

Amendments to the Articles of Association of TAURON Polska Energia S.A.

subject to discussion by the Ordinary General Meeting

convened for May 8, 2019

submitted by shareholder – State Treasury

(current and proposed wording)

1. § 14 section 2 item 7) shall be given the following wording:

"7) taking on contingent obligations within the meaning of the Accounting Act of 29 September 1994, including granting guaranties, sureties and issuing bills of exchange by the Company, subject to § 20, section 2, items 3 and 4,"

Current wording of § 14 section 2 item 7):

"7) taking conditional obligations in the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2002 No. 76 item 694 as amended) including granting guaranties, sureties and issuing bills of exchange by the Company, subject to § 20 section 2 item 4 and 5,"

2. § 14 section 2 item 8) shall be given the following wording:

"8) making donations, cancelling interest or discharging of debt, subject to § 20, section 2, items 12 and 13,"

Current wording of § 14 section 2 item 8):

"8) making a donation, cancellation of interest or releasing from debt subject to § 43 section 2 item 1 and 2,"

3. § 14 section 2 item 10) shall be given the following wording:

"10) purchase of components of fixed assets, excluding property, perpetual usufruct or share in property or perpetual usufruct with the value exceeding PLN 40 000, subject to provisions of § 20, section 2, item 1,"

Current wording of § 14 section 2 item 10):

"10) purchase of fixed assets components, excluding property, perpetual usufruct or share in property or perpetual usufruct of value equal to or exceeding the equivalent of EURO 10,000 in PLN, subject to provisions of § 20 section 2 item 2,"

4. § 14 section 2 item 11) shall be given the following wording:

"11) disposal of components of fixed assets, including property, perpetual usufruct or share in property or perpetual usufruct with the value exceeding PLN 40 000, subject to provisions of § 20, section 2, item 2,"

Current wording of § 14 section 2 item 11):

"11) disposal of components of fixed assets, including property, perpetual usufruct or share in property or perpetual usufruct of value equal to or exceeding the equivalent of EURO 10,000 in PLN, subject to provisions of § 20 section 2 item 3,"

5. § 14 section 2 item 12) shall be given the following wording:

"12) defining the right to perform a vote at the General Meeting or at Shareholders' Meetings of companies in which the Company has stock or shares, in cases belonging to the competences of the General Meetings or Shareholders' Meetings of these companies, subject to provisions of § 20, section 4, items 9 and 10,"

Current wording of § 14 section 2 item 12):

"12) defining the right to perform a vote at the General Meeting or at Shareholders' Meetings of companies in which the Company has stock or shares, in cases being the competences of the General Meetings or Shareholders' Meetings of these companies, subject to provisions of § 20 section 3 item 9,"

6. § 15 section 2 shall be given the following wording:

"2. The Management Board shall submit to the Supervisory Board, along with the Management Board's report on the Company's operations for the previous financial year, the reports on:

- 1) representation expenses, expenses incurred on legal services, marketing services, PR and social communications services, as well as advisory services associated with management,
- 2) the application of the best practices defined by the Chairman of the Council of Ministers, pursuant to art. 7, clause 3 of the act on the principles of state assets management with respect to corporate governance, corporate social responsibility and sponsoring activities."

Current wording of § 15 section 2:

"2. The Management Board shall submit a report, drawn up at least on an annual basis, concerning representation expenses, expenses incurred on legal services, marketing services, PR services and social communication, as well as advisory services associated with management, to the General Meeting, including the opinion of the Supervisory Board."

Shareholder – the State Treasury additionally submitted alternative draft resolution in case the General Meeting does not adopt the amendment to § 15 section 2, under which in § 15 new section 5 is added with the following wording:

"5. The Management Board shall submit to the Supervisory Board, along with the Management Board's report on the Company's operations for the previous financial year, a report on the application of the best practices defined by the Chairman of the Council of Ministers pursuant to art. 7, clause 3 of the act on the principles of state assets management with respect to corporate governance, corporate social responsibility and sponsoring activities."

7. § 15 section 4 shall be given the following wording:

"4. In companies towards which the Company is a parent entity within the meaning of Article 4 item 3 of the Act of 16 February 2007 on the protection of competition and consumers, in conjunction with Article 17 section 7, Article 18 section 2, Article 20 and Article 23 taking into account Articles 18a and 23a of the Act on the principles of state assets management, the Management Board shall be bound to introduce the principles specified in the Act on management of state assets."

Current wording of § 15 section 4:

"4. In companies towards which the Company is a parent entity within the meaning of Article 4(3) of the Act of 16 February 2007 on the protection of competition and consumers, in

conjunction with Article 17 (7), Article 18 (2), Article 20 and Article 23 of the Act on the principles of state assets management, the Management Board shall be bound to introduce the principles specified in the Act on management of state assets.”

8. In § 17 section 4 item 5) with the following wording is deleted:

”5) The deadline for accepting the applications must not be shorter than 14 days following the day of publication of the announcement on the qualification procedure,”

9. In § 17 section 4 current item 6) shall be designated as item 5).

10. In § 20 section 2 shall be given the following wording:

”2. Competences of the Supervisory Board shall include granting the Management Board permission to:

- 1) acquire components of fixed assets within the meaning of the Accounting Act of 29 September 1994, with the value exceeding:
 - a) PLN 20 000 000 or
 - b) 5% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statements, subject to the provisions of section 6,
- 2) dispose of (divest) the components of fixed assets within the meaning of the regulations of the Accounting Act of 29 September 1994, classified as intangible and legal assets, tangible fixed assets or long term investments, including making a contribution to a company or cooperative, in case the market value of such components exceeds PLN 20 000 000 or 5% of the total assets value within the meaning of the Accounting Act based on the last approved financial statements, subject to the provisions of section 6, and also handing over such components for use to another entity, for a period longer than 180 days within a calendar year, pursuant to a legal action, in the case the market value of the subject of such legal action exceeds PLN 500 000 or 5% of the total assets value, where a hand-over for use in the case of:
 - a) rent, lease agreements and other agreements related to a hand-over of an asset component for the free of charge use to other entities – the market value of the subject of a legal action shall be understood as the value of payments for:
 - a year – in the case the hand-over of the asset component took place under an agreement concluded for an indefinite period of time,
 - the entire term of the agreement – in the case of agreements concluded for a definite period of time,
 - b) loan agreements and other free of charge agreements related to a hand-over of an asset component for use to other entities – the market value of the subject of a legal action shall be understood as the equivalent of payments that would be due in the case of concluding a rent or lease agreement for:
 - a year – in the case the hand-over of the asset component takes place under an agreement concluded for an indefinite period of time,
 - the entire term of the agreement – in the case of agreements concluded for

a definite period of time,

- 3) take on contingent obligations, including granting guaranties and sureties by the Company, with the value exceeding PLN 20 000 000,
- 4) issue bills of exchange with the value exceeding PLN 20 000 000,
- 5) make advance payments on account of the anticipated dividend,
- 6) take up or acquire stocks or shares in another company with the value exceeding:
 - a) PLN 20 000 000, or
 - b) 5% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statements,
- 7) dispose of stocks or shares in another company with the market value exceeding:
 - a) PLN 20 000 000, or
 - b) 10% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statements,
- 8) enter into a material agreement with a shareholder holding at least 5% of the total number of votes in the Company or with a related entity, subject to the provisions of section 3,
- 9) conclude an agreement on legal services, marketing services, PR and social communications services, as well as advisory services associated with management, in case the total compensation envisaged for the services rendered under such agreement or under other agreements concluded with the same entity, exceeds the net amount of PLN 500 000 per annum,
- 10) amend an agreement on legal services, marketing services, PR and social communications services, as well as advisory services associated with management, raising the compensation above the amount referred to in item 9,
- 11) conclude agreements on legal services, marketing services, PR and social communications services, as well as advisory services associated with management, under which the maximum level (cap) of compensation is not foreseen,
- 12) conclude a donation agreement or another agreement with a similar effect, with the value exceeding PLN 20 000 or 0.1% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the last approved financial statements,
- 13) discharge of debt or another agreement with a similar effect, with the value exceeding PLN 50 000 or 0.1% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the last approved financial statements.”

Current wording of § 20 section 2:

”2. Competences of the Supervisory Board include granting the Management Board permission to:

- 1) purchase property, perpetual usufruct or shares in property or in perpetual usufruct of the value exceeding the equivalent of EURO 5,000,000 in PLN, except for property,

perpetual usufruct or shares in property or in perpetual usufruct purchased from the Companies of the Capital Group,

- 2) acquire components of fixed assets, except for property, perpetual usufruct or share in property or in perpetual usufruct, bonds issued by Companies from the Capital Group and other components of fixed assets purchased from the Companies of the Capital Group, with the value exceeding the equivalent of EURO 5,000,000 in PLN,
- 3) disposal of components of fixed assets including property, perpetual usufruct or share in property or in perpetual usufruct with the value exceeding the equivalent of EURO 5,000,000 in PLN, except for property, perpetual usufruct or shares in property or in perpetual usufruct and other components of fixed assets that will be sold or encumbered to the benefit of Companies from the Capital Group by way of decree,
- 4) contracting contingencies, including guarantees and sureties given by the Company of the value exceeding the equivalent of EURO 5,000,000 in PLN,
- 5) issuing bills of exchange of the value exceeding the equivalent of EURO 5,000,000 in PLN,
- 6) paying advance payment on account of the anticipated dividend,
- 7) taking up or acquiring stocks or shares in companies other than Companies from the Capital Group of the value exceeding the equivalent of EURO 5,000,000 in PLN except for situations, when taking up of stocks or shares of these companies takes place for the liabilities of the Company as a part of conciliatory or liquidation proceedings,
- 8) disposal of stocks or shares of the value exceeding the equivalent of EURO 5,000,000 in PLN, defining the conditions and way of their disposal, except for:
 - a) disposal of shares which are traded on the regulated market,
 - b) disposal of stocks or shares that the company possesses in the amount not exceeding 10% in the share capital of particular companies,
 - c) disposal of stocks or shares to the benefit of Companies from the Capital Group,
- 9) enter into material agreement with shareholder holding at least 5% of the total number of shares in the Company or a related entity, subject to provisions of section 3,
- 10) concluding the agreement for legal services, marketing services, PR services and social communication, and advisory services associated with management, if the level of the remuneration foreseen jointly for the services provided exceeds PLN 500,000 net on an annual basis,
- 11) amendment to the agreement for legal services, marketing services, PR services and social communication, and advisory services associated with management, raising the remuneration above the amount referred to in item 10,
- 12) concluding agreements for legal services, marketing services, PR services and social communication, and advisory services associated with management, where the maximum level of the remuneration is not foreseen,
- 13) concluding a donation agreement or other agreement with a similar effect, with the value exceeding PLN 20,000 or 0.1% of the total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the last approved

financial statements,

- 14) discharge of debt or other agreement with a similar effect, with the value exceeding PLN 50,000 or 0.1% of the total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the last approved financial statements.”

11. In § 20 current section 3 shall be given the following wording:

”3. The requirement referred to in section 2 item 8) is not applicable to typical transactions or transactions concluded on arm’s length basis as part of operating activities performed by the Company with companies that are part of the Capital Group.”

Current wording of § 20 section 3:

”3. The requirement referred to in section 2 item 9) is not applicable to typical transactions or transactions concluded on arm’s length basis as part of operating activities performed by the Company with companies that are part of the Capital Group.”

12. In § 20 section 4 item 10) letter i) shall be given the following wording:

”i) referred to in art. 17, clause 1 of the act of 16 December 2016 on the principles of state assets management, subject to § 15, section 4, with the exclusion of matters related to legal actions, referred to in section 6 of this paragraph, and with the exclusion of matters related to acquiring or disposing of components of fixed assets that constitute or are to constitute the assets required to carry out business operations with respect to electricity distribution by a company that is a power distribution system operator.”

Current wording of § 20 section 4 item 10) letter i):

”i) in relation to matters referred to in Article 17 of the Act of 16 December 2016 on the principles of state assets management (Journal of 2016 items 2259), subject to §15(4).”

13. In § 20 section 6 is added with the following wording:

”6. The obligation referred to in section 2, item 1 or 2 and in section 4, item 10, letter i, shall not be applicable to the legal actions performed under market conditions (at arm’s length), in particular on commodity exchanges within the meaning of the regulations on commodity exchanges or in the financial instruments trading systems within the meaning of the regulations on financial instruments trading, as part of operations conducted by the Company with respect to the supply of or trading in: electricity, fuels used to generate electricity, including natural gas and coal or related products, including the property rights related to the certificates of origin of electricity, the certificates of origin of agricultural biogas or the energy efficiency certificates, the guarantees of origin and CO₂ emission allowances or their derivatives or other rights related thereto, if the value of the given action does not exceed 5% of the total assets value within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statements, and in case of purchasing the above mentioned components of fixed assets – if the value of the given action does not exceed the above indicated value or the amount of PLN 100 000 000.”

14. In § 38¹ section 1 shall be given the following wording:

”1. Disposal of items of fixed assets by the Company within the meaning of the Accounting Act of 29 September 1994, with the value above 0.1% of the total assets, determined on the basis of the last approved financial statements takes place under the tendering procedure or auction,

unless the value of the item disposed of does not exceed PLN 20,000.”

Current wording of § 38¹ section 1:

”1. Disposal of items of fixed assets by the Company within the meaning of the Accounting Act of 29 September 1994, with the value above 0.1% of the total assets, determined on the basis of the last approved financial statements takes place under the tendering procedure, unless the value of the item disposed of does not exceed PLN 20,000.”

15. In § 38¹ section 2 shall be given the following wording:

”2. The Company may dispose of items of fixed assets without performing the tendering procedure or auction in the case if:”

Current wording of § 38¹ section 2:

”2. The Company may dispose of items of fixed assets without performing the tendering procedure in the case if:”

16. In § 38¹ section 2 item 6) shall be given the following wording:

”6) the object of disposal shall be components of fixed assets referred to in § 20, section 6.”

Current wording of § 38¹ section 2 item 6):

”6) the object of disposal covers CO₂ emission allowances and their equivalents.”

17. In § 38¹ section 3 item 1) shall be given the following wording:

”1) The call for tender or auction shall be published in the Public Information Bulletin on the website of the Company, in a visible place accessible to the public, on the premises of the Company and in other places customarily accepted for placing announcements,”

Current wording of § 38¹ section 3 item 1):

”1) The call for tender shall be published in the Public Information Bulletin on the website of the Company, in a visible place accessible to the public, on the premises of the Company and in other places customarily accepted for placing announcements,”

18. In § 38¹ section 3 item 2) shall be given the following wording:

”2) The tendering procedure or auction may take place not earlier than after the elapse of 14 days following the day of announcement of the call for tender or auction,”

Current wording of § 38¹ section 3 item 2):

”2) The tendering procedure may take place, at the earliest, after the lapse of 14 days following the day of announcement of the call for tender,”

19. In § 38¹ section 3 item 3) shall be given the following wording:

”3) The following persons may not participate in the tender or auction as tenderers:

- a) Members of the Management Board and the Supervisory Board of the Company,
- b) a business entity conducting the tender or auction, as well as Members of its Management Board and Supervisory Board,
- c) persons entrusted with the performance of activities associated with conducting of the tender or auction,
- d) a spouse, children, parents and siblings of persons referred to under letters a-c,

- e) persons remaining in such a legal or factual relationship with the entity conducting the tender or auction which may raise justified doubts as to the impartiality of the person conducting the tender or auction,”

Current wording of § 38¹ section 3 item 3):

”3) The following persons must not participate in the tender as tenderers:

- a) Members of the Management Board and the Supervisory Board of the Company,
- b) an economic operator conducting the tender as well as Members of its Management Board and Supervisory Board,
- c) persons entrusted with the performance of activities associated with conducting of the tender,
- d) a spouse, children, parents and siblings of persons referred to in items a-c,
- e) persons remaining in such a legal or factual relationship with the entity conducting the tender which may raise justified doubts as to the impartiality of the person conducting the tender,”

20. In § 38¹ section 3 item 4) shall be given the following wording:

”4) the prerequisite to participate in the tender or auction is the submission of a bid bond at a level of minimum 5% of the starting price of a sold item of fixed assets. The regulations referred to in section 8 may stipulate a higher value of the bid bond,”

Current wording of § 38¹ section 3 item 4):

”4) the prerequisite to participate in the tender is the submission of a bid bond at a level of minimum 5% of the starting price of a sold item of fixed assets. The regulations referred to in section 8 may stipulate a higher value of the bid bond,”

21. In § 38¹ section 3 item 5) shall be given the following wording:

”5) Prior to commencing the tender or auction, the Company shall determine a starting price which must not be lower than the market value determined by valuers; if such a value cannot be determined, this price must not be lower than the net carrying amount,”

Current wording of § 38¹ section 3 item 5):

”5) Prior to commencing the tender, the Company shall determine a starting price which must not be lower than the market value determined by valuers; if such a value cannot be determined, this price must not be lower than the net carrying amount,”

22. In § 38¹ section 3 item 8) shall be given the following wording:

”8) The regulations defining the procedure and terms of performing the tender or auction, the content of the announcement on the call for, the form of and the conditions of the tender or auction shall be defined by the Company,”

Current wording of § 38¹ section 3 item 8):

”8) The regulations defining the procedure and terms of performing the tender, the content of the announcement on the call for tender, the form of tender and the conditions of the tender shall be defined by the Company,”

23. In § 38¹ section 3 item 9) shall be given the following wording:

"9) The organizer of the tender or auction shall be entitled to close the tender or auction without selecting any of the offers, without stating the reasons,"

Current wording of § 38¹ section 3 item 9):

"9) The organizer of the tender shall be entitled to close the tender without selecting any of the offers, without stating the reasons,"

24. In § 38¹ section 3 item 10) shall be given the following wording:

"10. The tenderer to offer the highest price will win the tender or auction."

Current wording of § 38¹ section 3 item 10):

"10. The tenderer to offer the highest price will win the tender."

25. In § 42 section 3 shall be given the following wording:

"3. Whenever in the Articles of Association an amount is expressed in EURO it shall be understood as an equivalent of this amount expressed in Polish currency, established on the basis of average exchange rate of PLN, announced by the National Bank of Poland on the day preceding passing the resolution by an appropriate body of the Company entitled to give consent to perform actions in connection with which the equivalent is established."

Current wording of § 42 section 3:

"3. Whenever in the Articles of Association an amount is expressed in EURO it shall be understood as an equivalent of this amount expressed in Polish currency, established on the basis of average exchange rate of PLN, announced by the National Bank of Poland on the day preceding passing the resolution by an appropriate body of the Company entitled to give consent to perform actions in connection with which the equivalent is established, subject to § 43 section 2 item 1 of the Articles of Association."
