

CODE OF GOOD PRACTICES OF INSTITUTIONAL INVESTORS

PREAMBLE

1. (...) *Functioning of an effective system of corporate governance (...) contributes to obtaining greater trust which is an essential factor ensuring an efficient functioning of market economy. As a result, the cost of raising capital is lower and companies are encouraged to use resources more efficiently, which forms the basis of economic growth.*
2. (...) *Frames of the corporate governance should protect the rights of associates / shareholders as well as facilitate the execution of the rights of associates / shareholders.*
3. *Facilities concerning the execution of property rights by all associates / shareholders, as well as institutional investors, should be implemented.*
4. *Institutional investors operating as public-trust institutions, should reveal the principles applied by them regarding corporate governance and voting procedures relating to their investments, including procedures applied in deciding on a manner in which they carry out their rights pertaining to share ownership.*
5. *Institutional investors operating as public-trust institutions should make accessible the methods according to which they solve substantial conflicts of interest, which may have an impact on the way in which key property rights concerning their investments are carried out.*
6. *Associates/shareholders, including institutional associates/shareholders, should have a right to conduct consultations among themselves regarding issues on their fundamental rights as associates/shareholders (...) with certain exceptions preventing the abuse of the said rights (...)*”.

*From the “OECD Principles of Corporate Governance”, OECD 2004
(Polish language version – Ministry of the Treasury)*

Applying principles of ethical behaviour is becoming a typical and at the same time desirable phenomenon in the economic as well as social reality of most developed countries. Some developing countries are following in their footsteps. These principles find their application in conducting business by defined categories of entities, and are usually codified. For the purpose of the above Code the said codifications have been, in a significant measure, analyzed.

The signatories of the present Code declare, that their objective and aim is the conformance to the principles of good practices by institutional investors. The nature of the norms contained within the Code, however, excludes any mandatory enforcement of the application thereof. This is, in any case, beyond the legally defined scope of the operational possibilities of the organization with which the signatories are associated. Therefore, they find that each entity, to which the said Code applies, should accept the rule of ‘comply or explain’.

The signatories of the Code believe that the increase of trust between institutional investors and their clients, institutional investors and issuers of financial instruments, as well as between investors themselves, is a value which should be created and promoted both for

axiological as well as practical reasons.

Being aware of the changing legal and economic conditions, the signatories also believe that the principles contained in the Code should be subject to periodic reviews and critical verification. – when necessary – with the participation of independent experts. The signatories are of the opinion that the Code will be helpful in defining the principles, rules and the level of appropriate diligence in relations between institutional investors, their clients and issuers of financial instruments, which potentially may also be of importance to regulators and the courts. The nature of the norms contained within the Code excludes the application of sanctions other than of purely moral nature. Nevertheless, the signatories declare that they will aim at establishing compliance evaluation mechanisms of the Code principles by their addressees, as well as expressing, in cases of extreme behavior, disapproval by organizations under which the signatories are associated.

**Members of the Chamber
of Fund and Asset Management**

**Members of the Pension Funds'
of Chamber of Commerce**

I. GENERAL PRINCIPLES

1.1. [GOAL OF THE CODE] Aiming at achieving the goals of the above Code, its signatories (hereinafter, excluding art. 2.1, referred to as the ‘institutional investors’), decide what follows:

1.2. – in relations with issuers of financial instruments one should aim at observing the principles of corporate governance by the issuers and institutional investors in mutual relations, as well as in relations with other entities,

1.3. – in relations with persons, for the benefit of whom the institutional investors by profession perform their services (hereinafter referred to as the ‘Clients’) one should aim at, as far as it is possible and justifiable (in relation to the method of providing services and, connected with it, the possibility of identifying the financial situation, level of accepted risk, as well as the level of knowledge of the Client) to comply with three principles. Firstly, the principle of the priority of the interest of the Client over one’s own interest. Secondly, honestly informing the Client of the existing and potential conflict of interests. Thirdly, the principle of “know your Client”, i.e. the principle of adjusting the scope and method of providing services to the financial situation and knowledge of the Client

1.4. – in mutual relations between institutional investors one should aim at complying with the principle of fair competition and the principle of *fair play*.

2.1. [SUBJECT SCOPE OF APPLYING THE CODE] The norms contained in the present Code are applicable to:

- entities being its signatories,
- other entities, who by profession invest in financial instruments on behalf of themselves or their Clients and who declare their compliance with the principles contained in the present Code, for the convenience of which, the notion of institutional investors shall apply to such entities,
- employees and members of the organs of governing entities, being institutional investors,
- entities and employees as well as members of the organs of governing entities working on commission for the institutional investors within the scope of their services provided to the Clients.

2.2. In relation to the entities as well as members of their organs and employees working on commission for the institutional investors, the investors shall act with appropriate care in order

to ensure that those persons comply with the principles contained in the present Code. In particular, in the range in which it is justified by the functions entrusted to them and in the range in which it is possible in the light of the law binding those entities, the institutional investors will aim at introducing in the contracts concluded with them, a clause indicating the legitimacy or duty to comply with the principles of the Code.

3.1. [SUBJECT SCOPE OF CODE APPLICATION] The norms contained in the present Code is applicable to:

- issuers of financial instruments incorporating participation in the capital (in particular – shares),
- issues of instruments of a debt-like nature (in particular bonds), as well as
- issuers of instruments of a mixed or hybrid nature, including those incorporating property law (including – among other things mortgage letters and deposit vouchers).

3.2. In the range in which the provisions of the present Code refer to the General Meeting of Shareholders, (hereinafter referred to as GMS), Supervisory Boards, as well as Boards Of Directors of a public limited company – the said principles should also be applied accordingly to other organs or organizational units of the issuers of financial instruments.

II. RELATIONS WITH ISSUERS OF FINANCIAL TOOLS

A. REGULATIONS AND ACTIVITIES IN RELATION TO GMS

4.1. [DELEGATION OF AUTHORITY] An institutional investor may appoint a third party as his legal representative in regard to participation and voting during GMS.

5.1. [COMPETENCE OF A LEGAL REPRESENTATIVE] Authority should be assigned to a person possessing appropriate qualifications, in particular knowledge of the rules and principles concerning the functioning of GMS.

5.2. In the event of assigning authority to a legal person, it should ensure that the authority is carried out by a person fulfilling the criteria described in the previous article.

5.3. [VOTING INSTRUCTIONS] Authority should also define the method of voting on each resolution provided for in the agenda. Authority should also, as far as possible, define the method of voting on unexpected resolutions (including administrative resolutions), as long as they may have a substantial significance for the functioning of the issuer of financial instruments or for the value of financial instruments issued by him. The authority should define the manner of behavior of the legal representative in the event of presentation of any other resolutions, which are not covered by the voting instructions (authority). The legal act of assigning authority includes giving voting instructions also in a case when the authority and the instructions are separate documents.

6.1. [AUTHORITY ASSIGNED TO ONE LEGAL REPRESENTATIVE BY MORE THAN ONE INSTITUTIONAL INVESTOR] Assigning authority, by more than one institutional investor, to the same person, should be carried out in accordance with the following rules:

6.2. – assigning authority to an entity which, by profession, engages in representation (e.g. of an investment company) excluding art. 6.3, can be performed without the necessity of conducting negotiations with other institutional investors. In the lack of contrary agreements, such legal representative should not reveal the method of voting indicated by an institutional investor to the other institutional investors or third parties,

6.3. – assigning authority to an entity related to one of the institutional investors should be

allowed only in a case when, in the procedure described in art.12.1 – 12.3, investors agreed on a common method of voting on the most significant issues, and, moreover, one of the topics of such agreement was concerned with appointing a common representative for GMS.

7.1. [DECISION TO PARTICIPATE IN GMS IN THE EVENT OF AN OWNERSHIP OF A CONSIDERABLE SHAREHOLDING] An institutional investor should participate in GMS of companies in which, on his own behalf or on behalf of his clients, he administers a shareholding equal to or greater than 5% of votes.

8.1. [DECISION TO PARTICIPATE IN GMS IN THE EVENT OF NO OWNERSHIP OF A CONSIDERABLE SHAREHOLDING] In the case of a shareholding smaller than the one described in the previous article, an institutional investor should participate in GMS, if the issues debated during the session are of significant importance for the company, and the omission to execute the right to vote could increase the risk of a significant decrease in the value of the owned shareholding.

9.1. [RESIGNATION FROM PARTICIPATION IN GMS] An institutional investor may consider the benefits and costs related to participation in a general meeting and in the event of judging that the costs taken will be disproportionate to the possible benefits, he may not participate in such GMS. This principle concerns both cases in which the investor owns or does not own a significant shareholding. At a Client's request an institutional investor should present a justification for his decision not to participate in GMS

10.1. [EXCHANGE OF VIEWS BEFORE AND AFTER GMS]. Institutional investors regard that due to a justified interest of the company and its investors (also in order to ensure an efficient course of the proceedings of GMS), as well as the fact that this is supported by market practices, investors should have a right to exchange views and opinions concerning the company and the planned GMS.

11.1. [EXAMPLE OF A LIST OF AFFAIRS COVERED BY THE EXCHANGE OF OPINION] An exchange of opinion between institutional investors may, in particular, relate to the following issues:

11.2. – changes in the statute of an issuer, having significant importance for the company or its shareholders, in particular, regulations related to the increase or decrease in the share capital.,

11.3. – changes in the statute resulting in an assignment of personal rights to a shareholder or an increase in the number of votes assigned to one share,

11.4. – proposal to join a particular issuer with a different company, however, in the case when institutional investors represent over 33% of votes during GMS, such exchange of opinion cannot constitute the basis for activities which would aim at a fusion or taking over a company,

11.5. – proposal to divide an issuer,

11.6. – resolutions of GMS referring to emission of shares, excluding the right of share collection, including those adopted in connection to the implementation of optional programs and management optional programs,

11.7. – resolutions transferring competences from GMS to the board of supervisors or from the board of supervisors to the board of directors, or resolutions significantly changing the competences of the board of supervisors or directors,

11.8. – manner of behavior in a case when, in the opinion of institutional investors, the planned resolution of GMS could be recognized as contradictory to the rules of law, to the status or good manners or as threatening to the interests of the company or aiming at harming a shareholder,

11.9. – introduction or application, by the issuer, of the principles of corporate governance and

other ethical standards,

11.10. - relations with a dominant shareholder and activities taken up by him in respect of the company and shareholders,

11.11. – purpose of placing a particular issue on the agenda of GMS,

11.12. – evaluation of the work of the board of directors, its individual members, or the board of supervisors and its individual members, as well as the formulation of a motion concerning a removal of individual members of the board of supervisors or directors, in the event of lack of positive evaluation of their work,

11.13. – conducting changes in the authorities of a company in a case when they undertake activities detrimental to the shareholders or the company - in the event of establishing significant basis for such an evaluation or well-founded suspicions that such activities occurred (e.g. press releases, charges brought by a prosecutor, conviction through judicial sentence),

11.14. – considering the usefulness of designating a candidate for the board of supervisors by more than one institutional investor, considering candidatures for this position, electing a candidate – as well as considering the possibility of supporting such candidate by the other shareholders, including the dominant shareholder and minority shareholders – before an official announcement of his candidature,

11.15. – salaries of the members of the board of supervisors as well as the construction and methods of implementation of management incentive programs.

11.16. – agreements related to the lack of or inadequate payment of interests or main capital on the grounds of debt securities,

11.18 – agreements related to insolvency or possible insolvency of an issuer.

12.1. [AGREEMENTS BEFORE GMS] Institutional investors may not only express their opinions, but also agree on a common position concerning their conduct before GMS, however, on the condition that:

12.2. – entering into agreements between institutional investors will not be related to a creation of any obligation, of a legal or economic nature, between the investors entering into the agreement, and will not lead to any duty (apart from the moral one) to act in accordance with the established agreement,

12.3. – possible agreements will be entered into on an *ad hoc* basis, i.e. for the purpose of one GMS or in relation to some other, specific issue in the company, as long as it is not directly related to GMS.

12.4. The above-mentioned rules do not exclude the possibility of entering into permanent agreements outside of GMS according to the procedure of and on the conditions indicated by the rules of law.

13.1. [PRESENTATION OF CANDIDATES FOR BOARDS OF SUPERVISORS] Institutional investors should, as far as it is possible, aim at a public presentation, prior to GMS, of their candidates for the boards of supervisors. Institutional investors acknowledge that this custom enables the shareholders to reach a rational decision regarding the method of voting in the event of proposing such candidature (according to their own, internal procedures).

13.2. Institutional investors should aim at the adaptation by the other shareholders, in particular dominant shareholders, the principle of public presentation, prior to GMS, of the candidates for the boards of supervisors.

14.1. [PRESENTATION OF DOCUMENTS FOR GMS] Institutional investors regard as desirable the practice of rendering documents and materials, prior to GMS.

15.1. [LEGAL SOLUTIONS CONCERNING THE EXECUTION OF THE VOTING RIGHT] Institutional investors should promote and support any solutions and changes of legal

regulations, which would aim at facilitating the execution of voting rights, also including the reduction of costs related to such activities.

B. ACTIVITIES DURING THE GENERAL MEETING

16.1. [STATUTE OF A GENERAL MEETING] Institutional investors should undertake activities aiming at adopting, by the company, a statute of a General Meeting, as well as indicate the desirable characteristics of such a statute. Institutional investors should also aim at implementing the statute of GMS by issuers of financial instruments. They should endeavor to limit the frequency of changing the statute of GMS and to ensure that the changes come into force starting with the next GMS after their adaptation. Institutional investors should especially aim at ensuring that the statute contains precise provisions related to the election of an issuer's authorities.

17.1. [CONDUCTING THE GMS IN ACCORDANCE WITH THE AGENDA] An institutional investor should pay attention to the principles of a well thought out preparation of GMS as well as the principle of conducting GMS in accordance with the agenda, and the promotion of those principles.

18.1. [ELECTION OF AND REQUIREMENTS IN RELATION TO THE MEMBERS OF THE BOARDS OF SUPERVISORS] During the election of the members of the boards of supervisors, an institutional investor acts in the best interest of his clients. Therefore, he aims at ensuring that the candidates supported by him, in particular, fulfill the following criteria:

18.2. - possessed appropriate education as well as professional and life's experience necessary to fulfill the function properly,

18.3. – were characterized by high moral standards,

18.4. – demonstrated commitment in fulfilling their duties, and especially were able to devote an appropriate amount of time to a proper fulfillment of their function as a member of the board of supervisors,

18.5. – acted in the best interest of the company and its shareholders.,

18.6. – demonstrated the knowledge of and abided by the binding rules of the law as well as other regulations, in particular the codification of good practices within public companies.

18.7. An institutional investor expects from the members of the boards of directors professional activity and appropriate commitment in regard to fulfilling their functions in the board of directors. In the opinion of an institutional investor, members of the boards of directors of the issuer should undertake appropriate action in order to obtain from the board of directors regular and exhaustive information concerning all important issues regarding the functioning of a portfolio company, as well as the risk connected with the conducted proceedings and methods of managing that risk.

19.1. [INDEPENDENT MEMBER OF THE BOARD OF SUPERVISORS DESIGNATED BY ONE OR SEVERAL INSTITUTIONAL INVESTORS] With the reservation of deviations described in art. 21, in the event of designating a particular person to the board of supervisors by one or several institutional investors, he or she should fulfill the following criteria:

19.2. – criteria defined in art. 18.2-18.6,

19.3. – criteria of an independent member of the board of directors defined in art. 20,

19.4. – do not remain in labour relations, or other relations of a similar character, with any of the institutional investors (also with the one who does not designate him), or with an entity related

to an institutional investor.

20.1.[INDEPENDENT MEMBER OF THE BOARD OF SUPERVISORS - CRITERIA] A person fulfilling the function of an independent member of the board of supervisors should be, in particular, characterized by the following features:

- a) did not hold an function of a member of the board of directors of a company or a created unit within the past five years, before being appointed to the board of supervisors of that company,
- b) is not an employee of a company or an associated unit and was not an employee within the past three years before being appointed to the board of supervisors; this requirement is not applicable to the representatives of employees elected according to a procedure defined by distinct regulations, as well as to persons which did not hold executive posts in the company or an associated unit,
- c) does not receive, or did not receive within the past five years, an additional salary, in a significant amount, also in the form of manager options, from the company or an associated unit, this does not apply to a salary received on the grounds of fulfilling a function of the member of the board of supervisors,
- d) is not a shareholder, employee or legal representative of a shareholder possessing 5% or more than 5% of votes during GMS,
- e) does not currently maintain, and did not maintain within the past year, significant business relations with the company or an associated unit, this requirement also concerns a partner, shareholder, member of the board of directors or a person holding executive posts in entities being in such relations. Business relations are, in particular, understood as a situation of fulfilling a function of an important supplier of goods or services (including financial, legal, advisory or consulting services), of an important client, as well as being an entity or other organizational unit receiving augmentations of a significant amount from the company or entities from its capital group,
- f) is not or, during the past three years, was not a partner or employee of the current, as well as previous, external auditor of the company or an associated unit,
- g) is not a member of the board of directors of another company in which one of the members of the board of directors is, in turn, a member of the board of directors or supervisors in which the particular person fulfils the function of an independent member.
- h) is not connected with the members of the board of directors in a way that could raise concerns related to the impartiality of the member of the boards of supervisors. In particular, is not a close relative of a member of the boards of directors, significant shareholder, or a person in any other way connected with the company, as understood by other rules of the Code, to the extent that it excludes the possibility of regarding the particular person to be an independent member of the board of supervisors,
- i) does not fulfill the function of a member of a board of supervisors of the company for more than 12 years.

21.1. [MEMBER OF THE BOARD OF SUPERVISORS DESIGNATED BY ONE INSTITUTIONAL INVESTOR] In special circumstances a person nominated by an

institutional investor to the board of supervisors should fulfill the requirements contained in art. 18.2 – 18.7, however he or she does not need to fulfill neither the requirements needed to regards him or her as an independent member of board of supervisors, nor the criteria described in art. 19.4.

21.2. The requirements contained in the previous article are applied in situations of designating to the board of supervisors, a shareholder of a company.

21.3. In the event of nominating to the board, employees of an institutional investor or other entity related to him, such investor should not elect a person in relation to whom, in particular in connection to his or her participation in investment decision-making procedures, a threat of obtaining a privileged information position or significant conflict of interests would be created.

22.1. [ONE'S OWN VOTING PRINCIPLES] Institutional investors should aim at developing and making public their own detailed principles of voting during GMS of public companies. Such principles should especially concern the method of voting in the case of issuing optional programs and the changes in the statutes of companies.

22.2. The voting principles should contain a description of a policy of an institutional investor, especially in relation to such changes of statutes which concern minority rights, equal treatment of shareholders and special powers awarded to single shareholders or a group of shareholders, as well as mechanisms concerned with hindering the process of taking over a company or controlling it.

23.1. [VOTING METHOD IN THE MATTER OF INCENTIVE PROGRAMS] Institutional investors regard as justifiable connecting the salaries of the members of the board of directors with the results achieved by companies.

23.2. Institutional investors assume a principle of voting against implementing the kind of programs (i.e. optional), which would result in excessive (unjustified) increase in the issue of shares.

23.3. Institutional investors assume a principle of voting against plans and programs of manager options, in which the price of granting an option or sale of shares is significantly lower than the market value of the shares or the period after which the beneficiary of the program is entitled to sell such shares or options is too short.

24.1. [METHOD OF VOTING IN THE MATTER OF TAKING OVER COMPANIES] Institutional investors are against undertaking by the companies and their GMS legal and factual activities which sole or fundamental aim is preventing the process of assuming control over a company. Institutional investors should not participate in the preparation and implementation of such activities, in the event of voting during GMS, they should vote against resolutions containing such solutions.

25.1. [METHOD OF VOTING IN THE MATTER OF LIMITING FINANCIAL LIABILITY OF THE AUTHORITIES] Institutional investors are against implementing solutions leading to a limitation or exclusion of financial liability of the members of the board of directors. Institutional investors should not participate in the preparation and implementation of such activities, and in the event of voting during GMS, they should vote against resolutions containing such solutions.

26.1. [OPENNESS OF VOTING] Institutional investors regard as a principle the practice of disclosing their voting method to their clients and mass-media. Non-disclosure of a voting method is permitted in the case of a secret vote, especially if the disclosure of a voting method

and the issue to which it pertained would create a threat of damaging personal property of natural persons.

27.1. [EXECUTION OF AD HOC AGREEMENTS DURING GMS] Institutional investors are entitled to execute, during GMS, *ad hoc* agreements concerning the voting method, as well as to conclude them directly during GMS, however, under the following conditions:

27.2. – concluding agreements between institutional investors will not be connected to the creation of any obligation of a legal or economic nature between the institutional investors concluding the agreement, and will not create any duty (apart from a purely moral one) of acting in accordance with the concluded agreement,

27.3. – possible agreements will not be concluded *ad hoc*, i.e. for the purpose of one GMS

27.4. The above-mentioned rules do not exclude the possibility of entering into permanent agreements according to the procedure of and upon the conditions indicated by legislative regulations.

C. OBTAINING INFORMATION ON THE OPERATION OF ISSUERS AND OTHER RELATIONS WITH ISSUERS

28.1. [THE RIGHT TO INFORMATION ON THE STATUS OF AN ISSUER] Institutional investors emphasize that all shareholders, irrespective of the shareholding owned by them, are entitled to an equal right of demanding from an issuer an explication of the important issues related to his functioning, in the range and form consistent with the binding law.

28.2. Simultaneously, the institutional investors acknowledge the principle that in case of obtaining important information, they should not take advantage of or disclose them, as well as that they should aim at ensuring that the entity obliged to disclose such information did so in accordance with a procedure described in proper regulations.

29.1. [A METHOD OF IMPACTING THE OPERATION OF AN ISSUER] Institutional investors regard as natural and logical the possibility of direct contact of their representatives with the representatives of the boards of directors and supervisors of the portfolio company. Simultaneously, with an aim to best protect the interests of their own clients, institutional investors reserve to themselves the right to raise troubling issues in discussions or correspondence with the representatives of the boards of directors and supervisors.

29.2. An institutional investor is entitled, for the protection of interests of his clients, to exchange views with other shareholders, for the purpose of appropriate, independent or joint activities, leading to the decisions expected in the company – also in opposition to the board of directors or supervisors of the company.

29.3. In the event of no adequate or an inadequate reaction of the company, institutional investors regard as appropriate to execute their right to demand a summoning of an emergency general meeting of shareholders and placing appropriate issues on the agenda of the general meeting (including the issue concerning the appointment of an auditor of detailed matters), with an aim at an effective solution of issues concerning them.

30.1. [RELATIONS WITH SUPERVISORY BOARD MEMBERS] An institutional investor may submit to the members of the board of supervisors, his opinions, concerning the implementation of strategic tasks of the company.

III. GOOD PRACTICE PRINCIPLES RELATING TO NON-STANDARD TRANSACTIONS

31.1. [LEGITIMACY OF TRANSACTIONS PERFORMED OUTSIDE OF A REGULATED MARKET AND NON-STANDARD TRANSACTIONS] Accepting the business necessity, in particular, in respect to the fact that such proceedings would best support the interests of their Clients, institutional investors regard as acceptable the exchange of necessary information and joint participation of several institutional investors in negotiations and transactions concerning the purchase or sale of financial instruments.

31.2. Application of good practices while purchasing or selling large holdings of financial instruments signifies that such transaction may serve exclusively to fulfil the best interest of the Clients.

31.3. Non-standard transactions are understood as transactions which are concluded in a course of individual negotiations or an exchange of offers, i.e. in a course different from those present in systems functioning on regulated markets, where making offers and accepting them is accomplished through standardized and, to a great extent, automated methods.

31.4. A condition to regard such transactions and the method of conducting them as ethically acceptable, should, nevertheless, be the preservation of the principles defined in the following articles.

32.1. [THE ROLE OF INTERNAL GOVERNANCE] Each participant of a transaction should possess an internal-governance unit, supervising, among other things, the course of negotiations and the process of concluding non-standard transactions outside of a regulated market.

32.2. Informed and up-dated about the course of negotiations and the process of concluding such transactions, should be the members of the board of directors of an institutional investor, and at least the member of the board of directors, which is responsible for supervising investments.

33.1. [OBLIGATION OF MAINTAINING PROPER DOCUMENTATION] Each of the participants of a transaction, separately, excluding situations in which those participants decide to entrust this task to an external entity (e.g. a law firm), has the duty to document any important stages of negotiations and the process of concluding transactions, in a way which will allow to recreate their course.

34.1. [PRELIMINARY CONDITIONS OF CONDUCTED TRANSACTIONS] Institutional investors regard as contradictory to the good practices of the capital market, and in particular to the interests of their Clients, the idea of determining the opening of negotiations on the basis of undertaking an obligation to pay a defined minimal price or an obligation to conclude a transaction concerning all or a part of financial instruments, being the object of that transaction. Institutional investors should not enter into negotiations conducted on conditions breaching the principles described above.

35.1. [APPROPRIATE REPRESENTATION OF INSTITUTIONAL INVESTORS] Institutional investors should be represented by persons who owing to their professional position are subject to the present Code, or by persons who will declare that their intention is to abide by the provisions of the present Code. This regulation is respectively applied to persons who on the grounds of functions fulfilled by them or their profession are also subject to other codes of good practices or ethical professional regulations.

IV. RELATIONS WITH A CLIENT

36.1. [GENERAL ENFORCEABLE PRINCIPLES IN CLIENT RELATIONS] Fundamental principles, implementation of which institutional investors regard as desirable in

relations with a client, are in particular:

36.2. – the principle of ethical conduct,

36.3. – the principle of professionalism, with a special consideration for the duty to keeping the highest standards of contractual care,

36.4. - the principle of giving priority to the interests of a Client over ones own interest,

36.5. – the principle of non-discrimination of particular groups of Clients, this principle does not exclude the possibility of differentiating between situations of Clients, and, in particular, when it is justified by the scope of the services provided to them and results from contractual provisions,

36.6. – the principle of independent and objective work for the benefit of the Clients, and, in particular, by avoiding entering into business and personal relations, which could result in the loss of independent action or views,

36.7. – with the reservation of the requirements of granting information resulting from the rules of law – the principle of preserving confidentiality of information obtained from Clients and those acquired about Clients,

36.8. - the principle of detecting, avoiding and managing the conflict of interests.,

36.9. - where the kind of conducted activity enables and justifies application of such principle – the principle of ‘know your Client’, especially through the identification of the level of investment knowledge, accepted level of risk and financial situation of the Client.

37.1. [OBLIGATION TO ESTABLISH AND APPLY PROPER PROCEDURES]

Institutional investors should establish procedures and regulations, aiming at an appropriate implementation of the principles of the present Code, as well as other ethical codes and legal regulations binding them.

37.2. Institutional investors should also establish, as well as apply, internal procedures and regulations related to internal governance, verification by independent institutions of the characteristics of creating and presenting information concerned with the assets of Clients, as well as the valuation of such assets.

38.1. [CONFLICT OF INTERESTS ISSUES] Institutional investors declare that it is their duty to detect, avoid and manage the conflict of interests. In the event of a situation of a conflict of interest, the prime principle underlying the activity of any institutional investor should be the priority of the interests of the Client.

38.2. In particular, it is a duty of institutional investors to create internal procedures preventing conflicts of interests, and in the event of creating such conflict – procedures enabling to resolve it to the benefit of the Client.

38.3. Situations posing such conflicts of interests may be created both in the process of investment, and in the activities of an institutional investor not directly connected with the management of the assets of Clients. Especially regarded as situations favoring the creation of conflicts of interests should be the following:

38.4. - the purchase of securities on the primary market in a situation when the sponsor, guarantor of the issue, or participant of the consortium conducting the sale, is an entity which is a part of the capital group which it creates or to which a particular institutional investor belongs,

38.5. – the purchase of securities which are issued by an entity from such group,

38.6. – purchasing for the portfolios of the Clients, participation units of funds managed by a particular institutional investor, in a situation when the investment strategy implies purchasing for those portfolios also other financial instruments,

38.7. – completion of ‘cross trades’ transactions between the portfolios of the Clients,

38.8. - cooperation with brokers or other entities being members of the mentioned capital group.

39.1. [FUNDAMENTAL PRINCIPLES OF THE PRESENTATION OF INVESTMENT RESULTS] Advertisements should be based on reliable data and should not suggest that the investment results anticipated in the future could be predicted on the basis of historic results.

40.1. [PRESENTATION OF THE RETURN RATES OF REAL PORTFOLIOS] Presented results should concern real portfolios and not model or theoretical portfolios. It is permissible to present results of real portfolios in relation to chosen benchmarks.

41.1. [RECOMMENDATION OF USING INTERNATIONAL STANDARDS] In all calculations and during the presentation of portfolio results, application of the commonly accepted international principles, as long as this is justified by the nature of the activities conducted in the range of asset management, should be recommended.

42.1. [THE RETURN RATE AND FEES] The results achieved by the funds should be presented on the basis of a net return rate of the kind of units, appropriate to the addressees of an advertisement. It is advisable to inform about the amount of any other applicable fees, and in particular, preliminary or final fees.

43.1. [PRESENTATION OF INVESTMENT PORTFOLIO RESULTS] The results of a group of portfolios (composites) should be calculated and presented as weighted means of the return rates weighted according to the assets of all portfolios, and not the chosen representatives. Results achieved in succeeding periods should be joined geometrically.

44.1. [A MINIMUM PERIOD OF PRESENTING THE RETURN RATE] Return rates presented in advertisements should cover a period of at least one year (or a multiple of that), ending with the end of the last quarter or the last month. It is advisable to inform about return rates concerning longer periods, calculated in years.

45.1 [THE RANGE OF ANNUALIZATION OF RETURN RATES] Annualized return rates may be announced for periods shorter than one year exclusively by funds which exist for less than a year. Such rates should be announced from the beginning of the existence of such funds. Return rates for periods shorter than one year cannot be annualized.

45.2. Money funds can announce an annual, current and effective profitability calculated on the basis of periods shorter than one year.

46.1. [VALUATION OF ASSETS ACCORDING TO FAIR VALUE] In the valuation of financial instruments, institutional investors will aim at applying market values and/or models best reflecting the value of a particular instrument, taking into account all significant risks.

47.1. [A RETURN RATE AND BENCHMARKING] During publication of achieved results, it is advisable to announce the description of and return rate from benchmarking appropriate for a particular kind of fund.

48.1. [A RETURN RATE AND RISK] It is advisable to announce return rates with reference to the risk taken by a particular fund.

V. RELATIONS BETWEEN INSTITUTIONAL INVESTORS

49.1. [GENERAL PRINCIPLES] In mutual relations, institutional investors should be guided

by principles of loyalty, fair competition, and should not undertake activities which violate or may violate the good reputation of another institutional investor.

49.2. As far as it is possible to make it compatible with ones own interests and interests of the Clients, professional and commercial secrecy, institutional investors should cooperate in the implementation of ventures serving the development of the financial market, as well as in the preparation, propagation and evaluation of legislative solutions concerning this market.

50.1. [PROHIBITION TO CONDUCT A NEGATIVE CAMPAIGN] Within the framework of promotional and advertising activities it is forbidden to use elements of a negative campaign leading to discrediting other institutional investors. In the advertising and marketing activity conducted by an institutional investor, opinions discrediting other institutional investors should not be used. In compliance with the principle concerning the duty to supply reliable information to mass-media, institutional investors also should not support and finance the activities described above.

V. CONCLUDING REGULATIONS

51.1. [DECLARATION OF CODE APPLICATION] Each of the institutional investors issues a declaration of accepting and applying the present Code in an annual rapport, as well as on the webpage of the investor.

51.2. In the case when an investor does not attempt to apply the Code or some of its provisions, he should present, in a manner described above, a declaration – respectively – of not applying the Code or its provisions. The declaration should contain a short explanation of reasons for not applying the Code or some of its provisions.

51.3. Signatories of the present Code are obliged to make the Code available for inspection to anyone whom it may concern.

52.1. [CHANGES AND ADAPTATION TO THE PROVISIONS OF THE CODE] Institutional investors express a conviction that the Code of Good Practices should be subject to a periodical review of its provisions, in order to complete or verify it.

52.2. Institutional investors shall establish a Committee of Good Practices, in order to recommend to the signatories an introduction of any changes or supplements of the content of the present Code. The Committee of Good Practices should be composed of two persons recommended by each Chamber, as well as two additional persons selected (one by each Chamber) according to an expert criterion. The Committee may pass a statute concerning its activities and appoint a Chairman of the Committee. Signatories of the present Code and supervisory units are entitled to present to the Committee their observations and propositions concerned with the changes of the content of the Code.

52.3. On application of an institutional investor, the Committee of Good Practices shall prepare an opinion concerning the method of interpretation of the present Code.

53.1. [SANCTIONS] Every activity inconsistent with the principles of the Code, as well as attempts to circumvent the principles of the Code by means of employing entities not bound by the principles of the Code, unless it is a consequence of circumstances for which the entity bound by the principles of the Code is not responsible for, will be regarded as a violation of those principles.

53.2. Responsible for the violation of the principles of the Code by an employee or a person acting on commission of the entity bound by the principles of the Code, is that entity.

53.3. In especially significant issues, the Committee of Good Practices shall prepare, on its own initiative or upon an application of one of the signatories, an attitude regarding the violation of the principles of the present Code. This standpoint shall be presented during General Meetings of both Chambers. Other activities concerned with expressing standpoints by the Chambers or applying contingent organizational sanctions are not the subject of the present Code and may be performed exclusively according to the principles arising from the acts establishing the Chambers.