

**RESOLUTION NO 26**  
**of the Ordinary General Meeting**  
**of the Company operating under the enterprise name: TAURON Polska Energia S.A.**  
**of 15 July 2020**

concerning: adoption of the “Remuneration Policy for Members of the Management Board and Supervisory Board of TAURON Polska Energia S.A.”

Acting pursuant to art. 90d(1) of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies, the Ordinary General Meeting of TAURON Polska Energia S.A. with its registered office in Katowice, resolves as follows:

**§ 1**

The “Remuneration Policy for Members of the Management Board and Supervisory Board at TAURON Polska Energia S.A.” is adopted, constituting the annex to the resolution.

**§ 2**

The Resolution shall enter into force as of its adoption date.

Number of shares under which valid votes were cast (percent in the share capital of the Company): 1.096.550.317 (62,568%).

Total number of valid votes: 1.096.550.317

Votes “for”: 1.016.134.667

Votes “against”: 80.415.650

“Abstaining” votes: 0

The resolution was adopted in an open ballot.

## REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF TAURON POLSKA ENERGIA S.A.

### 1. Objectives and assumptions of the Remuneration Policy

- 1.1. The Remuneration Policy for the Members of the Management Board and Supervisory Board (the “**Remuneration Policy**”) defines the objectives and principles of remuneration of Members of the Management Board and Supervisory Board at TAURON Polska Energia S.A. (“**TAURON Polska Energia S.A.**” or the “**Company**”), taking into account and complying with the applicable provisions of the Polish law, in particular the Act of 9 June 2016 on the principles of shaping the remuneration of persons managing certain companies and the law of the European Union, resolutions of the General Meeting and the Supervisory Board of the Company, provisions of the Code of Best Practice for WSE Listed Companies, European Commission Recommendations of 14 December 2004 on supporting the appropriate system of remuneration of directors of listed companies (2004/913/EC), European Commission Recommendations 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) supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC) as well as the European Parliament resolution of 7 July 2010 on remuneration of directors of listed companies and remuneration policies in the financial services sector (2010/2009(INI)). The Remuneration Policy also takes into account the requirements provided for in Chapter 4a of the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies (consolidated text: Journal of Laws of 2019, item 623).
- 1.2. The Supervisory Board adopted the Remuneration Policy for members of supervisory and management bodies together with a description of the principles of its determination in TAURON Polska Energia S.A. in 2010, after the Company’s shares were admitted to public trading and the Best Practices of WSE Listed Companies were adopted for application. The above Policy was updated in 2017 in connection with the entry into force of the Act of 9 June 2016 on the principles of shaping the remuneration of the managers of certain companies. The Remuneration Policy in its current wording was established in connection with the entry into force of Chapter 4a of the Act of 29 July 2005 on public offer and the conditions of introduction of financial instruments to organised trading system and on public companies.
- 1.3. This Remuneration Policy has been prepared and adopted by the Management Board of the Company and has been positively reviewed by resolution of the Supervisory Board No. 39/V/2020 of 20 April 2020 and adopted by resolution of the General Meeting No. 26 of 15 July 2020. The Remuneration Policy will be posted on the Company’s website together with the resolution of the General Meeting on its adoption, indicating the date of the resolution and the results of voting. The above mentioned documents remain available on the Company’s website at least as long as they are applicable.

- 1.4. Once a calendar year, the Supervisory Board performs a comprehensive, periodic review of remuneration and prepares an annual remuneration report, which is then reviewed by the General Meeting and published. The General Meeting accepts the report of the Supervisory Board in the form of a resolution, which is of an advisory nature. The report of the Supervisory Board is published on the Company's website and made available free of charge for at least 10 years after the end of the General Meeting.
- 1.5. The overarching objectives of the Remuneration Policy are as follows:
  - 1) Ensuring a coherent and motivational system of remunerating the Members of the Management Board;
  - 2) Linking the remuneration principles with the monitoring of the implementation of the adopted strategic plans, long-term interests of the Company and the implementation of financial plans;
  - 3) Shaping the amount of remuneration of the Members of the Management Board of the Company in connection with the implementation of the set management objectives;
  - 4) Increase in the Company's value through the development of the top management staff;
  - 5) Improvement of the remuneration system which translates into implementation of the Company's business strategy and development directions;
  - 6) Ensuring stable development of the Company.
- 1.6. The form, structure and level of remuneration of the Members of the Management Board and the Supervisory Board should be aimed at enabling the acquisition and retention of persons meeting the criteria required to run the Company in a manner which takes into account the interests of the shareholders (building the Company's value for shareholders) and prevents the occurrence of conflicts of interest between the Members of the Management Board and shareholders.
- 1.7. The form, structure and level of remuneration of the Members of the Management Board and the Supervisory Board of the Company is constructed in a manner which is transparent for investors so as to build their trust in the Company and enable them to express their opinion in an appropriate mode.
- 1.8. The remuneration model covered by this Remuneration Policy assumes a two-component remuneration system for the Members of the Management Board, in which the total remuneration of a Member of the Management Board consists of a fixed part, constituting the basic monthly remuneration (the "**Fixed Remuneration**"), and a variable part, constituting the supplementary remuneration for the Company's financial year, depending on the fulfilment of specific management objectives (the "**Variable Remuneration**").
- 1.9. The system of remuneration of the Members of the Management Board assumes linking the variable portion of remuneration to the remaining management objectives resulting from the provisions of the Act of 9 June 2016 on the principles of shaping the remuneration of persons managing certain companies and determined by the General Meeting and the Supervisory Board of the Company on the basis of these provisions. The adoption in the remuneration system of dependency of the variable portion of the remuneration on the achievement of

the management objectives set for implementation is aimed, in particular, at implementing the adopted strategy of the Company (including the business strategy), its development directions and financial plans taking into account the long-term interests of the Company. Moreover, it shapes a new organisational culture of the Company. However, all the above actions must be taken in such a manner that they do not lead to any instability in the Company.

- 1.10. The management objectives and criteria include both the achievement/maintenance of specific financial indicators (e.g. EBITDA, Net Debt/EBITDA, rating, CSI) and non-financial indicators (e.g. implementation of the Strategy of the Tauron S.A. Group, increase in innovation, implementation of pro-ecological investments), as well as the implementation of investments and tasks defined both for the next year and in the long-term aspect, i.e. implementation of the strategy adopted for the next 5 years. In addition, each of the defined objectives (in particular non-financial objectives) is further specified by the tasks/objectives to be performed. The general criteria define the factors used as a basis for assessing the achievement of the objectives. The degree to which the criteria are met is determined by the methods indicated in the Remuneration Policy. The General Meeting authorises the Supervisory Board to specify the objectives and criteria in such a manner that the adopted detailed regulations are consistent with the provisions contained in the Remuneration Policy.
- 1.11. The remuneration system covered by this Remuneration Policy assumes a single-component system of determining remuneration for the Members of the Supervisory Board, in which the remuneration of a Member of the Supervisory Board consists of a fixed portion, constituting a monthly remuneration. The fixed level of remuneration of the Members of the Supervisory Board guarantees objective, uninterrupted monitoring of the implementation of objectives set for the Members of the Management Board by the Supervisory Board. The remuneration method defined in such a manner allows to ensure stability of the Company's operations and assess the degree of implementation of the business strategy and long-term interests by the Management Board.

## **2. Scope of the Remuneration Policy**

- 2.1. This Remuneration Policy sets out the principles of determining and basic structure of remuneration of the Members of the Company's Management Board and the principles of determining remuneration of the Members of the Company's Supervisory Board.
- 2.2. The systems of remuneration of the Members of the Management Board and the Supervisory Board have been determined taking into account the provisions of the Act of 9 June 2016 on the principles of shaping the remuneration of the managers of certain companies and the best market practices applied in business entities, especially in the energy and fuel sector, of a size comparable to the Company.
- 2.3. Resolutions on remuneration of the Members of the Management Board and Members of the Supervisory Board are adopted by the General Meeting and the Supervisory Board within the scope of their competences, where the General Meeting defines the principles of shaping remuneration of members of the

management body and members of the supervisory body, while the Supervisory Board adopts a resolution on shaping remuneration of members of the management body.

- 2.4. In addition, when creating the Remuneration Policy, the working and pay conditions of the Company's employees other than the Members of the Management Board and Supervisory Board were taken into account. In all the Companies of the TAURON Group, including TAURON Polska Energia S.A., activities related to focusing on a consistent approach to the process of remunerating employees are of key importance.
- 2.5. The adopted principles of shaping remuneration define the system of remuneration of the Members of the Management Board in connection with the remaining tasks aimed at implementing the adopted Strategy, development directions and financial plans. These tasks are performed by subordinate managers, Directors and other employees of the Company.
- 2.6. The level and structure of remuneration of lower-level employees depends on achieving results consistent with the strategy of the entire Tauron Group, including TAURON Polska Energia S.A., while taking into account the effects and quality of work. A uniform and comprehensive approach to the process of achieving the management objectives set for the Members of the Management Board is ensured by a system of management with the use of objectives for the top management staff in the Companies of the TAURON Group, applicable in the entire TAURON S.A. Group.
- 2.7. The financial objectives set for the Members of the Management Board, the achievement of which is taken into account when determining the remuneration, are transferred (cascaded) to the managers directly subordinate to them. Other objectives are assigned to individual Directors according to their area of responsibility under the current process management. The transfer of objectives also to employees other than the Members of the Management Board results in that the achievement of objectives by subordinate managers and Directors directly affects the achievement of objectives set for the Members of the Management Board. The correlation between the level and structure of remuneration and the achievement of objectives at all levels therefore has a direct impact on the fulfilment of objectives by the Members of the Management Board and thus on their Variable Remuneration.
- 2.8. The current system of remuneration and bonuses for key managers also provides for the level of remuneration to depend on the financial results of the TAURON Capital Group and TAURON Polska Energia S.A. in the annual perspective and the implementation of strategic objectives. The MTO (Management Through Objectives) bonus system based on market bonus mechanisms ensures the integration of key managers' activities around the achievement of objectives aimed at the implementation of the Strategy, as well as strategic objectives and development directions of individual Companies of the TAURON Capital Group.
- 2.9. The adopted system allows for cascading the objectives set by the Management Board of the Company at the level of the TAURON Capital Group and at the level of the Company to specific, parameterised tasks for employees working at lower

levels of the organisation. At the same time, this tool makes it possible to correlate the key performance indicators set for the Members of the Management Board with the objectives which are set for a given year for the key managers of the Company, and thus to link the remuneration of the managers with that of the Members of the Management Board.

- 2.10. The remuneration of the Members of the Supervisory Board is determined in accordance with the above guidelines.

### **3. Structure and level of remuneration of the Members of the Management Board**

1. The form, structure and level of remuneration of the Members of the Company's Management Board should be constructed in a manner which is transparent for the investors and which fairly balances their strategic interests and the motivational function for the Management Board, taking into account the applicable laws.
2. The remuneration structure for the Members of the Management Board is determined to ensure long-term stability of the Company and to guarantee performance-based remuneration.
3. The Members of the Management Board receive remuneration on the basis of a contract for the provision of management services, concluded for the duration of their functions in the Management Board of the Company.
4. Each party shall have the right to terminate the contract with a three-month notice period. The contract may be terminated at any time by agreement of the parties. The contract may specify the cases allowing the parties to terminate it with immediate effect.

#### **3.1. The principles and amounts of remuneration of the Members of the Management Board**

- 3.1.1. The total remuneration of a Member of the Management Board consists of a fixed portion, constituting the basic monthly remuneration (the Fixed Remuneration) and a variable portion, constituting the supplementary remuneration for the Company's financial year (the Variable Remuneration).
- 3.1.2. The amount of the Fixed Remuneration and the maximum amount of the Variable Remuneration for a given financial year of the Member of the Management Board shall be determined by the Supervisory Board in the form of a resolution. In determining the amount of the Fixed and Variable Remuneration, the Supervisory Board takes into account the provisions of this Remuneration Policy, and in particular the management objectives, criteria and methods of meeting the criteria.

#### **3.2. Fixed Remuneration**

- 3.2.1. The amount of the monthly Fixed Remuneration of the Members of the Management Board, taking into account that it should be appropriate to the position and scope of responsibility and adequately motivate, and eliminate the risk of conflict of interest of the Members of the Management Board, is determined by the Supervisory Board in the range from 7 to 15 times the base

pay referred to in Article 1(3)(11) of the Act of 9 June 2016 on the principles of shaping the remuneration of the managers of certain companies.

- 3.2.2. When determining the amount of the Fixed Remuneration, the Supervisory Board takes into account the content of Article 5(1)(3) of the Act of 9 June 2016 on the principles of shaping the remuneration of the managers of certain companies, by virtue of which, if a Member of the Management Board serves as a member of a body in the Company's subsidiaries within a capital group within the meaning of Article 4(14) of the Act of 16 February 2007 on competition and consumer protection, they shall not receive additional remuneration for the performance of these functions.
- 3.2.3. The Fixed Remuneration shall not affect the benefits received by the Company or a Member of the Management Board, if:
  - 1) the Company uses the private property of the Members of the Management Board and is obliged to reimburse the costs incurred in this respect;
  - 2) the Members of the Management Board are obliged to reimburse the equivalent of the benefits incurred by the Company for the use of the Company's property for private purposes.
- 3.2.4. The Fixed Remuneration shall be reduced in the case of inability of a Members of the Management Board to provide management services in an uninterrupted manner, on the principles set out in a resolution of the Supervisory Board on the remuneration of the Members of the Management Board, except for the right of the Members of the Management Board to a break in the provision of management services not resulting in a reduction of remuneration, in a total number of 24 calendar days in a given calendar year, on the principles set out in a resolution of the Supervisory Board.

### **3.3. Variable Remuneration**

- 3.3.1. The Variable Remuneration of a Member of the Management Board depends on the level of achievement of both general and specific management objectives based on the adopted criteria set out in, or based on, this Remuneration Policy and may not exceed 100% of the annual Fixed Remuneration.
- 3.3.2. If a Member of the Management Board performs the subject of the contract for a period shorter than a full financial year, provided that the period of performing the function in a financial year was longer than 3 (three) months, the Variable Remuneration is calculated proportionally. Proportionality depends on the number of days of providing services by a Member of the Management Board in a given financial year.
- 3.3.3. The degree to which particular management objectives, both financial and non-financial, are achieved has a direct impact on the determination of the Variable Remuneration and constitutes the basic factor for its calculation.
- 3.3.4. The general management objectives are in particular:
  - 1) achieving EBIDTA at the level approved in the Material and Financial Plan for the given financial year;
  - 2) achieving the Net Debt/EBIDTA at the level approved in the Material and Financial Plan for the given financial year;
  - 3) maintaining the Company's rating at the investment level;

- 4) achieving the effects of implemented restructuring programmes or improving operational efficiency in the Capital Group;
- 5) implementation of the Capital Group's strategy, investments in accordance with the schedule and budget which is optimal from the point of view of the profitability of projects and the condition of the Capital Group;
- 6) implementation of key investments for energy security, in particular in the areas of energy generation and distribution, including, in the years 2020-2021, investments related to BAT;
- 7) sales of new products (sales of energy-containing products and synergistic products for electricity and gas);
- 8) improvement of quality indicators for customer service or other operational indicators;
- 9) increase in the Capital Group's innovativeness through research, development, pilot runs and implementation, taking into account the effective use of funds allocated for this purpose.

3.3.5. The Supervisory Board is authorised to annually determine detailed management objectives and detailed criteria on which the amount of the Variable Remuneration depends. At the same time, the Supervisory Board determines the weighting of particular objectives and the criteria and method of calculating the Variable Remuneration. The Supervisory Board cannot establish objectives and criteria which are inconsistent with the Remuneration Policy.

3.3.6. The Supervisory Board, taking into account the management objectives, criteria and indicators of these criteria provided for in this Remuneration Policy, adopts by way of a resolution the detailed criteria, whereby the detailed criteria should be determined in accordance with the SMART principle, i.e. they should be:

- 1) precise - described in detail and clearly defined;
- 2) measurable - formulated numerically or in a manner which makes it possible to determine their fulfilment;
- 3) achievable - possible to be achieved;
- 4) relevant - relevant to the Company and the person in charge of implementation;
- 5) specified in time - a precisely defined moment in time when the assumed indicator level should be reached.

3.3.7. The Supervisory Board determines detailed management objectives and the criteria for their implementation and settlement, taking into account that:

- 1) the Variable Remuneration is due to a given Management Board member after the approval of the Management Board's report on the Company's activity and the Company's financial statements for the previous financial year, and the acknowledgement of the fulfilment of their duties by the General Meeting;
- 2) the payment of a portion of the Variable Remuneration may be deferred for a period not exceeding 36 months, subject to the fulfilment of conditions in accordance with the management objectives set, in which case that portion of the Variable Remuneration may be paid in full or in part at the end of the settlement period;



- 3) the Variable Remuneration is converted proportionally; the proportionality depends on the number of days of providing management services by the Members of the Management Board in a given financial year;
  - 4) meeting the conditions for the Variable Remuneration by individual Members of the Management Board for whom management objectives were set for a given financial year and who performed their functions in the assessed financial year, is decided by the Supervisory Board, specifying the amount due, based on the financial statements and other documents verified by experts, depending on the set objectives;
  - 5) expiry of the mandate of a Member of the Management Board evaluated in terms of fulfilment of management objectives does not result in the loss of the right to the Variable Remuneration, under the terms and conditions specified above, provided, however, that the term of office in the evaluated financial year was longer than 3 (three) months.
- 3.3.8. Detailed management objectives and criteria set by the Supervisory Board in accordance with the adopted Remuneration Policy may be set as management objectives for individual Members of the Management Board, as well as be common objectives - set for all Members of the Management Board.
- 3.3.9. The linking of the Variable Remuneration to the achievement of management objectives according to the criteria set out in this Remuneration Policy and the detailed management objectives set by the Supervisory Board fully meets the requirement that the adopted Remuneration Policy should contribute to the implementation of the business strategy, long-term interests and stability of the Company. The system supports in particular the achievement of strategic objectives and takes into account the dependence of the level of remuneration on the financial situation of the Company and the TAURON Capital Group in the annual and long-term perspective.

#### **3.4. Company obligations and other benefits**

- 3.4.1. In order for the Members of the Management Board to properly perform their duties related to the performance of their functions and to meet the security requirements, the Company's obligation is to provide the Members of the Management Board with technical equipment and resources being the Company's property, necessary for the performance of their functions, in particular: office space with equipment, including a portable personal computer with wireless Internet access and other necessary equipment, means of communication, including a mobile phone and a car with a driver. The scope and principles of providing access to technical devices and resources being the Company's property are determined by the Supervisory Board.
- 3.4.2. Due to the obligations of the Members of the Management Board related to participation in conferences, seminars or meetings of a business nature related to the Company's business, the Company shall cover the costs related to the Members of the Management Board's participation in the above conferences and meetings as well as costs related to business travel in Poland and abroad, including travel and accommodation costs in accordance with the Business Travel Policy in force in the Company.

- 3.4.3. The Supervisory Board shall determine the scope and principles of using the following additional benefits for the Members of the Management Board, including those not of direct monetary nature, in particular such as:
- 1) use of a company car for commuting from the place of residence to the Company's headquarters and for private purposes;
  - 2) health and life protection benefits, in particular: private medical insurance, including for immediate family, group insurance coverage, coverage of personal and property protection costs;
  - 3) the Company covering the cost of official apartment or granting of a housing allowance in the case of permanent residence at a considerable distance from the Company's headquarters;
  - 4) the Company refinancing or covering the costs of individual training courses, including foreign language learning, participation in post-graduate studies or other forms of learning;
  - 5) the Company incurring or refinancing of the basic contribution for the participation of a Member of the Management Board in an employee pension scheme operated by the Company under the Act on Employee Pension Schemes of 20 April 2004, on the terms and conditions provided for in the Workforce Agreement concluded on 25 September 2008;
  - 6) other employee benefits and advantages resulting from internal acts or applicable regulations binding in the Company, including electricity equivalent, multisport card, etc.
- 3.4.4. Unless the terms and conditions, limits and rules of using the benefits referred to in section 3.4.3. arise from this Remuneration Policy or internal regulations applicable in the Company, they will be each time determined by the Supervisory Board.
- 3.4.5. In the event of termination of the contract, the Members of the Management Board may be granted a severance pay of no more than three times the Fixed Remuneration, provided that they have performed their function for a period of at least 12 (twelve) months before the termination of the contract linking them to the Company. The terms and conditions of granting the severance pay in question shall be determined by the Supervisory Board on the basis of a resolution of the General Meeting of the Company on the principles of shaping the remuneration of the Members of the Management Board.
- 3.4.6. The Supervisory Board may conclude a non-competition agreement with a Member of the Management Board effective for the period after they cease to perform their function on the Company's Management Board; however, the agreement may be concluded only if the Member of the Management Board has performed their function for at least 6 (six) months, and the amount of compensation for each month of the non-competition agreement being in force may not exceed 50% of the Fixed Remuneration, and the non-competition ban period may not exceed 6 (six) months they have ceased performing their function as a Member of the Management Board.

#### **4. Principles of remuneration of the Members of the Supervisory Board**

- 4.1. The Members of the Supervisory Board shall receive remuneration on the basis of the corporate relationship resulting from their appointment by appropriate resolutions for the term of their mandate. The Members of the Supervisory Board are appointed and dismissed by the General Meeting and the State Treasury - according to the principles set out in the Articles of Association. The General Meeting appoints the Members of the Supervisory Board for a joint term of office of 3 (three) years.
- 4.2. The remuneration of the Members of the Supervisory Board is determined by resolution of the General Meeting, taking into account the provisions of the Act of 9 June 2016 on the principles of shaping the remuneration of the managers of certain companies, and it is calculated as the product of the base pay referred to in Article 1(3)(11) of the same Act and the multiplier indicated in the resolution of the General Meeting on the determination of the remuneration of the Members of the Supervisory Board.
- 4.3. A Member of the Supervisory Board is entitled to a fixed monthly remuneration, regardless of the number of meetings convened. The remuneration is determined taking into account the function performed on the Supervisory Board.
- 4.4. The remuneration will be calculated in proportion to the number of days of performing the function if the appointment or expiry of the mandate of a Member of the Supervisory Board took place during a calendar month.
- 4.5. The remuneration shall not be due for the month in which the Member of the Supervisory Board was not present at any of the formally convened meetings for unjustified reasons. The Supervisory Board shall decide on excusing or not excusing the absence of a Member of the Supervisory Board at its meeting by way of a resolution.
- 4.6. The Company shall cover the costs incurred in connection with the performance by the Members of the Supervisory Board of the functions entrusted to them, in particular: costs of travel from the place of residence to the place where the Supervisory Board meeting or the Supervisory Board Committee meeting is held and back, costs of individual supervision and costs of accommodation and board.

#### **5. Information policy**

- 5.1. The information policy on the form, structure and level of remuneration of the Members of the Management Board and Supervisory Board of the Company should be maintained by the Company in consultation with the Supervisory Board of the Company in a manner consistent with applicable regulations and best market practices.
- 5.2. The total remuneration and other benefits granted to the individual Members of the Management Board and Supervisory Board during a given financial year will be disclosed in annual financial statements.

#### **6. Avoiding conflicts of interest**

- 6.1. The division of competence to determine the amount of remuneration of the Members of the Management Board and Supervisory Board, as provided for in Article 378 and 392 of the Commercial Companies Code, taking into account the

provisions of this Remuneration Policy, is a fundamental factor in preventing conflicts of interest.

- 6.2. A Member of the Management Board is obliged to immediately notify the Chairman of the Supervisory Board, and a Member of the Supervisory Board - the President of the Management Board, if a conflict of interest is identified as likely to arise or has arisen in relation to them, within the scope covered by this Remuneration Policy.
- 6.3. In the event of a conflict of interest, the Supervisory Board implements a procedure to update the Remuneration Policy accordingly in order to eliminate or prevent an identified or existing conflict of interest from arising in the future.

## **7. Deviations from the Remuneration Policy**

If it is necessary to pursue long-term interests and financial stability of the Company or to guarantee its profitability, and in particular if, in the light of the current economic situation of the Company, it would be objectively impossible to pursue general objectives in accordance with the criteria set forth in the Remuneration Policy and the specific criteria provided for in a resolution of the Supervisory Board, the Supervisory Board may decide to temporarily waive the application of this Remuneration Policy.