

### 3 CORPORATE GOVERNANCE STATEMENT

#### (a) TP's corporate governance policy

The Company, as an issuer of securities listed on the Warsaw Stock Exchange (WSE), is obliged to comply with the corporate governance practices set out in the *Code of Best Practice for WSE Listed Companies*, which is available at <http://corp-gov.gpw.pl>.

#### (b) Corporate governance compliance

In 2011, the Company complied with the corporate governance best practice referred to above.

Furthermore, referring to the Section I of the *Best Practice*, the Company informs that:

- (1) The Company has applied the recommendations of the European Commission (section I.5) for remuneration of members of supervisory and management bodies. The Supervisory Board is currently reviewing the existing rules for the purpose of further formalisation thereof.
- (2) One of the Company's priorities is to ensure equal access of women and men to management positions in the Company (section I.9). Therefore, TP has developed assumptions for a project, which will determine the proportion of employing men and women in managerial posts, as well as a new set of assumptions for the recruitment process. TP has followed a policy of appointing persons with proper competence, professional experience and expertise to its supervisory and management bodies.
- (3) TP has not made a decision yet on the application of a rule that a company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings, real-time bilateral communication, exercise their right to vote during a General Meeting either in person or through a plenipotentiary (sections I.12 and IV.10). Please note that according to the *Best Practice*, the aforementioned rule should be applied not later than 1 January 2013.

#### (c) Description of major features of TP's internal control and risk management systems with respect to the process of development of standalone and consolidated financial statements

A TP Group Code of Ethics was adopted within the Company in 2008 which encompasses TP's relationship with customers, shareholders, employees, suppliers, competition and also with respect to the environment in which TP operates. A warning system related to ethics and reporting of potential and actual fraud has been enhanced by the Group which is coordinated by the TP Group Ethics Committee. Training on ethics is provided to employees, which is confirmed by a personal certification. Formal channels for whistle blowing have been established, including reporting to the Chairman of the TP Audit Committee of the Supervisory Board, the Chairman of the TP Group Ethics Committee and the TP Group Internal Audit Director.

The system of internal control and risk management at TP S.A. and TP Group has been designed and implemented by the Management Board to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

TP S.A. is diligent in its approach to reporting financial results and its ongoing communication with the Polish and international investment community, as well as fulfilling its disclosure obligations. Key managers responsible for the financial, legal, regulatory and internal control functions review financial statements and make comments thereto at the TP Group Disclosure Committee. The purpose of the Committee's meetings is to ensure that financial disclosures are timely, exact, transparent, complete, and presented in accordance with all relevant laws, applicable regulations and recognised practices, as well as being properly representative of the financial and operational condition of TP and TP Group. In 2011, the Disclosure Committee had five meetings.

The key elements of TP's internal control and risk management system include the following procedures:

- (1) An internal audit function, which reports directly to the President of the Management Board. The internal audit programme is annually reviewed by the Audit Committee which also analyses the Group's Internal Audit reports. In order to promote an appropriate independent outlook for the Internal Audit Department, Management Board decisions regarding the appointment and remuneration of the TP Group Internal Audit Director require, since 2005, an opinion of the Audit and Remuneration Committees. Group Internal Audit director attends all Audit Committee meetings.
- (2) The Group conducts ongoing assessments of the quality of the risk management system and controls. As part of this process, a Risk Map which enables identification and classification of TP and TP Group's financial and non-financial risks is maintained.

(3) Procedures were implemented in order to identify, report and monitor significant risks (i.e. legal, regulatory, environmental, financial reporting and operational) effectively on an ongoing basis. It provides a framework for the TP Group Internal Audit Department's ongoing risk-controlling activities.

In 2011, the Management Board again completed a comprehensive assessment of TP and TP Group's internal controls over financial reporting. Main deficiencies were identified and corrected or appropriate action points have been launched. As a result of the assessment, the Management concluded that there were no weaknesses that would materially impact the internal control over the financial reporting at 31 December 2011.

**(d) Indication of shareholders holding, directly or indirectly, significant batches of shares, including the number of shares held, the interest in the Share Capital, the corresponding number of votes and the percentage of the total voting power at the General Meeting**

Shareholder	Number of shares held	Number of votes at the General Meeting	Percentage of the total voting power at the General Meeting <sup>(2)</sup>	Nominal value of shares held (in PLN)	Interest in the Share Capital
France Telecom S.A.	664,999,999	664,999,999	50.21%	1,994,999,997	49.79%
Capital Group International, Inc. <sup>(1)</sup>	67,546,647	67,546,647	5.10%	202,639,941	5.06%
Other shareholders	591,788,966	591,788,966	44.69%	1,775,366,898	44.30%
<b>Subtotal (before treasury shares)</b>	<b>1,324,335,612</b>	<b>1,324,335,612</b>	<b>100.00%</b>	<b>3,973,006,836</b>	<b>99.15%</b>
<b>TP S.A. (treasury shares)</b>	11,313,409	-	-	33,940,227	0.85%
<b>TOTAL</b>	<b>1,335,649,021</b>	<b>1,335,649,021</b>	<b>100.00%</b>	<b>4,006,947,063</b>	<b>100.00%</b>

<sup>(1)</sup> The number of shares as of 15 October 2010 based on information provided by Capital Group International, Inc.

<sup>(2)</sup> As a result of buy-back of shares by the Company for the purpose of their redemption, the percentage of the total voting power held by Shareholders at the General Meeting increased as of 31 December 2011.

**(e) Indication of holders of any securities granting special control rights and description of such rights**

The Company has not issued any securities granting any special control rights to shareholders or other entities.

**(f) Indication of any restrictions concerning the exercise of the voting rights on shares, such as restriction of the voting rights to a certain percentage or number of votes or temporary restriction of the voting rights, or regulations according to which, in conjunction with the Company, the rights on securities are separated from the ownership of securities**

The Company has not introduced any specific restrictions concerning the exercise of the voting rights on shares.

**(g) Indication of any restrictions concerning transfer of ownership of the securities issued by TP**

The transfer of ownership of the securities issued by the Company is not subject to any restrictions.

**(h) Description of procedures for appointment and removal of managing persons and their rights, particularly the right to make decisions regarding the issuance or redemption of shares**

The Management Board consists of between 3 and 10 members, including the President. They are appointed and removed by the Supervisory Board by a simple majority of the votes cast. The term of office for the member of the Management Board is three years. The Management Board's remit comprises the management of all aspects of the Company's affairs, with the exception of the matters which under the Polish Commercial Companies Code or the Articles of Association shall be within the competence of the General Meeting or the Supervisory Board. In particular, the powers of the Management Board include development of the Company's strategy, economic and financial plans; establishment, transformation and liquidation of the Company's business units; and governance of TP Group subsidiaries. Any decisions regarding the issuance or redemption of the Company's shares are exclusively within the competence of the General Assembly.

The powers of the Management Board are detailed in the Management Board by-laws, available at [www.tp-ir.pl](http://www.tp-ir.pl).

**(i) Description of procedures for amending the Articles of Association or the deed of the company**

Any amendment to the Articles of Association requires a resolution of the General Assembly adopted by a majority of the three quarters of votes.

**(j) Rules of operation of the general meeting and its major responsibilities, and description of the shareholders' rights and the way of exercise thereof, particularly the rules resulting from the general meeting by-laws, if any, unless the information in this respect results directly from mandatory regulations**

I. General Assemblies shall be held in Warsaw. The General Meeting shall be valid irrespective of the number of shares represented. According to the adopted by-laws, the General Meeting shall be opened by the Chairman of the Supervisory Board or his deputy, or, in case of their absence, by the President of the Management Board or a person designated by the Management Board. Thereafter, the Chairman shall be elected from among the persons entitled to take part in the General Meeting. After each subsequent matter on the agenda has been presented the Chairman of the General Meeting shall open a discussion giving floor to speakers in the sequence in which they have declared their willingness to speak. Upon the consent of the General Meeting several items of the agenda may be discussed jointly. The participants may speak only on the matters which have been put on the agenda and are being considered at that moment.

II. Pursuant to the Regulations of the General Meeting of TP S.A., the shareholders have the following rights:

- (1) The shareholders may take part in the General Meeting and exercise the right of vote in person or by attorneys-in-fact (other representatives).
- (2) Each shareholder has the right to candidature for the Chairman of the General Assembly or to put forward one candidature for the position of the Chairman of the General Meeting to the minutes.
- (3) When every point on the agenda is considered each shareholder has the right to one speech of 5 minutes and a reply of 5 minutes.
- (4) Each shareholder has the right to ask questions on any matters on the agenda.
- (5) The shareholder has the right to object a decision of the Chairman of the General Meeting. The General Meeting shall decide in a resolution whether the decision of the Chairman be upheld or reversed.
- (6) Each shareholder has the right to suggest amendments or additions to draft resolutions, which are covered by the agenda of the General Meeting, by the time of closing the discussion over the item on the agenda referring to the draft resolution to which the suggestion is related.

**(k) Composition and changes thereof in the last financial year, and description of bodies that manage, supervise or administer TP and any committees thereof**

I. Composition of the Management Board and changes thereof in 2011

Composition on 1 January 2011:

1. Maciej Witucki - President of the Board
2. Vincent Lobry - Vice President of the Board
3. Piotr Muszyński - Vice President of the Board
4. Roland Dubois - Board Member

On January 14, 2011, Mr. Roland Dubois resigned from the position of TP S.A. Management Board Member.

On January 27, 2011, Messrs. Jacques de Galzain and Jacek Kowalski were appointed by the Supervisory Board as Members of the Management Board.

Composition on 31 December 2011:

1. Maciej Witucki - President of the Board
2. Vincent Lobry - Vice President of the Board
3. Piotr Muszyński - Vice President of the Board
4. Jacques de Galzain - Board Member
5. Jacek Kowalski - Board Member

On 12 July 2011, the Supervisory Board of TP S.A. appointed Mr. Maciej Witucki for his third consecutive term as the President of the Management Board of TP S.A. This third term will start on the day of the next General Meeting of the Shareholders in April 2012 and will last three years.

II. Composition of the Supervisory Board and its Committees and changes thereof in 2011

Composition on 1 January 2011:

1. Prof. Andrzej K. Koźmiński - Chairman and Independent Board Member

2. Olivier Barberot - Deputy Chairman and Chairman of the Strategy Committee
3. Olivier Faure - Board Member and Secretary
4. Timothy Boatman - Independent Board Member and Chairman of the Audit Committee
5. Thierry Bonhomme - Board Member
6. Jacques Champeaux - Board Member
7. Ronald Freeman - Independent Board Member and Chairman of the Remuneration Committee
8. Dr. Mirosław Gronicki - Independent Board Member
9. Marie-Christine Lambert - Board Member
10. Prof. Jerzy Rajska - Independent Board Member
11. Raoul Roverato - Board Member
12. Dr. Wiesław Rozłucki - Independent Board Member
13. Olaf Swantee - Board Member

Mr. Raoul Roverato resigned from his function on the Supervisory Board as from 26 January 2011.

On 27 January 2011, Mr. Gérard Ries was appointed by the Supervisory Board as a Member of the Supervisory Board.

Mr. Olivier Barberot resigned from his function on the Supervisory Board as from 24 March 2011.

On the same day, Mr. Pierre Louette was appointed by the Supervisory Board as a Member of the Supervisory Board.

On 14 April 2011, the mandates of Messrs. Timothy Boatman and Gérard Ries expired.

On the same day, Messrs. Timothy Boatman and Gérard Ries were appointed by the Annual General Meeting as Members of the Supervisory Board.

Mr. Olivier Faure resigned from his function on the Supervisory Board as from 11 July 2011.

On 12 July 2011, Ms. Nathalie Clere was appointed by the Supervisory Board as a Member of the Supervisory Board.

Mr. Olaf Swantee resigned from his function on the Supervisory Board as from 12 October 2011.

On 13 October 2011, the mandates of Ms. Nathalie Clere and Mr. Pierre Louette expired.

On the same day, Ms. Nathalie Clere, Mr. Pierre Louette and Mr. Benoît Scheen were appointed by the Extraordinary General Meeting as Members of the Supervisory Board.

Mr. Ronald Freeman resigned from his function on the Supervisory Board as from 23 December 2011.

Composition on 31 December 2011:

1. Prof. Andrzej K. Koźmiński - Chairman and Independent Board Member
2. Benoît Scheen - Deputy Chairman and Chairman of the Strategy Committee
3. Nathalie Clere - Board Member and Secretary
4. Timothy Boatman - Independent Board Member and Chairman of the Audit Committee
5. Thierry Bonhomme - Board Member
6. Jacques Champeaux - Board Member
7. Dr. Mirosław Gronicki - Independent Board Member
8. Marie-Christine Lambert - Board Member
9. Pierre Louette - Board Member
10. Prof. Jerzy Rajska - Independent Board Member
11. Gérard Ries - Board Member
12. Dr. Wiesław Rozłucki - Independent Board Member

On 5 January 2012, Mr. Henri de Joux was appointed by the Supervisory Board as a Member of the Supervisory Board.

At present, TP S.A. has five independent members in the Supervisory Board, namely: Prof. Andrzej K. Koźmiński, Timothy Boatman, Dr. Mirosław Gronicki, Prof. Jerzy Rajska and Dr. Wiesław Rozłucki.

Composition of Committees of the Supervisory Board on 31 December 2011:

The Audit Committee

1. Timothy Boatman – Chairman
2. Nathalie Clere

### 3. Marie-Christine Lambert

The Audit Committee is chaired by Mr. Timothy Boatman, an independent member of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit.

#### The Remuneration Committee

1. Benoît Scheen
2. Nathalie Clere
3. Dr. Wiesław Rozłucki

#### The Strategy Committee

1. Benoît Scheen – Chairman
2. Jacques Champeaux
3. Dr. Mirosław Gronicki
4. Prof. Jerzy Rajski
5. Gérard Ries

Prof. Andrzej K. Koźmiński and Mr. Timothy Boatman an Independent Board Member and Chairman of the Audit Committee are permanent quests.

### III. Operations of the Management Board

The operations of the Management Board shall be managed by its President, who shall be the superior of all the Company's employees. Meetings of the Management Board are chaired by the President of the Management Board or, in case of his absence, another member of the Management Board designated by the President. Resolutions may be adopted if all members of the Management Board have been duly notified about the meeting. Resolutions of the Management Board shall be adopted by absolute majority of votes of all appointed members of the Management Board. Individual members of the Management Board shall manage the areas of the Company's operations assigned to them.

The responsibilities and obligations of the Management Board are detailed in the Management Board by-laws, available at [www.tp-ir.pl](http://www.tp-ir.pl).

### IV. Operations of the Supervisory Board

The work of the Supervisory Board is co-ordinated by the Board Chairman with the assistance of the Board Secretary. The Supervisory Board shall hold a meeting at least once a quarter. The Management Board or a member of the Supervisory Board may demand convening a meeting, specifying a suggested agenda thereof. The Chairman of the Supervisory Board shall call a meeting within two weeks of the receipt of the aforementioned motion. In case the Chairman of the Supervisory Board fails to call a meeting within two weeks, the applicant may call it on his own, specifying the date, place and suggested agenda of the meeting. The Supervisory Board shall adopt resolutions by a simple majority of the votes cast and in the presence of at least half of all members of the Supervisory Board. In case of equal votes, the Chairman of the Supervisory Board shall have the decisive vote.

Although the Board performs its tasks collectively, it delegates some of the work. The committees to which these tasks are delegated are described in further paragraphs.

The Supervisory Board by-laws are available at [www.tp-ir.pl](http://www.tp-ir.pl).

In particular, the Supervisory Board is responsible for the appointment and remuneration of the members of the Management Board, the appointment of the Company's independent auditors, and the supervision of the Company's business. As part of its supervisory responsibilities, it examines the Company's strategic plan and annual budget, monitors the Company's operating and financial performance, formulates opinions on incurring liabilities that exceed the equivalent of €100,000,000, formulates opinions on disposal of the Company's assets in exceed the equivalent of €100,000,000, evaluates the Management Board's report on the Company's activities and the Management Board's proposals regarding distribution of profits or covering losses. In considering these matters, the Board takes into account the social, environmental and ethical considerations that relate to TP's businesses.

Furthermore, an amendment to the Polish Accounting Act, dated September 29, 1994 was published in 2009 which increased the responsibility of the members of the Supervisory Board in regards to the reliability and fair presentation of the Company's financial reporting.

## V. Operations of the Committees of the Supervisory Board

### (A) The Audit Committee

The task of the Committee is to advise the Supervisory Board on the proper implementation of budgetary and financial reporting and internal control (including risk management) principles in the TP Group and to liaise with the auditors of TP Group.

The key functions of the Audit Committee include:

- 1) Monitoring the integrity of the financial information provided by the Company in particular by reviewing:
  - a. The relevance and consistency of the accounting methods used by the Company and the TP Capital Group, including the criteria for the consolidation of the financial results;
  - b. Any changes to accounting standards, policies and practices;
  - c. Major areas of financial reporting subject to judgement;
  - d. Significant adjustments arising from the audit;
  - e. Statements on going concern;
  - f. Compliance with the accounting regulations;
- 2) Reviewing at least annually the Group's system of internal control and risk management systems with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- 3) Reviewing annually the Internal Audit program, including the review of independence of the Internal Audit function, and coordinating between the internal and external auditors;
- 4) Analysing reports of the Company's Internal Audit and major findings of any other internal investigations and responses of the Management Board to them;
- 5) Making recommendations in relation to the selection and remuneration of the Director of the Internal Audit and on such function's budget;
- 6) Reviewing and providing an opinion to the TP Management Board and/or the TP Supervisory Board (where applicable) on significant transactions with related parties as defined by the corporate rules;
- 7) Monitoring the independence and objectivity of the Company's external auditors and presentation of recommendations to the Supervisory Board with regard to selection and remuneration of the Company's auditors, with particular attention being paid to remuneration for additional services;
- 8) Reviewing the issues giving rise to the resignation of the external auditor;
- 9) Discussing with the Company's external auditors before the start of each annual audit on the nature and scope of the audit and monitoring the auditors' work;
- 10) Discussing (in or without the presence of the Company Management Board) of any problems or reservations, resulting from the financial statements audit;
- 11) Reviewing the effectiveness of the external audit process, and the responsiveness of the Management Board to recommendations made by the external auditor;
- 12) Considering any other matter noted by the Audit Committee or the Supervisory Board;
- 13) Regularly informing the Supervisory Board about all important issues within the Committee's scope of activity;
- 14) Providing the Supervisory Board with its annual report on the Audit Committee's activity and results.

### (B) The Remuneration Committee

The Remuneration Committee's task is to advise the Supervisory Board and Management Board on the general remuneration and nomination policy of TP Group, determining the conditions of employment and remuneration (including the setting of objectives) of the Members of Management Board and giving recommendations to the Supervisory Board regarding salaries and the amounts of bonuses for the members of the Management Board.

(C) The Strategy Committee

The tasks of the Strategy Committee include:

- (1) giving its opinion and recommendation to the Supervisory Board on the strategic plans put forward by the Management Board and any further suggestions made by the Supervisory Board regarding such strategic plan(s), and in particular on the main strategic options involved; and
- (2) consulting on all strategic projects related to the development of TP and TP Group, the monitoring of the evolution of industrial partnerships within TP Group and projects involving strategic agreements for TP Group. It then reports and makes recommendations on each of these projects to the Supervisory Board.

In particular, the Committee is invited to consider projects such as:

- (1) strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the strategic partnership between France Telecom and TP Group; and
- (2) significant acquisitions and sales of assets.