

# Report on observing the corporate governance principles in Skyline Investment S.A.

Basing on § 29 of the WSE Regulations the Management Board of Skyline Investment S.A. (the Company) in connection with the fact that amendments to “Code of Best Practices for WSE listed companies” take effect on 1<sup>st</sup> July 2010, announces the information of the Management Board on failure to observe permanently or temporary the corporate governance principles by the Company.

Skyline Investment S.A. is governed by the corporate governance principles “Code of Best Practices for WSE listed companies” attached to the Resolution No. 17/1249/2010 of the WSE Supervisory Board dated 19 May 2010 (full content is available at: <http://corp.gov.gpw.pl/assets/library/polish/publikacje/dpsn2010.pdf>).

The Management Board of the Company hereby declares that since 1 July 2010 the following corporate governance principles are not implemented:

## **I. Recommendations for Best Practices for Listed Companies**

5. A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company. *Explanation: Defining the remunerations for the Management Board and Supervisory Board is a subject of sole decision of the Supervisory Board and General Meeting accordingly. The Management Board has no influence on rules in this field.*

9. The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business

*Explanation: During the current term of office for the Management Board and Supervisory Board the Company does not expect any changes in order to meet the WSE recommendations to ensure the balanced proportion of women and men in management and supervisory functions in the Company.*

## **II. Best Practice for Management Boards of Listed Companies**

1. A company operates a corporate website and publishes on it, in addition to information required by legal regulations:

14) information about the content of the company's internal rule of changing the company authorized to audit financial statements or information about the absence of such rule.

*Explanation: The Company does not publish on its website the information about the content of the Company's internal rule of changing the entity authorized to audit financial statement or information about absence of such rule. The election of the entity authorized to audit financial statement as well as the change of such entity is a subject of sole decision of the Supervisory Board and is not a subject of any regulations. The Company deems as groundless to publish information about absence the rule in this field.*

3. Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. This condition does not apply to typical transactions made on market terms within the operating business by the company with a subsidiary where the company holds a majority stake For the purpose of this document, related entity shall be understood within the meaning of the Regulation of the Minister of Finance issued pursuant to Article 60.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Dz.U. No. 184, item 1539, as amended).*Explanation: The obligation of the Supervisory Board to approve the agreements with the subsidiaries does not follows the Articles of Association of the Company. Such regulation can significantly difficult the management of the Capital Group and portfolio companies. In the Management Board's opinion the existing regulations for entering into the transactions/agreements with the subsidiaries specified by law are sufficient to ensure their correctness and reliability.*

### **III. Best Practice for Supervisory Board Members**

2. A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.

*Explanation: The absence of regulations on this field in the internal regulations e.g. in the Regulations of the Supervisory Board causes that there is no possibility to execute the application and it is depended only on the readiness of the Supervisory Board Member to submit the will to the Company on its relationships with the shareholder holding the shares representing not less than 5% of all votes at the General Meeting.*

8. Annex I to the *Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors...* should apply to the tasks and the operation of the committees of the Supervisory Board.

*Explanation: The Company does not have any separated committee acting in the Supervisory Board, thus this rule is not applicable. The function of the auditing committee is performed by the Supervisory Board.*

9. Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.

*Explanation: The regulations of the Company do not require to obtain the approval of the Supervisory Board to conclude any agreements/transactions with the subsidiary, and in the Company's opinion the applicable law are sufficient.*

#### **IV. Best Practice of Shareholders**

10. A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting;

*Explanation: To enable the Shareholders to participate in the General Meeting, only the rule of real-time bilateral communication is not met by the Company, it will be considered to be effective since 1 January 2012.*