

# Information concerning non-application of the rules of corporate governance in Barlinek.

Legal basis

Other adjustments

Contents of the report:

The Management of Barlinek SA (the Issuer), in executing its duty as defined in art. 29 par. 3 of the Regulations of the Warsaw Stock Exchange SA, hereby reports that on the day of publication of the report, the following rules of corporate governance contained in the document "Good Conduct in Quoted Companies" (adopted by Resolution no. 12/1170/2007 of the Supervisory Board of Warsaw Stock Exchange on July 4<sup>th</sup> 2007) are not implemented in Barlinek SA.

The Management of Barlinek SA also reports that it will carry out ongoing investigations into the expectations of investors regarding the Company's policy concerning the non-applied principles of good conduct, and should changes in this area be deemed necessary then the appropriate decisions will be taken by Management or the appropriate company bodies.

Part II "Rules of good conduct implemented by management of quoted companies"

Rule no. 1. "The company manages a corporate website and publishes on it:"

pt 1 "in particular the statute and regulations of company bodies "

This rule is not currently adhered to as regards Management Regulations and Supervisory Board Regulations. The Issuer will take immediate action to publish the aforementioned documents on the Company website.

pt. 4: "information about the time and location of the general meeting, its agenda and draft resolutions as well as other available materials concerning the company's general meeting, at least 14 days before the date set for the meeting."

This rule is not and will not be applied in the part concerning the deadline for publishing the draft resolutions along with their grounds and other available materials related to the Company's general meeting on the Issuer's website. In this matter, the Issuer adheres and will continue to adhere to the deadlines ensuing from art.39 para. 1 pt. 3 re. art. 97 para. 5 of the Ministry of Finance's Decree of October 2005 regarding current and periodic reports published by stock issuers and other obligations resulting from the generally applicable regulations, as we consider these sufficient.

pt. 6: "the annual report of the activities of the supervisory board, taking account of the work of its committees, along with an assessment issued by the supervisory board of the work of the supervisory board and the internal inspection systems and system of managing risks important to the company."

This rule is not and will not be implemented in the part concerning reports on the work of committees. No committees have been appointed within the Supervisory Board due to the fact that members sit on this board who have knowledge and competency in the field of accountancy and finance.

pt. 7: "shareholders' questions concerning matters covered by the agenda, asked before and during the general meeting, along with replies to the questions asked."

This rule is not and will not be implemented. Minutes of the proceedings of the General Meeting are taken by a notary. The decision whether to include particular matters in the minutes is taken by the Chair of the Meeting, according to legislation, the importance of a given matter and the justified requests of the shareholders. The participants in the General Meeting have the right, in accordance with the regulations of the Commercial Companies Code and of the General Meeting, to make written declarations which are annexed to the minutes. The Company considers that these rules sufficiently ensure the transparency of the Meeting's proceedings.

pt. 11: "The company manages a corporate website and publishes on it information gathered by the management, on the basis of a declaration by a supervisory board member, about the supervisory board member's links with a shareholder owning shares representing at least 5% of the total number of votes at the general meeting".

This rule is not and will not be applied by the Issuer's Management. The Issuer's Management does not have the declarations mentioned from members of the Supervisory Board as a result of the non-application of rule no. 2 of part III of the set of rules.

Rule no. 3 - "Management, before the company signs an important contract with a connected party, seeks the supervisory board's approval for this transaction/contract. This obligation does not apply to standard transactions undertaken in market conditions within the business operations carried on between the company and a dependent party in which the company owns a majority share of capital. For the requirements of this set of rules, the definition of a dependent party is that as understood in the Ministry of Finance's Decree of October 19<sup>th</sup> 2005 regarding current and periodic information reported by stock issuers."

This rule is not and will not be applied. The adjustments contained in the applicable legislation and the Issuer's Statute concerning the signing of contracts and undertaking of transactions with a dependent party are adhered to, and the Company's Management considers them adequate. The Supervisory Board's field of competence includes constant supervision of the Issuer's business activities, including making decisions about the possibility for the Management to sign all important contracts, adopting the value criteria for these contracts as defined in the statute.

### Part III "Good conduct by members of the supervisory board "

Rule no. 2: "A member of the supervisory board should provide the management with information regarding his links with a shareholder who owns shares representing at least 5% of the total number of votes at a general meeting. This obligation affects links of an economic, family or other nature which could influence the supervisory board member's attitude to a question being settled by the board."

In accordance with the information passed on to the Management by the Supervisory Board, this rule is not and will not be applied by the Issuer's Supervisory Board. The criterion of a Supervisory Board member's acting for the good of the Issuer and shareholders, and the legal responsibility for actions damaging to the Issuer or shareholders, as provided for in the legislation, are just and sufficient.

Rule no. 6: "At least two members of the supervisory board should meet the criteria of independence of the company and of parties being intrinsically linked to the company. With regard to the criteria of independence for supervisory board members, Annex II of the European Commission's Recommendation of February 15<sup>th</sup> 2005, concerning the role of non-executive directors or directors sitting on supervisory boards of quoted companies commissions of (supervisory) boards, should be applied. Notwithstanding the provisions of pt b) of the aforementioned Annex, a person who is an employee of a company, of a dependent party, or of an associated party cannot be considered as meeting the criteria for independence as mentioned in this Annex. Moreover, genuine and major links with a shareholder who is entitled to 5% or more of the total number of votes at a general meeting are considered, in the understanding of this rule, as negating the independence of a supervisory board."

In accordance with the information passed on to Management by the Supervisory Board, this rule is not and will not be applied by the Issuer's Supervisory Board.

In accordance with the applicable legislation, members of the Supervisory Board are appointed independently by the Issuer's General Meeting of Shareholders. Bearing this in mind, there is no basis for limiting the freedom to elect members of the Supervisory Board. The criterion for assessing the selection of a Supervisory Board member is his/her acting for the good of the Issuer and shareholders, and the legal responsibility for actions damaging to the Issuer or shareholders, as provided for in the legislation, are just and sufficient.

Rule no. 7: "Within the supervisory board there should operate, at least, an audit committee. This committee should include at least one member independent of the company and of parties intrinsically linked to the company, who is competent in the field of accountancy and finance. In companies whose supervisory board consists of the legal minimum number of members, the tasks of the committee may be carried out by the supervisory."

In accordance with the information passed on to the Management by the Supervisory Board, this rule is not and will not be applied, since no committees operate within the supervisory board. In matters which fall within the competence of committees, the Supervisory Board manages the work and takes decisions collectively, and there are board members who have experience and competencies in the field of accountancy and finance.

Rule no. 8: "With regard to the tasks and functioning of committees operating within the supervisory board, the Annex I to the European Commission's Recommendation of February 15<sup>th</sup> 2005 concerning the role of non-executive directors should be applied (...)."

In accordance with the information passed on to the Management by the Supervisory Board, this rule is not and will not be applied by the Issuer's Supervisory Board, since rule 7 of part III of "Good conduct of members of the supervisory board" is not applied. No committees operate within the Supervisory Board.

Rule no. 9: "The signing of a contract or undertaking of a transaction by the company with a dependent party, as mentioned in part II point 3, requires the approval of the supervisory board."

This rule is not and will not be applied. The regulations contained in the applicable legislation and the Company Statute regarding signing of contracts and undertaking of transactions with a dependent party are adequate. The competencies of the Supervisory Board include constant inspection of the Issuer's business activities, including taking decisions about the possibility of Management signing all contracts, while accepting the value criteria for these contracts as defined in the statute.

#### Part IV "Good Conduct of Shareholders"

Rule no. 1: "Representatives of the media should be allowed to attend general meetings."

This rule, in the opinion of Management, is not and will not be applied. Regulations governing the operation of public companies precisely define the rules for reporting all events which are subject to reporting obligations. The publication of information is subject to important limits, the exceeding of which can result in the Issuer's legal liability. The Issuer absolutely adheres to the applicable legislation, including the Ministry of Finance's Decree of October 19<sup>th</sup> 2005 regarding current and periodic reports published by stock issuers, regulating the fulfilment of the reporting obligations imposed on public companies in the field of openness and transparency of matters covered at general meeting proceedings. Persons participating in general meetings are those entitled to do so and those who serve the meeting, and in the event of questions to the Company about the general meeting being asked by representatives of the media, the media immediately gives an appropriate reply.

The text of this report is also published on the Issuer's website [www.barlinek.com.pl](http://www.barlinek.com.pl) in the section devoted to investor relations.

Legal basis: §29 pt.3 Regulations of Warsaw Stock Exchange S.A.