervisory Board is authorized to act as set out in the Code of Commercial Companies and the Company's Articles of Association. The Supervisory Board takes steps required to regularly obtain exhaustive information from the Management Board about all the material aspects of activities of PKN ORLEN S.A. and risk related to the business operations and risk management methods applied.

Additionally, pursuant to the Articles of Association, the Supervisory Board is authorized to:

- appoint and recall the President, Vice-Presidents and other members of the Management Board (except for one member of the Management Board appointed by the State Treasury);
- represent the Company in contracts with the Management Board, including their contracts of employment;
- suspend the activities of individual or all members of the Management Board with just cause, as well as delegating a member or members of the Supervisory Board to temporarily perform the duties of those members of the Management Board who are unable to perform their duties;
- adopt the Management Board constitution;
- appoint a certified auditor to audit the Company's and ORLEN Group's financial statements in accordance with the Accounting Act;
- assess the financial statements in terms of their accuracy both with books and documents and the actual state; assess the Management Board's report, as well as the Management Board's motions on the allocation of profit and cover of loss, and submit to the General Shareholders' Meeting an annual written report on the results of the above assessments;
- issue opinions on any matter submitted by the Management Board to be presented either to ordinary or extraordinary General Shareholders' Meeting;
- grant consent to the members of the Management Board to take positions in supervisory or management authorities of other entities and to collect remuneration by virtue of such activities;

- grant consent to realize investment projects and incurring liabilities resulting from these investments in case the expenses or charges due to such activity exceed the equivalent of half of the Company's share capital;
- set the scope, accuracy and time for submission by the Management Board of its annual and long-term financial plans and plans for the strategic development of the Company;
- approve the Company's development strategy and long-term financial plans;
- issue opinions on the annual financial plans;
- give assent, upon the motion of the Management Board, to sell real estate, perpetual usufruct or interest in such real estate whose net book value does not exceed one twentieth of the share capital;
- give assent, upon the motion of the Management Board, to purchase real estate, perpetual usufruct or interest in such real estate whose net book value does not exceed one fortieth of the share capital.

The Articles of Association also stipulate that the consent of the Supervisory Board of PKN ORLEN S.A. is required to:

- set up a branch abroad;
- sell or encumber fixed assets whose net book value exceeds one twentieth of the asset value stated in the recent financial statements approved by the General Shareholders' Meeting, as a result of one or several related legal actions being taken;
- sell or encumber, in any possible way, shares or stakes in the following companies: Naftoport Sp. z o.o., Inowrocławskie Kopalnie Soli S.A. and in the company to be established with a view to transporting liquid fuels through pipelines;
- incur another liability exceeding the equivalent of one fifth of the share capital, as a result of one or several related legal actions being taken (except for the cases set out in the Articles of Association);
- carry out capital or real investments abroad worth more than one twentieth of the share capital;
- execute the Company's voting right at general meetings and shareholders' meetings of subsidiaries and other entities, if the value of the shares or stakes held by the Company, at a price the shares were acquired or taken up exceeds one fifth of the Company's share capital, as regards merger with another Company and Company restructuring, sale and lease of the Company's undertaking and establishing the right to use on it, amendments to the Articles of Incorporation or Articles of Association, winding up of the Company;
- establish commercial law companies and to join existing companies, as well as to make contributions to cover shares in companies, and to sell shares if the Company's capital involvement in a given company so far, or engagement which the company is about to achieve as a result of buying or acquiring of shares, calculated on the basis of the share sale or acquisition price, exceeds one tenth of the initial capital, excluding taking hold of shares as a result of exchange of a claim according to the Act dated 3 February 1993 on Financial Restructuring of Banks and Enterprises and the Act on Public Trading in Securities;
- pay interim dividends to the Shareholders.

If the Supervisory Board withdraws its consent to any of the above activities being taken, the Management Board can address the General Shareholders' Meeting to adopt a resolution to approve the relevant activity.

Additionally, following a request of at least two members, the Supervisory Board has to consider taking actions specified in such request for supervisory measures to be taken.

Given the above Best Practice standards and so as to enable the Shareholders to accurately evaluate the Company, the Supervisory Board of PKN ORLEN S.A. has to provide the General Shareholders' Meeting with a concise assessment of PKN ORLEN S.A.'s standing. The assessment should be submitted annually, in advance of the General Meeting to allow time for the Shareholders of PKN ORLEN S.A. to review the same.

#### **Committees of the Supervisory Board of PKN ORLEN S.A.**

The Supervisory Board may elect permanent or *ad hoc* committees which act as collective advisory and opinion creative bodies of the Supervisory Board. The following permanent Committees operate within the Supervisory Board of PKN ORLEN S.A.: Audit Committee, Strategy and Development Committee, Nomination and Remuneration Committee and Corporate Governance Committee. The said Committees report annually to the Supervisory Board of PKN ORLEN S.A. on its activities. The reports are made available to the Company's Shareholders.

The members of all Committees are appointed by the Supervisory Board from amongst its members and the Committee itself chooses its Chairman. The Committees consist of between 3 to 5 members, whereas in case of the Audit Committee at least two of them are independent members and one has skills and expertise in the field of accounting or finance.

The Committee meetings are convened by the Committee chairman and, if he is either absent or unable to discharge his duties, by the chairman of the Supervisory Board or another member of the Supervisory Board indicated by the chairman, who invites all the Committee members to the meeting, and notifies all the other Supervisory Board members of the meeting. All the members of the Supervisory Board can participate in the

Committee meetings. The Committee chairman can invite to the Committee meetings members of the Management Board, the Company's employees and other persons whose participation in the meeting is expedient to carry out the Committee tasks.

The Committee resolutions are passed with a simple majority of the votes cast. In the event of a tie, the Committee chairman has the casting vote.

The task of the Audit Committee is to advise the Supervisory Board of PKN ORLEN S.A. on issues related to the proper implementation of budget and financial reporting rules and internal control within the Company and the ORLEN Group, as well as cooperation with the Company's certified auditors. The Corporate Governance Committee is mainly designed to evaluate and give recommendations to the Supervisory Board on the implementation of the corporate governance principles and issue opinions on the corporate governance documents and reports. The Strategy and Development Committee issues opinions and recommendations to the Supervisory Board of PKN ORLEN S.A. on planned investments and disinvestments which have a material impact on the Company's assets. The Committee also issues opinions on all strategic documents which the Management Board submits to the Supervisory Board. The Nomination and Remuneration Committee helps to attain the strategic goals of the Company by providing the Supervisory Board with opinions and motions on how to form the management structure, with regard to organizational solutions, remuneration schemes and selection of the staff with the skills required to ensure the Company's success.

#### **7.6 Rules of conduct of the Management Board of PKN ORLEN S.A.**

The principal objective of the Management Board is to realize the Company's interest, which is understood as building the value of its assets entrusted by its Shareholders, also with due respect for the rights and interests of other parties involved in the Company operations, specifically creditors and employees.

The Management Board ensures transparency and efficiency of the Company's management system, and guarantees for the Company's affairs to be handled in accordance with the applicable law and good business practice.

#### **Appointing and recalling the Management Board of PKN ORLEN S.A.**

The Management Board of PKN ORLEN S.A. consists of between five and nine members, including the President, Vice-Presidents and other members of the Management Board. Members of the Management Board are appointed and recalled by the Supervisory Board. One member of the Management Board is appointed and recalled by the Supervisory Board on the request of the Minister for the State Treasury affairs.

The Management Board' term of office lasts three years and is a joint one. The President, Vice-Presidents, and other members of the Management Board may be recalled any time before the lapse of their term of office or suspended, with just cause, by the Supervisory Board.

#### **Organization of PKN ORLEN S.A.'s Management Board activities**

Meetings of the Management Board are held when necessary, however, not less frequently than once every two weeks. Each member of the Management Board may request in writing for a Management Board meeting to be convened or certain issues to be placed on the agenda. The request should contain the proposed agenda and reasoning for the request. The Management Board meeting should be held within seven days of the request being filed.

A meeting of the Management Board is convened by the President who manages the activity of the Management Board and has to fix the date, venue and the agenda of the meeting. In exceptional cases the meeting of the Management Board may be convened by the Vice-President or two members of the Management Board. The Management Board meeting can also be held without being formally convened if all the Management Board members are present and none of them has objected to the meeting being held or any proposed issues being put on the agenda.

Invited Company's employees, advisers and other persons can attend the Management Board meeting with the consent of the person chairing the meeting.

Meetings of the Management Board are held in the Company's seat in Plock or in the Company's Headquarter in Warsaw. The person convening the meeting may, however, determine another venue for the meeting to be held.

The Management Board adopts resolutions during the meetings. For a resolution to be effective the scheduled meeting has to be notified to all the members of the Management Board and at least half of the Management Board composition has to be present at the meeting. The Management Board resolutions are passed with a



simple majority of votes (in the event of a tie, the President of the Management Board has the casting vote) provided that for resolutions to grant a commercial power of attorney, unanimity of all members of the Management Board is required. A Management Board member who voted against a resolution that was adopted may communicate its dissenting opinion, however, such communication has to be provided with the reasoning.

Resolutions are adopted in an open vote. A secret ballot may be ordered on the request of each member of the Management Board. Resolutions are signed by all members of the Management Board who were present at the Management Board meeting which adopted the resolution. The resolution is also signed by a member of the Management Board who filed a dissenting opinion, with a note "dissenting opinion" or "votum separatum".

#### **Competence of the Management Board of PKN ORLEN S.A.**

The Management Board has to handle all the affairs of PKN ORLEN S.A. which are not reserved to be considered by other authorities of the Company under the provisions of the Code of Commercial Companies or the Articles of Association. All the Members of the Management Board are obliged and authorized to handle the affairs of PKN ORLEN S.A.

All the matters going beyond the ordinary course of business are subject to resolutions of the Management Board, however, the consent of the Management Board is not required to carry out an activity being an integral part of another activity which has already been approved by the Management Board unless the resolution of the Management Board provides otherwise. Activities falling within the scope of the ordinary course of business are activities related to trade in crude oil and oil derivative products, and any other activities not specified in the Constitution of the Management Board. A resolution of the Management Board is required, e.g. to:

- adopt and amend the Constitution of the Management Board;
- adopt and amend the Organizational By-laws of PKN ORLEN S.A.;
- adopt motions to be submitted to the Supervisory Board and / or to the General Shareholders' Meeting, in particular, any motions sent to these bodies for their consent to perform certain actions, form opinions, make an assessment or give an approval, which are required in accordance with the generally applicable law and / or the Company's Articles of Association;
- convene the General Shareholders' Meetings and adopt the proposed agenda of the General Shareholders' Meetings;
- approve annual and long-term financial plans as well as the Company's development strategy;
- approve investment assignments and corresponding liabilities where the total expenditures and encumbrances exceed PLN 10,000,000 (ten million zlotys),
- incur liabilities, manage the property rights and any form of encumbrance on the Company's property (assets) where the total value exceeds PLN 20,000,000 (twenty million zlotys);
- dispose of and purchase real estate, perpetual usufruct or an interest in real estate and to establish a limited property right;
- dispose of, purchase and encumber stakes, shares or other interest (securities) in other entities, including shares admitted to public trading;
- issue the Company's securities ;
- approve the annual report on the Company's operations, yearly, half-yearly and quarterly financial statements of the Company; yearly, half-yearly and quarterly financial statements of the ORLEN Group;
- adopt and change the Company's employees' remuneration scheme, as well as decisions regarding introduction and fundamentals of the incentive schemes;
- enter, amend and terminate a collective labor agreement valid in the Company, and other agreements with trade unions;
- establish the principles of granting and revoking powers of attorney;
- formulate the so-called donation policy of the Company;
- grant a commercial power of attorney;
- establish the internal division of duties among the Members of the Management Board;
- set up establishments / offices abroad;
- handle other matters which at least one Member of the Management Board requests to be handled in the form of a resolution;
- take decisions on the payment of interim dividends.

The Management Board has to regularly provide the Supervisory Board with ample information on all aspects of PKN ORLEN S.A. business activities and the risks related to such activities as well as the methods of managing such risks. Additionally, the Management Board has to draw up and adopt annual and long-term financial plans and the Company development strategy in the form, to the extent and by the deadlines set by the Supervisory Board. The Management Board of PKN ORLEN S.A. has also to draw up and submit to the Supervisory Board the annual financial statements of PKN ORLEN S.A. and the annual financial statements of the ORLEN Group for the previous financial year.