



***Report on activities of the Supervisory Board
of TAURON Polska Energia S.A.
in the financial year 2015***

Katowice, March 2016

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1 Introduction

Acting pursuant to Article 382 § 1 of the Code of Commercial Companies and provisions of *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies 2016*, the Supervisory Board of TAURON Polska Energia S.A. (hereinafter referred to as the Supervisory Board) hereby submits the *Report on activities of the Supervisory Board in the financial year 2015* to the Ordinary General Meeting.

Applying the recommendations and rules of *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies 2016* (Best Practice 2016), the Supervisory Board evaluated:

1. situation of the company, taking into account the assessment of internal control, risk management systems, compliance and internal audit functions,
2. method of fulfilment of information obligations by the Company, in relation to the application of corporate governance principles defined in the Regulations of the Exchange and provisions related to current and periodical information submitted by issuers of securities,
3. rationality of sponsoring, charitable policy, or other similar policy pursued by the Company,
4. fulfilment of independence criteria by Members of the Supervisory Board.

As a part of implementation of the rules defined in Best Practice 2016, the Supervisory Board presents the aforementioned evaluations, contained in this report, to the Ordinary General Meeting.

At the same time, within the framework of this report, a detailed description of activity and operations of the Supervisory Board and its committees in the financial year 2015 is presented.

2 Information on the term of office of the Supervisory Board, personal composition of the Supervisory Board and functions fulfilled in it as well as changes in the composition of the Supervisory Board during the financial year

The term of office of the Supervisory Board is a joint term of office and lasts three years, excluding the first term of office which lasted one year (the Supervisory Board of the first term of office was appointed under the Articles of Association on 6 December 2006). The Supervisory Board consists of 5 to 9 members, appointed and dismissed by the General Meeting, subject to the following provisions:

- 1) in the period, in which the State Treasury, together with entities dependent on the State Treasury, within the meaning of § 10 item 5 of the Articles of Association, has a number of shares of the Company entitling to perform at least 25% (twenty five per cent) of the total votes in the Company, the State Treasury, represented by the minister competent for the State Treasury affairs, shall be authorised to appoint and dismiss members of the Supervisory Board in the amount equal to half of the maximum number of the composition of the Supervisory Board defined in the Articles of Association (in case the number is not integral it is rounded down to an integral number, for example 4.5 is rounded down to 4) increased by 1, provided that the State Treasury:
 - a) is obliged to vote at the General Meeting on determining of the number of members in the Supervisory Board representing the maximum number of members of the Supervisory Board defined in the Articles of Association, or in case of submission of such a motion to the Management Board by a shareholder or shareholders holding a number of votes entitling to exercise at least 5% (five per cent) of the total votes in the Company,
 - b) is excluded from the voting right at the General Meeting on appointing and dismissing of other members of the Supervisory Board, including independent members of the Supervisory Board;

- however, this would not apply to the case when the Supervisory Board cannot act due to a composition minor than required under the Articles of Association, and the shareholders present at the General Meeting, other than the State Treasury, do not supplement the composition of the Supervisory Board in accordance with the distribution of places in the Supervisory Board defined in present item;
- 2) in the period of time in which the State Treasury, together with entities dependent on the State Treasury within the meaning of § 10 item 5 of the Articles of Association, holds a number of Company shares entitling to exercise less than 25% (twenty five per cent) of total voting rights in the Company, the State Treasury, represented by a minister competent for the State Treasury affairs shall be authorised to appoint and dismiss one member of the Supervisory Board.
 - 3) appointing and dismissing of members of the Supervisory Board by the State Treasury pursuant to the procedure defined in item 1 or item 2 above takes place by means of a statement submitted to the Company.

The table below presents personal composition of the Supervisory Board as of 31 December 2015 .

Table no. 1 Personal composition of the Supervisory Board as at 31 December 2015

No.	Name and surname	Function
1.	Beata Chłodzińska	Chairperson of the Supervisory Board
2.	Anna Mańk	Vice-Chairperson of the Supervisory Board
3.	Jacek Szyke	Secretary of the Supervisory Board
4.	Anna Biesialska	Member of the Supervisory Board
5.	Michał Czarnik	Member of the Supervisory Board
6.	Maciej Koński	Member of the Supervisory Board
7.	Leszek Koziorowski	Member of the Supervisory Board
8.	Wojciech Myślecki	Member of the Supervisory Board
9.	Renata Wiernik-Gizicka	Member of the Supervisory Board

As at 1 January 2015 the Supervisory Board consisted of the following Members: Antoni Tajduś - Chairman, Agnieszka Woś - Vice-Chairperson, Jacek Szyke - Secretary, Andrzej Gorgol, Maciej Koński, Leszek Koziorowski, Michał Michalewski, Marek Ściążko, Maciej Tybura.

In the financial year 2015 the Supervisory Board operated as the Supervisory Board of the 4th term of office, comprising a period from 15 May 2014 to 15 May 2017. The table below presents changes in the composition of the Supervisory Board during the financial year 2015.

Table no. 2. Changes in the composition of the Supervisory Board during the financial year 2015.

No.	Date	Changes in the composition of the Supervisory Board
1.	7 August 2015	the State Treasury, acting pursuant to its personal powers specified in § 23 item 1(1) and (3) of the Company Articles of Association, dismissed Marek Ściążko from the Supervisory Board. Antoni Tajduś submitted the declaration on resignation from the function of the Supervisory Board Member as of 7 August 2015.
2.	On 12 August 2015	the State Treasury, acting pursuant to its personal powers specified in § 23 item 1(1) and (3) of the Company Articles of Association, dismissed Andrzej Gorgol, Michał Michalewski and Agnieszka Woś from the Supervisory Board and appointed Grzegorz Barszcz, Beata Chłodzińska, Piotr Ciach, Katarzyna Kosińska and Jarosław Zagórowski.
3.	On 26 August 2015	the Supervisory Board elected Beata Chłodzińska as the Chairperson of the Supervisory Board and Jarosław Zagórowski as the Vice Chairman of the Supervisory Board.
4.	On 6 October 2015	Maciej Tybura submitted the declaration on resignation from the function of the Supervisory Board Member as of 7 October 2015.
5.	On 2 December 2015	the State Treasury, acting pursuant to its personal powers specified in § 23 item 1(1) and (3) of the Company Articles of Association, dismissed Grzegorz Barszcz, Piotr Ciach, Katarzyna Kosińska and Jarosław Zagórowski from the Supervisory Board and appointed Anna Biesialska, Michał Czarnik, Anna Mańk, Wojciech Myślecki.
6.	On 8 December 2015	the Supervisory Board elected Anna Mank as the Vice-Chairperson of the Supervisory Board. The Extraordinary General Meeting appointed Renata Wiernik-Gizicka as of 9 December 2015.

3 Information on the fulfilment of independence criteria by Members of the Supervisory Board

At least two members of the Supervisory Board should meet the criteria of independence (independent members of the Supervisory Board). The definition of an *independent member of the Supervisory Board* means an independent member of the supervisory board within the meaning the Commission Recommendation of 15 February 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) taking into consideration *Best Practice 2016*.

Members of the Supervisory Board provided the Supervisory Board and the Management Board of the Company with declarations concerning the fulfilment of independence criteria.

The Supervisory Board performed the evaluation in terms of existence of relations and circumstances which may affect the fulfilment of independence criteria by a given member of the Supervisory Board. The table below presents information on the fulfilment of independence criteria by Members of the Supervisory Board, in accordance with rule II.Z.4 of *Best Practice 2016*.

Table no 3. Fulfilment of independence criteria by Members of the Supervisory Board.

No.	Name and surname	Fulfilment of independence criteria referred to in rule II.Z.4 of <i>Best Practice 2016</i>
1.	Beata Chłodzińska	Does not fulfil independence criteria.
2.	Anna Mańk	Does not fulfil independence criteria.
3.	Jacek Szyke	Fulfil independence criteria.
4.	Anna Biesialska	Does not fulfil independence criteria.
5.	Michał Czarnik	Does not fulfil independence criteria.
6.	Maciej Koński	Does not fulfil independence criteria.
7.	Leszek Koziorowski	Fulfil independence criteria.
8.	Wojciech Myślecki	Fulfil independence criteria.
9.	Renata Wiernik-Gizicka	Does not fulfil independence criteria.

4 Information on significant issues considered by the Supervisory Board and the number of meetings held and resolutions adopted

The Supervisory Board executes its tasks based on specific powers granted by the Company Articles of Association and the Bylaws of the Supervisory Board, as well as corporate governance rules defined in *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies*.

In the financial year 2015 the Supervisory Board held, in total, 11 meetings and adopted 97 resolutions. In the majority of meetings all Members of the Supervisory Board participated. Absences of individual Members of the Supervisory Board were excused by the relevant resolutions of the Supervisory Board.

While exercising its competence, the Supervisory Board permanently supervised operations of TAURON Polska Energia S.A. in all areas of its activity, in particular, in relation to the implementation of the Corporate Strategy of TAURON Group, including strategic investment of key importance for

TAURON Capital Group, taking into account schedules of their implementation as well as the accuracy and effectiveness of spending funds associated with investment executed by the Management Board of the Company.

Within its activities the Supervisory Board actively supported the Management Board in implementation of the strategic goals of the Company, considered motions of the Management Board related to issues requiring the approval of the Supervisory Board as well as became acquainted with other matters presented by the Management Board. The table below presents the main issues considered by the Supervisory Board during its meetings in 2015.

Table no 4. Main issues considered by the Supervisory Board during its meetings in 2015.

Main issues considered by the Supervisory Board during its meetings in 2015	
in the scope of its opinion-making / evaluation functions	<ol style="list-style-type: none"> 1. it evaluated the <i>Consolidated financial statement of TAURON Polska Energia S.A. Capital Group, compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014</i> and the <i>Report of the Management Board on the operations of TAURON Polska Energia S.A. Capital Group for the financial year 2014</i>, in the scope of their compliance with the books and documents as well as with the actual status, 2. it adopted the <i>Report of the Supervisory Board of Tauron Polska Energia S.A. on evaluation of the Consolidated financial statement of TAURON Polska Energia S.A. Capital Group, compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014</i> and the <i>Report of the Management Board on the operations of TAURON Polska Energia S.A. Capital Group for the financial year 2014</i>, 3. it evaluated the <i>Financial statement of TAURON Polska Energia S.A., compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014</i> and the <i>Report of the Management Board on the operations of TAURON Polska Energia S.A. for the financial year 2014</i>, in the scope of their compliance with the books and documents as well as with the actual status, 4. it performed the evaluation of the motion of the Management Board to the General Meeting concerning the procedure of profit distribution for the financial year 2014 and defining of the amount allocated for the payment of the dividend to shareholders, 5. it adopted the <i>Report of the Supervisory Board of TAURON Polska Energia S.A. on the evaluation of the Financial statement of TAURON Polska Energia S.A., compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014, the Report of the Management Board on the operations of TAURON Polska Energia S.A. for the financial year 2014 and the motion of the Management Board concerning the procedure of profit distribution for the financial year 2014</i>, 6. it issued a positive opinion concerning the <i>Report on implementation of the Plan of conducting sponsoring activity in TAURON Group in 2014</i>, 7. it issued a positive opinion concerning the motion of the Management Board of TAURON Polska Energia S.A. to the General Meeting for increasing of the share capital by the amount of PLN 400,000,000.00, exclusion of pre-emptive rights of existing shareholders in relation to new shares and the amendment to the Company Articles of Association;
in the scope of decision-making competence	<ol style="list-style-type: none"> 1. it adopted the <i>Report on activities of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2014</i>, 2. it adopted the amendments to the <i>Bylaws of the Supervisory Board of TAURON Polska Energia S.A.</i>, 3. it approved the amendments to the <i>Organisational Regulations of TAURON Polska Energia S.A.</i> aiming at distribution of the scope of assignments among individual Members of the Management Board of the Company and adjustment of the organisational structure of the Company to the current situation and needs, 4. it adopted the <i>Framework work plan of the Supervisory Board of TAURON Polska Energia S.A. for 2016</i>, 5. it defined the procedure for exercising a voting right by TAURON Polska Energia S.A. at the Meeting of Shareholders of TAURON Wytwarzanie GZE sp. z o.o. through voting "for" the resolution concerning winding-up and liquidation of the said

Main issues considered by the Supervisory Board during its meetings in 2015

	<p>company,</p> <ol style="list-style-type: none"> 6. it committed the Management Board of TAURON Polska Energia S.A. to draw up a comprehensive report concerning the investment dispute which occurred between wind farm operators and the company Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. in liquidation, 7. it accepted the commencement of the procedure for selection of an auditor to examine the separate and consolidated financial statement of TAURON Polska Energia S.A. for 2016;
<p><i>in the scope of supervision of the current activities of the Company and TAURON Group</i></p>	<ol style="list-style-type: none"> 1. it monitored the implementation of schedules of strategic investment of key importance for TAURON Capital Group, 2. it analysed the current economic and financial situation of the Company and TAURON Capital Group, including the implementation of the Material and financial plan, 3. it monitored subjects considered under the agenda of General Meetings / Meetings of Shareholders of companies where TAURON Polska Energia S.A. holds stocks / shares, 4. it monitored the process of implementation of the social dialogue in the Company and in TAURON Capital Group, 5. it supervised the implementation of the schedule of activities in the scope of reorganisation of entities of TAURON Polska Energia S.A. Capital Group (subsidiaries and affiliates), 6. it monitored the implementation status of the project concerning financing of wind energy development in TAURON Group, 7. it performed the analysis of TAURON Group results in comparison with other energy groups, with particular focus on TAURON Group situation under current market conditions, 8. it became acquainted with information concerning electricity sale in TAURON Group and intentions of the Management Board of the Company related to enhancing of effectiveness in the Sales Area of TAURON Group, 9. it monitored the acquisition process of a designated part of the mining plant in Brzeszcze, as an organised part of the enterprise, 10. it monitored progress of the liquidation process of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. company and potential risks associated with the aforementioned process in relation to TAURON Polska Energia S.A., 11. it became acquainted with information concerning potential impairment write-downs within TAURON Group, 12. it authorised the Chairman of the Audit Committee to prepare the draft documentation associated with conducting of a legal audit of implementation of the investment project entitled: <i>Construction of a new unit in Elektrociepłownia Stalowa Wola (450 MW)</i> and to commence the process associated with conducting of the aforementioned audit;
<p><i>in the scope of its competence related to the Management Board</i></p>	<ol style="list-style-type: none"> 1. it submitted the motion to the Ordinary General Meeting concerning the acknowledgement of the fulfilment of duties by Members of the Management Board for the period from 1 January 2014 to 31 December 2014, 2. in connection with changing economic circumstances and market situation, as well as new challenges faced by the Company, it performed changes in the composition of the Management Board of TAURON Polska Energia S.A., defined the rules and the level of remuneration of Members of the Company Management Board and concluded employment contracts and non-competition agreements, 3. it accepted concluding of an agreement concerning the transfer of holiday leave, not used during previous employment by the Vice-President of the Management Board, to be used in TAURON Polska Energia S.A., 4. it accepted taking positions in governing bodies of other companies by Management Board Members of TAURON Polska Energia S.A., 5. in connection with the adopted bonus system for Management Board Members of TAURON Polska Energia S.A., it performed the analysis of the implementation level of indicators determining awarding of a bonus to Members of the Management Board of the Company;
<p><i>in the scope of supervision over the accuracy and</i></p>	<ol style="list-style-type: none"> 1. it monitored the status of Company involvement in works associated with the implementation of the project on the construction and operation of the nuclear power plant,

Main issues considered by the Supervisory Board during its meetings in 2015

<p>effectiveness of spending funds associated with implementation of investment by the Management Board of the Company, including the purchase of tangible fixed assets</p>	<ol style="list-style-type: none"> 2. it monitored the process of issue of intra-group bonds and their disposal, 3. it accepted the establishment of the registered pledge and financial pledge on 3,293,403 shares of TAMEH HOLDING sp. z o.o. Company through concluding, delivery and execution of the agreement on the establishment of the registered pledge and financial pledge on the aforementioned shares by TAURON Polska Energia S.A., 4. it accepted incurring the contingent liability related to securing of transactions executed by TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A. on Towarowa Giełda Energii S.A., with the value exceeding the equivalent of EUR 5,000,000.00, 5. it accepted incurring the contingent liabilities and purchasing of shares of the special purpose vehicle, associated with the implementation of the investment project entitled: <i>Construction of the CCGT unit of 413 MWe class at TAURON Wytwarzanie S.A. – Oddział Elektrownia Łągisza in Będzin</i>, with the value exceeding the equivalent of EUR 5,000,000.00, 6. it accepted the purchase, directly or indirectly by a special purpose vehicle, shares constituting 100% of the share capital of PKP Energetyka S.A. company, 7. it accepted taking up of 600,000 shares in the increased share capital of Nowe Brzeszcze Grupa TAURON sp. z o.o. company (formerly: R S G sp. z o.o.), 8. it accepted incurring the contingent liability with the value exceeding the equivalent of EUR 5,000,000.00 through committing to provide capital injection to Nowe Brzeszcze Grupa TAURON sp. z o.o. company, 9. it supervised expenditure on investment projects implemented within TAURON Capital Group, inter alia, through the analysis of the Material and financial plan, including the accomplishment of investment expenditure in individual Areas of TAURON Capital Group operations.
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Based on the aforementioned activities, the Supervisory Board does not report any default in the scope of accuracy and effectiveness of spending funds associated with the implementation of investment by the Management Board of the Company in 2015, including the purchase of tangible fixed assets.

5 Information on implementation of resolutions of the General Meeting related to the activities of the Supervisory Board

In the financial year 2015 the General Meeting of TAURON Polska Energia S.A. Did not adopt any resolutions related to the activities of the Supervisory Board of the Company

6 Committees of the Supervisory Board

In connection with the provisions of *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies*, activities of the Supervisory Board in 2015 were supported by the following Committees: Audit Committee, Nominations and Remuneration Committee and Strategy Committee.

Committees of the Supervisory Board are advisory and opinion-making bodies acting collectively and performing the support and advisory functions towards the Supervisory Board. Tasks of the Committees of the Supervisory Board are carried out through presenting motions, recommendations, opinions and reports concerning the scope of their tasks to the Supervisory Board. The table below presents tasks and competence of Committees of the Supervisory Board.

Table no 5. Tasks and competence of Committees of the Supervisory Board.

Committee of the Supervisory Board	Tasks and competence of Committees of the Supervisory Board
Audit Committee	<ol style="list-style-type: none"> 1. Monitoring of financial reporting process. 2. Monitoring of the accuracy of financial information presented by the Company. 3. Monitoring of the effectiveness of internal control, internal audit and risk management systems existing in the Company. 4. Monitoring of performance of financial auditing function. 5. Monitoring of independence and impartiality of the chartered accountant and the entity entitled to examine financial statements, including in case of their rendering services other than financial audit. 6. Recommendations to the Supervisory Board concerning an entity entitled to examine financial statements to perform the financial audit.
Nominations and Remuneration Committee	<ol style="list-style-type: none"> 1. Recommendations to the Supervisory Board concerning the recruitment procedure for the positions of Members of the Company Management Board. 2. Assessment of candidates for Members of the Management Board as well submitting an opinion in this scope to the Supervisory Board. 3. Recommendations to the Supervisory Board concerning the form and contents of agreements concluded with Members of the Company Management Board. 4. Recommendations to the Supervisory Board concerning the remuneration and bonus scheme for Members of the Company Management Board. 5. Recommendations to the Supervisory Board concerning the need to suspend a Member of the Company Management Board due to material reasons. 6. Recommendations to the Supervisory Board concerning the need to delegate a member of the Supervisory Board to temporarily perform the duties of Members of the Management Board who cannot perform their duties, including the proposal of remuneration.
Strategy Committee	<ol style="list-style-type: none"> 1. Assessment of the Corporate Strategy and presenting its results to the Supervisory Board. 2. Recommendations to the Supervisory Board concerning the scope and deadlines for submission of strategic multi-annual plans by the Management Board. 3. Assessment of impact of the planned and undertaken strategic investments on assets of the Company. 4. Monitoring of implementation of the strategic investment tasks. 5. Assessment of activities concerning the disposal of significant Company assets. 6. Issuing opinions on strategic documents submitted to the Supervisory Board by the Company Management Board.

The Committees of the Supervisory Board consist of three to five members. In case of Audit Committee, at least one member meeting the requirements of independence within the meaning of the Act of 7 May 2009 on chartered accountants and their self-governance, entities authorised to examine financial statements and on public supervision, holding competence in the field of accounting and finance.

At the first meeting members of Committees of the Supervisory Board elect among themselves a Chairperson to manage works of a given Committee and supervise preparation of the agenda, organisation of the distribution of documents and drafting minutes of the meetings. The table below presents personal composition of the Committees of the Supervisory Board as at 31 December 2015 and as at the date of drawing up this report.

Table no 6. Personal composition of the Supervisory Board as at 31 December 2015 and as at the date of drawing up this report

No.	Name and surname	Audit Committee	Nominations and Remuneration Committee	Strategy Committee
1.	Beata Chłodzińska	Member	Member	Member
2.	Anna Mańk	-	-	Member
3.	Jacek Szyke	Member	-	Chairman
4.	Anna Biesialska	Member	Member	-
5.	Michał Czarnik	Member	-	-
6.	Maciej Koński	-	-	Member
7.	Leszek Koziorowski	-	Chairman	-
8.	Wojciech Myślecki	Chairman	-	Member
9.	Renata Wiernik-Gizicka	-	Member	-

In the financial year 2015: The Audit Committee held, in total, 8 meetings and adopted 18 resolutions; the Nominations and Remunerations Committee held, in total, 4 meetings and adopted 17 resolutions; the Strategy Committee held, in total, 9 meetings and adopted 12 resolutions. The table below presents the main issues considered by Committees of the Supervisory Board during their meetings in 2015.

Table no 7. Main issues considered by the Committees of the Supervisory Board during their meetings in 2015.

Committee of the Supervisory Board	Main issues considered by the Committees of the Supervisory Board during their meetings in 2015.
Audit Committee	<ol style="list-style-type: none"> 1. adopted the <i>Report on activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2014</i> and the <i>Report on activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. in the first half of the financial year 2015</i>, and submitted it to the Supervisory Board, 2. monitored and evaluated the effectiveness of internal control, internal audit and risk management systems existing in the Company, 3. monitored and evaluated the performance of the financial auditing function, including independence of the financial auditing process, independence and impartiality of the chartered auditor examining unit financial statements of the Company and consolidated financial statements of TAURON Group, 4. monitored the financial reporting process, 5. performed analyses of reliability of financial information presented by the Company in the following documents, in the scope of their compliance both with books and documents and with the actual status: <ol style="list-style-type: none"> 1) <i>Financial statement of TAURON Polska Energia S.A., compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014,</i> 2) <i>Financial statement of TAURON Polska Energia S.A. Capital Group, compliant with International Financial Reporting Standards for the financial year ended on 31 December 2014,</i> 3) <i>Extended consolidated quarterly report of TAURON Polska Energia S.A. Capital Group for the first quarter of 2015,</i> 4) <i>Extended consolidated semi-annual report of TAURON Polska Energia S.A. Capital Group for the first half of 2015,</i> 5) <i>Extended consolidated quarterly report of TAURON Polska Energia S.A. Capital Group for the third quarter of 2015,</i> 6. evaluated the amendments to the <i>Accounting policy of TAURON Polska Energia S.A. Capital Group</i>, proposed by the Company Management Board, 7. monitored the level of capital expenditure incurred and the level of accomplishment of the budget for strategic investment projects, including sources of their financing,

Committee of the Supervisory Board

Main issues considered by the Committees of the Supervisory Board during their meetings in 2015.

8. evaluated the *Annual Audit Plan for TAURON Group for 2015*, and subsequently monitored its implementation, taking into account reports on individual tasks and issued recommendations,
9. became acquainted with information concerning financial indebtedness of TAURON Group for 2015, with the outlook up to 2017,
10. recommended conducting of an audit task aimed at reviewing strategic investment projects of TAURON Group in terms of their compliance with the adopted budgets and implementation schedule,
11. developed and presented a recommendation to the Supervisory Board concerning the selection of an auditor to examine a separate and consolidated financial statement of TAURON Polska Energia S.A. as well as financial statements of selected companies of TAURON Group for the financial year 2016,
12. became acquainted with the investment financing programme, taking into account long-term cash flows in TAURON Group,
13. adopted the *Work plan of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. for the financial year 2016*,
14. in connection with authorisation of the Chairman of the Audit Committee by the Supervisory Board to prepare the draft documentation associated with conducting of a legal audit of implementation of the investment project entitled: *Construction of a new unit in Elektrociepłownia Stalowa Wola (450 MW)* the Audit Committee commenced the process associated with conducting of the aforementioned audit.

Nominations and Remuneration Committee

1. adopted the *Report on activities of the Nominations and Remunerations Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2014* and submitted it to the Supervisory Board,
2. in connection with the adopted bonus system for Management Board Members of TAURON Polska Energia S.A., it performed the analysis of the implementation level of indicators determining awarding of a bonus to Members of the Management Board of the Company and presented the relevant recommendations to the Supervisory Board,
3. in connection with the changes in the Management Board of TAURON Polska Energia S.A., it prepared and presented the recommendation to the Supervisory Board concerning rules and level of remuneration for Members of the Company Management Board,
4. prepared and presented draft employment contracts and non-competition agreements with Members of the Company Management Board to the Supervisory Board.

Strategy Committee

1. adopted the *Report on activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2014* and the *Report on activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2015*, and submitted it to the Supervisory Board,
2. in order to implement the activities in the scope of reviewing the implementation status of strategic projects and investment tasks arising from the Corporate Strategy of TAURON Group and the Strategies of individual Business Areas, including, on the premises of a given investment, it became acquainted with the implementation status of the following investment projects:
 - 1) *Construction of a coal-fired unit for supercritical parameters with the capacity of 910 MWe at Elektrownia Jaworzno,*
 - 2) *Construction of power units no. 5 and 6 at Elektrownia Opole,*
 - 3) *Construction of new capacity in co-generation in Zakład Wytwarzania Tychy,*
 - 4) *Construction of the CCGT unit of 450 MWe capacity at EC Stalowa Wola,*
3. performed the analysis of operation of the Sales Area and Distribution Area of TAURON Group,
4. it became acquainted with the implementation status of the project concerning financing of wind energy development in TAURON Group,
5. monitored the progress of liquidation of Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. company,

6. adopted the *Programme of activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the first half of 2016 and submitted it to the Supervisory Board.*

7 Self-assessment of the Supervisory Board

The Supervisory Board of TAURON Polska Energia S.A. provides permanent supervision of the Company activities in all areas of its operations, in accordance with the obligations and powers defined in the Code of Commercial Companies and other legal regulations, provisions of the Company Articles of Association as well as the provisions of the Bylaws of the Supervisory Board. Moreover, while performing their obligations Members of the Management Board were driven by the rules contained in the *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies*.

All Members of the Supervisory Board represent a high level of professional preparation and demonstrate the relevant substantive preparation, required to act in the capacity of the Member of the Supervisory Board.

All Members of the Supervisory Board applied due diligence while performing their obligations, using with commitment their best knowledge and experience in the scope of managing and supervising commercial law companies. Owing to high competence and commitment of individual Supervisory Board Members and efficient organisation, the Supervisory Board effectively implemented its statutory tasks, being driven by interests of the Company.

It should be mentioned that individual Members of the Supervisory Board participated in sessions of the General Meeting of the Company in order to enable substantive answer to questions asked during General Meeting sessions.

In accordance with the foregoing, the Supervisory Board applies for the acknowledgement of the fulfilment of duties by Members of the Supervisory Board of TAURON Polska Energia S.A. In the period from 1 January 2015 to 31 December 2015.

8 Evaluation of the situation of the company, taking into account the assessment of internal control, risk management systems, compliance and internal audit functions

Evaluation of the Company standing.

Evaluating the standing of TAURON Polska Energia S.A., the Supervisory Board indicates that in the financial year 2015 no events occurred which would pose threat to continuity of business operations.

In 2015 the Company recorded operating profit at a level of 2014 result. In 2015, the process of centralisation of functions and taking over the competence from companies of TAURON Capital Group was continued, aimed at improvement of effectiveness in TAURON Capital Group.

On the other hand, in 2015, impairment write-offs were recognised for the value of stocks and shares in subsidiaries, which had an impact on the negative level of gross and net profit of the Company.

In relation to consolidated financial statements of TAURON Capital Group for the financial year ended on 31 December 2015, the conducted tests have shown the legitimacy of recognising write-downs due

to partial or full impairment of the carrying amount of assets comprising a significant part of the Group's generation assets in the electricity and heat generation area – power units of various capacities (in particular, 200 MW and 150 MW), biomass-fired units and co-generation units. The total value of estimated write-downs resulting from impairment of tangible and intangible assets and goodwill in the Generation segment, charging prime costs, amounts to PLN 3,564 million and their impact on net result amounts to PLN 2,916 million. The value of those write-downs will have no impact on EBITDA result, understood by TAURON Capital Group as EBIT increased by depreciation and write-downs for non-financial assets.

In relation to the separate financial statement of TAURON for the financial year ended on 31 December 2015 the conducted tests have shown the legitimacy of recognising write-downs due to the loss in the carrying amount of shares and stocks in TAURON Wytwarzanie S.A. and TAURON Ciepło S.A. companies in the total amount of PLN 4,931 million. The expected impact of those write-downs on the net result in the separate statement amounts to PLN 4,931 million.

The growth of revenue on sales in 2015, as compared to 2014, is associated with the increase in the volume of sales of electricity by about 2.4 TWh (5%). In 2015 the Company continued its activities as the intermediary in transactions of biomass purchase (until September) and coal purchase for companies of the Generation Segment. The Company purchases raw materials from TAURON Wydobycie and from entities outside TAURON Capital Group, whereas the whole sales is performed to companies of TAURON Capital Group. The Company recognises revenues due to intermediary services - organisation of supplies exclusively.

The growth in revenues on financial activities gained in 2015, as compared to 2014, results mainly from the lower level of dividends from subsidiaries.

The growth in revenues on electricity sales in 2015, as compared to 2014, results from the growth in the volume of electricity sales by 5% and the increase in the average price of electricity sales by approximately 2.5% YoY.

The level of revenues on sales of property rights of energy origin in 2015 was lower than in previous years, mainly due to occurrence of additional transactions in 2014 and 2013 for hedging of TAURON Capital Group companies.

In 2015, the gross and net profitability ratios, return on equity and return on assets reached negative levels due to recognising impairment write-downs for shares and stocks in subsidiaries. The negative value of EBIT is mainly affected by creation of the provision for agreements generating liabilities arising from the joint venture of EC Stalowa Wola in the amount of PLN 182.9 million. The level of the operating result is typical for a company conducting activities associated with the management of a holding (costs related to management of TAURON Capital Group are included in operating activities while revenues gained from dividends are recognised under financial activities).

The ability of the Company to settle its liabilities was not threatened in 2015.

The table below presents significant projects carried out in 2015 which had an impact on the economic and financial situation as well as operations of the Company.

Table no 8. Significant projects carried out in 2015

No.	Significant projects carried out in 2015
1.	purchase of a part of KWK Brzeszcze assets,
2.	listing of TAURON bonds on the Catalyst market,

No. Significant projects carried out in 2015

3. exceeding of the 10% equity threshold in the scope of trade turnover between companies of TAURON Capital Group and companies of PSE Group,
4. signing of the agreement for the purchase of shares in PGE EJ1 sp. z o.o.,
5. signing of a letter of intent with ENEA S.A. concerning joint development of renewable capacity,
6. development of the Centre of Common Services - Accounting.

Evaluation internal control, risk management systems, compliance and internal audit functions.

In accordance with Best Practice 2016, the Supervisory Board evaluated the effectiveness of the internal control, risk management systems, compliance and internal audit functions, including all significant control mechanisms, in particular, those related to financial reporting and operating activity.

Moreover, in accordance with recommendation III.R.1. of Best Practice 2016, entities responsible for the systems and functions indicated above were separated, whereas in accordance with rule III.Z.3 of Best Practice 2016, persons responsible for risk management, compliance and audit report directly to the President of the Management Board.

Internal audit.

In TAURON Polska Energia S.A., the Internal Audit Department operates whose objective is to plan and implement auditing tasks, among others, of advisory nature, as well as to perform the commissioned ad hoc inspections. The procedures and rules of implementation of the audit are specified in the Regulations of Internal Audit in TAURON Capital Group as well as in rules of cooperation applicable in individual companies of TAURON Capital Group. While implementing the function of internal audit, the Company acts in compliance with the Code of Ethics and International Standards of Internal Audit Professional Practice. The table below presents the basic internal audit functions in TAURON Capital Group.

Table no 9. Basic internal audit functions in TAURON Capital Group.

No. Basic internal audit functions in TAURON Capital Group:

1. supporting TAURON Capital Group in achieving the adopted strategic goals,
2. supporting TAURON Capital Group in the process of ensuring the accurate and effective functioning of organisational and process solutions constituting its corporate governance,
3. contributing to the improvement of risk management processes and supporting the process of risk identification and assessment,
4. supporting TAURON Capital Group in maintaining of the effective internal control system and promoting the continuous improvement of the internal control system,
5. contributing to corporate culture building serving for effective counteracting of abuse.

The Internal Audit Department implements its tasks through long-term and annual audit plans comprising both TAURON Polska Energia S.A. And other companies of TAURON Capital Group. The plans are constructed, inter alia on the basis of risk analysis performed by the Management Board. Results of internal audit activities contain recommendations adjusting control mechanisms operating in the Company (TAURON Capital Group) as well as suggesting changes of effectiveness nature.

Compliance (supervision of compliance of the operations with law).

In TAURON Polska Energia S.A. the Plenipotentiary for Compliance operates whose main goal is to provide for compliance of the Company and Tauron Group activities with the applicable regulations of

national and international law. The Plenipotentiary has been operating since December 2015 and his role is to prepare procedures and rules related to the establishment of a unit to be ultimately responsible for the compliance of TPE S.A. operations with law. The table below presents detailed functions of the Plenipotentiary for Compliance.

It should be stated that prior to the appointment of the aforementioned Plenipotentiary the supervision of compliance of individual TPE S.A. units' operations with the law was provided by persons responsible for functioning of those units, supported by legal and auditing services in those units. This system was not formalised and it operated based on the general legal, formal rules and the Code of Ethics and good corporate practice rules applicable in TPE S.A.

Table no 10 Scope of functions of the Plenipotentiary for Compliance at TAURON Polska Energia S.A.

No.	Scope of functions of the Plenipotentiary for Compliance at TAURON Polska Energia S.A.:
1	operational support to the Management Board of the Company in the scope of compliance management,
2	preventing activities of employees which may expose TAURON Polska Energia S.A. to charges of infringement of legal regulations and manipulating the market mechanism,
3	preparation and updating of compliance policy in TAURON Polska Energia S.A.,
4	analysis and assessment of effects of new regulations and counselling in the scope of required resources and organizational changes,
5	coordination of conducted inspections in the scope of implementation of compliance policy in the Company,
6	participation in consultations in the scope related to internal and intra-corporate regulations, in terms of compliance with the applicable legal regulations,
7	verification of customers of TAURON Polska Energia S.A. in terms of reliability in cooperation with the relevant organisational units of TAURON Group,
8	cooperation with regulatory authorities influencing the operations of TAURON Group,
9	preparation of cyclical information for the Management Board of the Company in the scope of compliance risk and compliance incidents.

In the scope of the operating system of supervision over compliance of the activities, the Code of Ethics applies in TAURON Capital Group. The Code of Ethics is consistent with business operations of TAURON Group and, at the same time, it reflects directions set out in the Sustainability Strategy of TAURON Group, streamlining its activity in the non-business area.

In the scope of substantial development, activities of TAURON Group refer to the following areas: work, client, surroundings, natural environment.

In order to establish a separate unit for conformity in TPE S.A. works related to the development, and subsequently, implementation of detailed regulations in the scope of compliance are ongoing, including:

- 1) *Compliance policy in TAURON Group including related documents,*
- 2) *Abuse prevention procedures.*

The structure of the system of supervision over compliance of the activities with the law is based on several competence models, since the so-called dispersed organisational model applies in this scope, consequently, all employees of TAURON Polska Energia S.A. participate in the process of compliance risk management and prevention of non-compliance.

Risk management.

In TAURON Polska Energia S.A. An enterprise risk management (ERM) operates which should ensure sustainable value creation in TAURON Capital Group owing to the effective control of risk-taking, enhancing the transparency of risk-taking, independent risk assessment and business concentration on optimisation of relations between profits and the risk assumed. ERM comprises all risks significant for the implementation of investment projects arising from the adopted Corporate Strategy of TAURON Group, and in the processes of their identification, measurement, assessment, monitoring, reporting and governance activities, instruments, methods and techniques relevant for the specific type of risk are used. The table below presents functions of the complex enterprise risk management system in TAURON Capital Group.

Table no 11. Functions of the complex enterprise risk management system in TAURON Capital Group.

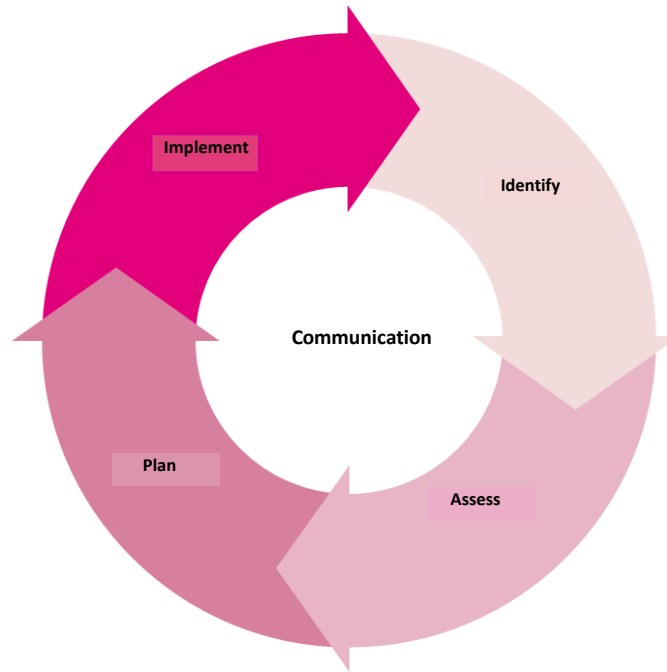
No. Functions of the complex enterprise risk management system in TAURON Capital Group:	
1.	ability of TAURON Capital Group to predict deviations against the planned levels (material and financial plan) and, at the same time, the possibility to prepare effective instruments of response to such a risk,
2.	assessment and identification of risks globally in TAURON Capital Group and the consistent approach to their measurement, as a result of which TAURON Capital Group manages risks posing the most significant impact on financial results and implementation of the adopted strategic goals in case of their materialisation,
3.	development of effective and adequate measures undertaken by TAURON Capital Group towards the specific risk,
4.	harmonisation of the risk management process in the entire TAURON Capital Group.

At the same time, within the operating risk management system in TAURON Capital Group, detailed regulations concerning specific risk management apply parallel to the enterprise risk management policy, including:

- 1) *Policy of risk management in the commercial activities of TAURON Group*, which defines the set of rules and principles of commercial risk management at the level of TAURON Capital Group. The aforementioned document implements market practices and solutions used in the scope of commercial risk management in trading in electricity and related products.
- 2) The *Policy of credit risk management in TAURON Group* defines the set of principles and rules in the scope of credit risk management at a level of TAURON Capital Group, to result in effective mitigation of credit risk impact on the implementation of the TAURON Group objectives.

The figure below shows the processes within enterprise risk management in TAURON Capital Group.

Figure no. 1. Processes within enterprise risk management in TAURON Capital Group.



The risk management system comprises all elements of TAURON Capital Group value chain and is adapted to the scale of operations and the organisational structure. Moreover, the risk management structure is based on several competence levels and all employees of TAURON Capital Group participate in the risk management process. The table below presents participants of the enterprise risk management process.

Table no 12. Participants of the enterprise risk management process.

No. Participants of the enterprise risk management process:	
1.	Supervisory Board of TAURON Polska Energia S.A.,
2.	Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.,
3.	The Management Board of TAURON Polska Energia S.A.,
4.	Risk Committee of TAURON Polska Energia S.A.,
5.	Internal Audit Department in TAURON Polska Energia S.A.,
6.	Enterprise Risk Office in the Risk Department in TAURON Polska Energia S.A.,
7.	Risk Owner,
8.	Risk Manager,
9.	Risk Management Coordinator,
10.	Risk Expert,
11.	Executor of risk response
12.	Other employees of organisational structures of TAURON Polska Energia S.A. and companies of TAURON Group.

Within the risk management process the Risk Committee fulfils a special role, as the team of experts that permanently and continuously initiates, analyses, monitors, controls, supports and supervises the performance of corporate risk management system in TAURON Capital Group. The Risk Committee comprises persons with relevant knowledge on the Company and its environment as well as the

required qualifications and powers. The role of the Risk Committee is to define risk management norms and standards in TAURON Capital Group and to supervise the effectiveness of the risk management process. Within the Risk Committee two separate teams were established for the commercial risk area and for the financial and credit risk area. The Risk Committee directly supervises the implementation of the corporate risk management process.

Considering the foregoing, the Supervisory Board assesses that:

- in TPE S.A. no separate internal control unit has been established. Its functions are implemented by organisational units of the Company competent in the scope of risk, audit, legal service and compliance, jointly constituting an internal control system which should ensure the relevant level of security of the Company activities as well as allow for active risk management, in particular, those which may have an adverse impact on the financial result of the Capital Group; in accordance with the specification of internal functions contained in Table 9 the Internal Audit Department should fulfil a leading and coordinating role in creation of the internal control system,
- the currently operating internal control system requires re-defining as well as re-modelling, in connection with the changes occurring both in the organisation (TAURON Group) itself and in the external environment, so that it is able to protect the organisation against materialisation of potential threats, in particular, those related to the implementation of strategic investment initiatives and projects. Audits commissioned by the Supervisory Board conducted recently under the supervision of the Strategy Committee and Audit Committee of the Supervisory Board have shown that in relation to strategic investment initiatives and projects, the internal control system has not fulfilled its tasks,
- the re-definition referred to above should take into account conclusions arising from the deficiencies found in the operations of the former control system and comprise implementation of horizontal cooperation mechanisms and coordination of functions implemented by individual organisational units of the Company constituting the internal control system. It is necessary to define processes allowing for joint conducting of comprehensive audits and inspections as well as for undertaking risk auditing activities in strategic areas, before final decisions are undertaken. It mainly refers to civil law liabilities contained in agreements generating potentially high off-balance sheet effects. For this reason, the internal control system should unconditionally guarantee contractual security of TAURON Group, through the requirement of case-by-case assessment and quantification of risks arising from agreements to be concluded, associated with the implementation of strategic investment projects.

The Supervisory Board expects that the implementation of updated rules of the internal control system in TAURON Group and its subsidiaries will ensure the relevant protection of the organisation against excessive risks and compliance of the conducted activities with the requirements of the generally applicable law and the broadly understood regulatory environment, as well as the compliance of TPE S.A. functioning with the requirements and rules of market practices.

9 Assessment of the method of fulfilling information obligations related to the application of corporate governance rules by the Company

In 2015 the Company was subject to the corporate governance rules, described in the document *Best Practice of GPW Listed Companies*, constituting the Annex to the Resolution of the GPW Board no. 12/1170/2007 of 4 July 2007, amended by the following resolutions of the GPW Board: No. 17/1249/2010 of 19 May 2010, No. 15/1282/2011 of 31 August 2011, No. 20/1287/2011 of 19 October 2011 and No. 19/1307/2012 of 21 November 2012, which entered into force on 1 January 2013. The document also contains the rules of corporate governance which the Company adopted on a voluntary basis.

In 2015 the Company did not apply only the rule contained in Chapter IV item 10 of Good Practices (in its wording applicable as of 1 January 2013), concerning the provision of a possibility for shareholders to participate in the General Meeting by means of electronic communication means, consisting in:

- 1) transmission of the General Meeting session in real time,
- 2) bilateral communication in real time, where Shareholders may speak during the General Meeting while being at a different location than the venue of the General Meeting.

Other rules specified in the aforementioned document in Chapters II, III and IV were applied by the Company.

In connection with the entry into force of the set of Best Practice 2016 as of 1 January 2016, following the prior approval of the Supervisory Board, the Management Board of the Company adopted the recommendations and rules defined in the aforementioned document for application, excluding the rules defined in: IV.Z.2, VI.Z.1, VI.Z.2. At the same time, the Management Board recognised that the following recommendations and rules of Best Practice 2016 do not apply to the Company: I.Z.1.10, III.Z.6, IV.R.2.

Obligations related to the application of corporate governance rules are defined in paragraph 29 of the Regulations of Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) and in paragraph 91 item 5 (4) of the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions to acknowledge as equivalent information required by legal regulations of a non-member state .

Taking into account the foregoing, in connection with the provisions of paragraph 29 of the Exchange Regulations, the Company published:

- 1) on 2 January 2013, the current report no 1/2013, via the EBI system, containing the information on the waiver of application of the rule contained in Section IV item 10 of the document *Best Practice of Warsaw Stock Exchange (GPW) Listed Companies*,
- 2) On 1 February 2016, via the EBI system, the report concerning the application of best practice of Warsaw Stock Exchange Listed Companies, containing detailed information related to the application or failure to apply individual rules of Best Practice. The text of the report is also available on the company website in the section: Investor Relations/ Information on the Company/ Corporate Governance.

Moreover, acting pursuant to paragraph 91 item 5 of the Regulation of the Minister of Finance of 19 February 2009, the Company published on its website declarations on the application of corporate governance rules for years 2010, 2011, 2012, 2013, 2014, constituting a part of reports of the management board on operations of TAURON Polska Energia S.A. for a given year.

It should be stressed that in the period since the day of commencement of public listing of the Company shares until 31 December 2015, no occurrences of infringement of the corporate governance regulations adopted have been found.

According to the assessment of the Supervisory Board of TAURON Polska Energia S.A., in 2015 the Company accurately fulfilled information obligations referring to the application of corporate governance rules.

10 Assessment of rationality of sponsoring, charitable policy, or other similar policy pursued by the Company

The activity associated with corporate social responsibility is conducted by TAURON Polska Energia S.A. and companies of TAURON Group based on and in compliance with the Sustainability Strategy. In 2015 activities in the scope of corporate social responsibility were carried out in accordance with the *Sustainability Strategy of TAURON Group for 2012-2015 with the outlook up to 2020*.

At the same time, due to the termination of the effectiveness period of the Sustainability Strategy on 31 December 2015, as well as due to the accomplishment of over 95 per cent of targets adopted therein, in 2015 the Strategy was updated. The *Sustainability Strategy of TAURON Group for 2016-2018 with the outlook up to 2020* is based on five strategic directions - two primary (ensuring energy supply security, customer orientation) and three secondary (ethical culture and engaging workforce, environment protection and social and business partnership).

TAURON Polska Energia S.A. also publishes, on an annual basis, a social report - prepared in accordance with the highest standards - in which it provides stakeholders with the information on operations of TAURON Group in the area of substantial development - responsible business.

Projects in the area of corporate social responsibility carried out in 2015 by TAURON Polska Energia, companies of TAURON Group and TAURON Foundation fit to the supporting direction of the Strategy – management of the economic and social impact (in the updated Strategy for 2016-2018 – social and business partnership).

The charitable activity in TAURON Polska Energia S.A. is implemented through TAURON Foundation whose statutory goal is to act to the benefit of public welfare, mainly in the scope of education, upbringing and teaching, and additionally, in the scope of health protection, development of economy, culture and arts, social welfare and social care, sport and recreation, environmental protection, protection of cultural assets and national heritage as well as volunteer aid promotion and organisation. The Foundation operates on the basis of funds acquired mainly from companies of TAURON Group and charitable activities of employees within employee voluntary service. The aid is granted based on the preliminary budget of the foundation for a given year, developed by the Management Board and consulted with the Supervisory Board, according to the procedures defined in the Regulations for beneficiaries on aid granting. In 2015 TAURON Foundation implemented statutory objectives within the following projects: “Heroes day by day” and “Houses of positive energy”, allocating the amount of 482,140.95. Moreover, in 2015 TAURON Foundation implemented statutory goals also under non-project works, supporting NGOs, church organisations, companies entered to the National Court Register (KRS), natural persons, transferring donations in the amount of PLN 2,263,850.00.

In 2015 TAURON Polska Energia S.A. carried out sponsoring activity based on detailed internal regulations of this area comprising:

- 1) *Rules of conducting sponsoring activity in TAURON Polska Energia S.A. Group,*
- 2) *Research methodology of selection, planning, analysis and reporting of effectiveness of sponsoring activities,*
- 3) *Strategy of TAURON brand.*

Since 2009, the sponsoring activity of TAURON Group has been subject to regulations and in its primary version it implemented the provisions of Ordinance no. 5 of the Minister of Treasury of 13 February 2009.

Regulations of this area were created in cooperation with entities in the area of sponsoring specialised in the Polish market.

The conducted sponsoring activity is monitored, analysed and reported on an on-going basis, through detailed reports on the implementation of sponsoring agreements, surveys and analyses conducted in quarterly and annual cycles by specialised external entities and the supervision provided by organisational units of companies of the Group. In particular, in accordance with the adopted procedures, the Plan of sponsoring activity is created for the entire Group as well as the annual report on conducting of this activity, submitted for opinion of the Supervisory Board. Moreover, the content of the sponsoring agreement is standardised.

The implemented procedures enable the assessment of effectiveness of the activities conducted through opinion surveys, measurement of the value and size of brand exposure in media, in the context of the activities conducted, measurement of implementation of sales targets, with reporting of the obtained results to the governing bodies of TAURON Polska Energia S.A.

An independent research entity has preliminarily estimated (only such data are available upon drawing up of this report) the advertising equivalent in relation to measures completed in 2015, obtained as a result of promotion effectiveness measurement. Comparing the summarised value obtained in that manner to the sum of all expenditures arising from sponsoring agreements, a ROI ratio at a level of approximately 9.2 was generated. It means that each zloty spent for that purpose generated promotional benefits to TAURON Group whose preliminary value is estimated at approximately PLN 9.20. The ongoing verification of the aforementioned value should not significantly change the value of this ratio.

The confirmation of the financial effectiveness of the activities conducted is the high positioning of TAURON brand in an independent research report, "Sponsoring Monitor 2015", which is the only source of this type of information on the Polish market. According to this report, TAURON is ranked seventh in the TOP 10 ranking of sponsors and it is the most active sponsor in the energy sector.

According to the assessment of the Supervisory Board of TAURON Polska Energia S.A., in 2015 the company rationally conducted sponsoring, charitable policy, or other similar policy pursued by the Company

Katowice, 8 March 2016

Chairperson of the Supervisory Board -	Beata Chłodzińska
Vice-Chairperson of the Supervisory Board -	Anna Mańk
Secretary of the Supervisory Board -	Jacek Szyke
Member of the Supervisory Board -	Anna Biesialska
Member of the Supervisory Board -	Michał Czarnik

Member of the Supervisory Board	-	Maciej Koński
Member of the Supervisory Board	-	Leszek Kozirowski
Member of the Supervisory Board	-	Wojciech Myślecki
Member of the Supervisory Board	-	Renata Wiernik-Gizicka.....	