

AQUA, BIELSKO-BIALA, POLAND

1. LEGAL STRUCTURE & OWNERSHIP

Aqua is a joint stock company (JSC) established under the Polish Code of Commercial Partnerships and Companies (2001). The city of Bieslko-Biala owns 51% of company shares, United Utilities Poland owns an additional 33%, and the remainder is owned by private investors and other municipalities. United Utilities (formerly with International Water) has been a strategic partner since November 1999.

Since January 1998, AQUA has been a public company quoted on Poland's secondary trading market MTS-CeTO S.A.

2. CORPORATE GOVERNANCE

Under the 2001 Commercial Code, a **joint stock company** in Poland, with over a certain amount of shared capital, must have a Supervisory Board and a Management Board—a two-tier board structure.

The shareholders' meeting (Annual General Meeting [AGM]) is the key decision-making forum. The AGM should be held within six months of the end of the accounting year. An extraordinary shareholders meeting may be held at any time. Registered shareowners have the right to attend the shareholders meetings.

According to the Commercial Code, the **Supervisory Board** must have at least five members and it oversees the company's activities and the Management Board. Three members are designated by the City of Bielsko-Biala and the other two by United Utilities. The board is typically elected by a majority vote at the AGM.

Previously, there was a requirement for an Audit Board to be established in addition to, or instead of, the Supervisory Board. New recommendations of the Warsaw Stock Exchange Best Practices Code (**WSE Code**) call for an Audit Committee to be established by the Supervisory Board.

The Management Board is typically appointed by the Supervisory Board, but the company articles can stipulate that the Management Board be appointed (and dismissed) at a shareholders meeting. The latter is true of AQUA. The Management Board is responsible for day-to-day company operations.

The WSE Code of 2002 had recommended that boards have a majority of independent members. Compliance and enforcement of this recommendation proved difficult and the 2005 Code was revised, calling for two independent members.

3. DOCUMENTED OBLIGATIONS AND RIGHTS

AQUA operates under a **permit** from the Municipality of Bieslko-Biala. The relationship between the municipal government and AQUA is further established through a **Performance Agreement**, which is reviewed and updated annually between the two parties. A key provision of the Performance Agreement is a tariff adjustment clause with the ultimate tariffs to be approved by a municipal body.

In addition, AQUA has a strategic international investor, United Utilities, which has strengthened its performance and governance. The partnership has strengthened AQUA's business planning process, its level of customer service and empowerment, and training and development of its employees. Technological aspects of its water and wastewater treatment and network operations continue to improve and learn from best practices, in line with European Union regulations.

AQUA is responsible for the development of its own **business plan**, which defines specific actions and results to be achieved by each of the organizational divisions. AQUA's business planning cycle, which has gone through annual improvements, is now firmly established. Customer service has continued to improve and staff motivation has been enhanced through training and a bonus scheme.

4. ACCOUNTING AND FINANCIAL MANAGEMENT

AQUA's accounting practices are governed by the **Commercial Code** and the **Accounting Act**. Adherence to these is the responsibility of the Management Board.

5. CUSTOMER AND MARKET ORIENTATION

Each consumer can obtain information on drinking water quality by the phone or from the company's [Web site](#).

Every few years a client **opinion poll** on the standard of the services provided is carried out. This poll was carried out in 2000 and 2002. Poll outcomes are analyzed by the company and lead to actions to improve customer service.

The **Department for Public Relations** provides clients with information on company services and changes. The department uses different means to disseminate information, including the press, radio, the company's [Web site](#), etc. The department also prepares short statements on current changes in the scope and type of services in submits them to customers with invoices. Information on changes in tariff charges are announced in the local press.

All complaints are forwarded to the **Department of Customer Service** where they are analyzed and transferred to the relevant departments for comment and action. Each complaint is addressed, and the complainants are informed via phone or by letter on the complaint's resolution.

6. TRANSPARENCY AND EFFECTIVE USE OF DATA

The **Warsaw Stock Exchange** led the debate on corporate governance, pulling together supervisory boards, privatization agencies, and other interested agencies and groups into a discussion and activities.

The **Polish press** has highlighted cases of corporate governance failures, and the WSE and SEC have been diligent in reacting to cases of poor corporate governance.

Publication of AQUA's **annual financial reports** are announced in the *Judicial and Business Journal*. Annual reports and monthly financial reports are available in Polish on AQUA's [Web site](#). Each consumer can obtain information on drinking water quality by phone or from the company Web site.

7. PERFORMANCE RESULTS¹

Lp	Key performance indicator	Unit	Year		
			2000	2001	2002
1	Service coverage water supply	%	74	80	84
2	Service coverage sanitation	%	58	58	59
3	Unaccounted for water	M ³ /km/day	30.8	30.4	26.1
4	Unaccounted for water	%	44	46	42
4	Staff per 1,000 population served		2,4	1.7	1.6
5	Staff per 1,000 connections		14.7	10.1	9.5
6	Working ratio	-	0.40	0.41	0.36
7	Accounts receivable	months	1.6	2.3	2.0

¹ *Water Supply & Sanitation Working Notes*. Note No 9. February 2006, Characteristics of Well Performing Utilities, Baietti, Kingdom, Van Ginneken.