



**Report of the Supervisory Board  
of TAURON Polska Energia S.A. on the operations  
in the financial year 2019**

Katowice, 31 March 2020

## CONTENTS

|  |    |
|--|----|
| 1. Introduction.....   | 3  |
| 2. Information on the term of office of the Supervisory Board, composition of the Supervisory Board and functions fulfilled therein as well as changes in the composition of the Supervisory Board during the financial year ..... | 3  |
| 3. Information on the fulfilment of independence criteria by Members of the Supervisory Board .....  | 5  |
| 4. Information on significant issues dealt with by the Supervisory Board, and the number of meetings held and resolutions adopted .....  | 6  |
| 5. Information on implementation of resolutions of the General Meeting related to the activities of the Supervisory Board.....   | 11 |
| 6. Committees of the Supervisory Board .....   | 11 |
| 7. Self-assessment of the Supervisory Board.....   | 16 |
| 8. Assessment of the Company standing including the assessment of effectiveness of internal control, risk management and compliance systems and the internal audit function .....  | 16 |
| 8.1. Evaluation of the standing of the Company and TAURON Capital Group .....  | 16 |
| 8.2. Assessment of effectiveness of internal control, risk management and compliance systems and the internal audit function.....  | 26 |
| 9. Assessment of the method of fulfilling disclosure obligations related to the application of corporate governance rules by the Company.....  | 35 |
| 10. Assessment the rationality of the Company's policy on sponsorship, charity or other similar activities,.....   | 37 |

## 1. Introduction

Acting pursuant to Article 382 § 1 of the Code of Commercial Companies and Partnerships and § 20(1)(4) of the Articles of Association of TAURON Polska Energia S.A. (hereinafter referred to as the Company's Articles of Association) and the provisions of *the Code of Best Practice for WSE Listed Companies 2016* (hereinafter referred to as Best Practice 2016), the Supervisory Board of TAURON Polska Energia S.A. (hereinafter referred to as the Supervisory Board) hereby submits to the Ordinary General Meeting of the Company a *Report on the activities of the Supervisory Board in the financial year 2019* (hereinafter referred to as the Report).

Applying the recommendations and principles of *Best Practice 2016*, the Supervisory Board made an assessment of:

- 1) the situation of the company, including the assessment of internal control systems, risk management, compliance and the internal audit function, covering all relevant control mechanisms, especially those related to financial reporting and operational activities,
- 2) the manner in which the Company fulfils its information obligations concerning the application of corporate governance rules set out in *the Rules of the Warsaw Stock Exchange* (hereinafter referred to as *WSE Rules*) and regulations concerning current and periodic information provided by issuers of securities,
- 3) the rationality of the Company's sponsorship, charity or other similar policy,
- 4) meeting the independence criteria by Members of the Supervisory Board.

The Supervisory Board, in the implementation of the principles set out in the *Best Practice 2016*, presents to the Ordinary General Meeting of the Company the above mentioned assessments, included in this Report.

At the same time, the Report presents a description of the activity and functioning of the Supervisory Board and its committees in the financial year 2019.

## 2. Information on the term of office of the Supervisory Board, composition of the Supervisory Board and functions fulfilled therein 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 lasting three years, excluding the first term of office lasting one year.

The current, fifth term of office of the Supervisory Board, started on 29 May 2017, i.e. on the day of convening of the Ordinary General Meeting of the Company approving the financial statements for the last full financial year of the term of office of the members of the Supervisory Board of the fourth term, i.e. for the financial year 2016. According to the Company's Articles of Association, the term of office is joint and lasts 3 years. The fifth joint term of office will expire on 29 May 2020.

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, including subsidiaries of the State Treasury within the meaning of § 10(5) of the Articles of Association, holds a number of shares of the Company authorizing to exercise at least 25% (twenty five per cent) of the total number of votes in the Company, the State Treasury is entitled to appoint and dismiss members of the Supervisory Board in the number equal to a half of the maximum number of the composition of the Supervisory Board

defined in the Articles of Association (if 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 to that 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 this section,
- 2) in the period of time in which the State Treasury, including together with subsidiaries of the State Treasury within the meaning of § 10(5) of the Articles of Association, holds a number of Company shares authorizing it 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 authorized 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 clause 1 or 2 above takes place by means of a declaration submitted to the Company.

The table below presents personal composition of the Supervisory Board as at 31 December 2019.

**Table 1. Composition of the Supervisory Board as at 31 December 2019**

| No. | First name and surname  | Function held                              |
|-----|-------------------------|--|
| 1.  | Beata Chłodzińska       | Chairwoman of the Supervisory Board        |
| 2.  | Teresa Famulska         | Deputy Chairwoman of the Supervisory Board |
| 3.  | Jacek Szyke             | Secretary of the Supervisory Board         |
| 4.  | Barbara Łasak - Jarszak | Member of the Supervisory Board            |
| 5.  | Grzegorz Peczkis        | Member of the Supervisory Board            |
| 6.  | Jan Płudowski           | Member of the Supervisory Board            |
| 7.  | Marcin Szlenk           | Member of the Supervisory Board            |
| 8.  | Katarzyna Taczanowska   | Member of the Supervisory Board            |
| 9.  | Agnieszka Woźniak       | Member of the Supervisory Board            |

As at 1 January 2019, the Supervisory Board consisted of the following persons: 1) Beata Chłodzińska (Chairwoman of the Supervisory Board), 2) Teresa Famulska (Deputy Chairwoman of the Supervisory Board), 3) Jacek Szyke (Secretary of the Supervisory Board), 4) Radosław Domagalski - Łabędzki, 5) Barbara Łasak - Jarszak, 6) Paweł Pampuszko, 7) Jan Płudowski, 8) Marcin Szlenk and 9) Agnieszka Woźniak.

Changes in the composition of the Supervisory Board during the financial year 2019 and until the date of the report are presented in the table below:

**Table 2. Changes in the composition of the Supervisory Board during the financial year 2019 and until the date of the Report**

| Date             | Changes in the composition of the Supervisory Board   |
|------------------|---|
| 08 May 2019      | The Ordinary General Meeting of the Company, acting pursuant to § 22(1) of the Company's Articles of Association, made the following changes to the composition of the Supervisory Board of TAURON Polska Energia S.A. The fifth joint term of office: dismissed Radosław Domagalski - Łabędzki and Paweł Pampuszko, appointed Katarzyna Taczanowska and Rafał Pawełczyk. |
| 26 July 2019     | The mandate of the Member of the Supervisory Board of TAURON Polska Energia S.A. Rafał Pawełczyk expired due to his death.  |
| 06 December 2019 | The Extraordinary General Meeting of the Company, acting pursuant to § 22(1) of the Company's Articles of Association, appointed Grzegorz Peczkis to the composition of the Supervisory Board of TAURON Polska Energia S.A. of the fifth joint term of office.  |
| 24 March 2020    | The Minister of State Assets, acting pursuant to § 23(1)(1) and (3) of the Company's Articles of Association, as of 24 March 2020: dismissed Ms. Agnieszka Woźniak from the Supervisory Board and appointed Mr. Andrzej Śliwka to the Supervisory Board.  |

Due the dismissal of Ms. Agnieszka Woźniak from the Supervisory Board and the appointment of Mr. Andrzej Śliwka to the Supervisory Board by the Minister of State Assets, the table below presents the composition of the Supervisory Board as at the date of the Report.

**Table 3. The composition of the Supervisory Board as at the date of the Report**

| No. | First name and surname  | Function held                              |
|-----|-------------------------|--|
| 1.  | Beata Chłodzińska       | Chairwoman of the Supervisory Board        |
| 2.  | Teresa Famulska         | Deputy Chairwoman of the Supervisory Board |
| 3.  | Jacek Szyke             | Secretary of the Supervisory Board         |
| 4.  | Barbara Łasak - Jarszak | Member of the Supervisory Board            |
| 5.  | Grzegorz Peczkis        | Member of the Supervisory Board            |
| 6.  | Jan Płudowski           | Member of the Supervisory Board            |
| 7.  | Marcin Szlenk           | Member of the Supervisory Board            |
| 8.  | Andrzej Śliwka          | Member of the Supervisory Board            |
| 9.  | Katarzyna Taczanowska   | Member of the Supervisory Board            |

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

The term „independent supervisory board member” 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*. At least two members of the Supervisory Board should meet the criteria of independence as understood under the above Recommendation (hereinafter: independent Supervisory Board members).

Members of the Supervisory Board submitted declarations concerning the fulfilment of independence criteria to the Supervisory Board and to the Management Board of the Company.

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* as at 31 December 2019 and as at the day of drawing up this Report.

**Table 4. Fulfilment of the independence criteria as at 31 December 2019 and as at the date of the Report**

| No. | First name and surname  | Fulfilment of the independence criteria as at 31 December 2019 | Fulfilment of the independence criteria as of the date of the report |
|-----|-------------------------|--|--|
| 1.  | Beata Chłodzińska       | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 2.  | Teresa Famulska         | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 3.  | Jacek Szyke             | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 4.  | Barbara Łasak - Jarszak | Fulfilis independence criteria                                 | Does not fulfil independence criteria                                |
| 5.  | Grzegorz Peczkis        | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 6.  | Jan Płudowski           | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 7.  | Marcin Szlenk           | Fulfilis independence criteria                                 | Fulfilis independence criteria                                       |
| 8.  | Katarzyna Taczanowska   | Does not fulfil independence criteria                          | Does not fulfil independence criteria                                |
| 9.  | Agnieszka Woźniak       | Does not fulfil independence criteria                          | -  |
| 10. | Andrzej Śliwka          | -  | Does not fulfil independence criteria                                |

#### **4. Information on significant issues dealt with by the Supervisory Board, and the number of meetings held and resolutions adopted**

The Supervisory Board carries out its tasks on the basis of special powers granted by the Company's Articles of Association and the *Regulations of the Supervisory Board of TAURON Polska Energia S.A.* as well as the principles of corporate governance defined in the *Best Practice 2016*.

In the financial year 2019, the Supervisory Board held 9 meetings in total and adopted 91 resolutions. All Members of the Supervisory Board participated at 7 meetings. During the remaining two, the individual absences of 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 *TAURON Group Strategy for 2016-2025*, including: goals, strategic initiatives and Efficiency Improvement Program, generated economic and financial results of the Company and TAURON Capital Group and the performance of the material and financial plan, implementation of 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 investments 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 reviewed other matters presented by the Management Board.

**Table 5. Major issues considered by the Supervisory Board during its meetings in 2019**

| Major issues considered by the Supervisory Board during its meetings in 2019   |
|--|
| <b><i>In the scope of its opinion-making / evaluation functions</i></b>  |
| <ol style="list-style-type: none"> <li>1. it issued a positive opinion on the Plan for Sponsorship Activities in the TAURON Group for 2019. (as well as changes thereto introduced during the year) and for 2020,</li> <li>2. in connection with the speech of the Minister of Energy, it adopted an opinion concerning the results of cost analysis in particular segments of the TAURON Group, including in particular in extraction, generation, distribution and sales, affecting the amount of electricity bills,</li> <li>3. it evaluated the <i>Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group in accordance with the International Financial Reporting Standards for the year ended 31 December 2018</i> in terms of their compliance with the books and documents as well as with the actual state of affairs,</li> <li>4. it evaluated the <i>Financial Statements of TAURON Polska Energia S.A. compliant with the International Financial Reporting Standards for the year ended 31 December 2018</i> in terms of their compliance with the books and documents, as well as with the actual state of affairs,</li> <li>5. it evaluated the motion of the Management Board to the General Meeting of TAURON Polska Energia S.A. concerning coverage of the net loss for the financial year 2018 from the Company's supplementary capital,</li> <li>6. it evaluated the <i>Management Board's Report on the activities of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2018</i> in terms of its compliance with the books and documents as well as with the facts,</li> <li>7. it accepted the <i>"Report of the Supervisory Board on evaluation of the Financial Statements of TAURON Polska Energia S.A., the Consolidated Financial Statements of the TAURON Capital Group, the Report of the Management Board on the activities of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year ended 31 December 2018 with a justification and the Management Board's motion to cover the net loss for the financial year 2018"</i>,</li> <li>8. it issued a positive opinion concerning the <i>Annual Report on implementation of the Plan for Sponsorship Activities</i> in TAURON Group in 2018,</li> <li>9. it issued a positive opinion on <i>the Report of TAURON Polska Energia S.A. on representation expenses, expenses on legal services, marketing services, public relations and social communication services as well as on advisory services related to management in 2018</i>, submitted to the General Meeting,</li> <li>10. it approved the <i>Report of the Management Board of TAURON Polska Energia S.A. on supervision over the implementation of investment projects in the TAURON Group in 2018</i>,</li> <li>11. it accepted the <i>Report of the Supervisory Board of TAURON Polska Energia S.A. on the supervision of the implementation of investments by the Management Board, including the purchase of fixed assets in 2018</i> , and issued a positive opinion and did not raise any objections as to the accuracy and effectiveness of the disbursement of cash related to the implementation of investments by the Management Board of the Company in the financial year 2018, including the purchase of fixed assets,</li> <li>12. it issued a positive opinion on the changes in <i>the Rules of conducting sponsorship activities in the TAURON Group</i>,</li> <li>13. it issued a positive opinion on the <i>Update of strategic directions in the TAURON Group Strategy for 2016-2025</i>,</li> </ol> |
| <b><i>Within the scope of its deciding powers</i></b>  |



#### Major issues considered by the Supervisory Board during its meetings in 2019

1. in connection with the speech of the Minister of Energy, it changed the rules of shaping the remuneration of TAURON Management Board Members in the scope of introducing the obligation to return the severance pay in the case of taking up gainful employment in any unit of TAURON Group,
2. adopted the *Report on the activities of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2018*, including the following in its content:
  - 1) the assessment of the Company's situation, including the assessment of internal control systems, risk management, compliance and the internal audit function, covering all relevant control mechanisms, especially those related to financial reporting and operational activities,
  - 2) the assessment of the manner in which the Company fulfils its information obligations concerning the application of corporate governance rules set out in the Exchange Rules and regulations concerning current and periodic information provided by issuers of securities,
  - 3) the assessment the rationality of the Company's policy on sponsorship, charity or other similar activities,
  - 4) the assessment of fulfilment of the independence criteria by the Members of the Supervisory Board.
3. it approved the *TAURON Group's Material and Financial Plan for 2019* and the *TAURON Polska Energia S.A. Material and Financial Plan for 2019*,
4. it adopted the consolidated text of *the Articles of Association of TAURON Polska Energia S.A.*,
5. specified the conditions and procedure for the sale of fixed assets in the form of shares or stocks of companies belonging to TAURON Polska Energia S.A., other than the public tender,
6. it appointed new members to the Audit and Strategy Committee in connection with the vacancy in their composition,
7. it approved the new *Organizational Regulations of TAURON Polska Energia S.A.*,
8. it approved amendments to *the Regulations of the Management Board of TAURON Polska Energia S.A.*, adjusting their provisions to the new Organisational Regulations,
9. it agreed to the conclusion of contracts for legal services, marketing services, public relations and social communication services and management consulting services, if the amount of remuneration provided for services jointly in a given contract or other contracts concluded with the same entity exceeded 500 thousand PLN net, on an annual basis,
10. it defined the method of exercising the voting right at General Meetings / Meetings of Shareholders of companies in relation to which TAURON Polska Energia S.A. is a dominant undertaking within the meaning of Article 4(3) of the *Act of 16 February 2017 on the protection of competition and consumers* in cases related to the amendments of articles of association / deeds of such companies, purchase of fixed assets, changes in the rules of remuneration of members of management boards and supervisory boards, increase in the share capital, company mergers,
11. it adopted the *Framework Work Plan of the Supervisory Board of TAURON Polska Energia S.A. for 2019*,

#### ***In terms of cooperation with an audit firm Ernst & Young Audyt Polska sp. z o.o. sp.k.***

1. it reviewed the conclusions and results of the audit of the TAURON financial statements and the consolidated financial statements of the TAURON Capital Group for the year ended 31 December 2018, as well as the additional report prepared for the Audit Committee,
2. it met with the auditor to discuss the results of the audit of the Company's financial statements and the consolidated financial statements of the TAURON Capital Group for the financial year 2018,

#### ***In terms of supervision over the current activities of the Company and the TAURON Group***



#### Major issues considered by the Supervisory Board during its meetings in 2019

1. it analysed the current economic and financial situation of the Company and the TAURON Capital Group, including the implementation of the material and financial plan, debt, utilization of the production potential, the process of restoring assets, and projected revenues and profits in particular areas of activity,
2. monitored activities related to the implementation of the provisions of the Act of 28 December 2018 *amending the Excise Duty Act and certain other acts* and the impact of maintaining energy prices for end users in 2019 at the level of tariffs and price lists from mid-2018 on the financial situation of the Group companies,
3. it monitored the activities of the Supervisory Board Committees,
4. it analysed current information concerning key corporate risks and risks specific in TAURON Group,
5. it analysed current information on the status of implementation of the *Strategic Lines Update in the TAURON Group Strategy for 2016-2025*,
6. it analysed current information on completed and ongoing audit tasks in the TAURON Group,
7. it analysed information on the adjustment of generation units in the TAURON Group to the BAT conclusions,
8. it analysed current information on the compliance management area,
9. it analysed the current information related to court disputes of the company Polska Energia - Pierwsza Kompania Handlowa sp. z o.o.,
10. it analysed the proceedings in the Court of Arbitration at the Polish Chamber of Commerce in Warsaw in the case of the claim by Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A,
11. it analysed current information on TAURON Group's participation in the power market, discussed the strategy adopted and the course and results of the main power market auctions for 2021-2023 supply years,
12. it analysed the activities of the TAURON Group in the field of research, development and innovation in the context of the effects of the work carried out so far and the expected benefits in the coming years,
13. it monitored the topics included in the agenda of General Meetings of Shareholders of companies in which TAURON holds shares,
14. it monitored the acquisition/taking up by TAURON and the companies of the TAURON Group in other commercial law companies,
15. it monitored the process of social dialogue implementation in the Company and the TAURON Capital Group,
16. it analysed information on the issue and disposal of intra-group bonds,
17. it analysed the summary of the project "Implementation of FAMILY regulations in TAURON Group",
18. in connection with the speech of the Ministry of Energy, it carried out analysis of the costs of electricity generation in the TAURON Group,
19. in connection with the speech of the Minister of Energy, it analysed issues concerning security clearances entitling to access to classified information classified as "secret" by members of management and supervisory bodies of TAURON,
20. on the basis of the audit of advisory services it analysed the amount of costs of advisory services in TAURON in 2017 - 2018,

#### ***Within the scope of its competences concerning the Management Board***

1. it concluded with the Members of the Management Board annexes to the contracts for the provision of management services introducing additional provisions limiting the possibility of granting a severance pay,
2. in connection with the adopted remuneration system, it specified the management objectives for the Members of the Company's Management Board to be implemented in 2019, together with the weighting of these objectives and the objective criteria for their implementation and settlement,

#### Major issues considered by the Supervisory Board during its meetings in 2019

3. it addressed a request to the Ministry of Energy, as a shareholder of TAURON Polska Energia S.A., to consider whether it is appropriate to update the general catalogue of Management Goals due to the completion of certain Management Goals in 2019,
4. it carried out an analysis of the level of execution of management goals and determined the amount of the due payment of the Variable Remuneration for the Members of the Management Board of the Company for 2018 and granted certain bonuses,
5. it submitted a motion to the Ordinary General Meeting to acknowledge the fulfilment of duties by Members of the Company's Management Board in the financial year 2018,
6. in connection with the speech of the Minister of Energy, it analysed quarterly information concerning the correctness of performance of duties by Members of the Management Board resulting from the concluded agreements on the provision of management services,
7. it dismissed the Vice-President for Customer and Corporate Support from the TAURON's Management Board,

#### ***In the scope of supervision over the correctness and effectiveness of the disbursement of cash related to the implementation of investments by the Management Board of the Company, including the purchase of fixed assets***

1. it analysed the status of implementation of the schedule of key investment projects for the TAURON Group, in particular: construction of a 910 MW power unit in the Jaworzno Power Plant, construction of a 449 MW<sub>e</sub> CCGT unit with a 240 MW<sub>t</sub> heating section in Stalowa Wola, construction of the "Grzegorz" shaft with infrastructure and accompanying excavations, construction of the 800 m level in the Janina Mining Plant, heat-only generation of unit no. 10 and others,
2. it agreed to the purchase of fixed assets purchased within the framework of the performed overhaul task subject to capitalization (component) entitled "Major renovation of Unit no. 10 in TAURON Wytwarzanie Spółka Akcyjna - Oddział Elektrownia Łagisza in Będzin",
3. it agreed to incur contingent liabilities in the form of bank guarantees issued on orders of TAURON Polska Energia S.A. in order to secure transactions executed on the Polish Power Exchange,
4. it agreed to purchase fixed assets in the form of intra-group loans granted to subsidiaries with a value exceeding PLN 20 million and to dispose of the above fixed assets each time in the scope of early repayment of the said loans,
5. it agreed to conclude with the Investment Funds represented by Polski Fundusz Rozwoju S.A. and Nowe Jaworzno Grupa TAURON sp. z o.o. annexes to the Investment Agreement and the Shareholders' Agreement in order to transfer the rights and obligations arising therefrom to the fund PFR Inwestycje Fundusz Inwestycyjny Zamknięty, which will eventually recapitalise NJGT,
6. it agreed to conclude a donation agreement with the TAURON Foundation,
7. it agreed to return purchase by the Company from the Warsaw Commodity Clearing House of fixed assets in form of CO<sub>2</sub> emission allowances with value exceeding PLN 100 million,
8. it agreed to amend the Shareholders' Agreement of PGE EJ 1 sp. z o.o. to extend the deadline by which the financing of the company may be carried out and to increase the cumulative amount by which the company may be financed by TAURON,
9. it agreed to submit a binding proposal for a potential acquisition of wind farms in the implemented project,
10. it monitored expenditures on investment projects carried out within the TAURON Capital Group, inter alia, through the analysis of the implementation of the Material and Financial Plan.

The Supervisory Board did not report any deficiencies in the accuracy and effectiveness of the disbursement of cash related to the Company's Management Board's investments in the financial year 2019, including the purchase of fixed assets.

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

In the financial year 2019, in the scope of execution of Resolution no. 5 of the Extraordinary General Meeting of TAURON Polska Energia S.A. of 15 December 2016 concerning the development of remuneration of Management Board Members of TAURON Polska Energia S.A. (as amended) on 26 February 2018 and on 8 August 2018 defined details of the management objectives for Members of the Management Board of TAURON Polska Energia S.A. to be accomplished in 2018 including determination of the weights of those objectives and measurable criteria of their implementation and settlement.

## 6. Committees of the Supervisory Board

While implementing the recommendations and rules defined in the *Best Practice 2016* in the financial year 2019, the activity of the Supervisory Board was supported by the following Committees: Audit Committee, Nominations and Compensation 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 6. Tasks and competence of Committees of the Supervisory Board**

| Tasks and competence of Committees of the Supervisory Board   |
|---|
| <b>Audit Committee</b>  |
| <ol style="list-style-type: none"> <li>Monitoring of the financial reporting process in the Company, effectiveness of internal control systems, risk management, compliance and internal audit, including in the scope of financial reporting, performing financial revisions, in particular performing an audit by an audit firm, taking into account any conclusions and findings of the Audit Supervision Committee stemming from an audit performed in an audit firm.</li> <li>Controlling and monitoring the independence of the certified auditor and the audit firm, in particular in the case where the audit firm provides services other than auditing to the Company.</li> <li>Assessing the independence of the certified auditor and granting the consent for provision by it of permitted services in the Company, other than auditing.</li> <li>Developing the policy for selecting the audit firm to perform the audit.</li> <li>Developing a policy related to the provision of permitted services other than auditing by the audit firm, entities related to the audit firm and by a member of the audit firm corporate network;</li> <li>Defining the procedure for selecting the audit firm by the Company.</li> <li>Presenting to the Supervisory Board the recommendations, for the purpose of selecting the audit firm responsible for performing the statutory audit or the review of financial statements, referred to in Article 130(2) and (3) of the Act of 11 May 2017 on <i>statutory auditors, audit firms and public oversight</i> and in Article 16(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on <i>specific requirements regarding statutory audit of public-interest entities...</i>, in line with policies referred to above in paragraphs 4 and 5.</li> <li>Informing the Supervisory Board of audit results and explaining how the audit contributed to the reliability of financial reporting in the Company as well as what was the role of the Audit Committee in the audit process.</li> <li>Submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.</li> </ol> |

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### Tasks and competence of Committees of the Supervisory Board

10. Performing other activities assigned to the responsibilities of audit committees pursuant to the Act, the Regulation and the *Accounting Act* of 29 September 1994.

### **Nominations and Compensation Committee**

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 Company Management Board as well presenting opinions 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 Company Management Board who cannot perform their duties, including the proposal of compensation.

### **Strategy Committee**

1. Assessment of the Corporate Strategy of TAURON Group 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 the 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.

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The Committees of the Supervisory Board consist of three to five members, with the exception of the Strategy Committee which can comprise from three to seven members.

The composition of the Supervisory Board Audit Committee meets the requirements of Article 129(3) of the Act of 11 May 2017 *on certified auditors, audit firms and public oversight*. All Members of the Audit Committee meet the statutory independence criteria, including the Chairwoman of the Audit Committee. Two members of the Audit Committee have knowledge and skills both in the scope of accounting and auditing of financial statements, including the Chairwoman of the Audit Committee. Two Members of the Audit Committee have knowledge and skills in the field of energy, i.e. the industry in which the Company operates.

Members of the Committees of the Supervisory Board have elected from among themselves the Chairpersons who manage works of a given Committee and supervise preparation of the agenda, development and distribution of documents to other members of the Committees as well as drafting minutes of the meetings.

The table below presents personal composition of the Supervisory Board Committees as at 31 December 2019.

**Table 7. Composition of the Supervisory Board Committees as at 31 December 2019**

| No. | First name and surname  | Audit Committee | Nominations and Compensation Committee | Strategy Committee |
|-----|-------------------------|-----------------|--|--------------------|
| 1.  | Beata Chłodzińska       | -               | Chairwoman                             | Member             |
| 2.  | Teresa Famulska         | Chairwoman      | -                                      | -                  |
| 3.  | Jacek Szyke             | Member          | -                                      | Chairman           |
| 4.  | Barbara Łasak - Jarszak | -               | Member                                 | -                  |
| 5.  | Grzegorz Peczkis        | -               | -                                      | Member             |
| 6.  | Jan Płudowski           | Member          | -                                      | Member             |
| 7.  | Marcin Szlenk           | Member          | -                                      | -                  |
| 8.  | Katarzyna Taczanowska   | Member          | -                                      | -                  |
| 9.  | Agnieszka Woźniak       | -               | Member                                 | Member             |

In the financial year 2019:

- The Audit Committee held, in total, 10 meetings and adopted 20 resolutions,
- the Appointment and Compensation Committee held, in total, 5 meetings and adopted 12 resolutions,
- the Strategy Committee held, in total, 6 meetings and adopted 6 resolutions, including 2 meetings on the premises of the Capital Group companies.

**Table 8. Main issues dealt with by the Supervisory Board Committees at their meetings in 2019**

**Main issues dealt with by the Supervisory Board Committees at their meetings in 2019**

**Audit Committee**

1. cooperated with the certified auditor in the scope of:
  - audit of the Company financial statements and consolidated financial statements of the Capital Group for the financial year 2018 (discussion of the statutory auditor's report on the audit, discussion of the additional report prepared by the auditor for the Audit Committee, getting acquainted with the statement on meeting the independence requirements by the audit firm and members of the team performing financial audit activities and information on non-performing services which are not financial audit services by the audit firm for the Company and companies of the TAURON Capital Group),
  - review of the interim condensed financial statements of the Company and the consolidated financial statements of the TAURON Capital Group for the first half of 2019 (discussion of the results of the review and getting acquainted with the statement on maintaining independence from the audited entity in the period from the date of submission of the previous statement on independence),
  - process of auditing the financial statements of the Company and the consolidated financial statements of the TAURON Capital Group for the financial year 2019 (discussion of the general assumptions of the auditing process, auditing strategy and non-financial reporting, as well as the results of the preliminary audit in the Company and its subsidiaries),
2. it monitored the financial reporting process, including an analysis of the reliability of the financial information presented by the Company, as regards its compliance with the books and documents, as well as with the actual state of affairs, and presented a recommendation to the Supervisory Board on the evaluation of the information contained in the following documents:
  - *Financial Statements of TAURON Polska Energia S.A. for the financial year ended 31 December 2018 are consistent with the International Financial Reporting Standards approved by the European Union,*

- *The Management Board's motion to the General Meeting to cover the net loss for the financial year 2018,*
  - *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the financial year ended 31 December 2018 in accordance with the International Financial Reporting Standards approved by the European Union,*
  - *Management Board's Report on the activities of TAURON Polska Energia S.A. and of the TAURON Polska Energia S.A. Capital Group for 2018,*
  - *Extended consolidated quarterly report of TAURON Polska Energia S.A. Capital Group for the first quarter of 2019,*
  - *Extended consolidated semi-annual report of TAURON Polska Energia S.A. Capital Group for the first half of 2019,*
  - *Extended consolidated quarterly report of TAURON Polska Energia S.A. Capital Group for the third quarter of 2019,*
3. it presented to the Supervisory Board a positive assessment of the independence of the financial audit process based on the statement of independence of the audit firm and team members performing the audit of the separate and consolidated financial statements of the Company and the TAURON Group for the financial year 2018, information on the performance of non-financial audit services by the audit firm and other network companies for the Company and TAURON Group companies as well as a statement that no prohibited services other than financial audit services were provided by the audit firm and other network companies,
  4. it recommended to the Supervisory Board a positive assessment of the Company's standing including the assessment of effectiveness of internal control, risk management and compliance systems and the internal audit function,
  5. agreed, after prior assessment of threats and safeguards to the independence of the statutory auditor and audit firm, to the provision of Ernst & Young Audyt Polska Sp. z o.o. by the audit firm. Sp. k. of services other than financial audit services:
    - including verification of annual and semi-annual unit consolidation packages of selected subsidiaries and foreign subsidiaries of TAURON Polska Energia S.A: TAURON Czech Energy s.r.o. and TAURON Sweden Energy AB (publ) prepared for the years 2019-2021, necessary to prepare the annual consolidated financial statements,
    - including carrying out the agreed procedures in connection with the requirement to estimate the Asset Regulatory Value (WRA) for the purpose of determining the justified return on employed capital by the Energy Regulatory Office for 2020 for the subsidiary TAURON Dystrybucja S.A,
    - including verification of consolidation packages of the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. for the years 2019-2021,
    - including verification of consolidation packages of subsidiaries TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. and Polish limited partnerships acquired from the group of in.ventus, prepared for 2019-2021.
  6. it monitored issues in the area of internal audit and internal control systems, in particular discussed the implementation of the annual *Audit Plan for the TAURON Group for 2018*, the implementation of the plan of audit tasks in the TAURON Group adopted for 2019 in individual quarters and ad hoc controls,
  7. it monitored the progress of work on the implementation of the Internal Control System (ICS) performance assessment in the TAURON Group under the first line of defence,
  8. it analysed and evaluated quarterly risk management, including key corporate and specific risks in the TAURON Group concerning: finance and loans, trade, employees and corporate culture, clients and contractors, compliance, environment, technology and infrastructure,
  9. it read and analysed information on the area of compliance management in the TAURON Group (including: the discussion of *TAURON Polska Energia S.A. Compliance Report for 2018*, *TAURON Group Compliance Policy* and *TAURON Group Compliance Plan for 2019*),
  10. it discussed information on the participation of TAURON Group companies in industry organizations for 2018, including the period from 2016 to 2017 and the plan for 2019,
  11. it analysed quarterly information on the results of procurement procedures in the area of purchases,
  12. it read selected reports on the audit and control proceedings or control proceedings conducted by the audit,
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13. it analysed the report on the costs of consulting services in the TAURON Group in 2017-2018, including: legal, business, consulting, organizational and management, strategic, technical, marketing, PR and communication and research and development projects consulting services,
14. it adopted and submitted to the Supervisory Board the *Report on the activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2018*,
15. it adopted the *Work Plan of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. for 2020*.

#### **Nominations and Compensation Committee**

1. it recommended to the Supervisory Board to conclude annexes to management services contracts with the Members of the Company's Management Board,
2. it recommended the Supervisory Board to adopt detailed management objectives for Members of the Company Management Board for accomplishment in 2019, including determining of the weight of those objectives and measurable criteria of their implementation and settlement,
3. it adopted and submitted to the Supervisory Board a *Report on the activities of the Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2018*,
4. it recommended to the Supervisory Board to dismiss from the Management Board of TAURON the Vice President of the Management Board for Customer and Corporate Support,
5. it conducted the analysis and evaluation of indexes determining the granting of the annual bonus for 2018 to the Members of the Management Board and presented to the Supervisory Board appropriate recommendations, including the amount of the payment of the Variable Remuneration due to the Members of the Management Board for 2018,
6. it analysed quarterly information on the proper performance of duties by TAURON Management Board Members under the concluded agreements on the provision of management services.

#### **Strategy Committee**

1. it took part in the preparation of the update of *the TAURON Group Strategy for 2016-2025*, taking into account changes in the regulatory and market environment, including the adoption of updated strategic directions, which include in particular: divestments in the Mining Area (with particular emphasis on the sale of ZG Janina) and in the Heat Area (sale of shares in TAURON Ciepło), sale of shares in ECSW and PGE EJ1, abandonment of 120 and 200 MW class units, development in the area of onshore wind farms and photovoltaic farms, readiness to participate in offshore wind farm construction projects,
2. it got acquainted with the activity and functioning of the Mining Area (indicators of the mining plants Janina, Sobieski, Brzeszcze, expenditures on coal acquisition, the program of increasing productivity and supply of coal of TAURON Group),
3. it discussed issues concerning reserve personnel of the Generation Area and preparation of personnel for the new 910 MW unit in Jaworzno and the unit in Stalowa Wola CHP Plant,
4. it evaluated the division of tasks and responsibilities of individual business areas within the existing organizational structure in TAURON Polska Energia S.A., with particular emphasis on issues related to responsibility, supervision and staffing of technical activities,
5. it visited the construction of a 450 MW unit at the Stalowa Wola CHP Plant (he discussed the status of the investment project and its schedule, implementation of the project under the EPCM formula and the project budget),
6. it got acquainted with the activity and functioning of the Heat Area (it discussed issues related to the supply of heat to individual provinces, employment, network operation, heat balance),
7. it familiarised itself with the concept of market verification of the possibility of sale of TAURON Ciepło sp. z o.o. shares held by TAURON and possible continuation of the sale process,



8. it discussed issues concerning the role and place of R&D initiatives in the updated *TAURON Group Strategy for 2016-2025* and the amount of R&D expenditures in 2018 and 2019,
  9. it analysed and evaluated the indicators related to unit outlays and payback period in wind farms (onshore and offshore), biogas plants, coal-fired units (additionally Jaworzno III), gas units (additionally Stalowa Wola), photovoltaics, cogeneration and hydrogen production,
  10. it familiarized itself with the activity, functioning and development prospects of Magenta Grupa TAURON sp. z o.o.,
  11. it analysed and evaluated the decommissioning programme for 2020-2025 and the reasons for delays in construction and modernisation of the units in Stalowa Wola, Jaworzno and Łagisza as well as the availability of unit no. 10 in Łagisza Power Plant in 2017-2019,
  12. it visited the construction site of the 910 MW unit in Jaworzno and familiarised itself with the key aspects related to the operation and functioning of the Generation Segment broken down by individual branches,
  13. it adopted and submitted to the Supervisory Board *the Report on the activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2018*,
  14. it adopted the *Framework Work Plan for the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in 2019*.
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## **7. Self-assessment of the Supervisory Board**

The Supervisory Board of TAURON Polska Energia S.A. provides permanent oversight of the Company activities in all areas of its operations, in accordance with the obligations and powers defined in the *Commercial Companies Code* and other legal regulations, provisions of the *Company Articles of Association* as well as the provisions of the *Regulations of the Supervisory Board*. Moreover, while performing their obligations, Members of the Supervisory Board follow the rules contained in the *Best Practice 2016*.

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, in particular, chairpersons of individual Committees, participated in sessions of the Ordinary 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 2019 to 31 December 2019.

## **8. Assessment of the Company standing including the assessment of effectiveness of internal control, risk management and compliance systems and the internal audit function**

### **8.1. Evaluation of the standing of the Company and TAURON Capital Group**

#### ***Evaluation of the standing of TAURON Polska Energia S.A.***

TAURON Polska Energia S.A.'s standing (hereinafter referred to as TAURON, the Company) is stable, which is confirmed by the current rating of Fitch - at the BBB level, with a stable outlook. The agency

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maintained the rating outlook, taking into account the dominant share of regulated activities in the TAURON Capital Group's results.

The confirmation of TAURON's ratings reflects the dominant share of regulated electricity distribution as a result of EBITDA, which will be reinforced by new, quasi-regulated power market revenues from 2021. The total revenues of the TAURON Group from the auctions held this year will amount to over PLN 4.8 billion by 2037, and what is important, a significant part of these funds will go to the TAURON Capital Group already in the coming years.

Furthermore, the agency indicates that according to the submitted projections, capital expenditures will be reduced after the expected completion of construction and commissioning of the new 910 MW unit in Jaworzno, which will reduce pressure on the Company's credit ratios from 2021 onwards.

The agency expects an FFO adjusted net leverage will temporarily exceed 3.5x (representing a negative rating change factor) between 2019 and 2020, mainly due to the peak in capital expenditure on new power units under construction. However, it should return to a level below 3.5x from 2021, mainly due to revenues from the power market, EBITDA contribution from new power units put into service and lower investment outlays.

Additionally, until 2019 dividend payments were suspended, in 2016-2018 the Efficiency Improvement Scheme was implemented with a total value of PLN 1.3 billion and in 2019 hybrid bonds subscribed by BGK with a value of PLN 400 million were issued, which also contributes to reducing pressure on the debt ratio.

The financial statements of TAURON drawn up for the financial year ended on 31 December 2019 indicated a positive operating result of PLN 101 million and a negative net financial result in the amount of PLN 463 million. A factor which had a significant impact on the amount of the financial result was the results of the impairment tests carried out, which demonstrated the justification for the creation and reversal of revaluation write-downs of shares and stocks of subsidiaries and loans. As a result of impairment tests carried out in 2019 and the valuation as at the balance sheet date of the aforementioned financial assets, the gross financial result for 2019 was reduced by PLN 1 510 million.

TAURON, as a parent entity in TAURON Group, fulfils, in particular, the governing and the consolidating function. As a result of the implementation of the Business Model and centralization of functions, TAURON has concentrated many competences concerning the functioning of the companies of the TAURON Capital Group and currently operates in the areas of wholesale trade in electricity, gas and related products, in particular in the field of trade services for companies, securing the needs for fuels, CO<sub>2</sub> emission allowances and certificates of energy origin, purchase management, financial management, Group asset management, corporate risk management, IT model management, coordination of R&D work carried out in the TAURON Capital Group, accounting and tax consultancy, legal services and audit.

Therefore, the main source of the Company's revenues are dividends from subsidiaries and revenues from the sale of electricity, coal, gas, property rights to certificates of origin for electricity, CO<sub>2</sub> emission allowances and commercial services.

The level of revenues from the sale of the above mentioned goods in the reporting period was affected by:

- 1) higher revenues from electricity sales as a result of higher electricity sales prices (by 25.3%) compared to 2018,
- 2) higher revenues from natural gas sales due to higher prices and sales volumes,
- 3) growth in revenues on sales of greenhouse gas emission allowances (sales to companies of TAURON Capital Group for the purpose of redemption of allowances in connection with the

fulfilment of the obligation arising from greenhouse gas emission) as a result of growth in sales prices of greenhouse gas emission allowances,

The revenues from the sales of services of TAURON include the revenues from:

- 1) services related to electricity (+279% compared to 2018 mainly due to the commencement of portfolio management services for the TAURON Capital Group companies in 2019),
- 2) management of the CO<sub>2</sub> emission allowance portfolio (+44% compared to 2018),
- 3) intermediation in transactions of purchase of coal from the market for companies of the TAURON Capital Group (-17% compared to 2018 due to lower supply volumes),
- 4) use of the trademark by companies of the TAURON Capital Group.

Due to the holding activity, the Company shows significant financial revenues. Their increase by 31% is mainly due to higher dividend income (by 34%), higher interest on bonds and loans (by 19%) and other financial income (by 54%, including foreign exchange gains and valuation of financial instruments).

The majority of the Company's business operations are carried out in Poland. Sales to foreign customers in the years ended 31 December 2019 and 31 December 2018 amounted to PLN 35 974 thousand and PLN 97 502 thousand respectively.

In 2019, the total costs of the Company's operations accounted for 109% of the 2018 cost level, mainly as a result of an increase in the cost of goods, materials and services sold. In 2019, the company incurred:

- 1) costs of goods, materials and services sold in the amount of PLN 10 431 million, higher by 23% as compared to 2018, which was mostly influenced by higher electricity purchase costs resulting from the increase in electricity purchase prices (by 28.2%),
- 2) costs of sales and general management in the amount of PLN 146 million, 22% higher than in 2018, which is mainly due to the derecognition of costs under revenue from the use of shares in 2018 reducing the comparative value and a general increase in salaries in 2019. In addition, in 2019, the impact of IFRS16 concerning leasing was recognised and translated into a higher level of depreciation,
- 3) costs of other operating activities in the amount of PLN 5 million, lower by 16% as compared to 2018, which is mainly due to a decrease in contributions to industry organisations as compared to 2018,
- 4) costs of financial activities in the amount of PLN 2 013 million, 32% lower than in 2018, due to the recognition in 2019 of created and reversed impairment losses on shares, stocks and loans in subsidiaries in an amount lower than in 2018. The surplus of the amount recognised over the reversed write-down on shares and loans in 2019 was a total of PLN 1 520 million, compared to PLN 2 488 million in 2018.

As at 31 December 2019, the Company's balance sheet total amounted to PLN 30 485 million and was 3% higher than as at 31 December 2018. The biggest impact on the change in the value of assets had an increase in the value of shares by 4% y/y, which resulted from the creation and increase in capital in TEC1, TEC2 and TEC3 companies for PLN 601 million, the capital increase in Nowe Jaworzno TAURON Group for PLN 250 million, the capital increase in EEC Magenta ASI and EEC Magenta 2 ASI for PLN 12 million. An additional factor that influenced the change in this balance sheet item are created and reversed revaluation write-offs of shares and stocks as a result of impairment tests carried out on shares and stocks in subsidiaries. The tests carried out as at 30 June 2019 and 31 December 2019 showed that it was reasonable to create or increase the write-downs already created in the following companies: TAURON Ciepło for PLN (168) million and TAURON Wydobycie for PLN (99) million, as well as reversal of impairment losses on shares in TAURON EKOENERGIA for PLN 185 million.

The changes in liabilities as at 31 December 2019 relate to a 28% increase in long-term liabilities, mainly due to borrowings, a 17% decrease in short-term liabilities due to lower short-term debt and a 3% decrease in equity, which was influenced by the negative net result for 2018.

As at 31 December 2019, the structure of assets did not change significantly compared to 31 December 2018: fixed assets represented 89% and 92% of total assets respectively. In the structure of liabilities, equity capital accounted for 49% compared to 52% at the end of 2018. The most significant item of liabilities were debt liabilities, whose share at the end of 2019 was 48% of total liabilities, compared to 44% at the end of 2018.

The balance of cash obtained as at 31 December 2019 was negative and amounted to PLN (49) million, which is a result of the adjustment of cash, which is the balance of loans granted and borrowed, carried out as part of cash pooling transactions, due to the fact that they do not constitute cash flows from investment or financing activities, they are used mainly to manage current financial liquidity.

TAURON shares have been listed on the WSE Primary Market since 30 June 2010.

In 2019, the TAURON shares price ranged from PLN 1.43 to PLN 2.44 (according to closing prices). The share price at the last session in 2018 reached PLN 2.19 and at the end of 2019 it was PLN 1.64.

Despite the continuing strong economic growth in Poland, which remains one of the leaders in Europe in this respect, the Warsaw Stock Exchange quotations do not reflect this trend. In 2019, the capitalization of companies from many sectors decreased, including energy, banking, chemical, food, clothing, and fuel.

The Polish stock exchange, despite the boom on most global capital markets, recorded lower turnover and a decreasing number of listed companies. The negative trend recorded in 2019 on the domestic trading floor was due to external factors such as trade restrictions between the US and China and uncertainty about the impact of Brexit, as well as local factors which significantly undermined confidence in the capital market.

The TAURON share price followed negative trends on the WSE. In the entire year 2019, TAURON's quotations decreased by 25.1%, while other national energy groups (PGE, ENEA and ENERGA) recorded over 20% decrease in capitalization, and WIG-Energia decreased by 18.6%.

### ***Evaluation of the standing of TAURON Capital Group***

TAURON Capital Group is a vertically integrated energy group. It conducts its operations in all key segments of the energy market (excluding electricity transmission which is the sole responsibility of the Transmission System Operator), i.e. in the area of coal mining, generation, distribution and sales of electricity and heat as well as other products of the energy market. TAURON Capital Group determined operational segments corresponding to its areas of activity: Mining, Generation, Distribution, Sales and Other activities.

The EBITDA result generated by the TAURON Capital Group in 2019 at the level of PLN 3,599 million was 3% higher than the result generated in 2018. Segments of TAURON Capital Group with the highest shares in EBITDA include: Distribution, Sales and Generation.

The Mining segment achieved a negative EBITDA result of PLN (500) million in 2019, lower than that achieved in 2018. The factors influencing the above result include:

- 1) sale of a lower volume of each of the coal grades on average by 22% - mainly as a result of lower commercial coal production,
- 2) lower average price of products sold by 4%, as a result of lower price of thick and medium grades, which is a consequence of the situation on the coal market, as a result of a decrease in demand for this raw material and a slight increase in prices of sold fine coal by 1%,

- 3) higher unit variable direct cost of coal produced, which is a result of 24% decrease in the volume of coal produced and higher variable direct costs. The increase in costs results from higher settled costs of preparatory works, which is related to the higher amount of coal obtained from drifts,
- 4) realisation in 2019 of part of the coal sales from the production of the previous period, while in 2018 part of the coal produced and not sold was recognised in the balance sheet assets.

In 2019, the Generation segment reached EBITDA at the level of PLN 984 million, 35% higher than in 2018. The factors influencing the above result include:

- 1) higher margin on electricity (conventional power generation) - mainly due to higher CDS y/y. A significant impact on CDS in 2019 had the inclusion of 883 thousand units of certified emission reduction (CER) in the cost of the provision created in connection with the obligation to present CO<sub>2</sub> emission allowances for redemption.
- 2) higher margin on electricity (RES) - due to higher electricity and PMOZE sales prices and higher production volumes in wind and hydroelectric power plants,
- 3) lower margin on heat - mainly due to an increase in the cost of CO<sub>2</sub> emission allowances and fuel costs, not fully transferred in the heat tariffs,
- 4) result on a bargain purchase of 5 wind farms from In.ventus - an event that positively impacted the result in 2019,
- 5) release of the provision for employee benefits (cash equivalent for reduced use of electricity (employee tariff), jubilee awards and Company Social Benefits Fund) in TAURON Wytwarzanie - an event that positively influenced the result in 2018 ,
- 6) other (mainly: release of provisions for the return of subsidies related to biomass blocks, release of provisions for reclamation of furnace waste landfill, release of provision for Voluntary Redundancy Scheme, higher revenues from compensation, increase in labour costs resulting from the salary agreement and lower costs of lease, tenancy and perpetual usufruct of land in connection with implementation of IFRS 16).

In 2019, the Distribution segment achieved an EBITDA result of PLN 2 606 million, 6% higher than that achieved in 2018, which was mainly due to the following factors:

- 1) increase in the average sales rate of the distribution service to end users,
- 2) a decrease in the total delivery volume, which is a resultant of:
  - a decrease in group A resulting both from actions taken by customers to reduce energy consumption from the distribution network (wider use of their own generation units and optimisation of electricity consumption) and from production reduction (coal companies and the steel industry),
  - an increase in supplies to end users, in particular among customers in group B as a result of the continuing positive economic situation, mainly in the first half of 2019, and in group G - mainly due to an increase by 53 thousand of household customers,
- 3) higher purchase costs of transmission services,
- 4) higher purchase costs of electricity to cover balance sheet losses as a result of a higher purchase price, a lower volume, and a deviation due to the revaluation,
- 5) decrease in revenues from energy collisions due to the fact that in 2018 two significant collisions on the HV-110kV network were realised and a slight decrease in revenues from connection fees for connecting entities mainly to the HV network,
- 6) increase in overcapacity charges and oversized reactive energy consumption.

In 2019, the Sales segment achieved an EBITDA result of PLN 429 million, which was higher by 15% y/y, which was mainly due to the inclusion of the price difference and financial compensation in the



consolidated financial statements prepared as at 31 December 2019, due to the right of trading companies of the TAURON Capital Group to apply to Zarządca Rozliczeń S.A. with requests for payment, as well as estimated adjustments reducing revenues from customers resulting from the need to adjust prices in this period to the provisions of the amended Excise Tax Act and certain other acts ("Act"). Moreover, in 2019, the value of the provision for onerous contracts was updated, which resulted from the need to adopt for the calculation of the sales price for these customers for 2020 the parameters set out in the invitation of the President of the Energy Regulatory Office, the approval of which in December 2019 resulted in the impossibility of obtaining revenue from the sale of electricity at a value covering the justified costs of conducting business activity in this respect.

Important factors that also influenced the result were:

- 1) achieving a lower margin on electricity sales as a result of the increase in market electricity prices and the introduction of the "freezing of sales prices" act, while the total volume of electricity sales dropped by 4.5%,
- 2) no cogeneration obligations in 2019 (in 2018, the applicable level of redemption was 23.2% for PMEC, 8% for PMGM, 2.3% for PMMET), which was largely neutralised by the increase in the obligation for green certificates from 17.5% to 18.5% and the maintenance of the obligation for PMOZE-BIO 0.50% and rising prices of green certificates.

In 2019, the Other activity segment achieved an EBITDA result of PLN 136 million, 1% higher than in 2018.

The consolidated financial statements of the TAURON Capital Group for the financial year ended 31 December 2019 showed:

- 1) operating result at the level of PLN 295 million, compared to PLN 791 million in 2018,
- 2) net financial result in the amount of (12) million PLN, compared to 207 million PLN in 2018.

The above results take into account the results of tests for impairment of property, plant and equipment carried out as at 31 December 2019, which took into account the following premises:

- the market value of the Company's net assets remaining below net asset carrying amount for a long period,
- changes in global prices of energy resources, electricity and dynamic increases in the prices of CO<sub>2</sub> emission allowances,
- significant fluctuations of energy prices on the future/forward market and continuing liquidity problems,
- regulatory activities aimed at the limiting of end user price increases,
- increased risks in commercial coal production,
- the effects of the results of the RES auctions to date and the very dynamic development of the prosumer and microinstallation sub-sector in connection with the support programmes launched,
- effects of introducing winter package provisions (including emission standards) that adversely impact the capability of coal-based units to participate in the power market after 1 July 2025;
- toughening emission standards, persisting unfavourable market conditions for the conventional power industry,
- a decrease in the risk-free rate.

The tests conducted as at 31 December 2019 and 30 June 2019 required estimating the value in use of cash generating units, based on their future cash flows discounted subsequently to the present value using a discount rate.

For the year ended 31 December 2019, the Group recognized impairment losses and reversed previously created write-downs on tangible and intangible fixed assets as a result of asset impairment tests carried out as at 31 December 2019 and 30 June 2019. The results of these tests showed the reasonableness of creating impairment allowances in the total amount of PLN 1 035 million (surplus of allowances created over reversed).

During the reporting period ended 31 December 2019, the TAURON Capital Group generated 8% higher revenues compared to the values obtained in 2018, which is a result of the following factors:

- 1) higher revenues from the sale of electricity (by 12%) - mainly as a result of 10% increase in the average price and 1% decrease in the volume of electricity sold by the TAURON Capital Group,
- 2) higher revenues from gas sales (by 28%), due to a 6% increase in gas sales prices and a 21% increase in volume,
- 3) lower revenues from the sale of heat (by 1%) - lower volume of sales of heat and transmission services due to higher ambient temperatures compared to 2018,
- 4) higher revenues from sales of distribution and commercial services (by 5%), mainly due to an increase in the rate of sales of the distribution service to end users following the introduction of IFRS 15 and the exclusion of the transition fee from revenues in 2018,
- 5) lower coal sales revenues (by 38%) as a result of a 36% drop in the volume of coal sales, while the price of coal sales dropped by 3%, mainly due to an increase in the share of cheaper fine coal in total coal sales.

Moreover, in 2019 TAURON Capital Group received compensation of PLN 952.7 million for the freezing of electricity prices - the "Electricity Act".

Apart from the above mentioned one-off events, the following factors influenced the level of costs of the TAURON Capital Group in 2019:

- 1) increase in amortization and depreciation costs, which is a result of the following factors:
  - a) the commencement of the operational period of the investments carried out in the TAURON Capital Group and, as a result, the commencement of their redemption in accordance with the adopted rates,
  - b) recognition in the current amortisation period of the rights of use assets, with entry into force of IFRS 16 *Leases* from 1 January 2019,
  - c) revaluation of depreciation rates as a result of created or updated asset write-downs in connection with impairment tests carried out,
- 2) increase in electricity purchase costs, mainly due to an increase in market prices by 32% on average,
- 3) higher volume of purchased electricity than contractors from outside the TAURON Capital Group, which is a result of the sale of a higher volume on the exchange by the companies of the Generation Segment in connection with the amendment to the Power Market Act increasing the obligation to trade electricity on POLPX to 100% in 2018 and lower production of electricity by generating units,
- 4) higher material and energy costs, mainly as a result of higher costs of biomass consumption due to:
  - a) the work of the units based on this fuel,
  - b) higher cost of electricity prices used for the balance sheet difference,
  - c) lower costs of materials used in the production of commercial coal and the reinforcement of drifts due to the lower level of extraction,



- 5) increase in distribution service costs as a result of higher costs of purchase of transmission services (increase in network charges),
- 6) higher costs of the obligation to surrender greenhouse gas emission allowances, mainly due to the y/y price increase (from 46 to 65 PLN/Mg),
- 7) higher labour costs, due to the increase in the minimum wage, signed wage agreements and the increase in employment. In addition, in 2018 the provision for employee benefits (cash equivalent for reduced use of electricity (employee tariff), jubilee awards and Company Social Benefits Fund) in TAURON Wytwarzanie was released, which reduced the level of these costs in the comparable period,
- 8) increase in the change in inventories and accruals, which is mainly due to the increase in coal reserves from own production,
- 9) increase in the cost of generating benefits for the entity's own needs, which results from the increase in the involvement of own resources in the investments in the TAURON Capital Group,
- 10) recognition in the current reporting period by the companies of the Segment Sale of provisions for onerous contracts in the amount higher than in 2018. The update of the provision created in connection with the entry into force of the Act amending the Excise Duty Act and certain other acts resulted from the adoption of the parameters specified in the invitation of the President of the Energy Regulatory Office to calculate the sales price for these customers for 2020, the approval of which in December 2019 results in the impossibility of obtaining revenue from the sale of electricity in the value covering the justified costs of conducting business activity in this respect.

Despite the revaluation write-down (surplus of creation over reversal), the value of fixed assets of TAURON Group increased by PLN 2 456 million, which is the resultant of the following events:

- 1) an increase in the value of property, plant and equipment, which is a result of expenditure on investments in property, plant and equipment carried out in the companies of the TAURON Capital Group (mainly in TAURON Dystrybucja, Nowe Jaworzno, the TAURON Group, TAURON Wytwarzanie and TAURON Ciepło), as well as impairment losses created as a result of asset impairment tests carried out,
- 2) the recognition in 2019 of the right of use assets in the accounts due to the entry into force of IFRS 16. At the same time, in accordance with the possibility allowed by the standard, the TAURON Capital Group resigned from transforming the comparable data. The data as at 31 December 2018 have been prepared on the basis of IAS 17 *Leases*, IFRIC 4 *Determining whether an agreement includes a lease* and SIC 15 *Operating lease - incentives*,
- 3) decrease in the value of acquired property rights to certificates of origin for electricity and greenhouse gas emission rights in connection with reclassification to current assets, in connection with meeting the prerequisites for redemption of the assets in question.

In the analysed period, compared to the balance as at the end of 2018, the value of current assets increased (by PLN 2,364 million, 53%), which is a result of an increase in cash, the value of energy certificates of origin and CO<sub>2</sub> emission rights, receivables from customers and income tax, other financial and non-financial assets and inventory.

In 2019, as in previous years, the dominant source of financing of TAURON Capital Group's assets was equity, whose share in total liabilities was almost 50%.

The increase in the value of long-term liabilities of the TAURON Capital Group by PLN 3 581 million (31%) was influenced by the following factors:

- 1) increase in the debt obligation due to the following factors:

- a) entry into force of IFRS 16 *Leases* from 01 January 2019 - inflow of PLN 938 million. In accordance with the possibility allowed by the standard, the TAURON Capital Group resigned from transforming the comparable data,
- b) taking loans and borrowings in 2019 in the total amount of PLN 4 037 million, with a part of the loan of PLN 1 840 million relating to the replacement of the bond issue scheme with a loan agreement,
- 2) increase in the provision for employee benefits by PLN 199 million, which results from their revaluation due to a change in the discount rate adopted for the calculation,
- 3) increase in the provision for the costs of dismantling fixed assets and land reclamation by PLN 267 million is an effect of their value being updated as a result of a change in the discount rate adopted for the calculation,
- 4) decrease of deferred income tax liabilities by PLN 218 million.

The value of the TAURON Capital Group's short-term liabilities increased by PLN 575 million (8%), which was due to the following factors:

- 1) decrease of liabilities to suppliers by PLN 280.5 million,
- 2) increase of provision for liabilities due to energy certificates and CO<sub>2</sub> by PLN 883 million. As at 31 December 2019, TAURON Capital Group recognized a provision for CO<sub>2</sub> emission liabilities for the entire current year, while in 2018 it submitted a significant part of CO<sub>2</sub> emission allowances for redemption before the balance sheet date, i.e. 31 December 2018 and therefore the recognized provision was correspondingly lower,
- 3) decrease in other financial liabilities by PLN 213 million, which results from the settlement of forward/futures contracts for CO<sub>2</sub> emission allowances in December 2019 and a decrease in the prices of allowances compared to the comparable period and the recognition as at the balance sheet date of 31 December 2019 of the obligation to return overpaid amounts to customers as a result of the recognition by the TAURON Capital Group of adjustments relating to 2019 reducing customer revenues in connection with the entry into force of the amended Act on "freezing sales prices",
- 4) increase in other taxes and fees by PLN 183 million, which results from the recognition of a larger VAT liability.

As at 31 December 2019, the statement of financial position of the TAURON Capital Group shows a balance sheet total that is 13% higher than at the end of 2018.

In the cash flow statement for 2019, the TAURON Capital Group generated positive cash flow from operating activities of PLN 2,036 million (92% of the 2018 level).

The following factors had the greatest impact on the change in this item of the cash flow statement:

- 1) generating an EBITDA result higher by PLN 107 million, in which a non-monetary result on a bargain purchase of wind farms in the amount of PLN 120 million was recognized,
- 2) working capital lower by PLN 140 million, which is a resultant of:
  - a) positive change in receivables, mainly from customers, PLN 105 million,
  - b) positive change in inventory by PLN 47 million,
  - c) negative change in liabilities by PLN 601 million as a result of a decrease in liabilities to suppliers as at 31 December 2019 and 31 December 2018 and a change in the value of supplementary deposits received by the Company on account of current stock exchange settlements, in connection with the settlement of a part of futures contracts and a change in the valuation of other futures contracts,
  - d) incurring a smaller expense for the purchase of CO<sub>2</sub> emission allowances by PLN 456 million,

- e) to incur a higher expenditure on the purchase of certificates of energy origin by PLN 91 million,
  - f) payment of a replacement fee for compliance with the obligation to submit certificates of origin of electricity for redemption, resulting from the provisions of *the Energy Law Act of 10 April 1997*, amounting to PLN 33 million,
- 3) payment of income tax higher by PLN 32 million due to:
- a) payment of income tax by the Tax Capital Group in 2019 in an amount higher by 101 million PLN than in 2018,
  - b) net impact in the amount of PLN 18 million in 2019 due to tax settlements for previous years,
  - c) payment by the Tax Capital Group in 2018 of income tax for 2017 in the amount of PLN 46 million,
  - d) payment of income tax in 2018 by companies which are not part of the Tax Capital Group in the amount of PLN 3 million, while in 2019 the value of the flow on this account was PLN 0.5 million.

The greatest impact on the development of cash flow of an investment nature has been exerted by expenditure on the acquisition of property, plant and equipment, which in the reporting period was PLN 294 million higher than in 2018. The largest expenditures were incurred by the following segments: Distribution and Generation.

The positive value of financial cash results from the issue of bonds in 2019 for a total of PLN 500 million and taking out loans or borrowings for a total of PLN 5 150 million, with the simultaneous redemption of debt securities for PLN 2 420 million and repayment of loans and borrowings taken in previous years for PLN 867 million.

In 2019, the bond issue programme was replaced by a loan agreement and therefore the cash received from the first tranche of the loan of 28 June 2019 was used to redeem bonds with a nominal value of PLN 1 840 million. In addition, during 2019 TAURON Capital Group received an inflow of PLN 780 million, which is related to the contribution by the Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycji Zamkniętych to take up shares in the increased capital of Nowe Jaworzno TAURON Group. The total value of interest paid presented in cash flows from financial activities amounted to PLN 213 million.

The TAURON Capital Group continues the development process and continues to strengthen its market position. It should be noted that the current ratio and the net debt to EBITDA ratio remain at a safe level.

In 2019. The TAURON Capital Group incurred capital expenditures of PLN 4 128 million, which is 8% higher than those incurred in 2018, which amounted to PLN 3 838 million. The above increase results mainly from higher expenditures in the following segments: Generation and Mining.

The most important investment projects implemented in 2019:

- 1) in the Mining segment: construction of the Grzegorz shaft in ZG Sobieski (PLN 94 million), construction of 800 m level in ZG Janina (PLN 81 million), investment programme of ZG Brzeszcze (PLN 70 million),
- 2) in the Generation segment: construction of new Jaworzno 910 MW (PLN 1,020 million), replacement expenses and repair components in TAURON Wytwarzanie (PLN 215 million), CHP of Łagisza Power Plant (PLN 104 million), adjustment of TAURON Wytwarzanie generation units to the BAT Conclusions (PLN 42 million), replacement of SDW in Łagisza Power Plant (PLN 32 million), investments related to the development and maintenance of heating networks (PLN 25 million), connection of new facilities (PLN 27 million),

- 3) in the Distribution segment: modernisation and restoration of network assets (PLN 996 million), construction of new connections (PLN 667 million).

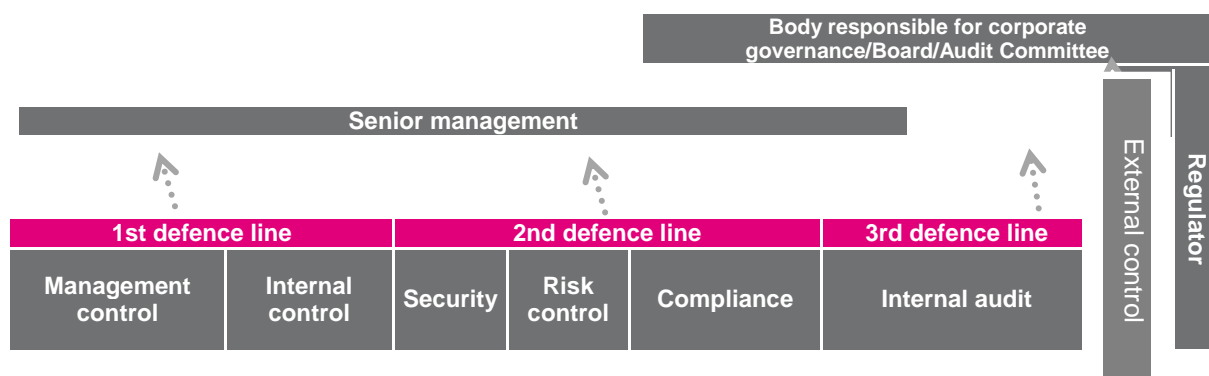
## 8.2. Assessment of effectiveness of internal control, risk management and compliance systems and the internal audit function

Taking into account the *Code of Best Practice for WSE Listed Companies 2016* (hereinafter referred to as Best Practice 2016), the Supervisory Board assessed the effectiveness of the internal control system, risk management, compliance and (institutional) audit and control functions, including all significant control mechanisms, especially those related to financial reporting and operational activities.

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.2 of Best Practice 2016, persons responsible for risk management, internal audit and compliance report directly to the President of the Management Board and have a possibility of direct reporting to the Supervisory Board and the Audit Committee.

In order to ensure security, the TAURON Capital Group operates a "Three Lines of Defence Model" which includes functional internal control, independent control within the second line of defence, consisting of risk management, compliance and security management functions, as well as institutional control, i.e. audit within the third line of defence.

Figure no 1. Three Lines of Defence Model



The functions of the individual lines of defence:

**First Line of Defence:**

business units required to perform functional control as part of their business processes,

**Second Line of Defence:**

- risk management function implemented in accordance with the adopted *Corporate risk management strategy in TAURON Group* and detailed policies related to main risk categories,
- function of assuring the compliance understood as adjustment of the organisation to the applicable legal regulations,
- function of ensuring information security and technical safety,

**Third Line of Defence:**

audit and control function responsible for planning and implementation within the TAURON Capital Group, verification and advisory audit tasks, as well as performance of scheduled and ad hoc controls.

## **FIRST LINE OF DEFENCE**

### ***Assessment of the design of the internal control system implemented by the business units of TAURON Polska Energia S.A.***

Based on the results of the self-assessment carried out in 2019 by the business units of TAURON Polska Energia S.A., it is estimated that the designed and implemented internal control system in the Company within the first line of defence will enable the control of selected business processes within the functioning process management. The self-assessment exercise was based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model and included the following elements of internal control:

- I. Control environment.
- II. Risk assessment.
- III. Control activities.
- IV. Information and communication.
- V. Monitoring.

The results of the self-assessment were verified by the Internal Audit in terms of the consistency of the response as regards the correctness of the design of the internal control system.

The average of the assessments carried out on a 3-step scale (0 - the requirement is not met, 1 - the requirement is partially met, 2 - the requirement is fully met) was 1.76. In the areas assessed below 2 (the requirement is fully met), measures are implemented to further improve the internal control system.

The internal control system functioning in the TAURON Capital Group includes in particular control mechanisms concerning financial reporting.

## **SECOND LINE OF DEFENCE**

### ***Risk management system assessment***

The TAURON Capital Group, taking care of the implementation of the existing TAURON Group Strategy, implemented a comprehensive enterprise risk management system - ERM and implements the risk management process in its operations. The risk in the TAURON Capital Group is understood as an uncertain event or a group of events which, if they occur, will affect the achievement of the defined strategic objectives for the TAURON Capital Group, both in a negative (threat) and positive (chance, opportunity) manner.

Taking care of the implementation of the current Strategy, the Company conducts the process of risk management in the operations of TAURON Capital Group. The basic objective of risk management is to ensure broadly understood security of TAURON Capital Group's operations. In particular, the risk management is to ensure that the TAURON Capital Group increases the predictability of achieving its strategic objectives, including the stable creation of financial result.

Risk management in the TAURON Capital Group:

- 1) covers all elements of the value chain,
- 2) ensures the centralisation of risk measurement, monitoring and control functions, as well as the ability to assess the full risk profile of the organisation and consistent risk management policies,
- 3) ensures that the risk-taking function is independent from its control and monitoring,

- 4) ensures a clear allocation of competences and responsibilities, in particular by introducing a risk ownership function,
- 5) is an active process, aimed at identifying risks early enough to take preventive action,
- 6) is a systematic and constantly improved process, which allows it to be adapted to the specificity and organizational structure of TAURON Capital Group as well as to the changing environment,
- 7) places great emphasis on awareness-building, training and encouraging employees to use risk knowledge in their daily activities.

**Risk management strategy**

The Corporate Risk Management System (ERM System) operating at the level of TAURON Capital Group is a set of rules, standards and tools allowing to achieve the basic objective of risk management, which is broadly understood to ensure the safety of TAURON Capital Group's operations. This system is regulated by the document entitled Corporate Risk Management Strategy in the TAURON Group (ERM Strategy), which defines the framework and principles of corporate risk management in the TAURON Capital Group. The ERM strategy aims to ensure consistency in the management of the different risk categories, which have been further specified in separate regulations, adapted to the specificities of particular risk groups.

In the TAURON Group, the following Specific Risks are identified within the ERM System, for which separate Policies are defined, adapted to the nature and specificity of a given risk group:

- Commercial Risk,
- Credit Risk,
- Financial Risk,
- Operational Risk,
- Regulatory Risk,
- Risk in Projects.

The description of particular risks specific to the TAURON Capital Group in the ERM system is presented in the figure below:

**Figure no. 2 Description of specific risks in the ERM system in the TAURON Capital Group**





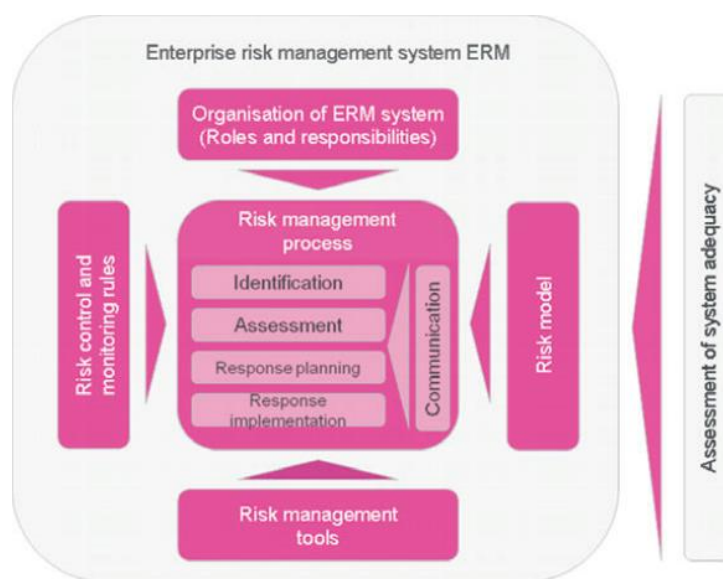
### Risk management system architecture

The centre of the ERM System is the risk management process, which includes continuous activities such as identifying, measuring and developing and implementing risk responses. In addition, the ERM system architecture include elements to ensure the efficient functioning of the process, including:

- 1) organisation of the ERM System,
- 2) principles of risk control and monitoring,
- 3) a risk model,
- 4) risk management tools,
- 5) assessment of the adequacy and functioning of the ERM system.

The figure below shows the design of the ERM system functioning in the TAURON Capital Group.

**Figure no. 3 ERM corporate risk management system**



The ERM system operating in TAURON Capital Group ensures comprehensive and consistent risk management rules linked with each other in terms of methodology and information. The existing risk management system architecture ensures centralising of the measurement, monitoring and risk control functions as well as a possibility of assessment of the full risk profile in the organisation and consistent principles of its management.

The rules of the ERM system are implemented at a level of all significant processes, comprising simultaneously all elements of TAURON Capital Group's value chain, which enables a comprehensive and adequately early risk identification in TAURON Capital Group areas and, as a consequence, provides a possibility to undertake effective risk response.

The effectiveness of the ERM system is simultaneously supported by functional and organisational split of the function of risk taking and risk management as well as its control and monitoring which takes place from the centralised level, at a level of TAURON Capital Group of risk area located in the structures of the parent entity. In accordance with the requirements of the *Best Practice 2016*, the Executive Director for Risk responsible for coordination of the risk measurement and control function reports directly to the member of the Management Board and has a possibility of direct reporting to the Audit Committee.

Moreover, the operating ERM system ensures a clear distribution of competence and responsibility, in particular, through introducing of the risk ownership function which is simultaneously an active process targeted at adequately early identification of threats, enabling undertaking of preventive measures.



Figure no. 4 Risk management as a function of the second line of defence



The risk management system operating in the TAURON Capital Group is a systematic process and it is subject to continuous improvement in order to adjust it to the specific nature and organisational structure of TAURON Capital Group as well as to the changing environment. It puts strong emphasis on building risk management awareness, training and encouraging employees to use knowledge on risks in their daily activities.

In 2019, the internal risk management regulations applicable to the TAURON Group were updated (ERM Strategy, Specific Risk Policies, detailed instructions on the risk management process), taking into account, among other things, the conclusions of the ERM System adequacy study conducted in the organisation. At the same time, the development of the most important tools, from the point of view of risk management, defined within the existing strategy, i.e. risk control indicators with particular emphasis on early warning indicators aimed at the measurement of risk causes and the establishment of prudential thresholds for the adopted indicators in order to better control and monitor risk more fully. For the TAURON Capital Group's defined list of key risks, the need to prepare a Risk Response Plan in the form of a separate document was agreed and the actions within the adopted response plan and their intensification depend on the current level of the EWI indicators.

### Role and responsibilities of risk management system participants

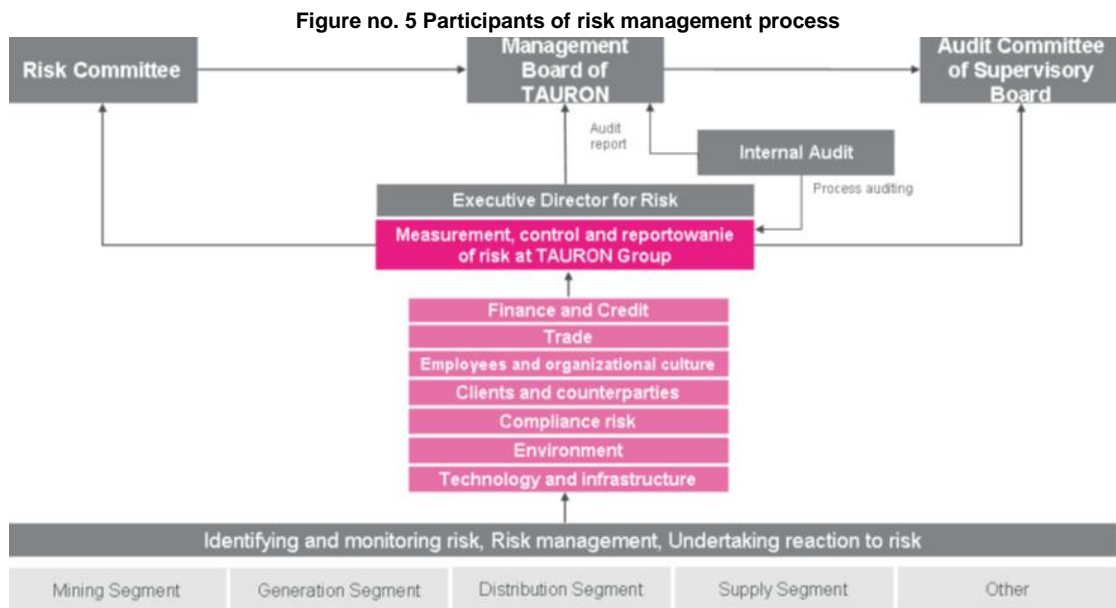
The key assumption of the risk management system is a clear and precise division of tasks and responsibilities, ensuring that no conflicts of interest arise. The system guarantees, in particular, independence of the risk-taking function from its control and monitoring. This is done by centralising the control function at TAURON level in the organisational and functional separation of the risk taking function. The rules of the TAURON Capital Group introduce the function of the Risk Owner, i.e. a person responsible for managing a given risk and developing and implementing an effective response to the threat. The control function, process coordination, as well as responsibility for the proper functioning of the risk management system, has been placed in TAURON, in the Area of the Risk Executive Director.

As part of the risk management process, a special role is played by the Risk Committee, as an expert team that continuously and continuously initiates, analyses, monitors, controls, supports and supervises the functioning of the risk management system in the 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 corporate risk management process.

Within the organisation of the ERM system, the roles and responsibilities of participants in the risk management process in the TAURON Capital Group have been defined. Activities within the implementation of the process are undertaken on a continuous and regular basis, observing the principle of significance and explicitly assigned responsibility (risk ownership) and activity of the process participants.

The figure below shows the information flow within the key participants in the risk management process.



In the opinion of the Supervisory Board, the TAURON risk management system ensures an appropriate level of business security. The risk management process is compliant with the best market practice and the regulatory requirements and the organisation of the process itself ensures independence of control functions from the business activity. Moreover, TAURON continues to develop the existing ERM system, adapting it to the current needs and actively managing risks, aiming at early identification of threats and maximum reduction or elimination of their negative impact, in particular on the financial result of the TAURON Capital Group.

### **Compliance assessment (compliance management)**

In order to meet market standards, the TAURON Group has introduced and is developing the Compliance Management System to ensure that the organisation operates ethically, in accordance with the law and accepted internal corporate regulations.

The Compliance Management System has been created taking into account the needs and specific character of the whole organisation, and covers the activities of all organisational units of the TAURON Capital Group companies.

Compliance management takes place in three areas: compliance with the law, compliance with internal and corporate regulations, and compliance with ethical standards.

Compliance in the TAURON Capital Group is ensured through:

- preventive measures - to prevent non-compliance,
- detection activities - aimed at detecting, investigating and eliminating cases of non-compliance,

- analytical activities - consisting in the verification and analysis of identified cases of non-compliance.

The basis for the functioning of the Compliance Management System in the TAURON Group, in particular the structure, procedures, tools, stages and areas of compliance management are set out in *the TAURON Group Compliance Policy* adopted on 10 June 2018.

The culture of *compliance* at the TAURON Group covers all issues related to compliance, including the implementation of an ethical code in the organisation. The TAURON Group 's *Code of Responsible Business* has been in force since 2017. This regulation is a key document on ethical culture in the organisation.

The compliance tasks in 2019 were carried out by: the TAURON Compliance Officer with the support of the Compliance Team and the Compliance Coordinators of the TAURON Group companies (as of 31 December 2019 this function has been created in 18 TAURON Group companies).

The structuring of the compliance system at TAURON through the separation within the company of the Compliance Officer reporting directly to the President of the Management Board with the ensured possibility of reporting to the Supervisory Board and the Audit Committee is in accordance with:

- Best Practice 2016,
- the standards recommended for the compliance management system in the area of anti-corruption and the whistleblower protection system in companies listed on the markets organised by the Stock Exchange.

The activities carried out in 2019, which are crucial for further development of the TAURON Group's Compliance Management System, included, among others:

- adoption and implementation of *the TAURON Group Compliance Plan* for 2019,
- developing and conducting an information and promotional campaign on the *Rules for Receiving and Giving Gifts of the TAURON Capital Group*.
- development of an information brochure entitled *Rules for Receiving and Giving Gifts in the TAURON Group*,
- development and implementation of an intra-corporate regulation entitled *Rules of conduct in case of inspections in the companies of the TAURON Group*,
- development of the draft *Rules of Conflict of Interest Prevention in the TAURON Group*,
- updating the provisions of the *TAURON Group Compliance Policy*, *the TAURON Group Anti-Corruption Policy*, *the TAURON Group Human Rights Policy*, *the TAURON Group Code of Responsible Business* and *the TAURON Group Credibility Assessment Procedure*,
- drafting anti-corruption clauses to be used in agreements with business partners,
- participation in the development of internal regulations and the introduction of necessary organisational and formal and legal solutions related to TAURON becoming a "professional intermediary in concluding transactions" as well as greater exposure to potential allegations of manipulation on the wholesale energy market,
- taking actions to adjust the TAURON Group to the planned amendment to the VAT Act, concerning, among others: introduction of a mandatory split payment mechanism for the supply of certain goods and the so-called White List of VAT Payers,
- participating in the works to update the *General Principles for introducing bank accounts into the Supplier's File in the Financial and Accounting Systems of TAURON Group Companies*,

- providing opinion on the draft Regulatory Risk Management Policy in the TAURON Group,
- analysing the results of the study in terms of the degree of financial dependence of suppliers on the TAURON Group,
- working on the implementation of a new Contractor Assessment Base,
- development and implementation of e-learning training for employees of TAURON Group companies entitled "Compliance Management System in the TAURON Group",
- carrying out periodic identification of risks in the Security and Compliance Area,
- conducting an information campaign on the Compliance Management System in the TAURON Group,
- organising the first edition of Compliance Day 2019 in TAURON.

The efforts to develop a culture of compliance in the TAURON Group meet with the approval of an organisation with a leading position in the country in terms of compliance, the Compliance Institute. On 27 May 2019 in Warsaw, the jury of the Compliance Awards 2019 competition awarded the TAURON Group in the category of the Compliance Idea of the Year for the Anti-Corruption Campaign of the TAURON Group entitled *Play with us for honest attitudes in our company - learn about the Anti-Corruption Policy of the Group (Graj razem z nami o uczciwe postawy w naszej firmie – poznaj Politykę antykorupcyjną Grupy)*.

Current activities implemented in 2019 included, among others:

- 1) testing the credibility of contractors in accordance with the applicable Procedure for Assessing the Credibility of Contractors of TAURON Polska Energia S.A. - total number of reports issued: 142,
- 2) conducting the process of evaluation of external entities with which the companies of the TAURON Capital Group implement PR and marketing projects - total number of opinions issued: 532,
- 3) responding to employees' compliance questions (resolving questionable compliance issues) - total number of responses: 20,
- 4) issuance of compliance messages - total number of issued messages for all employees of TAURON Group companies: 10
- 5) verification, examination and clarification of reported (potential) cases of non-compliance (*whistleblowing*) - total number of reports: 30,
- 6) issuing opinions and participating in the development of regulations created in the TAURON Capital Group related to the area of compliance management, e.g. *the Policy of observing the rules of ethics and preventing mobbing and discrimination in the TAURON Group*,
- 7) conducting dedicated training courses in 9 TAURON Group companies in the field of compliance management for managers and executives of TAURON Group companies,
- 8) training of 77.63% of TAURON Group employees who have access to the training platform from the Code of Responsible Business in the TAURON Group,
- 9) training of 78.41% of TAURON Group employees who have access to the e-learning platform from the TAURON Group Compliance Management System.

The Compliance Area provided the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. with written reports on the tasks completed after the end of each quarter, and the Supervisory Board of TAURON Polska Energia S.A. after the end of each half-year.

In addition, the Compliance Officer has prepared a written Compliance Report on the functioning of the TAURON Group Compliance Management System, which includes, inter alia, an assessment of the

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adequacy and effectiveness of the adopted Compliance Management System during the reporting period, the degree of implementation of the Compliance Plan, an indication of the measures taken or proposed to be taken in cases of non-compliance or risk of non-compliance.

The presented catalogue of tools, measures, tasks and actions implemented in 2019 by the Compliance Area was diverse and comprehensive, which guaranteed the proper performance of protective, advisory, informational and control functions, and was a fundamental step to ensure the proper functioning of the CMS. *Compliance Management System*) w in the TAURON Group.

Taking into account the foregoing, the Supervisory Board agrees that the objective of the CMS applicable in TAURON Capital Group, i.e. ensuring the compliance of TAURON Capital Group's activities with legal regulations, internal regulations and ethical norms in order to mitigate events negatively affecting its functioning, was implemented in 2019 through various activities which do not only represent the response to irregularities but should be mainly preventive.

### **THIRD LINE OF DEFENCE**

#### ***Assessment of internal audit and control function***

The internal audit function existing in TAURON, which is a part of the Company's internal control system, is assessed as effective. Nevertheless, due to the dynamic development of the organization, the Audit and Control Area is constantly being improved in a manner adequate to the changes taking place.

Audit and Control section plans and implements tasks of audit and control nature, including performance of ordered ad hoc controls, as well as conducts advisory and opinion-forming activities. Methods and rules of functioning of the Internal Audit are defined in the Process Documentation of the Megaprocess 1.5 Audit along with the related document called: *Regulations of Internal Audit in TAURON Group*. The introduction of the aforementioned Megaprocess was a consequence of the adoption of the *Business Model of TAURON Capital Group* by the Management Board of the Company. While implementing the internal audit function, the Company acts in compliance with the Code of Ethics and International Standards of Internal Audit Professional Practice.

The organisational unit headed by the Executive Director for Internal Audit and Internal Control is located in the TAURON organisational structure under the direct authority of the President of the Management Board, which ensures independence, objectivity and proper performance of the audit function. Audit and advisory activities are carried out by two teams: The Strategic Audit Team dealing with strategic tasks, covering the TAURON Capital Group and the Operational Audit Team carrying out specialized operational tasks at the level of individual companies and business areas of the TAURON Capital Group. Similarly, control activities are organized, carried out at the group level by the Internal Control Team and at the level of subsidiaries by controllers employed in these companies.

Additionally, within the Audit and Control Area there is a specialist unit specializing in IT, OT and security systems control. Such organization of the area is aimed at enabling the scope of audits and control of the entire activity of the organization both from the point of view of the needs of the TAURON Capital Group and individual companies. The scope of duties and powers defined in internal regulations, as well as the adopted methods of work and resources available to Audit and Control allow for effective implementation of the set objectives, which in turn translates into the achievement of TAURON Capital Group goals.

The table below presents the basic functions of internal audit and internal control (institutional control) in the TAURON Capital Group.



**Table 9. Basic functions of internal audit and internal control in the TAURON Capital Group**

| No. | Basic functions of internal audit and internal control in the TAURON Capital Group   |
|-----|--|
| 1.  | Supporting TAURON Capital Group in accomplishing 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 Executive Director for Internal Audit and Internal Control carries out his tasks through annual audit and control plans covering both TAURON and other companies of the TAURON Capital Group. Results of Internal Audit activities contain recommendations adjusting control mechanisms operating in TAURON (TAURON Capital Group) as well as suggesting changes of effectiveness nature.

In 2019, 29 planned and ad hoc audit and control tasks were carried out in the TAURON Capital Group. This work resulted in observations, conclusions and recommendations which contributed to the improvement of the internal control system in TAURON and in the entire TAURON Capital Group.. Both the progress of implementation of the issued recommendations and the final deadline for their execution are monitored on an ongoing basis by the Audit and Control Area supported in this respect by the implemented MRA IT tool.

### **9. Assessment of the method of fulfilling disclosure obligations related to the application of corporate governance rules by the Company**

In 2019, the Company was subject to corporate governance rules, described in the document *Best Practice*, which was adopted for application by the Warsaw Stock Exchange Board on 13 October 2015.

In the period covered by this report, the Company applied the recommendations and rules contained in *Best Practice 2016*, excluding the following rules:

- 1) IV.Z.2. concerning ensuring of publicly available real-time broadcasts of General Meetings, due to the lack of the relevant provisions of the Articles of Association enabling the aforementioned broadcast. In order to enable the application of the rule, the Company Management Board requested the Ordinary General Meeting of the Company to adopt the relevant amendment to the Company Articles of Association ensuring publicly available real-time broadcast of General Meetings. However, the Ordinary GM of the Company held on 8 June 2016 did not adopt the amendment to the Company Articles of Association in this scope, as proposed by the Company Management Board.
- 2) VI.Z.1. concerning the construction of incentive schemes in a way necessary, among others, to tie the level of remuneration of members of the Company's management board and key managers to the actual long-term financial standing of the Company and long-term shareholder value creation as well as the Company's stability. This rule was not applied due to the remuneration and bonus system applicable in TAURON in relation to members of the Management Board of the Company and its key managers which stipulates that the level of remuneration will be tied to the financial situation of the Company within the annual perspective, in conjunction with the implementation of strategic objectives,



- 3) VI.Z.2. concerning tying the remuneration of members of the management board and key managers to the Company's long-term business and financial goals. The period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than 2 years. This rule was not applied due to the remuneration and bonus system applicable in TAURON in relation to Members of the Management Board of the Company and its key managers does not provide that remuneration should be tied to instruments linked with the Company shares.

In 2019, the following rules did not apply to the Company:

- 1) I.Z.1.10. concerning placing financial projections on the Company website - if the company has decided to publish them - published at least in the last 5 years, including information about the degree of their implementation - due to the fact that financial forecasts are not published,
- 2) III.Z.6. stating that where the Company has no separate internal audit function in its organisation, the Audit Committee (or the Supervisory Board if it performs the functions of the Audit Committee) should review on an annual basis whether such function needs to be separated - due to the fact that the Company has a separate Internal Audit Department in its organisational structure.

In 2019, the document entitled *Diversity Policy in the TAURON Group* was in force, developed and introduced for use in 2017, describing the applied diversity policy in relation to the Company's governing bodies and its key managers, referred to in the principle marked as I.Z.1.15. of *Best Practice 2016*.

Obligations related to the application of corporate governance rules are set out in § 29 of the *WSE Rules* and § 70.6(5) of the *Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent* (hereinafter the "Regulation").

In accordance with §29 of the *WSE Rules*, should a specific detailed corporate governance rule not be applied on a permanent basis or be breached incidentally, the issuer shall publish a report containing information about which rule is not applied at all or has not been applied, under what circumstances and for what reasons and how the issuer intends to remove effects, if any, of not having applied a given rule on an occasion or what steps it intends to take to mitigate the risk of the rule not being applied in the future. The report should be published at the issuer's official website and in the way analogous to that applied to submission of current reports. The obligation to publish the report should be performed as soon as the issuer becomes reasonably convinced that a given rule will not be applied at all or on an occasion, in any case promptly after an event representing a breach of a detailed corporate governance rule occurs.

In connection with the wording of § 29 of the *WSE Rules* and the entry into force of *Best Practice 2016*, the Company published on 1 February 2016, through the EBI system, a report on their application. Since then, the Company has not recorded any cases of violations of *Best Practice 2016*.

According to the wording of § 70(6)(5) of the Regulation, the report on the issuer's activity should include, inter alia, a separate part of the report on the application of corporate governance, which should include at least the following information:

- 1) indicating:
  - a) the set of corporate governance rules the issuer is subject to and the venue where the text of the set of rules is available to the public, or
  - b) the set of corporate governance rules the issuer could have decided to apply on a voluntary basis and the venue where the text of the set is available to the public, or
  - c) any relevant information related to corporate governance practice used by the issuer, going beyond the requirements stipulated under the national law, including the presentation of information on corporate governance practice used by it,

- 2) to the extent the issuer has waived the provisions of the set of corporate governance rules, indicating such provisions and explaining the reasons for such waiver.

Taking into account the requirements of *the Regulation*, the Company published on its website statements on corporate governance principles, which are a part of the Management Board's reports on TAURON's activities for the years 2010-2018.

In the opinion of the TAURON Supervisory Board, in 2019, the Company duly fulfilled its disclosure obligations related to the application of corporate governance rules set forth in the *WSE Rules* and *the Regulation*, and the explanations and comments published by the Company related to the corporate governance set present the functioning of the Company's governing bodies in a reliable, transparent and appropriate manner.

#### **10. Assessment the rationality of the Company's policy on sponsorship, charity or other similar activities,**

Sponsorship activities have been carried out since 2019 exclusively by TAURON Polska Energia S.A. In previous years such activity was also conducted in TAURON Sprzedaż sp. z o.o. The conducted activity is monitored, analysed and reported on an ongoing basis through detailed reports on the implementation of sponsorship agreements. The surveys and analyses are conducted on a quarterly, semi-annual and annual basis by specialised external entities. Supervision over the projects is exercised by the Communication and Marketing Section at TAURON. Each year, the Management Board adopts a plan for conducting sponsorship activities, which is consulted by the Supervisory Board. Individual contracts are executed on the basis of a standardized model sponsorship agreement. Sponsoring agreements with a value exceeding PLN 500,000 are subject to a separate procedure for the Supervisory Board's opinion. Each year, a report on the conduct of this activity is prepared and, after its adoption by the Management Board, presented to the Supervisory Board.

The implemented procedures make it possible to assess the effectiveness of the conducted activities through opinion polls, measure the value of brand exposure in the context of the objectives indicated in the Strategy in this area and report to the TAURON authorities.

Since 2019, additional success fee clauses are applied in sponsorship agreements. As a result, half of the sponsored entity's remuneration is linked to the media equivalent (AVE) achieved. This is an additional safeguard of the Company's interest. The Company has also established a Sponsorship Committee, which has recommendation powers.

The independent researcher has estimated the advertising equivalent of the activities completed in 2019 as a result of the measurement of promotional effectiveness. By combining the total value obtained in this way with the sum of all expenditures resulting from the relevant sponsorship agreements, the ROI return ratio was obtained at the level of approx. 4.2. This means that each PLN spent on these purposes brought promotional benefits to the TAURON Group, whose value is independently estimated at approx. PLN 4.20. In 2019, the leading projects included: 76. Tour de Pologne and cooperation with TAURON Arena Krakow. Both projects generate very good promotional results, including highly popular sports and cultural events.

The effectiveness of the conducted activities is confirmed by the high positioning of the TAURON brand in an independent research report, *Sponsoring Monitor 2019*, which is the only such source of information about the Polish market. According to this study, TAURON is ranked eighth in the TOP 10 list of sponsors in total, achieving a result close to that of the best competitor in the energy industry. Due to the relatively low level of sponsoring expenditure in TAURON Capital Group, the position in this ranking can be treated as very high.

The regulations of the sponsoring area in the TAURON Capital Group were created on the basis of available reports and specialist consultations, expectations resulting from the good practices in force,

as well as analyses and research, including those carried out in cooperation with thematically specialized entities on the Polish market.

At the end of 2019, the following documents referred to the sponsorship area in the TAURON Capital Group:

- 1) *Sponsorship rules in the TAURON Group* (this document was updated in 2019).
- 2) *Sponsorship strategy of TAURON Group for 2018-2025* (the document was reviewed in 2019).
- 3) Model Sponsorship Agreement together with the Model Agreement Sheet in the Rules of Application of the Standard Clauses.

The guiding idea behind the TAURON Capital Group's activity in the field of corporate social responsibility is the conviction that in the modern world, entrepreneurs are not only important elements of economic life, but also social life, and each of them has an impact on the surrounding reality. Moreover, in the long run, the success of the TAURON Group and the potential for value creation will be determined by actions strengthening the foundations of sustainable development. Their proper shaping helps to respond to challenges and seize opportunities.

The framework for activities in the field of corporate social responsibility of the TAURON Capital Group is the one adopted by the Management Board in 2017. *TAURON Group Sustainable Development Strategy for 2017-2025*. The document was prepared in full compliance with *the TAURON Group Strategy for 2016-2025*, taking into account the opinions of the environment as well as current and future challenges facing the energy sector.

The structure of the Strategy is based on five directions - two leading ones (*Customer Focus and Needs and Reliability and Quality of Products and Services Delivered to Customers*) and three supporting *Safety at Work, Ethical Culture and Employee Engagement, Environmental Protection and Social and Business Partnership*. Within each of them, in turn, commitments have been formulated, which the TAURON Group consistently fulfils. Key initiatives have been assigned to each commitment, with measures allowing to determine the level of implementation. The initiatives and measures were reported by individual companies of the Group, which thus became responsible for meeting their respective obligations.

The scope of activities carried out for the benefit of the communities in which the companies of the TAURON Capital Group operate is very wide. The scale of the initiatives varies: from one-off actions at local level to multi-annual programmes and systemic solutions. However, regardless of their scope and duration, all activities in the field of sustainable development have a common denominator, i.e. they fit into the company's core values, mission and vision - signposts in conducting business activity.

Charity activities in TAURON are carried out through the TAURON Foundation, whose statutory objective is to act for the public good mainly in the field of education, upbringing and science, and additionally in the field of health care, development of the economy, culture and art, social care and assistance, sport and recreation, environmental protection, protection of cultural assets and national heritage and promotion and organization of volunteering. The TAURON Foundation operates on the basis of the funds obtained mainly from the companies of the TAURON Capital Group and the employees' charity activities as part of employee volunteering. The assistance is granted on the basis of the Foundation's budget estimate for a given year prepared by the Management Board and assessed by the Foundation's Council, according to the procedures specified in *the Regulations for Granting Assistance to Beneficiaries*.

In the opinion of the TAURON Supervisory Board in 2019 The Company correctly and rationally implemented initiatives and tasks in the field of corporate social responsibility. All sponsorship projects carried out in 2019 by the companies of the TAURON Capital Group and the TAURON Foundation are in line with *the adopted Sponsorship Strategy of the TAURON Group for the years 2018-2025* and are

in line with the directions supporting: social and business partnership and occupational safety, ethical culture and employee involvement.

*Katowice, 31 March 2020*

Chairwoman of the Supervisory Board - Beata Chłodzińska .....

Deputy Chairwoman of the Supervisory Board - Teresa Famulska .....

Secretary of the Supervisory Board - Jacek Szyke .....

Member of the Supervisory Board - Barbara Łasak - Jarszak .....

Member of the Supervisory Board - Grzegorz Peczkis .....

Member of the Supervisory Board - Jan Płudowski .....

Member of the Supervisory Board - Marcin Szlenk .....

Member of the Supervisory Board - Andrzej Śliwka .....

Member of the Supervisory Board - Katarzyna Taczanowska .....