

## **Impel SA's Representation on the Adoption of the Corporate Governance Principles**

### **Current Report No. 3/2004 of January 6th 2004**

In connection with the Current Report No. 8/2003 of September 30th 2003, the Company's Executive Board hereby discloses a list of alignments with the Principles of Corporate Governance adopted by the Extraordinary General Shareholders Meeting on January 5th 2004.

#### **GENERAL PRINCIPLES**

##### **I. Company's Objectives**

The basic objective of the activities of company's governing bodies is to pursue the company's interests meant as increasing the value of assets entrusted by the shareholders, with due consideration to rights and interests of entities other than the shareholders but engaged in the company's operations, including in particular the company's creditors and employees.

YES

##### **II. Majority Governs and Minority Is Protected**

A joint-stock company is a capital entity. Therefore, the principle of the capital majority governing a company has to be observed at each company, as well as the principle of primacy of the majority over a minority. A shareholder who has contributed larger capital also faces larger business risk. It is thus reasonable that his interests be considered in proportion to the capital contributed. A minority has to be guaranteed due protection of its rights, within the limits set under law and by good practice. In exercising his rights, the majority shareholder should take into account the interests of a minority.

NO

Impel SA's Commentary: The existing majority shareholders hold registered preference Series C Shares each of which confers the right to two votes.

##### **III. Honest Intentions and Non-Abuse of Powers**

The exercise of rights and use of legal institutions should be based on honest intentions (good faith) and must not go beyond the objective and reasons for which these institutions have been established. Actions which would go beyond such a framework and thus constitute abuse of rights should not be undertaken. A minority should be protected against the abuse of ownership rights by the majority, and the majority should be protected against the abuse of rights by a minority in order to ensure, to the largest extent possible, the protection of rightful interests of shareholders and other trade participants.

YES

##### **IV. Court Supervision**

Neither company's governing bodies nor a person presiding at the General Shareholders Meeting may settle issues which should be subject to court decisions. This does not apply where the company's governing bodies and a person presiding at the General Shareholders Meeting are entitled or obliged to undertake such issues under the law.

YES

## V. Independence of Opinions Ordered by a Company

While selecting an entity which is to provide expert services, including in particular the services of an auditor, financial or tax advisor, as well as legal services, a company should investigate whether there are circumstances which would limit such an entity's independence in the performance of the mandated tasks.

YES

## **GOOD PRACTICES FOR THE GENERAL SHAREHOLDERS MEETING**

1. A General Shareholders Meeting should be held at a venue and time which would enable the largest proportion of the shareholders to attend the Meeting.

YES

Impel SA's Commentary: Pursuant to Art. 23 of the Company's Articles of Association, General Shareholders Meetings are held at the Company's registered offices or in the city where the registered offices of the exchange on which the Company shares are listed are located.

### ALIGNMENT

2. A request, submitted by an entitled entity, for the convening of a General Shareholders Meeting and including particular issues in the Meeting's agenda should be justified. Draft resolutions proposed to be adopted by a General Shareholders Meeting and other relevant materials should be delivered to the shareholders together with the statement of reasons and the Supervisory Board's opinion prior to the Meeting so as to enable shareholders to familiarise with the materials and assess them.

YES

Impel SA's Commentary: Pursuant to Par. 6.2.12 of the Supervisory Board Rules of Procedure, the Supervisory Board is the body competent to issue opinions on drafts of General Shareholders Meeting resolutions.

3. A General Shareholders Meeting convened at shareholders' request should be convened by the date indicated in the request and in the event of material reasons which would prevent the meeting on such date, on the earliest date enabling the General Shareholders Meeting to settle the issues submitted to it for discussion.

YES

4. If the agenda of a General Shareholders Meeting includes particular issues submitted by an entitled entity or such a Meeting has been convened at such an entity's request, then the Meeting may be cancelled exclusively upon consent of such an entity. Otherwise, a General Shareholders Meeting may be cancelled if certain extraordinary reasons (force majeure) prevent the Meeting from being held or the Meeting would explicitly be irrelevant. The Meeting should be cancelled in the manner in which it has been convened and which would minimise negative impact on the company and the shareholders' interests, and in no event later than three weeks before the originally intended date of the Meeting. The procedure for a change of the date of a General Shareholders Meeting should be the same as for the Meeting cancellation even if the proposed agenda of the Meeting has not changed.

YES

5. A shareholder's representative attending a General Shareholders Meeting should duly document his right to act on behalf of such a shareholder. It should be presumed that a written document confirming a person's right to represent a shareholder at the Meeting is lawful and does not require further confirmation unless its authenticity or validity *prima facie* raises doubts of the Company's Executive Board (while entering into the attendance list) or the Chairman of the Meeting.

YES

#### ALIGNMENT

6. The General Shareholders Meeting should proceed in accordance with stable Rules of Procedure including detailed rules for conducting discussion and adopting resolutions. Rules of Procedure should in particular contain provisions concerning elections, including the election of the Supervisory Board by block voting. Rules of Procedure should not be amended frequently. It is advisable that changes introduced take effect as from the next General Shareholders Meeting.

YES

Impel SA's Commentary: The Company has adopted a Rules of Procedure for the General Shareholders Meeting which define the detailed rules for organising and conducting discussions, adopting resolutions, voting, election and removal, including the election of the Supervisory Board by block voting.

#### ALIGNMENT

7. The person opening a General Shareholders Meeting should procure that the Chairman of the Meeting be selected forthwith and should refrain from any other substantial or formal decisions.

YES

Impel SA's Commentary: Pursuant to Par. 5.4 of the Rules of Procedure for the General Shareholders Meeting, the person opening a General Shareholders Meeting is required to promptly select a Chairman of the Meeting and chair the Meeting until a Chairman is selected, while refraining from any other substantial or formal decisions.

#### ALIGNMENT

8. The Chairman of the General Shareholders Meeting should ensure that the meeting proceeds in an efficient manner and the rights and interests of all the shareholders are respected. The Chairman should in particular prevent the abuse of rights by persons present and ensure that the rights of minority shareholders are respected. Without important reasons, the Chairman should not resign from his post, nor may he delay signing the minutes of the Meeting.

YES

Impel SA's Commentary: Pursuant to Par. 6.5 of the Rules of Procedure for the General Shareholders Meeting, the Chairman of the General Shareholders Meeting is required to ensure that the meeting proceeds in an efficient manner and the rights and interests of all the shareholders are respected; in particular, he is required to prevent the abuse of rights by persons present and ensure that the rights of minority shareholders are respected.

9. The General Shareholders Meeting should be attended by the members of the Supervisory Board and Executive Board.

NO

Impel SA's Commentary: All or some of the members of the Executive Board attend the General Shareholders Meeting. The members of the Supervisory Board are invited to the General Shareholders Meeting, but it is not possible to guarantee their presence.

#### ALIGNMENT

The auditor should be present at the General Shareholders Meeting  
YES

Impel SA's Commentary: A provision requiring the auditor to attend the General Shareholders Meeting has been introduced into the agreement with the auditor.

as well as the Extraordinary General Shareholders Meeting if the Company's financial issues are on its agenda.

NO

Impel SA's Commentary: The auditor attends each meeting at which issues being the subject matter of a review or audit are discussed.

10. Members of the Supervisory Board and Executive Board as well as the Company's auditor, should, within their respective powers and in the scope necessary for the settlement of issues discussed, provide explanation and information to those attending the General Shareholders Meeting.

YES

Impel SA's Commentary: The members of the Supervisory Board and Executive Board as well as the Company's auditor (subject to Section 9 above) present at the General Shareholders Meeting are obliged to provide explanation of and information on the Company's affairs.

11. While answering the questions asked by the General Shareholders Meeting, the Executive Board should take into consideration that the company fulfils its disclosure requirements pursuant to the provisions of the Polish Act on the Public Trading in Securities and numerous items may be disclosed exclusively under these provisions.

YES

#### ALIGNMENT

12. Short recesses of a Meeting which are not adjournments of a Meeting and declared by the Chairman in justified cases must not have the objective of hindering the shareholders in the exercise of their rights.

YES

Impel SA's Commentary: Pursuant to Par. 6.8d of the Rules of Procedure for the General Shareholders Meeting, subject to Art. 408.2 of the Polish Companies Act, the Chairman of the General Shareholders Meeting is authorised to make decisions concerning all matters related to conducting the Meeting, including decisions to declare a short recess in a Meeting.

#### ALIGNMENT

13. Matters of routine may be voted on only if they refer to conducting the Meeting. Resolutions which might impact the shareholders' execution of their rights should not be put to the vote in this mode.

YES

Impel SA's Commentary: Pursuant to Par. 7.5 of the Rules of Procedure for the General Shareholders Meeting, matters of routine may be voted on only if they refer to conducting the Meeting. Resolutions which might impact the shareholders' execution of their rights shall not be put to the vote in this mode.

ALIGNMENT

14. A resolution concerning the omission of discussing an issue on the agenda of the Meeting may be adopted only if there are material and substantial reasons for such a decision. A motion for such omission should be justified in detail. A General Shareholders Meeting may not resolve to remove from the agenda or omit discussing an issue included in the agenda at shareholders' request.

YES

Impel SA's Commentary: Pursuant to Par. 7.6 and Par. 7.7 of the Rules of Procedure for the General Shareholders Meeting, a resolution concerning the omission of discussing an issue on the agenda of the Meeting may be adopted only if there are material and substantial reasons for such a decision. A motion for such omission should be justified in detail by the person who has put it forth. A General Shareholders Meeting may not resolve to remove from the agenda or omit discussing an issue included in the agenda at shareholders' request without the consent of all the persons who put forth such a motion and are present at the General Shareholders Meeting.

ALIGNMENT

15. A person raising an objection to a resolution should be guaranteed a possibility to briefly justify the objection.

YES

Impel SA's Commentary: Pursuant to Par. 7.8 of the Rules of Procedure for the General Shareholders Meeting, the Chairman of the Meeting should ensure that a person raising an objection to a resolution is guaranteed a possibility to briefly justify the objection.

16. Given the fact that the Polish Companies Act does not provide for court supervision in the event that a General Shareholders Meeting fails to adopt a resolution, the Executive Board or the Chairman of the Meeting should word draft resolutions so that each entitled person who is against the substance of the decision being the subject matter of the resolution is able to appeal against the resolution.

YES

ALIGNMENT

17. At a request of a participant of a General Shareholders Meeting, his written statement should be included in the minutes of the Meeting.

YES

Impel SA's Commentary: Pursuant to Par. 7.9 of the Rules of Procedure for the General Shareholders Meeting, at a request of a participant of a General Shareholders Meeting, his written statement shall be included in the minutes of the Meeting.

## **GOOD PRACTICES FOR THE SUPERVISORY BOARD**

18. On an annual basis, the Supervisory Board submits to the General Shareholders Meeting a brief assessment of the Company's standing. The assessment should be included in the Directors' Annual Report on the Company's Operations which is to be made available to the shareholders so as to provide them enough time to familiarise themselves with the Report prior to the Ordinary General Shareholders Meeting.

NO

Impel SA's Commentary: Pursuant to the Company's Supervisory Board Rules of Procedure, the Supervisory Board submits to a General Shareholders Meeting a written report on the results of the audit of the balance sheet and profit and loss account, as well as of the Director's Report and the Executive Board's motions concerning the distribution of profit or coverage of loss.

19. A member of the Supervisory Board should have appropriate education, professional experience and personal experience, represent high moral standards and be able to dedicate necessary time which would enable him to properly fulfil his duties on the Supervisory Board. Candidates to the Supervisory Board should be appointed and the appointments justified in detail in such a manner which would enable a conscious selection to be performed.

YES

### **ALIGNMENT**

20. a) At least a half of the composition of the Supervisory Board should be filled with independent members. The independent members of the Supervisory Board should be free of any such links to the company, as well as its shareholders and employees, which would materially affect such an independent member's ability to adopt unbiased decisions.

NO

Impel SA's Commentary: Following the issue of Series D, E and F Shares, the share of the existing shareholders in the Company's share capital has been reduced; however, they continue to hold the majority interest. Accordingly, Par. 16.2 of the Company's Articles of Association stipulates that the existing shareholders holding registered preference Series C Shares appoint and remove three of the five members of the Supervisory Board, while the General Shareholders Meeting appoints and removes the remaining two members of the Board from amongst persons not related to the Company.

b) The company's Articles of Association should stipulate particular criteria of the independence;

YES

Impel SA's Commentary: Par. 16.4 of the Company's Articles of Association specifies the independence criteria.

c) A resolution concerning the following issues should not be adopted without the consent of at least one of the independent members of the Supervisory Board:

Impel SA's general commentary: This rule is to be adopted by the end of 2004, with the exception of the remarks below.

- Performance under any title by the company or any entity related to the company to the benefit of members of the Executive Board;

YES

Impel SA's Commentary: With the exclusion for Executive Board members holding posts in supervisory bodies of other entities

- Approval for the company's or its subsidiary's entering into a material agreement with an entity related to the company, a member of the Executive or Supervisory Board or entities related to such a member;

NO

Impel SA's Commentary: The nature of capital links within the Capital Group, and especially the numerous trade connections render the application of this principle unreasonable.

- Selection of an auditor to audit the company's financial statements.

YES

21. In the performance of his duties, a member of the Supervisory Board should primarily be guided by the company's interests.

YES

22. The members of the Supervisory Board should undertake appropriate steps in order to receive from the Executive Board, on a regular basis, comprehensive information on all material issues relating to the company's operations, as well as the business risk and methods for the risk management.

YES

ALIGNMENT

23. Whenever a conflict of interests occurs, the involved member of the Supervisory Board should accordingly notify the other members of the Board and refrain from discussing and voting on a resolution concerning the issue which has given rise to the conflict.

YES

Impel SA's Commentary: Pursuant to Par. 8.3 of the Supervisory Board Rules of Procedure, whenever a conflict of interests occurs, the involved member of the Supervisory Board should accordingly notify the other members of the Board and refrain from discussing and voting on a resolution concerning the issue which has given rise to the conflict.

ALIGNMENT

24. Information on a Supervisory Board member's personal, actual and organisational links with a specified shareholder, in particular the majority shareholder, should be available in the public domain. A company should have in place procedures for obtaining information from Supervisory Board members and publishing it.

YES

Impel SA's Commentary: The Company's Executive Board has implemented a procedure for obtaining abovementioned information from members of the Supervisory Board. The information is disclosed to the public in the form of current and periodic reports.

25. Meetings of the Supervisory Board, with the exception of the issues directly relating to the Executive Board or its members, including, in particular, removal, responsibility and

determining remuneration of Executive Board members, should be open and freely accessible to the Executive Board members.

YES

#### ALIGNMENT

26. A member of the Supervisory Board should enable the Executive Board to disclose to the public, in an appropriate manner, information on such a member's disposal or acquisition of shares of the company, its Parent Company or its subsidiary, as well as on his transactions with such companies if these transactions are material to his financial standing.

YES

Impel SA's Commentary: Pursuant to Par. 8.4 of the Supervisory Board Rules of Procedure, a member of the Supervisory Board is required, in accordance with the regulations imposed on public companies, disclose to the Executive Board, in an appropriate manner, information on such a member's disposal or acquisition of shares of the Company or of its subsidiary, as well as on his transactions with such companies if these transactions are material to his financial standing.

27. The remuneration of the Supervisory Board members should be fair, but it should not be a material item of the company's costs and expenses, nor should it seriously affect the company's financial result. This remuneration should be reasonably commensurate with the remuneration of the Executive Board members. The total remuneration of the members of the Supervisory Board should be disclosed in the Directors' Annual Report.

YES

28. The activities of the Supervisory Board should be governed by the Supervisory Board Rules of Procedure,

YES

which should be publicly available.

NO

Impel SA's Commentary: The Company's Articles of Association govern the principal issues concerning the activities of the Supervisory Board.

#### ALIGNMENT

29. The agenda of a Supervisory Board meeting should not be amended or supplemented during the meeting to which it refers. This requirement is not applicable if all members of the Board are present and have given their consent to such amending or supplementing the agenda, as well as when the Supervisory Board has to undertake specific actions in order to protect the company against damage and in the event of a resolution whose subject matter is to assess whether there exists a conflict of interests between a Supervisory Board member and the company.

YES

Impel SA's Commentary: Pursuant to Par. 10.4 of the Supervisory Board Rules of Procedure the agenda of a Supervisory Board meeting should not be amended or supplemented during the meeting to which it refers. This requirement shall not apply if all members of the Board are present and have given their consent to such amending or supplementing the agenda, as well as when the Supervisory Board has to undertake specific actions in order to protect the Company against damage and in the event of a resolution whose subject matter is to assess whether there exists a conflict of interests between a Supervisory Board member and the Company.

30. A Supervisory Board member delegated by a group of shareholders to supervise the company's operations on a constant basis should submit to the Supervisory Board detailed reports on his activities in this capacity.

YES

31. A Supervisory Board member should not resign from his post during his term in office if his resignation might prevent the Board from proper operation, including in particular where it might prevent a material resolution from being adopted in a timely manner.

YES

### **GOOD PRACTICES FOR THE EXECUTIVE BOARD**

32. The Executive Board, guided by the company's interests, develops the company's strategy and sets its main operational goals, submits them to the Supervisory Board, and remains responsible for their implementation and execution. The Executive Board has regard to the transparency and efficiency of the company's management system and conducting the company's affairs in compliance with legal regulations and good practices.

YES

33. While adopting decisions concerning the company's affairs, the Executive Board members should act within the limits of reasonable business risk, that is only after examining all information, analyses and opinions which, in the Executive Board's reasonable assessment, should be considered as relating to the company's interests. While determining the company's interests, reasonable long-term interests of the company's shareholders, creditors, employees and other entities and individuals cooperating with the company in its business scope, as well as of local societies should be taken into consideration.

YES

34. While executing transactions with the company's shareholders and other persons whose interests affect the company's interests, the Executive Board should exercise due care so as for these transactions to be concluded at the arm's length.

YES

35. An Executive Board member should at all times be completely loyal to the company and abstain from actions which would serve exclusively the purpose of gaining material benefits by such a member. If an Executive Board member becomes aware of an opportunity to make an investment or conclude another advantageous transaction relating to the company's scope of business, then this member should forthwith inform the Executive Board accordingly, so that the Board might consider the option of the company's using the opportunity. An Executive Board member may use this information or disclose it to a third party exclusively upon the Executive Board's consent and if it would not to the detriment of the company's interests.

YES

36. An Executive Board member should treat the shares he holds in the company, its Parent Company or its subsidiaries as long-term investments.

YES

37. An Executive Board member should inform the Supervisory Board of each actual or potential conflict of interests arising in connection with such a member's post held on the Executive Board.

YES

38. The remuneration of the members of the Executive Board should be set up with use of transparent procedures and pursuant to transparent rules, with view to the motivational nature of remuneration and its role in ensuring effective and fluent management of the company. The remuneration should correspond with the size of the company's enterprise, be in a reasonable proportion with the company's financial and operational results and depend on the scope of responsibilities relating to a position held, with consideration given to the levels of remuneration of Executive Board members at similar companies operating on a comparable market.

YES

39. The total remuneration of the members of the Executive Board, broken down by component, should be disclosed in the Directors' Annual Report. If there are significant differences in the remuneration of individual members of the Executive Board, it is advisable to publish an appropriate explanation.

YES

40. The Executive Board should develop and implement its Rules of Procedure stipulating the rules and procedures for the Board's operation, as well as the scopes of powers and responsibilities of individual Board members.

YES

Such Rules of Procedure should be freely accessible.

NO

Impel SA's Commentary: The Company's Articles of Association govern the principal issues concerning the activities of the Executive Board.

## **GOOD PRACTICES TO BE FOLLOWED IN RELATIONS WITH EXTERNAL INDIVIDUALS AND INSTITUTIONS**

41. An entity which is to be the company's auditor should be selected in a manner guaranteeing such an entity's independence in its execution of mandated tasks.

YES

42. In order to ensure appropriate independence of the company's auditor, the company should change its auditor at least each fifth year.

YES

43. The company's auditor should be selected by the Supervisory Board or the General Shareholders Meeting upon the Supervisory Board's recommendation.

YES

Impel SA's Commentary: The Company's Supervisory Board does and will select the Company's auditor.

44. An entity acting as the auditor of the company or any of its subsidiaries must not act as an auditor for special purposes.

YES

45. The acquisition of own shares by the company should be executed in such a manner that no group of shareholders is privileged.

YES

46. The company's Articles of Association, its internal regulations, information and documents relating to General Shareholders Meetings, as well as the company's financial statements should be available at the company's registered offices and Website.

NO

Impel SA's Commentary: The Company's Articles of Association, available at the Company's Website, include basic information on the Company's governing bodies as well as the scope and procedure of their operation. Other documents and information will be delivered in the scope and by the dates specified under the Directive on Current and Periodic Reports.

47. The company should have in place appropriate procedures and rules for relations with media and implementing its information policy so as to ensure the delivery of consistent and reliable information on the company. In the scope provided under law and with due consideration to the company's interests, the company should make available to media representatives information on its ongoing operations, its enterprise's financial standing and assets, as well as enable these representatives to attend General Shareholders Meetings.

YES

48. The company should publish in its Directors' Annual Report the statement to the effect that it has implemented the Corporate Governance Principles. The company should also publicly justify each instance of deviation from these principles.

YES

Legal basis:

Par. 22a.4 of the WSE Rules