

# **Report on Compliance with Corporate Governance Rules in Bank Zachodni WBK in 2008**

## **Introduction**

With a view to meeting the requirements under Warsaw Stock Exchange Management Board Resolution no. 1013/2007 of 11 December 2007 on the scope and structure of report on compliance with corporate governance rules in public companies, Bank Zachodni WBK hereby presents a Report on Compliance with Corporate Governance Rules in 2008.

## **I. Compliance with Corporate Governance Rules Set Out in "Best Practice in Public Companies"**

The Management Board of Bank Zachodni WBK represents that in 2008 the bank complied with all corporate governance rules set out in "Best Practice in Public Companies". The bank undertook to be fully compliant with the best practice and, as such, accepted certain obligations. As a result, the bank's Statutes as well as Terms of Reference of Management Board and Supervisory Board were amended accordingly.

In 2008, no breaches of compliance with corporate governance rules were identified.

## **II. General Meeting of Shareholders, its Key Powers, Shareholders' Rights and How the Rights are Exercised**

General Meeting of BZWBK Shareholders (GM) is held as provided for in the Commercial Companies Code of 15 September 2000, BZWBK Statutes and Terms of Reference for BZWBK GM. The Statutes as well as the Terms of Reference are available at the bank's website.

General Meeting takes decisions on issues within its remit, as defined by the Commercial Companies Code, Banking Law and the bank's Statutes.

During GM, shareholders may:

- request that Extraordinary General Meeting be convened and place specific items on the GM agenda (provided they represent at least one tenth of share capital);
- a week before a GM, demand copies of requests included in the GM agenda;
- have access to minutes of earlier GMs and request copies of resolutions (confirmed by the Management Board as true copies);
- request voting by secret ballot;
- appeal against resolutions made by GM in cases permitted by the Commercial Companies Code;

- seek from the Management Board information on items placed on the GM agenda, as provided for by the Commercial Companies Code;
- exercise their voting rights (each share gives one vote at GM).

Shareholders may attend GM and vote personally or through proxies.

### **III. Bank's Management Board, Supervisory Board and Committees – Members and Terms of Reference**

#### **1. Bank Management Board**

In 2008, the following changes took place in the bank's Management Board:

- On 30 April 2008, Mr. Michał Gajewski resigned from his role as Management Board Member effective from 30 April 2008, without giving reasons for the resignation.
- On 12 June 2008, Mr. James Murphy advised the Supervisory Board that at the end of September 2008 he would complete his role as Management Board Member.
- On 12 June 2008, the bank's Supervisory Board adopted a resolution appointing Mr. Paul Barry as Management Board Member effective from 1 October 2008.
- On 22 July 2008, the bank's Supervisory Board appointed Mr. Mirosław Skiba as Management Board Member.
- On 16 December 2008, the bank's Supervisory Board appointed Mr. Michael McCarthy as Management Board Member effective from 1 February 2009.

#### **Members of the bank's Management Board:**

- Mateusz Morawiecki - President of the Management Board
- Janusz Krawczyk
- Declan Flynn
- Justyn Konieczny
- Mirosław Skiba
- Jacek Marcinowski
- Feliks Szyszkowiak
- Paul Barry
- Marcin Prell
- Andrzej Burliga

#### **Role of the Management Board**

The Management Board operations are primarily governed by the Banking Law of 29.08.1997, the Commercial Companies Code of 15.09.2000, the bank's Statutes and the Terms of Reference of the Management Board. These documents are available from the bank's website.

The Management Board is responsible for running the affairs of and representing the Bank. According to the bank's Statutes, the following individuals are authorized to represent and bind the bank:

- a) President of the Management Board acting severally;
- b) two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial proxy, or two commercial proxies acting jointly.

Representatives authorized to act severally or jointly with any of the persons listed in letter b) or with another authorized representative can be appointed.

The remit of the Management Board includes all the bank's affairs that are not restricted to the remit of the General Meeting or the Supervisory Board. The Management Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Secret ballot is held in the cases stipulated by law, in personal matters or at the request of any Management Board member accepted by the Management Board in a secret voting. The Management Board meetings are held as needed. The Management Board Members convene at the same time in a single location or, subject as provided in the Terms of Reference of the Management Board, in different locations communicating via telephone or video links.

## **2. Bank Supervisory Board**

### **Members of the Supervisory Board**

- Aleksander Szwarc - Chairman of the Supervisory Board
- Gerry Byrne
- Waldemar Frąckowiak
- Jacek Ślotała
- John Power
- Aleksander Galos
- James O'Leary
- Maeliosa OhOgartaigh

### **Role of the Supervisory Board**

The Supervisory Board operations are primarily governed by the Banking Law of 29.08.1997, the Commercial Companies Code of 15.09.2000, the bank's Statutes and the Terms of Reference of the Supervisory Board, available on the bank's website.

The Supervisory Board exercises on-going supervision over all the aspects of the bank's activities. The Supervisory Board takes decisions in the form of resolutions which are adopted by absolute majority of votes in an open voting. Secret ballot is held in the cases stipulated by law, in personal matters or at the request of any Supervisory Board member accepted by the Supervisory Board in a secret voting. The Supervisory Board meetings are held as needed, however at least 3 times in any financial year. The Supervisory Board Members convene at the same time in a single location or, subject as

provided in the Terms of Reference of the Supervisory Board, in different locations communicating via telephone or video links.

### **Supervisory Board Committees**

The Supervisory Board may establish committees and designate individuals responsible for managing the work of such committees.

The following Supervisory Board committees operate in the bank:

- Social Responsibility Committee;
- Remuneration and Nominations Committee;
- Audit Committee.

These committees are designed to facilitate the current activities of the Supervisory Board by preparing draft Supervisory Board decisions with regard to their own motions and the motions presented to the Management Board.

#### **1. Social Responsibility Committee**

Members of the Committee:

- Gerry Byrne – Chairman;
- Jacek Ślotała – Member.

The key roles and responsibilities of the Committee include:

- providing opinion and recommendations regarding the budget needed by the bank to fulfil its community obligations;
- providing opinions and recommendations on the policy for the bank's community service, including corporate giving;
- reviewing the Management Board's reports on delivery of the community integration plans;
- presenting to the Supervisory Board annual reports on the review of the Management Board's reports.

The Committee meets regularly at least 3 times in a year. At the request of the Committee Chairman ad-hoc meetings may be held. At any meeting, two members constitute the quorum.

#### **2. Remuneration and Nominations Committee**

Members of the Committee

- Gerry Byrne – Chairman;
- Aleksander Szwarc – Member;
- Jacek Ślotała – Member.

The key roles and responsibilities of the Committee include:

- recommending relevant remuneration policies and practices to the Supervisory Board;
- performing an annual review of the remuneration of the bank's Management Board members;

- reviewing proposals seeking to implement in the bank or its subsidiaries any new remuneration systems, including incentives schemes, or reviewing proposed changes to any remuneration systems already existing in the Bank.

The Committee meets regularly at least 3 times in a year. At the request of the Committee Chairman ad-hoc meetings may be held. At any meeting, two members constitute the quorum.

### **3. Audit Committee**

Members of the Committee:

- John Power – Chairman;
- Waldemar Frąckowiak – Member;
- Aleksander Galos – Member;
- Maeliosa OhOgartaigh – Member.

The key task of the Committee is to supervise the bank's financial reporting, risk management and internal control processes.

The Committee meets regularly 4 times during the year at the dates adjusted to the reporting and audit cycles. Any ad-hoc meetings may be held as the Committee and its Chairman see fit. At any meeting, two members constitute the quorum.

## **IV. Internal Control and Risk Management in Financial Reporting**

The bank operates an internal control system, supporting the decision-making processes and contributing to efficient operation of the Bank, reliability of financial reporting and compliance with the internal and external regulations. The bank's internal control system is adjusted to the bank's organisational structure and the risk management system, and includes the Business Support Centre units, branches and subsidiaries.

Development, implementation and maintenance of the written strategies and procedures of the internal control system is the responsibility of the bank's Management Board. The Management Board is also responsible for effectiveness of the internal control system and its oversight, amendments and improvements in response to changes in the bank's risk profile, developments in the external environment and identified gaps in systems and processes. The Supervisory Board has oversight of the internal control system and evaluates its adequacy and effectiveness.

The process of preparation of financial data for the purpose of statutory reporting is automated and based on the consolidated General Ledger of Bank Zachodni WBK Group. The system is equipped with automatic interfaces and reconciliation functions.

Preparation of the data in the source systems is subject to the formal operational and approval procedures which set out the responsibilities of individual staff members. The General Ledger of the Bank Zachodni WBK Group is created with specialist controls as part of the process. Any manual corrections and management overrides are subject to strict control. Any financial tables and descriptive data are prepared by the Reporting Team which primarily relies on the General Ledger as the main source of information. The internal and external reports must be fully reconciled. The key persons responsible for individual data areas are required to formally confirm that the data are true and that they are recorded in the books of account and disclosed in line with the Accounting Policy of BZWBK Group.

Financial statements must be formally approved by the Disclosures Committee, which is responsible for ensuring that the accounts and the data contained therein comply with the applicable law. The Disclosures Committee presents the financial statements to the Management Board for ratification.

In addition, the efficiency of controls is assessed annually as part of the certification process for compliance with Sarbanes-Oxley Act.

The financial statements are also reviewed by the Audit Committee of the Supervisory Board.

The risks around financial reporting are covered by the Self-Assessment process and are monitored in accordance with the relevant Group procedures.

<b>Date</b>	<b>Name</b>	<b>Role</b>	<b>Signature</b>
24-02-2009	Mateusz Morawiecki	President of the Board	
24-02-2009	Paul Barry	Member of the Board	
24-02-2009	Andrzej Burliga	Member of the Board	
24-02-2009	Declan Flynn	Member of the Board	
24-02-2009	Justyn Konieczny	Member of the Board	
24-02-2009	Janusz Krawczyk	Member of the Board	
24-02-2009	Jacek Marcinowski	Member of the Board	
24-02-2009	Michael McCarthy	Member of the Board	
24-02-2009	Marcin Prell	Member of the Board	
24-02-2009	Mirosław Skiba	Member of the Board	
24-02-2009	Feliks Szyszkowiak	Member of the Board	