

## **Report on the application of principles of corporate governance at Mennica Polska S.A.**

**in 2008**

### ***a) Principles of corporate governance that have not been applied***

#### Good practices of supervisory boards:

Principle 20 – due to the current structure of the Company's share ownership, which allows the shareholders to appoint all members of the Supervisory Board, thus securing interests of all shareholder groups, including the Company's employees, having the right to elect members of the Supervisory Board in accordance with applicable provisions of law.

Principle 24 - only where the member of the Supervisory Board is elected by group votes, the information about which shareholder group has elected him/her is made public and the member of the group having over 5% of votes at the General Meeting is indicated.

Principle 28 in the part relating to the appointment of audit and remuneration committees - rules of procedure of the Supervisory Board do not provide for appointment of such committees and their tasks are performed by the Supervisory Board collectively.

#### Good practices in relations with external persons and institutions:

Principle 43 in the part relating to the recommendations of the audit committee – selection of the certified auditor is made by the Supervisory Board from among offers of the audit of financial statements. As the audit committee is not established, its recommendation in this regard is not considered.

### ***b) Description of operations of the General Meeting and its principal entitlements, and rights of shareholders and the manner in which they are exercised***

The General Meeting of Mennica Polska S.A. operates pursuant to the provisions of the Commercial Companies Code and the Company's Statute. The Company's Statute provides for the possibility for the General Meeting of Shareholders to adopt by the Rules of Procedure of the General Meeting

specifying the rules of its operations. The Rules of Procedure of the General Meeting have been adopted at the Company. The Company's Statute and the Rules of Procedure of the General Meeting can be found on the corporate website: [www.mennica.com.pl](http://www.mennica.com.pl).

The competences of the General Meeting include among other things: approval of the Management Board report on the Company's activities, financial statements for the financial year, granting members of the Company's bodies the vote of acceptance, distribution of profit and coverage of loss, change of the Statute, increase or decrease of the initial capital, disposal and lease of the enterprise or its organized part, acquisition and disposal of a real property or a share in a real property whose value exceeds 5% of the Company's initial capital, appointment and dismissal of members of the Supervisory Board, including Chairman of the Board.

GM's resolutions are passed by an absolute majority of votes cast, with the abstaining votes being treated as votes cast, unless the provisions of the Commercial Companies Code or the Company's Statute state otherwise. In accordance with the Statute, resolutions regarding the disposal of a real property located in Warsaw or a share in such a property are passed by majority of three fourths of votes.

Minutes of General Meetings drawn up by the notary are kept in the minute book in the Company's registered office.

The Company respects the rights of shareholders specified in the provisions of the Commercial Companies Code and the Company's Statute. Moreover, in accordance with the Company's Code each shareholder holding more than 20% of the Company's shares is entitled to appoint and dismiss one member of supervisory boards of subsidiaries of Mennica Polska S.A. which are composed of 4 persons, or two members of supervisory boards composed of 5 or more persons. The entitlement is exercised by submitting a relevant motion in writing to Company, which is binding on the Company.

***c) Composition and principles of operations of the Company's governing and supervisory bodies and their committees.***

The Management Board in 2008:

- Tadeusz Steckiewicz - President of the Management Board, CEO
- Barbara Sissons – a member of the Management Board; Financial Director
- Leszek Kula – a member of the Management Board; Operational Director

The Management Board operates pursuant to the provisions of the Commercial Companies Code, the Company's Statute and the Rules of Procedure of the Management Board adopted by the Supervisory Board. The Rules of Procedure specify the manner in which the Management Board operates, including strategic management performed collectively by the Management Board and separately operational management performed by the General Manager and other Division Managers, and also specifies the manner of representation for the purpose of doing legal acts. The Rules of Procedure of the Management Board have been placed on the corporate website: [www.mennica.com.pl](http://www.mennica.com.pl).

The Supervisory Board appoints and dismisses the President of the Management Board and, upon his proposal, other members of the Management Board. Making statements of will and signing obligations on behalf of the Company requires joint action of two members of the Management Board or one member of the Management Board together with a commercial representative. At its meetings, the Management Board decides by resolutions. The resolutions are passed by an absolute majority of votes. Voting at the meetings is public. Upon proposal of a member of the Management Board the voting is made secret. In justified cases, in order to streamline the management of the Company, the Management Board may adopt resolutions by circulation. These resolutions are signed by members of the Management Board present at work, however for the resolution to be valid, presence of at least half of members of the Management Board is required. Resolutions passed by circulation require confirmation at the nearest meeting of the Management Board and inclusion in the minutes of this meeting as an attachment.

From the meeting of the Management Board minutes are taken, signed by all members of the Management Board present at the meeting. The minutes are placed in a separate minute book and are kept in the Company's registered office.

The Supervisory Board in 2008:

- Zbigniew Jakubas – Chairman;
- Piotr Senddecki – Deputy Chairman;
- Krzysztof Malicki – Secretary;
- Marek Felbur - Member
- Krzysztof Mikołajczak - Member
- Witold Grzybowski – Member (since 16 June 2008)

The Supervisory Board operates pursuant to provisions of the Commercial Companies Code (KSH), the Company's Statute and Rules of Procedure of the Supervisory Board. The Rules of Procedure of the Supervisory Board have been placed on the corporate website: [www.mennica.com.pl](http://www.mennica.com.pl).

The Supervisory Board is a collective body. The Chairman of the Supervisory Board is appointed by the General Meeting; members of the Supervisory Board may elect from among themselves a Deputy Chairman or persons performing other functions.

The Board supervises the Company's business. A detailed scope of competences of the Supervisory Board can be found in the Company's Statute and Rules of Procedure of the Supervisory Board. The Board passes resolutions by an absolute majority of votes in the presence of at least half of its members, and in the event of parity of votes, the vote of the Chairman of the Board is decisive. Voting is public. Upon proposal of minimum one member of the Board, the voting is made secret. In justified cases, the Board may pass resolutions by circulation. Such resolutions are passed without convening the meeting, by voting in writing or using means of direct communication at a distance, however an effective adoption of the resolution under this procedure requires participation in such voting of at least half of the Board members. Resolutions passed by circulation require notification of all members of the Board of the content of the resolution being adopted and confirmation at the nearest meeting of the Board and inclusion in the minutes as an attachment. Members of the Supervisory Board may participate in adoption of resolutions, by voting in writing through an intermediary of another member of the Board.

At its meetings, the Board decides by resolutions or decisions. From the meeting of the Board minutes are taken, signed by all members of the Board present at the meeting. The minutes are placed in a separate minute book and are kept in the Company's registered office.

The Management Board and the Supervisory Board have not appointed their committees.

***d) Description of basic characteristics of internal control and risk management systems used by the Company with respect to the process of preparation of financial statements.***

d) The Company's Management Board is responsible for the internal control system at the Company and its effectiveness in the process of preparation of financial statements. The subject matter supervision of the process of preparation of financial statements and periodic reports is performed by the Chief Financial Officer - Member of the Management Board. The Chief Accountant is responsible for organization of works related to the preparation of financial statement and tracks changes

prescribed by provisions and external regulations relating to the stock-exchange reporting requirements on an on-going basis. Every month, after closure of books, reports with management information analyzing key financial data, are distributed among members of the Company's Management Board and management staff, which are then discussed at the Management Board meetings.

The financial data, which constitute the basis for the financial statements and periodic reports, are derived from the accounting and financial system, in which transactions are recorded in accordance with the Company's accounting policy based on the International Accounting Standards. A draft of the financial statements is submitted to the Chief Financial Officer for initial verification and then to the Management Board for final verification. The financial statements approved by the Management Board are transmitted to the Supervisory Board.

Annual and interim financial statements are subject to an independent audit by a statutory auditor. The results of the audit are presented to the Management and Supervisory Board and the opinion and report of the annual audit - also to the General Meeting.