

28 Statement on the application of Corporate Governance

28.1 Application of Corporate Governance principles

In 2011, CIECH S.A. applied the Code of Best Practice for WSE Listed Companies (hereinafter referred to as the Code of Best Practice for WSE Listed Companies). The corporate governance principles are available on the website on corporate governance of the Warsaw Stock Exchange (<http://corp-gov.gpw.pl/>) and on CIECH S.A.'s corporate website (<http://www.ciech.com>) in the section dedicated to the Company's shareholders: Investor Relations, Corporate Governance tab.

CIECH S.A. operates a corporate website that provides reliable and useful information about the Company for the equity market. The website's content is transparent and reliable, allowing investors and analysts to make decisions based on the information presented by the Company. The Company provides all stakeholders with equal access to the information published on its website. According to section II item 1 of the Code of Best Practice for WSE Listed Companies, the Company also supports an English language version of the website. The Investor Relations section includes several tabs with all current and interim reports published by the Company. In addition, the website features a tab with best practice of the Warsaw Stock Exchange. The corporate website provides information on the dates of general meetings, draft resolutions and full documentation presented to the shareholders during general meetings. CIECH S.A.'s best practice in the area corporate governance, well-arranged information and investor relations has been awarded for the second time, as the company has been included in the portfolio of the Respect Index, which is Central and Eastern Europe's first Corporate Social Responsibility index.

In 2011, CIECH S.A. applied the *comply or explain* principle, as detailed in chapters II, III and IV of the Code of Best Practice for WSE Listed Companies.

With regard to chapter I of the Code of Best Practice for WSE Listed Companies, two items require a comment.

In compliance with the recommendation, CIECH S.A. has a remuneration policy which defines the form, structure and level of remuneration, including remuneration for members of management and supervisory bodies in the Company. The remuneration system is transparent and ensures that the remuneration paid to top managers is linked to the financial results achieved by the Company and the performance of the remunerated persons.

The assumptions of the remuneration system account for certain principles following from Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), complemented by Commission Recommendation of 30 April 2009 (2009/385/EC). These principles include: defining fixed and variable elements of the Management Board's remuneration, establishing a link between variable remuneration elements with performance and detailing the total remuneration and its particular elements paid to the Members of the Management Board and the Supervisory Board in the notes to the annual financial statements. The adopted remuneration system does not include incentive programmes based on shares, share options or other share purchase rights, nor does it provide for receiving remuneration based on fluctuations of the share price.

The European Commission's recommendations were not a basis for establishing the remuneration system in the Company and not all of the aforementioned recommendations have been implemented. The remuneration system does not constitute a separate item in the Ordinary General Meeting agenda and is not put to the vote. The Company has not published "the remuneration declaration" on its website. However, a number of Company documents include information which should be contained in the declaration.

28 Statement on the application of Corporate Governance (continued)**28.1 Application of Corporate Governance principles (continued)**

In CIECH S.A., the remuneration rules and amounts for the Members of the Management Board are established by the Company's Supervisory Board. The functions of the Remuneration Committee, as defined by the European Commission, are performed by the Remuneration Committee of CIECH S.A.'s Supervisory Board. The remuneration for the Members of the Company's Supervisory Board is established by the Company's General Meeting.

Another issue which requires explanation is the recommendation regarding the broadcast of general meetings using the Internet, recording the meetings and publishing them on a website. In the discussed reporting period, the Company decided not to implement the recommended direct broadcast of General Meetings or recording meetings and publishing them on its website. However, in order to ensure a transparent and efficient information policy, which would ensure a fast and secure access to information for shareholders, analysts and investors, the Company has used a number of communication tools.

28.2 Internal audit and risk management systems in the process of preparing financial statements and consolidated financial statements

The Management Board of CIECH S.A. is responsible for the internal audit system in the Company and its effectiveness in the process of preparing financial statements and interim reports, which are prepared and published in accordance with the principles laid down by the Ordinance of the Minister of Finance of 19 February 2009 regarding current and interim information submitted by the issuers of securities, and the conditions of recognising as equivalent the information required under the laws of a non-member state. The Company's effective system of internal audit and risk management in the financial reporting process operates based on the following:

- preparing procedures defining the principles and responsibility for compiling financial statements, including the responsibility for quality assurance,
- determining the scope of reporting based on the applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS),
- developing, implementing and supervising the application of consistent accounting principles in the Ciech Group's companies,
- semi-annual and annual audits of the published financial statements of CIECH S.A. and of the Capital Group by an independent auditor,
- financial statements authorisation prior to publication.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Company's financial statements and interim reports. The Finance Division, directly reporting to a Member of the Management Board of CIECH S.A., is responsible for organising work related to preparing the financial statements. The uniformity of the standards applied by the Group is ensured by the application of uniform accounting principles of the Ciech Group and uniform consolidation principles according to IAS/IFRS by all companies.

The scope of disclosures in interim reports results from the Company's accounting books and additional information submitted by particular organisational units of CIECH S.A. The Capital Group's companies deliver the required data in the form of reporting packages in order to prepare the Group's consolidated financial statements. The scope of disclosures within the Capital Group is defined and results from the disclosure obligations imposed by IAS/IFRS. Current IAS/IFRS monitoring is conducted to determine the need to update the scope of reporting.

Pursuant to the applicable laws, the Company's financial statements are reviewed and audited by an independent statutory auditor.

A statutory auditor is appointed by the Supervisory Board from a group of reputable auditing companies, ensuring high standards of service and the required independence. Agreements for auditing financial statements by a statutory auditor are concluded every year with an auditor appointed by the Supervisory Board. The Audit Committee, which is appointed as part of the Supervisory Board, supervises the financial reporting process, collaborates with an independent auditor and recommends an auditor to the Supervisory Board.

The Company operates financial statements authorisation procedures. Reports for Q1, Q3 and Q4 are not subject to auditing, but are approved by the Management Board before publication. Semi-annual and annual interim reports reviewed or audited by an auditor are submitted to the Supervisory Board and the Company's Shareholders. Annual statements approved by the Management Board, after obtaining the opinion of the Audit Committee and their evaluation by the Supervisory Board, are approved by the General Shareholders' Meeting.

28 Statement on the application of Corporate Governance (continued)**28.2 Internal audit and risk management systems in the process of preparing financial statements and consolidated financial statements (continued)**

After the publication of the annual or semi-annual financial statements, the conclusions from the financial statements' audit are presented to the Audit Committee. Representatives of the Audit Committee analyse the audit's and the review's results during closed sessions held with the Company's auditor. In addition, the statutory auditor presents a Letter to the Management Board with recommendations for the Management Boards of the Group's Companies, based on the results of the audit or the review of the financial statements for a given year. The auditor's recommendations are discussed by the Audit Committee and the managerial staff of the Finance Division with the aim of implementation.

The financial data forming the basis for the financial statements and interim reports originate from an accounting and financial system where all transactions are registered in accordance with the Company's accounting policy (approved by the Management Board), based on the International Accounting Standards. Accounting books are kept in an integrated ERP IT system. The modular structure of the system ensures a clear assignment of responsibilities, consistency of accounting entries and consistency between the general ledger and the sub-ledgers. The properties of the system allow for its ongoing adjustment to the changing accounting principles and other legal regulations. The system contains a complete technical and functional documentation, which, pursuant to Article 10 of the Accounting Act of 29 September 1994, is periodically revised.

The access to information contained in the IT system is restricted to authorised employees only. The employees can only access those system areas in which they work. Access control is implemented at every stage, from entering source data, through data processing, to generating output information.

The efficiency of the applied procedures for audit and risk management in the process of preparing financial statements in CIECH S.A. and in the Ciech Group is confirmed by the high quality of financial statements and the opinions of statutory auditors on the audited statements, positive assessment by the target readers of the financial statements and top rankings in the competition The Best Annual Report, which is organised by the Institute of Accounting and Taxes under the auspices of the Warsaw Stock Exchange.

The appointment of the entity authorised to audit the financial statements of CIECH S.A. and financial statements of the Ciech Group is performed by the Company's Supervisory Board (after a preliminary recommendation of the Supervisory Board's Audit Committee), which has established the following selection criteria to ensure that the opinion is unbiased:

- the entity authorised to audit financial statements may not perform audits for the Company/Group for more than 5 years in a row,
- the entity authorised to audit financial statements may return to performing audits for the Company/ Group after 2 years at the earliest,
- the key statutory auditor may not perform audits for the Company/ Group for more than 5 years in a row,
- the key statutory auditor may resume audits for the Company/ Group after 2 years at the earliest.

28.3 Qualifying holdings of CIECH S.A.

CIECH S.A.'s shares are quoted at the Warsaw Stock Exchange. The share capital amounts to PLN 263,500,965 and is divided into 52,699,909 shares with a nominal value of PLN 5 each, including:

- 20,816 series A ordinary bearer shares,
- 19,775,200 series B ordinary bearer shares,
- 8,203,984 series C ordinary bearer shares,
- 23,000,000 series D ordinary bearer shares,
- 1,699,909 series E ordinary bearer shares.

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28.3 Qualifying holdings of CIECH S.A. (continued)

Shareholder	Type of shares	Number of shares	Share in the share capital (%)	Number of votes at GSM	Total number of votes at the GSM
State Treasury*	Ordinary bearer shares	20.407.437	38,72%	20.407.437	38,72%
(Open Pension Fund) PZU Złota Jesień S.A.***	Ordinary bearer shares	2.688.000	5,10%	2.688.000	5,10%
Pioneer Pekao Investment Management S.A.** (with regard to portfolios managed by PPIM), including:	Ordinary bearer shares	5.267.246	9,99%	5.267.246	9,99%
Pioneer FIO	Ordinary bearer shares	5.209.354	9,88%	5.209.354	9,88%
SFIO Telekomunikacji Polskiej	Ordinary bearer shares	44.857	0,09%	44.857	0,09%
ING Otwarty Fundusz Emerytalny***	Ordinary bearer shares	2.800.000	5,30%	2.800.000	5,30%
TFI Allianz Polska S.A.****	Ordinary bearer shares	2.840.640	5,39%	2.840.640	5,39%

* According to information provided by the State Treasury on 24 August 2011 (cr 59/2011)

** According to the notification sent on 14 October 2011 (cr 68/2011)

*** Based on the list of shareholders holding at least 5% of votes at the Ordinary General Meeting of CIECH S.A. on 30 June 2011 (Article 70 item 3 of the Offering Act – GSM list above 5%)

**** According to the notification sent on 15 November 2011 (cr 71/2011)

After 31 December 2011, on 20 February 2012, the Management Board of CIECH S.A. received a notification from TFI Allianz Polska S.A. (cr 7/2012) on the decrease of the total share of the funds Allianz FIO, Allianz Platinum FIZ and Bezpieczna Jesień SFIO (Funds Managed by Allianz TFI) in the overall number of votes during CIECH S.A.'s General Meeting as a result of the sale of the Issuer's shares by Allianz FIO. According to the report, the Funds Managed by Allianz TFI, as a result of Allianz FIO's sale of the Issuer's shares on 8 February 2012, decreased their share to less than 5% in the overall number of votes during CIECH S.A.'s General Meeting. Following the transaction, the Funds Managed by Allianz TFI jointly held a total of 2,552,420 shares, which account for a 4.8433% share in the Issuer's share capital and are vested with 22,552,40 votes, representing 4.8433% of the total number of votes.

28.4 Shareholders with special control rights and their description

There are no securities in CIECH S.A. that are vested with special control rights with regard to the issuer. There are no preference shares, and each share is vested with one vote during the general shareholders' meeting.

28.5 Restrictions regarding the right to vote

In CIECH S.A., there are no restrictions on exercising the right to vote such as the right to vote reserved for holders of a certain share or number of votes, time limits in exercising the right to vote or provisions pursuant to which, in collaboration with the company, equity rights vested with securities are separated from the holding of securities.

28.6 Restrictions on the transfer of the ownership title to the issuer's securities

CIECH S.A.'s statute does not provide for any restrictions regarding the transfer of the ownership title to the securities issued by the Company.

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28.7 Description of rights to make decisions on the issue or redemption of shares

The provisions of the Commercial Companies Code and the Company's Statute define the rights of the managerial staff. The managerial staff do not have any special rights to decide on the issue or redemption of shares.

28.8 Principles for introducing amendments to the issuer's Statute or Articles of Associations

The Statute can be amended in accordance with the regulations of the Commercial Companies Code. The Statute does not introduce any detailed regulations in that regard. Amending the Statute requires a resolution by the Company's General Meeting and an entry into the register of entrepreneurs. The General Meeting's resolutions on amending the Company's statute are passed by a 3/4 majority of votes. After the entry of the amendments to the Statute into the register of entrepreneurs, CIECH S.A. issues a report available to the public. The General Meeting can authorise the Supervisory Board to standardise the Statute's text. In 2011, § 7 section 1 of CIECH S.A.'s Statute was amended as a result of the increase in the Company's share capital by way of the issue of series E shares with an exclusive pre-emptive right for the existing shareholders. All series E shares were offered to the State Treasury of the Republic of Poland. The State Treasury acquired all series E shares and paid for them with an in-kind contribution in the form of the shares of Alwernia S.A., ZACHEM S.A. and Z. Ch. Organika-Sarzyna S.A.

28.9 General Shareholders' Meeting and its main responsibilities, shareholders' rights and the exercise of such rights

The functioning of CIECH S.A.'s General Meeting and its responsibilities are regulated by the Company's Statute and the Regulations of CIECH S.A.'s General Meeting. These documents are available on CIECH S.A.'s corporate website (www.ciech.com) in the sections: CIECH S.A./Company documents and Investor Relations/GSM Regulations.

The General Meeting of CIECH S.A. is held as an ordinary or extraordinary meeting, in accordance with the Commercial Companies Code and the Statute, based on the principles defined in the General Meeting's Regulations. The General Meeting is convened according to the generally applicable laws. The General Meeting is convened by way of an announcement on the Company's website and by submitting a current report. The announcement must be made at least twenty-six days prior to the date of the General Meeting. The Ordinary General Meeting is convened by the Company's Management Board. The Supervisory Board may convene the Ordinary General Meeting if the Management Board fails to convene the same within the period specified. The following have the right to convene an Extraordinary General Meeting:

- 1) Management Board,
- 2) Supervisory Board if it considers it reasonable to convene the meeting,
- 3) shareholders representing at least a half of the share capital or at least a half of the total number of votes in the Company.

A shareholder or shareholders representing at least 1/20 of the Company's share capital may request that the Extraordinary General Meeting be convened and specific items included in its agenda. Such a demand should be submitted to the Management Board in writing or in an electronic form to the e-mail address specified on the Company's website with a statement of reasons.

A shareholder or shareholders representing at least 1/20 of the share capital may:

- 1) demand that specific matters be included in the agenda of the next General Meeting; such a demand should be submitted to the Management Board in writing or in an electronic form to the e-mail address specified on the Company's website, not later than twenty-one days prior to the agreed date of the Meeting, and it should contain a statement of reasons or a draft resolution concerning the proposed item of the agenda;
- 2) prior to the date of the General Meeting, submit to the Company in writing or with the use of electronic means of communication to the e-mail address specified on the Company's website draft resolutions related to the matters included or requested to be included in the agenda of the General Meeting.

According to the General Meeting's Regulations, the Meeting can be cancelled, if there are extraordinary obstacles (force majeure) against organising it or if the meeting is irrelevant. The Meeting whose agenda includes specific items brought forward by authorised entities or the Meeting that has been convened upon a motion of authorised entities may be cancelled only upon the approval of the movers. Cancellation is governed by the same procedure as convening, at the same time ensuring minimum adverse effect on the Shareholders. The date of the General Meeting is postponed in the same mode in which the Meeting is cancelled, even if the proposed agenda did not change.

Pursuant to CIECH S.A.'s Statute, the responsibilities of the General Shareholders' Meeting include:

examining and approving the Company's management report, financial statements for the previous financial year, consolidated financial statements and the Capital Group's management report, where the Company is the parent, if the Company prepares such statements, as well as examining and approving an annual report by the Supervisory Board, and acknowledging the fulfilment of duties by the members of the Company's authorities,

28 Statement on the application of Corporate Governance (continued)**28.9 General Shareholders' Meeting and its main responsibilities, shareholders' rights and the exercise of such rights (continued)**

- 1) passing resolutions on profit distribution or loss coverage,
- 2) adopting the regulations for the General Shareholders' Meeting,
- 3) amending the Company's Statute,
- 4) changing the subject of the Company's business activity,
- 5) selling and leasing the enterprise or its organised part and establishing a limited property right thereon,
- 6) appointing and dismissing Members of the Supervisory Board and determining their remuneration,
- 7) appointing and dismissing Members of the Management Board, including the President of the Management Board,
- 8) increasing or decreasing the share capital,
- 9) passing resolutions on the issue of bonds, including convertible bonds,
- 10) merging the Company with other companies, demerging and transforming the Company,
- 11) dissolving the Company,
- 12) approving the purchase of shares by the Company for redemption and passing resolutions on the terms of shares redemption,
- 13) passing other resolutions stipulated by the laws or the Statute.

Pursuant to § 21 section 2 item 3) of CIECH S.A.'s Statute, CIECH S.A.'s Supervisory Board examines and gives an opinion on matters brought to the fore during CIECH S.A.'s General Shareholders' Meeting.

The shareholders may participate in the Meeting and exercise their voting rights in person or through representatives. A power of attorney should be made in writing or in electronic form. The fact that the power of attorney to participate in the General Meeting has been granted or revoked shall be communicated to the Company by the Shareholder via e-mail to wza@ciech.com.

Pursuant to the Regulations of the General Meeting of CIECH S.A., the participants of the General Meeting include Members of the Management Board and of the Supervisory Board, in a composition which allows for answering any questions asked during the Meeting. The Meeting can be also attended by:

- 1) experts, advisors and employees of the Company whose presence is deemed necessary by the Management Board, the Supervisory Board or the Chairman,
- 2) service providers,
- 3) representatives of the media, unless the Meeting passes a resolution against their presence,
- 4) persons referred to in Article 370 § 3 and Article 395 § 3 sentence 2 of the Commercial Companies Code.

The Meeting appoints a Chairman from among its participants. The Chairman presides over the Meeting in accordance with the adopted agenda, legal regulations, the Statute and the Regulations of the General Shareholders' Meeting, ensuring a problem-free course of the session and respect for the rights and interests of all Shareholders.

The responsibilities of the Chairman of the General Shareholders' Meeting include in particular:

- 1) ensuring that all participants observe the law, including the Regulations of the General Shareholders' Meeting, and making appropriate organisational decisions in this respect,
- 2) commencing discussion on particular points of the agenda, giving the floor,
- 3) taking the floor away if the speech:
 - a. exceeds the agreed time limit for a statement or response, or
 - b. discusses topics other than included in the agenda, or
 - c. is offensive,
- 4) closing discussion on particular points of the agenda,
- 5) closing the lists referred to in § 42 section 4 (list of candidates for Members of the Management Board, including the President of the Management Board, or the Supervisory Board),
- 6) based on the adopted motions, establishing the content of draft resolutions of the Meeting,
- 7) ordering and supervising votes, signing all documents containing the results of a vote and announcing the results,
- 8) giving instructions to maintain order during the Meeting,
- 9) resolving procedural doubts and clarifying legal issues, as required, based on the obtained legal opinions – legal and regulatory issues,
- 10) announcing exhaustion of the agenda,

28 Statement on the application of Corporate Governance (continued)**28.9 General Shareholders' Meeting and its main responsibilities, shareholders' rights and the exercise of such rights (continued)**

- 11) closing the Meeting after exhausting the agenda,
- 12) making other organisational decisions.

The Chairman may, at their sole discretion, order the adjournment of the Meeting, other than the adjournment ordered by the General Meeting pursuant to Article 408 § 2 of the Commercial Companies Code. Procedural breaks should be ordered by the Chairman in such a way that the Meeting can be closed on the day when it was opened.

The Chairman may submit to the debate a motion and a resolution on the convening of an extraordinary general meeting and other procedural issues, including in particular:

- 1) admitting into the session room the persons referred to in § 8 section 2 items 1-3,
- 2) proposing motions for changing the order of discussing particular issues on the agenda,
- 3) appointing committees described in the Regulations.

The Meeting's participants may submit discussion-related motions concerning issues included in the agenda, procedural motions and a motion to convene an extraordinary general meeting.

Draft resolutions proposed for adoption by the Meeting are published on the Company's website.

The resolutions of the General Meeting of CIECH S.A. are passed by an absolute majority of votes, unless the regulations of the Commercial Companies Code stipulate otherwise.

The General Meeting's Regulations do not allow voting by mail, as referred to in Article 411¹ of the Commercial Companies Code.

The Statute does not allow for attending and taking the floor during a General Meeting by means of electronic communication.

Voting shall be by open ballot. A secret ballot is ordered:

- 1) for appointments,
- 2) on motions calling for the appointment/dismissal of members of the Company's authorities,
- 3) on motions calling for the dismissal of the Company's liquidators,
- 4) on motions to hold liable the persons specified in items 2) and 3),
- 5) on personnel-related issues,
- 6) at the request of at least one participant of the Meeting.

The right to demand a secret ballot does not apply when adopting resolutions on procedural matters. The Meeting can cancel the secrecy of voting on issues concerning the appointment of committees established by the Meeting.

In 2011, two General Meetings were held. On 30 June 2011, the Ordinary General Meeting was held. During the Ordinary General Meeting, the Shareholders approved the Company's and the Ciech Group's annual management reports and the financial statements for 2010. They also decided on acknowledging the fulfilment of duties by all members of the Supervisory Board and the Management Board. The General Meeting decided to cover CIECH S.A.'s loss for FY 2010 from the Company's supplementary capital. Furthermore, the Meeting appointed the Supervisory Board for another joint term of office and approved the establishment of the required securities in connection with the conclusion of a loan agreement and other agreements related to the loan agreement. On that day, the Shareholders also adopted a resolution on increasing the Company's share capital by way of issuing series E shares with the exclusion of the pre-emptive right for the existing Shareholders, on amending the Company's Statute, on applying for and introducing series E shares to trading on the regulated market as well as on the shares' dematerialisation. On 7 November 2011, the Extraordinary General Meeting passed a resolution on the merger of CIECH S.A., SODA MAŃWY S.A. and JANIKOSODA S.A.

28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees.**CIECH S.A.'s Management Board**

According to § 23 section 1 of the Company's Statute, the Management Board consists of three to five persons. The joint term of office of the Members of the Management Board lasts three years. The mandate of a Member of the Management Board expires on the day of the General Meeting which approves the financial statements for the last full financial year of that Member's term in office at the latest. A Member's mandate also expires upon their death, resignation or dismissal from the Management Board.

28 Statement on the application of Corporate Governance (continued)**28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)**

The responsibilities of the Management Board include all matters and economic decisions as well as other matters not reserved by the provisions of the Commercial Companies Code or the company's Statute to the sole competence of the General Meeting or the Supervisory Board. The President of the Management Board acting independently, two Members of the Management Board or one Member of the Management Board acting jointly with a proxy are authorised to make declarations of will and sign documents on behalf of the company.

The current joint term of office of the Company's Management Board commenced on 21 June 2010. A detailed assignment of responsibilities to the Members of the Management Board is defined in the Management Board's resolution.

The Management Board of CIECH S.A. acts based on the regulations adopted by the Management Board and approved by the Supervisory Board. Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of a tied vote, the President of the Management Board has the decisive vote. In compliance with the best practice, the Management Board Regulations state that, in case of a conflict between Company's interest and personal interests of a Member of the Management Board, their spouse, relatives up to second degree or persons with whom they remain in personal relations, such a Member should refrain from deciding on such issues and demand that this fact is recorded in the Management Board's session minutes.

According to the Regulations, all matters beyond Company's ordinary activities shall be decided upon by way of a resolution of the Management Board, in particular:

- 1) approval and amendment of Management Board Regulations,
- 2) approval and amendment of Company's Organisational Regulations,
- 3) approval of motions addressed to the Supervisory Board or to the General Meeting,
- 4) calling the General Meeting and approval of proposed agenda,
- 5) approval of annual and long-term financial plans and development strategies of the Company,
- 6) granting power of attorney or general proxies,
- 7) raising loans and borrowings,
- 8) granting loans and borrowings,
- 9) exercising a right or incurring liabilities in an amount exceeding PLN 500 thousand,
- 10) applying for bank guarantees, incurring liabilities on promissory notes, granting all categories of securities and establishing other securities.

A resolution of the Management Board is also required in matters which do not exceed the scope of Company's ordinary activities, if this is demanded by any Member of the Management Board.

As of 1 January 2011, the Management Board of CIECH S.A. was composed of:

- Ryszard Kunicki – President of the Management Board,
- Andrzej Bąbaś – Member of the Management Board,
- Artur Osuchowski – Member of the Management Board,
- Rafał Rybkowski – Member of the Management Board.

The composition of CIECH S.A.'s Management Board remained unchanged as of 31 December 2011 and on the approval date of the financial statements.

CIECH S.A.'s Supervisory Board is responsible for establishing the remuneration principles and amounts for the Members of the Management Board.

In accordance with their employment contracts, the Members of the Management Board receive base remuneration and an annual bonus based on profits. Furthermore, the employment contracts of the Members of the Management Board stipulate the possibility of awarding a task-based bonus calculated as multiple monthly remunerations. It is paid according to the principles and in the amount specified by the Supervisory Board.

The total amount of remuneration paid to the Members of the Management Board (who held their functions in 2011) by the Company in 2011 was PLN 4,966 thousand.

The information on the amount of remuneration paid to the Members of the Management Board, broken down into the base remuneration and the bonus, is presented in item 39.4 of the Notes to the Consolidated Financial Statements of the Ciech Group for 2011, according to the International Financial Reporting Standards.

28 Statement on the application of Corporate Governance (continued)
28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)

Presented below is detailed information on the Members of CIECH S.A.'s Management Board

Name	Ryszard Kunicki
Position	President of CIECH S.A.'s Management Board from 19 August 2008; Management Board Member from 2 April 2008
Qualifications	Graduate of the University of Warmia and Mazury MBA postgraduate programme at the Warsaw School of Administration and Management
Experience	Yara Continental Europe Director for Strategy and Development in Yara International ASA. Between 1991 and 2007, President and Vice-President of the Management Board, and Sales Director in Hydro Poland Sp. z o.o. (after the change of the company's name to Yara Poland). Between 1975 and 1991, Chief Specialist, Deputy Director for Production and Plant Manager in Człuchowskie Przedsiębiorstwo Rolniczo-Przemysłowe in Człuchów. During his work for Yara International ASA (formerly: Norsk Hydro), Ryszard Kunicki gained vast professional experience. Yara International ASA is a consolidated chemical concern, one of the largest in the world. It ranks first in the production of mineral fertilisers and is among the top manufacturers of other chemical products. The company also runs extensive operations in the area of explosives, oil extraction systems and industrial chemical products. Ryszard Kunicki was main times deployed as a member of the concern's task force in Oslo, Brussels and Dulmen. Between 2004 and 2007, he was a member of the strategy and development team for EU member states.
Responsibilities in the Ciech Group	Representing the Management Board and CIECH S.A. before third parties Managing the work of the Management Board Supervising the implementation of the Ciech Group's development strategy Monitoring the process of exercising shareholder supervision over the Group's companies Supervising the implementation of resolutions and other tasks undertaken by the Management Board of CIECH S.A., the General Shareholders' Meeting and the Supervisory Board. Supervising the information policy of CIECH S.A. and the Ciech Group Supervising the employment and remuneration policy in CIECH S.A. and in the Ciech Group's companies Coordinating and supervising projects involving CIECH S.A.'s asset management. Championing transport, forwarding and cargo insurance policies in connection with CIECH S.A.'s business Supervising control and audit tasks Supervising quality management, information security and business continuity policies Supervising tasks relating to occupational health and safety Supervising the implementation of Ciech Group's development strategy as carried out by the Organic Division Shaping and coordinating trade policy in CIECH S.A. and in the Ciech Group as carried out by the Organic Division Shaping and coordinating investment policy in CIECH S.A. and in the Ciech Group as carried out by the Organic Division Supervising domestic companies of the Ciech Group in the area supervised by the Organic Division.

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28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)

Name	Andrzej Bąbaś
Position	Member of CIECH S.A.'s Management Board from 21 June 2010
Qualifications	Graduate of the Krakow University of Economics. Postgraduate programme in Accounting.
Experience	<p>Between 2007 and 2009, President of the Management Board of Huta Szkła Gospodarczego S.A. in Tamów and Vice-President of the Management Board of Krośnieńskie Huty Szkła S.A.</p> <p>Between 2004 and 2007, Director of the Road Transport Authority in the City Hall of Krakow, President of the Management Board of Krakowski Holding Komunalny S.A.</p> <p>Between 2000 and 2003, General Director of Tele-Fonika s.c., President of the Management Board of Tele-Fonika S.A. and Vice-President of the Management Board of Tele-Fonika Kable S.A.</p> <p>Between 1994 and 1995, Chief Accountant in Orbis S.A. Hotel Holiday Inn. Between 1995 and 2000, Vice-President of the Management Board of Mostostal Kraków Galicja S.A. In 1991, he won the competition for the post of the director of MPO (municipal waste management company) and managed it until 1993.</p> <p>Between 1980 and 1991, he worked in Elektromontaż no. 2 Kraków, where he held the posts of the Director for HR and Economics, and the Chief Accountant.</p>
Responsibilities in the Ciech Group	<p>Supervising restructuring processes in the Ciech Group</p> <p>Supervising the disposal of redundant items of non-current and financial assets in the Ciech Group</p> <p>Supervising the implementation of efficiency improvement projects in the Ciech Group's companies</p> <p>Supervising the implementation of the Ciech Group's development strategy as carried out by the Agro and Silicon Division</p> <p>Shaping and coordinating trade policy in CIECH S.A. and the Ciech Group as carried out by the Agro and Silicon Division</p> <p>Shaping and coordinating investment policy in CIECH S.A. and the Ciech Group as carried out by the Agro and Silicon Division</p> <p>Supervising domestic and foreign companies of the Ciech Group in the area of the supervised Agro and Silicon Division</p> <p>Supervising foreign companies not involved in production operations.</p>
Name	Artur Osuchowski
Position	Member of CIECH S.A.'s Management Board from 2 April 2008
Qualifications	<p>Graduate of the Private School of Business and Administration in Warsaw, Faculty of Economics, programme in Finance and Banking. Completed professional training in enterprise value management, company valuation in the capital market and business restructuring. Scholarship holder of the weekly Die Zeit, American Council on Germany, Dreager Foundation.</p>
Experience	<p>Between 2003 and 2008, Manager in KPMG Advisory in the Department for Economic Consultancy. He was responsible for developing services regarding strategic projects, business reorganisation, projects associated with business financing and projects connected with direct investment assistance.</p> <p>Between 2001 and 2003, senior consultant in the Department of Corporate Finance with Capgemini. He was responsible for merger and acquisition projects in the capital market and strategic projects related to the restructuring and reorganisation of businesses.</p> <p>Between 1998 and 2001, he was Senior Consultant in the Department of Corporate Finance with Ernst & Young, responsible for merger and acquisition projects in the capital market, and strategic projects related to the restructuring and reorganisation of businesses.</p> <p>Between 1996 and 1997, analyst in the Department for Management Accounting with Raiffeissen Bank Polska.</p>
Responsibilities in the Ciech Group	<p>Shaping investment, research and development policies</p> <p>Supervising the process of obtaining EU funds for the Ciech Group's projects</p> <p>Supervising the implementation of the Ciech Group's development strategy as carried out by the Soda Division</p> <p>Shaping and coordinating trade policy in CIECH S.A. and the Ciech Group as carried out by the Soda Division</p> <p>Shaping and coordinating investment policy in CIECH S.A. and the Ciech Group as carried out by the Soda Division</p> <p>Supervising domestic and foreign companies of the Ciech Group in the area supervised by the Soda Division.</p>

28 Statement on the application of Corporate Governance (continued)

28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)

Name	Rafal Rybkowski
Position	Member of CIECH S.A.'s Management Board from 21 June 2010
Qualifications	Graduate of the Foreign Trade Faculty at the Warsaw School of Economics, Master of Economy, ACCA Diploma.
Experience	Between 1991 and 1993, senior auditor with Coopers & Lybrand Polska Sp. z o.o. Until 1996, manager in the Monetary Policy Department in Benckiser Poland S.A. Between 1996 and 1999, Financial Director and Member of the Management Board of AIG Polska S.A., between 1999 and 2003, Finance Director and Vice-President of the Management Board of the joint stock company Metropolitan Life Ubezpieczenia na Życie. In 2003, he was delegated to MetLife Indonesia, where he held the post of Finance Director and Vice-President of the Management Board until 2005. Between 2005 and 2006, he worked to establish a new MetLife company in Ireland in the EIMEA Region (Europe, India and Central-Eastern Asia). Until 2008, he held the post of Vice-President for Finance in MetLife Australia and in the Asia Pacific Region. Some of the projects he coordinated were the integration of MetLife Australia with MetLife's international structures and the integration of joint ventures in China. From October 2008 to his appointment to the Management Board of CIECH S.A., he worked as an independent consultant in a number of investment projects for SMEs operating in various industries. From February 2009, he also worked for MetLife US as an adviser for an international M&A project.
Responsibilities in the Ciech Group	Supervising the financial activity of the Ciech Group and of CIECH S.A. Shaping information and telecommunication policies in CIECH S.A. and the Ciech Group and supervising its implementation.

CIECH S.A.'s Supervisory Board

Pursuant to § 20 section 1, the Supervisory Board is composed of five to nine members appointed by the General Meeting. The joint term of office of the Members of the Supervisory Board lasts three years. On 30 June 2011, the General Meeting of CIECH S.A. appointed the Supervisory Board of CIECH S.A. for another joint term of office.

The Supervisory Board of CIECH S.A. acts based on the regulations adopted by the Supervisory Board and approved by the General Shareholders' Meeting. Appointing and dismissing Members of the Supervisory Board is within the responsibilities of the General Meeting. The Supervisory Board appoints the Chairman of the Supervisory Board and, if necessary, a Vice-Chairman and a Secretary. The Supervisory Board supervises the Company's operations.

The responsibilities of the Supervisory Board include in particular:

- 1) assessment of the Company's management report and financial statements for the previous financial year, consolidated financial statements and management report of the capital group, where the Company is the parent, if the Company compiles such statements, for their consistency with accounting books and documents and the actual status, as well as assessment of the Management Board's motions as to profit distribution or loss coverage and submitting to the General Meeting an annual written report on the results of this assessment,
- 2) giving opinions on the Company's action plans prepared by the Management Board,
- 3) examining and giving opinions on matters subject to resolutions of the General Meeting,
- 4) adopting the regulations of the Supervisory Board,
- 5) approving the regulations of the Management Board,
- 6) determining remuneration rules and amounts for the Members of the Management Board, including the President of the Management Board,
- 7) appointing a statutory auditor to audit the Company's financial statements and the capital group's consolidated financial statements,
- 8) expressing consent for exercising any rights or incurring any liability exceeding the amount of PLN 10,000 thousand based on one or several related acts in law, except for:
 - a) agreements for the sale of raw materials, semi-finished products and finished products linked to the Company's business,
 - b) actions which require the consent of the General Meeting.

The Supervisory Board adopts resolutions by an absolute majority of votes with at least half of the Members present, and in the event of a tied vote, the decisive vote belongs to the Chairman.

According to the Statute, CIECH S.A.'s Supervisory Board may adopt resolutions without convening a meeting, by written ballot or by means of telecommunication, but for such a resolution to be effective it is necessary to inform all Members of the Board about the draft content thereof.

28 Statement on the application of Corporate Governance (continued)**28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)**

The Members of the Supervisory Board may participate in passing the Supervisory Board's resolutions through voting in writing via another Member of the Supervisory Board. It is not possible to vote in writing on matters included in the agenda at the meeting of the Supervisory Board.

Meetings of the Supervisory Board are held as required, but at least once every quarter.

Every year, CIECH S.A.'s Supervisory Board presents to the Company's General Meeting the Supervisory Board's Report for a given financial year. The Report discusses in detail the Supervisory Board's activity, the Management Board's implementation of action plans, the assessment of the Company's and of the Ciech Group's management reports and financial statements as well as the Management Board's proposed distribution of profit or the coverage of loss.

In order to comply with the code of best practice and to ensure a reliable assessment of the Company by the shareholders, CIECH S.A.'s Supervisory Board has conducted a brief assessment of CIECH S.A.'s standing. The assessment is presented each year before the Company's Ordinary General Meeting, giving CIECH S.A.'s shareholders ample time to study the document.

As of 1 January 2011, the Supervisory Board of CIECH S.A. was composed of:

- Ewa Sibrecht-Ośka – Chairwoman of the Supervisory Board,
- Przemysław Cieszyński – Vice-Chairman of the Supervisory Board,
- Krzysztof Salwach – Secretary of the Supervisory Board,
- Jacek Goszczyński – Member of the Supervisory Board,
- Arkadiusz Grabalski – Member of the Supervisory Board,
- Waldemar Maj – Member of the Supervisory Board,
- Sławomir Stelmasiak – Member of the Supervisory Board.

In connection with the expiry of the term of the Supervisory Board, the Ordinary General Shareholders' Meeting of CIECH S.A., acting pursuant to Article 385 § 1 of the Commercial Companies Code and § 18 item 7 of the Statute of CIECH S.A., appointed on 30 June 2011 the Supervisory Board for another joint term of office in the same composition.

On 12 July 2011, the Supervisory Board of the 7th term adopted resolutions on appointing the Chairman, the Vice-Chairman and the Secretary of the Supervisory Board:

- Ewa Sibrecht-Ośka – Chairwoman of the Supervisory Board,
- Przemysław Cieszyński – Vice-Chairman of the Supervisory Board,
- Krzysztof Salwach – Secretary of the Supervisory Board.

As of 31 December 2011, the Supervisory Board of CIECH S.A. was composed of:

- Ewa Sibrecht-Ośka – Chairwoman of the Supervisory Board,
- Przemysław Cieszyński – Vice-Chairman of the Supervisory Board,
- Krzysztof Salwach – Secretary of the Supervisory Board,
- Jacek Goszczyński – Member of the Supervisory Board,
- Arkadiusz Grabalski – Member of the Supervisory Board,
- Waldemar Maj – Member of the Supervisory Board,
- Sławomir Stelmasiak – Member of the Supervisory Board.

On 19 January 2012, the Extraordinary General Meeting of CIECH S.A. changed the composition of the Company's Supervisory Board by dismissing Jacek Goszczyński and Krzysztof Salwach and by appointing Dariusz Krawczyk and Mariusz Obszyński.

On 8 February 2012, the Supervisory Board appointed Mariusz Obszyński as the Secretary of the Supervisory Board.

As of the approval date of the report, the Supervisory Board of CIECH S.A. was composed of:

- Ewa Sibrecht-Ośka – Chairwoman of the Supervisory Board,
- Przemysław Cieszyński – Vice-Chairman of the Supervisory Board,
- Mariusz Obszyński – Secretary of the Supervisory Board,

28 Statement on the application of Corporate Governance (continued)**28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)**

- Arkadiusz Grabalski – Member of the Supervisory Board,
- Dariusz Krawczyk – Member of the Supervisory Board,
- Waldemar Maj – Member of the Supervisory Board,
- Sławomir Stelmasiak – Member of the Supervisory Board.

The Members of the Supervisory Board receive remuneration pursuant to the principles and in the amount defined by a General Meeting Resolution.

The total amount of remuneration paid by the Company to all Members of the Supervisory Board who held their functions in 2011 is PLN 667 thousand.

The detailed information on the amounts of remuneration paid to the Members of the Supervisory Board is been presented in item 39.4 of the Notes to the Consolidated Financial Statements of the Ciech Group for 2011.

Presented below is detailed information on the Members of CIECH S.A.'s Supervisory Board.

Name	Ewa Sibrecht-Ośka
Position	Chairwoman of CIECH S.A.'s Supervisory Board from 22 October 2009, Member of the Supervisory Board from 14 September 2009. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Law Faculty of the University of Łódź. From 1994, legal counsel, legal counsel's internship in Warsaw.
Experience	1991-2001: legal department of the Ministry of Finance 1995-1996: law firm Baker McKenzie 1998-2001: law firm Cavere 2000-2011: Office of the Committee for European Integration 2001-2006: Nafta Polska S.A. 2006-2007: legal counsel in Korporacja Polskie Stocznie S.A. 2007: legal counsel in the City Hall of the capital city of Warsaw, Owner's Supervision Office, and Progres Services Sp. z o.o. 2007: Minister's Consultant in the Department for Owner's Supervision and Privatisation in the Ministry of State Treasury; from May 2009, Director of the Analysis Department in the Ministry of State Treasury. Ewa Sibrecht-Ośka worked on a draft law on tax consulting services and a draft law on compensation proceedings in entities with particular importance for Poland's shipyard industry, and worked to prepare Grupa LOTOS S.A. for IPO. She was also involved in privatising the great chemical synthesis sector (Z. Ch. Organika-Sarżyna S.A. and ZACHEM S.A.): preparing the sale of the companies' shares to investors, accepting analyses prior to privatisation, agreements with the privatised companies and negotiating agreements with investors, including issues related to state aid.

Name	Przemysław Cieszyński
Position	Vice-Chairman of CIECH S.A.'s Supervisory Board from 12 July 2011, Member of the Supervisory Board from 21 June 2010. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the IT and Management Faculty at Wrocław University of Technology, Master of Engineering, specialising in IT systems. Fullbright scholarship holder, studied Management at Vanderbilt University Nashville (USA), MBA.
Experience	1990-1993: consultant with the Office of the Council of Ministers 1994-1998: project leader and IT systems manager with Tricon Restaurants International Warsaw (formerly: PepsiCo) 1998-2003: Senior Manager with Accenture Warsaw, financial services and strategies 2003-2004: Executive Director with CII Group Warsaw (currently: Kolaja and Partners) 2004-2005: Management Board Member, Finance Director in the banking services division of Polcard S.A. March - November 2005: Director of the Restructuring Office in Telewizja Polska S.A. From December 2005: partner with Raitaro Consulting, provider of comprehensive management consulting services.

28 Statement on the application of Corporate Governance (continued)

28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)

Name	Krzysztof Salwach
Position	Secretary of CIECH S.A.'s Supervisory Board from 7 July 2008, Member of the Supervisory Board from 2 April 2008. Dismissed from CIECH S.A.'s Supervisory Board on 19 January 2012. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Faculty of Economy and Sociology of the University of Łódź; holds degrees in IT and Econometrics as well as Finance and Banking. He completed training courses in the Code of Administrative Procedure, public procurement law and public procurement process, and selection of the best bid in accordance with public procurement law. He also passed the exam for applicants for the post of supervisory board members in companies owned by the State Treasury.
Experience	From 2005, co-owner and President of the Management Board of SNS Trading Sp. z o.o. in Łódź, a company exporting agricultural and food products. From October 2007, adviser to the President of the Management Board and General Director in Zakład Przemysłu Mięsnego Biernacki. He also worked as an Accounting Consultant in Biuro Rachunkowe Andrzej Cygan in Stryków, and held the post of the Vice-Chairman of the Agricultural Market Agency in Warsaw (2004-2005). Vice-President and President of the Management Board of Towarowy Dom Maklerski ARRTRANS S.A. (2000-2004). Manager of the brokerage department in Dom Maklerski TRANSARR Sp. z o.o. (1998-2000), analyst and manager of the analysis department in ARRTRANS Sp. z o.o. in Łódź (1996-1998).
Name	Jacek Goszczyński
Position	Member of CIECH S.A.'s Supervisory Board from 26 June 2008, Vice-Chairman from 7 July 2008 to 30 June 2011. Dismissed from CIECH S.A.'s Supervisory Board on 19 January 2012. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Warsaw University of Technology, Faculty of Mechanics, Power Engineering and Aviation, specialising in applied mechanics (1986). Doctoral degree in mechanics (1994). In 2002, he completed a course for applicants for the post of supervisory board members in companies owned by the State Treasury.
Experience	From 2007, Director of the Department for Shareholder Supervision and Privatisation in the Ministry of State Treasury. Between 2005 and 2007, Director of the Restructuring and Development Office in Korporacja Polskie Stocznie S.A. Between 2004 and 2005, strategy adviser to the Management Board of TBM Telekom Sp. z o.o. Between 2002 and 2004, he worked in Nafta Polska SA, recently as the Director of the Management Office. Between 1989 and 2002, he worked in the Institute of Aviation; from 1994, associate professor in the special aeroplanes team.
Name	Arkadiusz Grabalski
Position	Member of CIECH S.A.'s Supervisory Board from 21 June 2010. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the University of Warsaw, Faculty of Law and Administration. As of 1998, registered on the list of legal counsels with the Warsaw Bar Association.
Experience	1995-1996: legal department of the Ministry of Ownership Transformation. Between 1996 and 1998, Creditanstalt SC G Fund Management S.A., a company managing NFI Hetman S.A. Between 1998 and 2005, White & Case, W. Daniłowicz, W. Jurcewicz Kancelaria Prawnicza Sp.k. As of 2005, partner with Stolarek & Grabalski Kancelaria Prawnicza Sp.k. Arkadiusz Grabalski specialises in the capital markets law, M&A and private equity transactions. He has spent most of his career dealing with restructuring processes, bankruptcy law, state aid and court disputes. He was involved in the process of preparing companies for privatisation and selling shares of the privatised companies to investors. He was actively involved in the mergers of a number of banks and companies, including public companies. He provided advice to companies during their IPOs and later issues, including the issues of convertible bonds. He participated in establishing one of the first securitisation funds. He represented entrepreneurs in restructuring processes, obtaining funding for investments and in major court disputes.

28 Statement on the application of Corporate Governance (continued)
28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)

Name	Dariusz Krawczyk
Position	Member of CIECH S.A.'s Supervisory Board from 19 January 2012. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Warsaw University of Technology (1993), completed a tax course (1996), a management course (1997) and a post-graduate course in goodwill management (2002) at the Warsaw School of Economics. As of 1993, he holds the license of a securities broker.
Experience	Between 1993 and 1998, Brokerage House of Bank Handlowy, Capital Operation Centre, Director of the Trading and Sales Department. Between 1998 and 1999, President of the Management Board in Expandia Polska S.A. Between 1999 and 2000, Director of the Investment Banking Department in PKO BP. In 2001, Management Board Member of Nafta Polska S.A. Between 2000 and 2002, Director of the Department for Shareholder Supervision in PKN ORLEN S.A. Between 2002 and 2003, Director of the Capital Investments Department in PSE S.A. Between 2004 and 2005, President of the Management Board of PSE Centrum S.A. Between 2005 and 2011, President of the Management Board of Synthos S.A. Member of supervisory boards in a number of companies, including Rafineria Trzebinia S.A., Rafineria Glimar S.A., II Narodowy Fundusz Inwestycyjny S.A., Huta Bucek S.A., Warszawska Giełda Towarowa S.A., Warta Vita S.A., Petrolet Sp. z o.o., Petrogaz Płock, Kaučuk a.s., Active Zone Group S.A. and Firekom S.A. At present, he is a chairman in the supervisory boards of Firekom S.A. and Active Zone Group S.A.

Name	Waldemar Maj
Position	Member of CIECH S.A.'s Supervisory Board from 21 June 2010. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Faculty of Technical Physics and Applied Mathematics of the Warsaw University of Technology (1980). Doctoral degree in the Institute of Physics of the Polish Academy of Sciences and MBA degree at Harvard Business School in the USA (1996).
Experience	Founder and partner of Metropolitan Capital Solutions Sp. z o.o. SKA, a company providing strategic and corporate finance consulting services (from April 2009). Member of the Supervisory Board of PZU S.A. (from December 2009), chairman of the IPO Committee (until May 2010). From September 2007 to June 2008, Vice-President of the Management Board for finance in PKN Orlen S.A., responsible for the finance department and investor relations; Management Board Member in AB Mazeikiu Nafta and chairman of the Audit Committee of the Supervisory Board of Unipetrol a.s. From April 2005 to August 2007, Vice-President of the Management Board of Bank BGŻ S.A. (recommendation from Rabobank), responsible for corporate banking and treasury. From July 2002 to March 2005, Member and Vice-President of the Management Board of DZ Bank Polska S.A. Between 2000 and 2002, senior associate with McKinsey & Company in Warsaw, a US strategic consulting company. Between 1996 and 2000, senior investment officer with International Finance Corporation (World Bank) in Washington. Between 1991 and 1994, adviser to the finance minister and chairman of the Finance System Development Foundation; chairman of the Supervisory Board of Bank Gdański S.A. (1993-1994). Between 1981 and 1991, assistant and associate professor at the Institute of Physics of the Polish Academy of Sciences; postdoctoral fellow in Kamerlingh Onnes Lab in Leiden, the Netherlands. Awarded with the Officer's Cross of the Order of Polonia Restituta.

Name	Mariusz Obszyński
Position	Member of CIECH S.A.'s Supervisory Board from 19 January 2012. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of Maria Curie-Skłodowska University in Lublin, Faculty of Economy.
Experience	Adviser to the management board in PGNiG S.A., director of the mergers and acquisitions department in Agencja Rozwoju Przemysłu S.A. and director of the department for shareholder supervision in Nafta Polska S.A. During his work in Nafta Polska S.A., he was a member of the supervisory boards of the following entities: Rafineria Czechowice S.A., with its registered office in Czechowice-Dziedzice, Zakłady Chemiczne Police S.A., with its registered office in Police, Zakłady Azotowe w Tarnowie-Mościcach S.A., with its registered office in, Tarnów, and Grupa LOTOS S.A., with its registered office in Gdańsk. At present, he is the Chairman of the Supervisory Board of Przedsiębiorstwo Eksploatacji Rurociągów Naftowych Przyjaźń S.A. He works in PGE Energia Jądrowa S.A. and PGE EJI Sp. z o.o. as the Director of the Equity Department.

28 Statement on the application of Corporate Governance (continued)**28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)**

Name	Sławomir Stelmasiak
Position	Member of CIECH S.A.'s Supervisory Board from 14 September 2009. Not involved in any business competitive to CIECH S.A.
Qualifications	Graduate of the Faculty of Chemistry at Adam Mickiewicz University. Postgraduate programme in mediation and negotiations (Poznań School of Social Sciences), internal audit (Poznań School of Trade and Accounting) and doctoral programme at the Management Faculty of Poznań University of Economics. In 1997, he passed an exam for applicants for the post of supervisory board members in companies owned by the State Treasury.
Experience	From 2003, member of the Supervisory Board of MPK Poznań Sp. z o.o. He participated in a number of training courses, apprenticeships and conferences on environmental protection, investment financing in environmental protection, the energy market and renewable energy sources. From 1988, he was a sole entrepreneur as well as a partner and shareholder in commercial law companies. Took part in investment projects as a member of managerial and supervisory bodies in commerce, real estate, mining and chemical industries. From 2008, GK Enea, renewable energy sources adviser to the Management Board, currently President of the Management Board of BHU S.A. (Enea Group). From 1998, member of the governing bodies of Wielkopolska Commerce and Services Association. Member of the Finance Council, adviser to the rector of Poznań Trade and Commerce College.

Committees of CIECH S.A.'s Supervisory Board

The following Committees operate as part of the Supervisory Board of CIECH S.A.: Audit Committee of the Supervisory Board of CIECH S.A. and Remuneration Committee of the Supervisory Board of CIECH S.A.

Audit Committee

The Audit Committee of the Supervisory Board of CIECH S.A. was appointed by way of Resolution no. 57/IV/2005 of 16 February 2005.

Pursuant to the Audit Committee's Regulations, its tasks include:

- monitoring financial reporting,
- monitoring the efficiency of the internal control system,
- monitoring the efficiency of the internal auditing system,
- monitoring the efficiency of the risk management system,
- monitoring financial revision,
- monitoring the autonomy of the statutory auditor and the entity authorised to audit the Company's financial statements.

The Audit Committee of the Supervisory Board of CIECH S.A. submits annual reports on its activity, which constitute a part of the Report of the Supervisory Board of CIECH S.A., presented to the Shareholders during the Ordinary General Meeting of CIECH S.A.

As of 1 January 2011 and 31 December 2011, the Audit Committee was composed of:

1. Waldemar Maj – Chairman from 4 August 2010, Committee Member from 2 July 2010,
2. Przemysław Cieszyński – Committee Member from 2 July 2010,
3. Krzysztof Salwach – Committee Member from 2 July 2010,
4. Sławomir Stelmasiak – Committee Member from 2 July 2010.

In connection with the dismissal of Krzysztof Salwach from the Company's Supervisory Board, the Supervisory Board supplemented the composition of the Audit Committee.

As a result, as of the approval date of the report, the Committee was composed of:

1. Waldemar Maj – Chairman of the Committee,
2. Przemysław Cieszyński – Committee Member,
3. Mariusz Obszyński – Committee Member from 8 February 2012,
4. Sławomir Stelmasiak – Committee Member.

Remuneration Committee of CIECH S.A.'s Supervisory Board

The Remuneration Committee was appointed by way of Resolution no. 66/IV/2005 of CIECH S.A.'s Supervisory Board.

28 Statement on the application of Corporate Governance (continued)**28.10 Composition and changes in the last financial year and description of the operation of the issuer's management, supervisory and administrative authorities and of their committees (continued)**

According to the Regulations of the Remuneration Committee, the main task of the Committee is to advise the Supervisory Board on issues related to defining the remuneration rules and amounts for the Members of the Management Board of CIECH S.A.

The Committee's tasks include in particular:

- presenting to the Supervisory Board a proposal concerning the rules for remunerating the Members of the Management Board of CIECH S.A., which should take into account all forms of remuneration, in particular: base remuneration, performance-based reward system, pension and severance pay system,
- presenting to the Supervisory Board a proposal concerning the amount of remuneration for every Member of the Management Board of CIECH S.A.,
- presenting to the Management Board draft agreements regulating the duties of the Members of CIECH S.A.'s Management Board,
- discussing (with or without the participation of the Company's Management Board) any problems or doubts which may arise in relation to remunerating the Members of the Management Board of CIECH S.A.,
- considering any other issues of interest to the Committee or the Supervisory Board,
- informing the Supervisory Board about all material issues within the Committee's responsibilities.

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits annual reports on its activity, which constitute a part of the Report of the Supervisory Board of CIECH S.A., presented to the Shareholders during the Ordinary General Meeting of CIECH S.A.

As of 1 January 2011 and 31 December 2011, the Remuneration Committee was composed of:

1. Jacek Goszczyński – Committee Member from 2 July 2010,
2. Arkadiusz Grabalski – Committee Member from 2 July 2010.

In connection with the dismissal of Jacek Goszczyński from the Company's Supervisory Board, the Supervisory Board appointed Dariusz Krawczyk to sit in the Remuneration Committee.

As a result, as of the preparation date of the report, the Committee was composed of:

1. Arkadiusz Grabalski – Committee Member from 2 July 2010,
2. Dariusz Krawczyk – Committee Member from 8 February 2012.

28.11 Information about agreements concluded between the issuer and the managerial staff, providing for compensation in the event of their resignation or dismissal from the occupied post without a valid reason or when their resignation or dismissal is caused by a combination of the issuer through acquisition

In the event of dismissing any Member of the Management Board from their post, such a Member shall be entitled to a one-time severance payment not exceeding a twelve-month remuneration.

The non-compete agreement with the Members of the Management Board after the termination of employment provides for a compensation amounting to 100% of monthly remuneration for a period not exceeding 12 months.