

Orbis Group

Orbis SA is the leading company of the Orbis Group comprising of four subsidiaries and four affiliated companies. Companies that form the group offer services in the areas of tourism, transportation, hotel industry, gambling and real property development.

Corporate Governance Declaration from the Annual Report 2003

BEST PRACTICES OF THE SUPERVISORY BOARDS

18. The supervisory board submits to the general meeting an annual concise evaluation of the company's standing. The evaluation should be part of the annual report of the company, made available to all shareholders early enough to allow them to become acquainted with the same before the annual general meeting.

YES

The Company's Supervisory Board acting in accordance with its Rules shall evaluate the situation of the Company after the end of each financial year, in particular, it shall evaluate the financial standing of the Company and its development perspectives. This evaluation is presented to the Annual (Ordinary) General Assembly of Shareholders. The Management Board of the Company shall include contents of the Supervisory Board resolution containing the above-mentioned evaluation in the report announced to the public at least 8(eight) days prior to the date of the General Assembly. Due to the fact that according to the practice adopted in the Company the audit of financial statements is conducted during the first quarter of the financial year, the above mentioned evaluation is not incorporated into contents of the annual report.

19. A member of the supervisory board should have relevant education, professional and practical experience, be of high morale and be able to devote all time required to properly perform the function on the supervisory board. Candidates for members of the supervisory board should be presented and supported by reasons in sufficient detail to allow an educated choice.

NO

Candidates for members of the Supervisory Board are put forward and their applicability justified in detail in a manner ensuring a premeditated election at the time of a General Assembly of Shareholders. It should, however, be borne in mind that in Principle no 19 imprecise and inaccurately formulated notions were applied, which allows for quite a wide and free interpretation. The application of that principle in practice and its implementation in the Company's internal regulations is, for the above presented reasons, to a large extent rendered difficult. In case of Supervisory Board members elected from amongst employees, their election is conducted by way of direct, secret and uniform vote. The result of the vote is binding upon the General Assembly.

20. (a) At least one-half of members of the supervisory board should be independent members. Independent members of the supervisory board should not have any relations with the company and its shareholders or employees, which relations could have significant impact on the ability of the independent member to make impartial decisions. (b) Detailed criteria of independence should be laid down in the statutes of the company. (c) Without consent of at least one independent member of the supervisory board, no resolutions should be adopted on the following issues: - performances of any kind by the company and any entities associated with the company in favor of members of the management board; - consent to the execution by the company or its subsidiary of a key agreement with an entity associated with the company, member of the supervisory board or the management board, and with their associated entities; and - appointment of an expert auditor to audit the financial statements of the company. The above rule may be implemented by the company on a date different than that for the remaining rules of the set, but no later than by the end of 2004.

NO

In accordance with the Statutes of Orbis SA, the Supervisory Board consists of 10 members. The Statutes of the Company provides for employees' right (under the Act on Commercialization and Privatization of State-Owned Enterprises) to appoint three Supervisory Board members. This right is exercised in a separate voting, results of such voting being binding on the General Shareholders Meeting. The remaining posts at the Supervisory Board are filled in the manner stipulated in the Statutes of the Company and the Commercial Company Code. At present, besides persons representing Orbis SA employees, the Supervisory Board also consists of two persons elected by shareholders by group voting. The Statutes of Orbis SA do not stipulate the independency criteria for Supervisory Board members. In the present situation, compliance by Orbis SA with Rule No. 20 would result in an impairment of the general rule of proportional protection of interests of each of Orbis SA's shareholders.

21. A supervisory board member should, most of all, bear in mind interests of the company.

YES

22. Members of the supervisory board should take relevant actions in order to receive regular and complete information from the management board on any and all significant issues concerning the company's operations and on the risk related to carried out business and ways of managing such risk.

YES

23. A supervisory board member should inform the remaining members of the board of any conflict of interest that arises, and should refrain from participating in discussions and from voting on passing a resolution on the issue in which the conflict of interest has arisen.

NO

The text of Principle 23 does not define the notion of „conflict of interests“. It is, therefore, understood by the Company as a wide notion, pertaining to various facets and relations, from which such a conflict may result. The Company is of the opinion that in the case where one of the shareholders is a so-called sectoral investor and there are members of the Supervisory Board who are related to that shareholder, the conflict of interests of a corporate nature arising out of that type of relations is of an immanent character. The same applies in the case of Orbis S.A. The existence of that type of conflicts of interest cannot, however, lead to the nonparticipation of persons related to the investor in the work of the Supervisory Board. Principle No. 23 is adhered to in the Company in respect of conflict of interests of a personal character. The Principle No. 23 cannot, however, be fully adhered to by the Company for reasons stated above.

24. Information on personal, actual, and organizational connections of a supervisory board member with a given shareholder, and, in particular, with the majority shareholder, should be available to public. The company should have a procedure in place for obtaining information from members of the supervisory board and for making it available to the public.

NO

After electing a given person as a member of the Orbis S.A. Supervisory Board, the Company conveys the information, in the form of a current stock exchange report, within the scope required by regulations governing the public trading in securities. Conveying information, as recommended in Principle 24 is not – in the opinion of the Company Management Board – possible due to a too general and imprecise expressions concerning the relation between the member of the Supervisory Board and a shareholder.

25. Supervisory board meetings, save for issues which directly concern the management board or its members, and, in particular, removal, liability, and setting remuneration, should be accessible and open to members of the management board.

YES

26. A supervisory board member should enable the management board to present publicly and in appropriate manner information on the transfer or acquisition of shares of the company or of its dominant company or a subsidiary, and of transactions with such companies, provided that such information is relevant for his financial standing.

NO

Provisions of the Regulation of Council of Ministers on information obligations of Companies precisely specify information obligations in respect of transactions concluded by, among others, members of the Supervisory Board. However, in contents of Principle 26, an imprecise and inaccurately defined expression was applied (the relevance of the transaction for the financial standing of a member of the Supervisory Board), which allows for wide and free interpretation. The application of this principle in practice and its implementation in Company's internal regulation is, for the above reasons, to a large extent rendered difficult.

27. Remuneration of members of the supervisory board should be fair, but should not constitute a significant cost item in the company's business or have material impact on its financial results. The remuneration should be in reasonable relation to the remuneration of members of the management board. The aggregate remuneration of all members of the supervisory board should be disclosed in the annual report.

NO

In accordance with the Company's internal regulations, the remuneration of members of the Supervisory Board is determined by shareholders by way of voting at the General Assembly. In the Management Board's opinion, in Principle 27 imprecisely and inaccurately defined expressions were applied which allows for quite a wide and free interpretation. Therefore, the application of this principle in practice and its implementation in the Company's internal regulations is rendered quite difficult. The aggregate remuneration of all members of the Supervisory Board is disclosed in the annual report.

28. The supervisory board should operate in accordance with its bylaws which should be available to the public.

YES

29. The agenda of a supervisory board meeting should not be amended or supplemented during the meeting it concerns. This requirement does not apply if all members of the supervisory board are present and agree to the amendment or supplementation of the agenda, and in instances where the adoption of certain activities by the supervisory board is necessary in order to protect the company against damage and in the case of a resolution which concerns the determination whether there exists a conflict of interest between a supervisory board member and the company.

NO

Rules concerning the establishment of the agenda of the meeting of the Supervisory Board shall be defined in the

Supervisory Board Rules, in accordance with which the invitation to the meeting along with the agenda is sent at least 7 days in advance, unless all the members of the Supervisory Board agree to shorten that period. This rule may be deviated from if all members of the Supervisory Board are present at the meeting and grant their consent for the adoption of important resolutions. In the Management Board's opinion, the term "changes" in the agenda may also be interpreted as lack of opportunity to give up consideration of a particular item on the agenda which, in certain cases, could hamper the functioning of the Supervisory Board. On the other hand, a very general statement concerning the necessity to take actions to protect the Company against damage, allows for a far too free interpretation of such a situation and may in practice lead to disputes connected with the proper understanding of contents of Principle no 29.

30. A supervisory board member delegated by a group of shareholders to permanently exercise supervision should submit to the supervisory board detailed reports on the performance of his task.

NO

Supervisory tasks performed by a member of the Supervisory Board, referred to in Principle 30, cannot replace the supervisory duties vested in the Supervisory Board. Provisions of the Code of Commercial Partnerships and Companies empower particularly one member of the Supervisory Board delegated to exercise permanent supervision to participate in meetings of the Management Board in the advisory capacity. The Code does not contain any provisions concerning the obligation to report on the performance of tasks by members of the Supervisory Board. The regulation, as proposed in Principle no. 30, may in practice lead to the assessment – by the Supervisory Board - of the supervision exercised by a delegated member. It seems that in accordance with provisions of the Code of Commercial Partnerships and Companies, such an assessment may be made exclusively by shareholders who have designated that member of the Supervisory Board to exercise individual supervision. There is no precise definition of how the term "precise nature of reports" should be understood. Consequently, the application of that principle may lead to doubts as to the scope of responsibilities of a delegated person and the manner of exercising the supervision.

31. A supervisory board member should not resign from his function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.

YES

BEST PRACTICES OF THE MANAGEMENT BOARDS

32. Bearing in mind the interest of the company, the management board sets forth the strategy and the main objects of the company's operations, and submits them to the supervisory board. The management board is liable for the implementation and performance of the same. The management board cares for transparency and effectiveness of the company management system and the conduct of its business in accordance with the legal regulations and best practice.

YES

33. While making decisions on corporate issues, members of the management board should act within limits of justified economic risk, i.e. after consideration of all information, analyses and opinions, which, in the reasonable opinion of the management board, should be taken into account in a given case in view of the company's interest. While determining the interest of the company, one should keep in mind the justified in long-term perspective interests of the shareholders, creditors, employees of the company and other entities and persons cooperating with the company, as well as interests of local community.

YES

34. In transactions with shareholders and other persons whose interests have impact on the interest of the company, the management board should act with utmost care to ensure that transactions are at arms' length.

YES

35. A management board member should display full loyalty towards the company and avoid actions which could lead to implementing exclusively own material interest. If a management board member receives information on the possibility of making an investment or another advantageous transaction concerning objects of the company, he should present such information to the management board immediately thus considering the possibility of the company taking advantage of it. Such information may be used by a management board member or be passed over to a third party only upon consent of the management board and only when this does not infringe the company's interest.

YES

Members of the Management Board display full loyalty towards the company and avoid actions which could lead to implementing exclusively their own material interest, as confirmed in a declaration of the Management Board members thereon.

36. A management board member should treat his shares in the company and in its dominant companies and subsidiaries as a long-term investment.

YES

The preset members of the Company's Management Board declared their intention to comply with this principle. Abandonment of this principle may take place only under special circumstances, justified by a personal situation of a given Management Board member.

37. Management board members should inform the supervisory board of each conflict of interest in connection with the performed function or of the risk of such conflict.

YES

According to the Rules of the Management Board, Management Board members are obligateded to inform the Supervisory Board through the President of the Management Board of each and any conflict of interest in connection with the performed function or of the risk of such conflict.

38. The remuneration of management board members should be set based on transparent procedures and principles, taking into account its incentive nature and ensuring effective and smooth management of the company. The remuneration should correspond to the size of the company's business enterprise, should be in reasonable relation to the economic results, and be related to the scope of liability resulting from a given function, taking into account the level of remuneration of members of management boards in similar companies in a similar market.

YES

Members of the Management Board shall collect their remuneration according to the terms and in the amount determined by the Supervisory Board.

39. The aggregate remuneration of all members of the management board should be disclosed and itemized in the annual report. If the amount of remuneration of individual members of the management board significantly differs, it is recommended that a relevant explanation be published.

YES

40. The management board should lay down principles and procedure of operations and allocation of powers in the bylaws which should be open and generally available.

YES

BEST PRACTICES IN RELATIONS WITH THIRD PARTIES AND EXTERNAL INSTITUTIONS

41. The selection of an expert auditor for a company should guarantee impartiality in performance of the entrusted tasks.

YES

The Company applies a general procedure aimed at ensuring independence of external contractors performing certain services for the Company, including services of a licensed auditor. The entity providing the services of a licensed auditor shall file a declaration that it complies with the statutory criteria of impartiality and independence prior to commenting the audit of the Company's financial statements and after the end of such audit. Moreover, the Company adheres to a principle whereby the entity providing the services of a licensed auditor may not provide other services to the Company, unless a proper governing body of the Company grants its consent.

42. In order to ensure proper impartiality of opinion, the company should change the expert auditor at least once every five years.

YES

43. The expert auditor should be selected by the supervisory board or by general meeting of the company, upon receiving recommendations from the supervisory board.

YES

According to provisions of the Company's Statutes, the powers of the Supervisory Board include the selection of the entity to perform the services of a licensed auditor.

44. An auditor auditing annual accounts of a company or its subsidiaries cannot act as a special-purpose auditor for the same company.

YES

45. A company should acquire its own shares in such a way that no group of shareholders be privileged.

YES

So far the Company did not acquire its own shares. The Management Board of the Company declares that in case such transaction was to be effected, it shall undertake all efforts to ensure that no shareholder group is privileged.

46. The statutes of the company, its basic internal regulations, information and documents related to general meetings, and the financial statements should be made available in the registered office of the company and on its website.

YES

The following documents are available at the website: www.orbis.pl. The Statutes, the Rules of the Management Board and the Supervisory Board, resolutions of the General Assembly of Shareholders, information concerning the business profile of the Company and of the Orbis Group, the Company's governing bodies, shareholding structure, current reports and stock exchange reports.

47. The Company should have proper media relations procedures and regulations and an information policy, ensuring coherent and reliable information about the company. The company should, in compliance with the legal regulations while taking into account its interests, make information available to mass media representatives on its current operation and business, standing, and enable their presence at general meetings.

YES

The Company drafted principles of its relations with the press & media and principles of conducting the information policy. Applying these principles, the Management Board of the Company (and its press spokesperson) ensure that the representatives of the press & media are supplied with reliable information concerning the current operations of the Company, its business standing, however, subject to a reservation that the reporting obligations of a public company are performed in a manner provided for in the provisions of the Law on Public Trading in Securities. According to the Byelaws of the General Assembly of Shareholders, representatives of the press & media may participate in sessions of the General Assembly of Shareholders. However, in justified cases their presence during the entire session of the General Assembly of Shareholders or during its part may be excluded by the General Assembly of Shareholders.

48. In its annual report, a company should make public its statement on the application of corporate governance standards. If the standards are not applied to any extent, the company should also publicly explain this fact.