



**STATEMENT ON APPLICATION  
OF CORPORATE GOVERNANCE IN 2022**

**MARCH 2023**

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# STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE

Pursuant to § 70, clause 6, sub-clause 5) of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic (interim) information disclosed by the issuers of securities and conditions to acknowledge as equivalent information required by legal regulations of a non-member state (i.e. Journal of Laws of 2018, item 757), the Management Board of the Company presents the statement on the application of corporate governance in 2022.

## 1. Applied set of Corporate governance rules

In 2022 the Company was subject to the corporate governance rules, described in the Best Practice of the WSE (GPW) Listed Companies 2021 (Best Practice 2021), adopted by the Supervisory Board of the WSE (GPW) by way of the resolution no. 13/1834/2021 of March 29, 2021, which came into force on July 1, 2021, and have been applied by the Company since that date.

The text of the Best Practice 2021 document is published on the WSE (GPW) website at the address: <https://www.gpw.pl/dobre-praktyki2021>.

Up to date Information on the application by the Company of the principles contained in the Best Practice 2021 document is posted on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/lad-korporacyjny>.

### Description of the manner in which the Company is applying the principles provided in the Best Practice 2021

The Company presents the below information on the rules applied by the Company that.

#### The rules related to the information disclosure policy and communications with the investors

Section 1 of the Best Practice 2021 sets out the rules for ensuring the proper communications with the stakeholders and conducting a transparent and reliable information disclosure policy.

The Company uses various channels of communications with the capital market participants. All of the information required by the law is posted and updated on an ongoing basis on the Company's website. The Company maintains ongoing contacts with the investors (institutional and individual) as well as the analysts from the brokerage houses and the investment banks. The Company communicates with them at the conferences organized following the publication of every interim report, individual meetings organized at the request of the investors and analysts, and the regularly organized chats for the retail investors. The contact details for the investors along with the available telephone numbers and e-mail addresses, as well as a contact form (rule 1.1.), are provided on the website <https://www.tauron.pl/tauron/relacje-inwestorskie>.

The Company prepares and publishes, on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie>, the periodic (interim) reports containing the financial results as soon as possible following the end of the reporting period. In order to reduce the investors' uncertainty with respect to the Company's financial standing, the Company publishes the estimated financial results prior to the publication of the periodic (interim) reports (rule 1.2.).

The Company also incorporates the ESG subjects into its business strategy, including in particular:

1. environmental issues, including the metrics and risks related to climate change and the sustainability issues,
2. social and labor issues, including the measures, taken and planned, aimed at, among others, ensuring gender equality, sound working conditions, respect for the employees' rights, dialogue with the local communities, customer relations.

The Group's Strategy also covers the ESG subjects and it was described in current report no. 27/2022 of June 22, 2022. The detailed information on the adopted Strategy is provided in the presentation posted along with the current report on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/raporty-biezace/raport-biezacy?id=8361315>. In addition, the most relevant information with respect to the Strategy was included in the 2021 Integrated Report published on the Company's website at the address: <https://raport.tauron.pl/> (rule 1.3.).

In order to ensure proper communications with the stakeholders, with respect to the adopted business strategy, the Company posts, on the Company's website at the addresses: <https://www.tauron.pl/tauron/o-tauronie/tauron-dla-otoczenia/zielony-zwrot> and <https://www.tauron.pl/tauron/o-tauronie/raportowanie-esg>, the information on the assumptions of the strategy it has, measurable goals, including in particular the long term goals, planned activities and the progress in the implementation thereof, defined by the metrics, financial and non-financial. The information on strategy in the ESG area, among other things: explains how the climate change issues are taken into account in the decision making processes of the Company and those of its Group's entities, indicating the risks involved with respect thereto (rule 1.4.).

The Company discloses the expenses incurred thereby and its Group to support culture, sports, charitable institutions, the media, social organizations, trade unions, etc. in the Report of the Management Board on the Operations of TAURON Polska Energia S.A. and TAURON Capital Group in section 2.9. (rule 1.5.).

The Company holds conference calls for the investors, analysts and media representatives every time after the publication of the financial results. These conference calls are made available online in real time to all of the interested parties. During the earnings conference calls, the representatives of the Management Board of the Company present and comment on the financial results posted, the adopted strategy and the implementation thereof, as well as the most important events that have an impact on the operations of the Company and TAURON Capital Group, as well as the outlook for the future. During the meetings, the Management Board of the Company publicly provides explanations and gives answers to the questions asked (rule 1.6.).

Investors may submit their questions in writing, by phone, via e-mail or using the contact form available on the website <https://www.tauron.pl/tauron/relacje-inwestorskie/kontakt-dla-inwestorow/formularz>. The Company has adopted a Procedure for disclosing the information on the Company and the subsidiaries thereof for the purpose of the Investor Relations, along with an indication of the deadlines for completing the individual activities. The answers to the questions are provided immediately, and in the case of the issues that would require in-depth analyses / calculations, within 10 days (rule 1.7.).

### **The rules related to the Management Board and the Supervisory Board**

Section 2 of the Best Practice 2021 sets out the rules with respect to the performance of the Management Board and the Supervisory Board of their duties.

At least two members of the Supervisory Board shall meet the independence criteria listed in the Act of May 11, 2017, on certified auditors, audit firms and public oversight, and have no actual and material ties to a shareholder holding at least 5% of the total number of votes in the company (rule 2.3.).

The Company shall ensure that the voting of the Supervisory Board and the Management Board is public, unless otherwise provided for by the legal regulations (rule 2.4.).

The Rules of Procedure of the Company's Supervisory Board and the Rules of Procedure of the Company's Management Board shall provide for the voting Members of the Management Board and the Supervisory Board to submit a dissenting opinion to the minutes (rule 2.5.).

Serving on the Company's Management Board shall be the main area of the professional activity of the Members of Management Board, and the performance of functions by the Members of the Management Board on the corporate bodies of the entities outside of the Capital Group shall require an approval of the Supervisory Board (rule 2.6. and rule 2.7.). The Members of the Supervisory Board shall be able to devote the required amount of time to perform their duties (rule 2.8.), the Chairperson of the Supervisory Board shall not manage the works of the Audit Committee (rule 2.9.), and the administrative and financial resources shall be delegated in accordance with the Company's size and the Company's financial position to ensure the efficient functioning of the Supervisory Board (rule 2.10.).

Once a year, the Supervisory Board shall prepare and submit to the Ordinary General Meeting for approval an annual report that includes at least the information indicated in rule 2.11.

### **The rules related to the internal systems and functions**

Section 3 of the Best Practice 2021 refers to the efficient operation of the Company's internal systems and functions as the tools to be used for the oversight.

The Company shall maintain the following effective systems: internal control system, risk management system and compliance system, as well as an effective internal audit function, corresponding to the size of the Company and the type and scale of its operations (rule 3.1.). The Company shall have in place separate units responsible for the tasks of the individual systems or functions (rule 3.2.).

The Company has appointed an internal auditor who shall manage the internal audit function acting in accordance with generally recognized international standards of professional internal audit practice (rule 3.3.).

The compensation of the persons responsible for the risk management and compliance as well as that of the head of the internal audit shall depend on the performance of the assigned tasks and not on the Company's short term results (rule 3.4.). The persons responsible for the risk management and compliance shall report directly to the President or another Member of the Management Board (rule 3.5.).

At least once a year, the person in charge of internal audit shall submit to the Supervisory Board an assessment of the effectiveness of the systems and functions referred to in rule 3.1, along with a corresponding report (rule 3.8.). The Audit Committee shall monitor the effectiveness of the following systems: internal control system, risk management system, compliance system, and the internal audit function, while the Supervisory Board shall perform an annual assessment of the effectiveness of the functioning of these systems and functions (rule 3.9.). By 2026, the Company is planning to perform an independent assessment of the internal audit function (rule 3.10.).



## The rules related to the General Meeting and the relations with the shareholders

Section 4 of the Best Practice 2021 sets out the rules for holding the General Meetings and the other rules aimed at encouraging the shareholders to get involved in the Company's affairs.

Pursuant to the Regulations of the General Meeting, the Company shall determine the place and date, as well as the form of the General Meeting in a manner that would enable the participation of as many shareholders as possible (rule 4.2.).

The Company shall provide a publicly available broadcast, in real time, of the General Meeting, and the representatives of the media shall be allowed to attend the General Meetings (rule 4.3. and rule 4.4.).

In case the General Meeting is convened by an entity or authority other than the Management Board pursuant to the provisions of the Code of Commercial Companies, the Management Board shall take all of the required steps to convene, organize and conduct the General Meeting (rule 4.5.).

The draft resolutions of the General Meeting related to the issues and decisions other than those of a procedural nature shall include a justification (statement of reason), unless it stems from the documentation presented to the General Meeting (rule 4.6.).

The Supervisory Board shall provide its opinion (feedback) on the draft resolutions to be put on the agenda of the General Meeting by the Management Board (rule 4.7.).

In accordance with the Regulations of the General Meeting the Shareholders should submit draft resolutions of the General Meeting on the issues put on the agenda of the General Meeting no later than 3 days prior to the General Meeting (rule 4.8.).

Pursuant to the Regulations of the General Meeting, the shareholders who intend to propose candidates for the members of the Supervisory Board should provide the Company with the justification of the candidates along with the professional CVs of the candidates and a complete set of materials related thereto, by the deadline that would enable the other shareholders to study them before the General Meeting is held and to make a decision on the appointment of a member of the Supervisory Board based on the adequate knowledge, but not later than 3 days prior to the General Meeting. The information received from the shareholders shall promptly be made available by the Company to the other shareholders in the manner specified in the announcement (notice) on the General Meeting for the provision of the documentation and the draft resolutions to be presented to the General Meeting. A shareholder proposing the candidates for the members of the Supervisory Board shall submit to the Company, along with the justification for the candidate, a statement of the candidate on the candidate's compliance or non-compliance with the independence criteria specified in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, as well as on the existence or non-existence of the actual and material ties between this candidate and a shareholder holding at least 5% of the total number of votes in the Company (rule 4.9.).

The Members of the Management Board and of the Supervisory Board shall participate in the sessions of the General Meeting in a group of its representatives that would enable them to provide substantive answers to the questions asked during the General Meeting. The Members of the Management Board and of the Supervisory Board as well as the certified auditor of the Company shall, within the limits of their competences and to the extent required to evaluate the matter included in the agenda of the General Meeting, provide the participants of the Meeting with the explanations and information regarding the Company. The Management Board shall present to the participants of the Ordinary General Meeting the financial results of the Company and other material information contained in the financial statements subject to the approval by the General Meeting (rule 4.11.).

In accordance with the Regulations of the General Meeting, a resolution of the General Meeting on the issue of the shares with the subscription rights (rights issue) shall specify in detail the issue price or the mechanism for the determination thereof, or shall oblige the authorized body to determine it prior to the subscription right date, within the time that would enable making of the investment decision. Since the date of the Best Practices 2021 coming into force, there have been no resolutions of the General Meeting on the issue of shares with the subscription rights (rights issue) (rule 4.12.).

In accordance with the Regulations of the General Meeting a resolution on a new issue of the shares with the exclusion of the subscription rights, which at the same time grants the pre-emptive right to take up the newly issued shares to the selected shareholders or other entities, may be adopted if at least the following conditions are met:

1. The Company has a rational, economically justified need to urgently raise capital or the issue of the shares is related to the rational, economically justified transactions, among others such deals as a merger with or an acquisition of another company, or the shares are to be taken up under the incentive program adopted by the Company,
2. people who will be entitled to the pre-emptive rights will be identified according to the objective general criteria,
3. the price of the shares to be taken up will be in a rational relation to the current price of the Company's shares or will be determined as a result of the market based book building process.

Since the date of the Best Practices 2021 coming into force, there have been no resolutions of the General Meeting on the new issue of shares with the exclusion of the subscription rights (rule 4.13.).

### **The rules on the conflict of interest and the related party transactions**

Section 5 of the Best Practice 2021 sets out the procedures for managing a conflict of interest and concluding transactions with the related entities under such conditions when there is a possibility of a conflict of interest arising.

In accordance with the Regulations of the Management Board and the Regulations of the Supervisory Board of TAURON Polska Energia S.A., the Members of the Management Board or of the Supervisory Board shall inform the Management Board or the Supervisory Board, respectively, of any conflict of interest or the possibility of the occurrence thereof and they shall not participate in the consideration of a matter in which a conflict of interest may arise with respect thereto (rule 5.1.).

In accordance with the Regulations of the Management Board of TAURON Polska Energia S.A., if a Member of the Management Board or of the Supervisory Board considers that a decision of the Management Board or of the Supervisory Board, respectively, is contrary to the interests of the Company, he/she should demand that his/her dissenting opinion on the matter be included in the minutes of the meeting of the Management Board or of the Supervisory Board (rule 5.2.).

In accordance with the procedures implemented in the Company, no shareholder shall be privileged over the other shareholders in relation to the transactions with the related entities. This shall also be applicable to the transactions between the Company's shareholders and the entities that are a part of the Company's group (rule 5.3.).

In accordance with the Company's Articles of Association a resolution of the General Meeting authorizing the Management Board of the Company to take steps aimed at acquiring the shares to be redeemed shall specify the conditions for the purchase of the shares by the Company (buy-back), while ensuring that the rights of all of the shareholders are respected (rule 5.4.).

In case a transaction of the Company with a related entity requires an approval of the Supervisory Board, prior to adopting a resolution on granting the approval, the Supervisory Board shall assess whether it is necessary to first consult an external entity that will carry out the valuation of the transaction and analyze its economic effects (rule 5.5.). On the other hand, if the conclusion of a transaction with a related entity requires an approval of the General Meeting, the Supervisory Board shall prepare an opinion on the legitimacy of concluding such a transaction and, in such a case, shall assess the need to consult an external entity referred to in the previous sentence (rule 5.6.).

In case the decision on the conclusion by the Company of a material transaction with a related entity is made by the General Meeting, prior to making such a decision, the Company shall provide all of the shareholders with access to the information required to assess the impact of this transaction on the Company's interest, including providing the opinion of the Supervisory Board referred to in rule 5.6. (rule 5.7.).

The Company publishes on its website a list of the material transactions with the related entities drawn up in accordance with Art. 90i of the *Act of July 29, 2005, on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*: <https://www.tauron.pl/tauron/relacje-inwestorskie/wykaz-istotnych-transakcji>.

### **The rules related to the compensation**

Section 6 of the Best Practice 2021 sets out transparent, fair, consistent and non-discriminatory principles for the compensation of the management team.

The compensation of the Members of the Management Board of the Company and of the Supervisory Board of the Company as well of the key managers is sufficient to attract, retain and motivate people with the competencies required for the proper management and oversight of the Company. The amount of the compensation is adequate to the tasks and duties performed by the individuals and the responsibility related thereto (rule 6.1.). The amount of compensation of the Members of the Supervisory Board is not dependent on the Company's short term performance (rule 6.5.).

## **2. Set of abandoned rules of Corporate governance**

The Company did not apply the following rules provided in the Best Practice 2021 in 2022:

1. 1.4.2. – the rule related to the presentation of the value of the ratio expressing the equal compensation paid out to its employees, calculated as a percentage difference between the average monthly compensation of women and men for the last year and the information on the actions taken in order to eliminate any potential inequalities in this respect, including the presentation of the risks related thereto and the time horizon over which achieving of equality is planned.

*This rule was not applied by the Company due to the fact that this ratio did not reflect the actual conditions for the possibility of employing women and men in the Company's selected lines of business.*

Regardless of this, the Company is guided by the principle of equal treatment of its employees and does not tolerate discrimination on any grounds, in particular, based on age, gender, race, nationality, religion, sexual orientation, appearance, fitness or difference of opinion. Measures are taken as well as procedures and mechanisms are implemented to protect the employees against discrimination and unequal treatment, and to ensure the detection and elimination of the cases of such unlawful practices. The above mentioned principles stem from TAURON Group's Corporate Social Responsibility Code of Conduct (<https://www.tauron.pl/tauron/o-tauronie/kodeks-odpowiedzialnego-biznesu>) and TAURON Group's Respect for Human Rights Policy.

2. 2.1. – the rule related to having a diversity policy in place with respect to the Management Board and the Supervisory Board, adopted by the Management Board or the Supervisory Board, respectively, defining the diversity goals and criteria, among others in terms of gender, education background, specialist knowledge, age and professional experience, as well as indicating the date and method of monitoring the achievement of such goals. In terms of the diversity with respect to gender the prerequisite for ensuring the diversity of the Company's authorities is the participation rate (share) of the minority in the given authority at a level of not less than 30%.

*The Company has implemented TAURON Group's Diversity Policy, on the basis of which TAURON Capital Group applies the policy of equal treatment and strives to ensure diversity in terms of gender, education, age and professional experience for all employees. However, the Company does not have a diversity policy with respect to the Management Board and the Supervisory Board in terms of the minority share in the given authority at a level of not less than 30%, due to the adoption by the Company of the solutions in accordance with the Act of December 16, 2016, on the principles of state assets management regarding the appointment of the members of the Management Board following the conducting of the recruitment procedure aimed at checking and assessing the qualifications of the candidates and selecting the best candidate to be a member of the Management Board. In the case of appointing the members of the Supervisory Board, the minister competent to exercise the rights related to the rights attached to the shares of the State Treasury has the statutory power to appoint the majority of the members of the Supervisory Board.*

3. 2.2. – the rule stating that the persons making the decisions on the appointment of the members of the Management Board or the Supervisory Board should ensure the versatility of these authorities by selecting as the members thereof the persons that would ensure the diversity, enabling, inter alia, achieving of the target minimum minority participation rate (share), set at a level of not less than 30%, in line with the goals set out in the adopted diversity policy referred to in rule 2.1.

*The Company currently does not ensure a 30% diversity level with respect to the share of women in the membership of the Management Board and of the Supervisory Board. The General Meeting, having in mind the goal of ensuring the diversity with respect to the shares of women and men in the membership of the Supervisory Board, on May 24, 2021, adopted the amendments to the Regulations of the General Meeting of the Company, inter alia, by adding in § 24, section 5 with the following wording: "Persons making the decisions on the appointment of the members of the Supervisory Board should ensure the versatility of the authority by selecting as the members thereof the persons that would ensure the diversity, enabling, inter alia, achieving of the target minimum minority participation share, set at a level of not less than 30%, in line with the goals set out in the diversity policy adopted by the Company". With regard to appointment of the Members of the Management Board, the Company applies the provisions of the Act of December 16, 2016, on the principles of state assets management, in line with which the members of the Management Board shall be appointed following the conducting of the recruitment procedure aimed at verifying and assessing the qualifications of the candidates and selecting the best candidate to be a Member of the Management Board.*

4. 3.6. – the rule stating that the Head of the Internal Audit reports organizationally to the President of the Management Board, and functionally to the chairperson of the audit committee or the chairperson of the supervisory board, if the supervisory board performs the function of the audit committee.

*The internal audit unit, headed by the Executive Director for Audit and Internal Control, is placed in the organizational structure of the Company under the direct authority of the President of the Management Board. Functionally, the Head of the Internal Audit does not report to the Chairperson of the Audit Committee, however, in order to maintain the independence, objectivity and proper performance of the audit and control functions, the Executive Director for Audit and Internal Control is provided with the option of the periodic reporting to the Audit Committee and the Supervisory Board of the Company.*

5. 3.7. – the rule stating that that rules 3.4. - 3.6. shall also apply to those entities from the company's group that are of material importance to the operations thereof, in case they have designated (appointed) persons to perform these tasks.

*The Risk Management Coordinators and the Compliance Coordinators, who do not always report directly to the president or another member of the subsidiary's management board, have been appointed at TAURON Capital Group's subsidiaries that are of material importance to the operations thereof. The solutions adopted at these subsidiaries in terms of the organizational structure, in spite of the fact that they do not always ensure the direct reporting to a member of the company's management board, do not restrict the possibility of the*

direct reporting to the members of the company's management board. In December 2021, TAURON Group's Compliance Policy was updated, where it was indicated that the Compliance Coordinator should report directly to the President of the Management Board or another Member of the Management Board of the Company. Accordingly, actions have been initiated to implement the above mentioned provision. With regard to the Audit and Internal Control Area, the audit function is centralized, and no persons have been designated (appointed) to perform the audit tasks at the subsidiaries.

6. 4.1. – the rule related to allowing the shareholders to take part in a general meeting by means of electronic communication, if it is justified due to the shareholders' expectations reported to the company, provided that it is able to provide the technical infrastructure required to conduct such a general meeting.

*The Company monitors, on an ongoing basis, the changes in the shareholding structure that could affect the way the communication is conducted during the general meeting. In addition, in the event that the Company receives requests from the shareholders to conduct a general meeting using the electronic means of communication, the Company will verify the technical possibilities that would ensure the safe conduct of the general meeting for the shareholders and the Company, and in the absence of any contraindications, the Company will take actions in accordance with this recommendation.*

7. 4.14. – the rule stating that the company should strive to distribute the profit by paying out a dividend, while retaining of the entire profit in the company is possible if any of the following reasons occur:

- 1) the amount of this profit is minimal, and as a consequence the dividend would be insignificant in relation to the value of the shares
- 2) the company reports uncovered losses from the previous years, and the profit is to be used to reduce such losses,
- 3) the company justifies that the allocation of the profit to the investments will bring tangible benefits to the shareholders,
- 4) the company has failed to generate cash that would enable the payout of the dividend,
- 5) the payout of the dividend would significantly increase the risk of a breach of the covenants included in the credit agreements that are binding for the company or the terms of the bond issue,
- 6) leaving the profit in the company is in line with the recommendation of the institution exercising the supervision over the company due to its specific type of operations.

*In accordance with the adopted Dividend Policy, the Company is planning, in the long term, to pay out a dividend in the amount of at least 40% of the consolidated net profit. The intention of the Company is to ensure a dividend yield at a competitive level in relation to the long term debt instruments issued on the Polish market by companies with the investment grade ratings.*

*Over the time frame covered by the Strategy, i.e. until 2030, due to the high level of the planned capital expenditures associated with the implementation of the strategic projects, the dividend policy assumes that the Management Board of the Company will not be recommending to the General Meeting of the Company the payout of the dividends, provided that, in the opinion of the Management Board, such a retention of the funds by TAURON Group will contribute to an increase in the value of its assets*

*The decision with respect to the payout of the dividend is made by the General Meeting of the Company having obtained the recommendation of the Management Board of the Company, which takes into account, in particular, the following factors: the legal requirements and the provisions of the financial agreements, in particular with respect to not exceeding a certain level of the leverage ratio, ensuring an investment grade rating, the implementation of the investment policy, the Group's liquidity position and the cost and options for obtaining of the financing,.*

*The Company's Dividend Policy is largely in line with rule 4.14. of the Best Practice 2021, although it also provides for a broader range of the events or circumstances justifying the lack of the dividend payout, and thus the Company's decision may be made on the basis of the premises that are not referred to in the catalog specified under rule 4.14. of the Best Practice 2021.*

8. 6.2. – the rule regarding such a structuring (design) of the incentive programs that, inter alia, the level of the compensation of the members of the management board of the company and that of the key managers thereof would be made dependent on the actual, long term situation of the company in terms of the financial and non-financial results as well as the long term increase in the shareholder value and the sustainable development, as well as the stability of the company's operations.

*The level of the variable compensation of the Members of the Management Board and the key managers of the Company is dependent on the annual consolidated financial results of the Company and the long term standing of the Capital Group in terms of the non-financial results. The principles of compensating the Members of the Management Board, that would assume, inter alia, that the variable compensation should be dependent on the annual results, were adopted by the General Meeting of the Company at the request of a shareholder State Treasury. Changing of the above mentioned principles shall require a decision of the Shareholders.*



9. 6.3. – the rule stating that if one of the company's incentive programs is a management options program, then the implementation of the options program should be conditional on the eligible persons achieving, for at least 3 years, the predetermined, realistic and adequate financial and non-financial, as well as the sustainable development goals, and the established price at which the eligible persons would purchase the shares or settle the options may not differ from the value of the shares from the period when the program was adopted.

*The compensation and bonus system for the Members of the Management Board of the Company and the key managers thereof in force does not provide for linking the compensation with the instruments tied to the Company's shares.*

10. 6.4. – the rule stating that the supervisory board shall perform its tasks on a continuous basis, therefore the compensation of the members of the supervisory board may not depend on the number of the meetings held. The compensation of the members of the committees, in particular the audit committee, should take into account the additional workload related to the work in such committees.

*Members of the Supervisory Board receive a fixed monthly compensation, regardless of the number of the convened meetings and regardless of the participation of the Members of the Supervisory Board in the works of the committees, including the Audit Committee.*

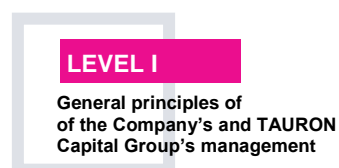
The other rules included in the Best Practice 2021 were applied by the Company in 2022.

### **Information on the change of the scope of the application by the Company of the rules included in the Best Practice 2021 in 2022**

In an effort to apply the broadest possible scope of the Best Practice 2021, the Company in 2022 began applying rule 3.4. and rule 3.5. in 2022.

## **3. Main characteristics of the internal controls and risk management systems in relation to the process of drawing up the financial statements and the consolidated financial statements**

The internal control (audit) and risk management system with respect to the process of drawing up the financial statements and the consolidated financial statements is implemented on 3 levels:



Pursuant to the adopted internal regulations TAURON Capital Group's subsidiaries operate based on the organizational regulations and have defined organizational structures in place, where the applicable business units are assigned the responsibility for drawing up the financial statements and the consolidated financial statements. Such units are obliged to perform the ongoing control that is built into the tasks performed and the functional control of their activities. Based on TAURON Capital Group's Business

Model put in place the Process Documentation of Mega-process 3.4 *Accounting* was implemented, containing, among others, processes associated with the financial reporting of the Company and TAURON Capital Group. The process documentation defines the responsibilities of the business units within the reporting processes.



TAURON Capital Group has put the Risk Area in place, whose role is to oversee and establish TAURON Capital Group's risk management system. These functions are implemented within the Company by the Corporate, Market and Credit Risk Management Teams as well as by the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions. The purpose of the risk management is to ensure the improvement of the predictability of attaining of the strategic objectives by TAURON Capital Group, including the stable creation of the financial result through adequately early identification of threats allowing the preventive activities to be undertaken. Risk management standards applicable at TAURON Capital Group have been defined in *TAURON Group's Corporate Risk Management Strategy* and in the policies for managing the specific risks. The ERM system encompasses all of TAURON Capital Group's lines of business and the business processes carried out within TAURON Capital Group, including the process of drawing up the financial statements. The risks associated with this process are managed, monitored and reported within the ERM System. The goal of the standardization is to ensure consistency in managing the individual risk categories, by defining the general principles, standards and tools of the system's architecture. The oversight of the ERM system at TAURON Capital Group is performed by the Risk Committee, which as an expert team, on a permanent basis and continuously, initiates, analyzes, monitors, controls (audits) and supports the functioning of TAURON Capital Group's risk management system.

*The detailed information on the risk management system is provided in section 3.1. of this report.*

### LEVEL III

#### Internal audit

The Audit and Internal Control Area is functioning within TAURON Capital Group, with the goal to plan and implement, within TAURON Group, the audit and control tasks, developing and coordinating the principles of audit and internal control within TAURON Group and supporting the organization in maintaining an effective internal control system.

The audit activities are conducted by the audit teams composed of the employees holding the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions as part of TAURON's Audit and Internal Control Area, carrying out the scheduled and ad hoc audit tasks both at TAURON as well as at TAURON Capital Group's subsidiaries. The audit teams, based on the Audit Plan for the given calendar year, by performing the process based audit tasks, make an assessment of the current level of the individual risks and the effectiveness of the management thereof. As part of the audit activities the correctness of the audited processes is also verified, as well as the adequacy and implementation of the control mechanisms in the audited processes. If any irregularities are identified, the auditors recommend taking adequate corrective actions. The implementation of the recommendations is the responsibility of the management of the audited entities, and the degree of the implementation of the audit recommendations is monitored on an ongoing basis using the dedicated MRA application.

The internal (conducted by the owner) control, understood as a set of activities of a detective (detection control), preventive (preventive control) and corrective (correction of irregularities and deficiencies) nature, as part of the functioning internal control system, is carried out at the level of TAURON Capital Group by the control teams composed of the employees holding the Autonomous (Independent) Specialist for the Transaction Control (Audit) Positions as part of TAURON's Audit and Internal Control Area, as well as by the organizational units competent for the internal control, operating at some of the subsidiaries. The control tasks are performed in the form of the ad hoc and the scheduled controls.

A new Model for Periodic Evaluation of the Internal Control System has also been implemented to provide the Company's Management Board and the Audit Committee of the Company's Supervisory Board with the independent and objective information on the operation of the control mechanisms in the business processes. As part of the above mentioned model, the assessment of the adequacy, implementation and effectiveness of the selected control mechanisms related to the risks assessed as significant for the Internal Control System was initiated, for the first time, in 2022.

The goal of the organization of the Audit and Internal Control Area is to enable the scope of audits and controls to cover the entire operations of the organization, both from the perspective of the needs of TAURON Capital Group as well as those of the individual subsidiaries. The direct organizational reporting to the President of the Management Board allows the Area to maintain the necessary independence and objectivity needed to perform its duties effectively. The Executive Director for Audit and Internal Control has also been provided with the ability to periodically report directly to the Audit Committee, as a standing committee established within the Supervisory Board of the Company. This empowerment is implemented in the Company's Organizational Regulations currently in force.

## Most important aspects related to the internal controls and risk management with respect to the process of drawing up the financial statements and the consolidated financial statements

Supervision over the application of consistent (uniform) accounting rules by TAURON Capital Group's subsidiaries when developing reporting packages for the purpose of drawing up TAURON Capital Group's consolidated financial statements

In order to ensure consistent accounting principles based on International Financial Reporting Standards (IFRS), approved by the European Union, the *Accounting Policy of TAURON Polska Energia S.A. Capital Group* (Accounting Policy) was developed and implemented by TAURON Capital Group. This document shall be accordingly updated in case there are changes to the regulations. The rules defined in the Accounting Policy shall be applicable to TAURON's standalone financial statements and TAURON Capital Group's consolidated financial statements. TAURON Capital Group's subsidiaries shall be obligated to apply the Accounting Policy when preparing the reporting packages that provide the basis for preparing TAURON Capital Group's consolidated financial statements.

In addition, TAURON Capital Group developed and implemented an intra-group regulation that comprehensively regulates issues related to the rules and deadlines for preparing the reporting packages for the purpose of consolidated financial statements. The reporting packages shall be validated by the holding company's Consolidation and Reporting Team and by an independent certified auditor during an audit or review of TAURON Capital Group's consolidated financial statements.

Procedures used to authorize and provide opinions on the Company's financial statements and TAURON Capital Group's consolidated financial statements

The Company has implemented financial statements' authorization procedures. Quarterly, half year and full year financial statements of the Company and TAURON Capital Group's consolidated financial statements shall be approved by the Company's Management Board before being published. Full year financial statements of TAURON and TAURON Capital Group's consolidated financial statements shall be additionally presented for evaluation to the Company's Supervisory Board before being published. The Company's Vice President of the Management Board for Finance (Chief Financial Officer) shall oversee the preparation of financial statements, while the Management Boards of the subsidiaries included in the consolidation shall be responsible for preparing the reporting packages for TAURON Capital Group's consolidated financial statements.

The Supervisory Board's structure includes the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.

*The detailed information on the composition, competences and description of the operations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. is presented in section 9.11. of this report.*

IT systems as well as financial and accounting processes

TAURON Capital Group's subsidiaries maintain accounting books (ledgers) which constitute the basis for preparing financial statements using ERP grade financial and accounting computer systems, enabling system audits of the correctness of the document flow and classifying of the business events. Consolidated financial statements are prepared using an IT tool used to consolidate financial statements, providing system control with respect to the consistency (integrity) and timeliness of preparing the consolidation data.

TAURON Capital Group's subsidiaries have implemented IT and organizational solutions that provide control of access to the financial and accounting system and ensure adequate protection and archiving of the accounting books. Access to IT systems is restricted based on applicable access rights assigned to authorized personnel. Control mechanisms are applied in the process of granting and changing access rights to the financial and accounting systems. The rights granted are also subject to periodic verification.

The accounting functions at TAURON Group's subsidiaries are to a significant degree integrated - TAURON Capital Group's material subsidiaries' financial and accounting services are performed by CUW-R (Shared Services Center – Accounting) and as a result of that TAURON Capital Group's financial and accounting processes are to a large degree unified. The subsidiaries adjusted their own procedures to the flow of the financial and accounting processes, taking into account the specifics of the individual segments. In 2022, as part of the implementation of the government's program of Poland's electricity sector's transition, which envisages the spinning off of the coal assets from power companies that the State Treasury is a shareholder of to the National Energy Security Agency, the reorganization works were carried out to integrate the assets intended to be spun off into a single entity (i.e. TAURON Wytwarzanie S.A. subsidiary), which also included the transfer of the accounting services for the assets to be spun off to TAURON Wytwarzanie S.A.

TAURON Capital Group's Business Model clearly distributes responsibilities with respect to the financial and accounting processes between the Company (indicated as the Corporate Centre) and the subsidiaries and CUW R, indicating that the Corporate Centre is the owner of processes associated with accounting and reporting of TAURON Capital Group. With respect to the tasks of the Corporate Centre, strategic functions associated with the development of the model of operations and standards of TAURON Capital Group were indicated in the area of accounting and supervision of the implementation of standards in the accounting area in the subsidiaries and CUW R. Moreover, it was indicated that the Company as the Corporate Centre is responsible for drawing up the Company's financial statements and the consolidated financial statements of TAURON Capital Group. A clear split of responsibilities and strong emphasis on the fulfillment of the supervisory functions by the Corporate Centre in relation to CUW R and the subsidiaries is, inter alia, aimed at improving the process of preparing the financial statements.

Subjecting the Company's financial statements and TAURON Capital Group's consolidated financial statements to an audit and reviews by an independent certified auditor

The Company's full year financial statements and TAURON Capital Group's full year consolidated financial statements are subject to an audit by a certified auditor. In November 2021, the Company selected an entity authorized to audit and review the financial statements as well as the consolidated financial statements of the Company and to audit the financial statements of selected TAURON Capital Group's subsidiaries. The contract with the entity authorized to audit financial statements was concluded for the audit of the financial statements and the consolidated financial statements for the years 2022-2024, as well as for the review (audit) of the interim financial statements and the interim consolidated financial statements for the 6-month periods ending on June 30, 2022, June 30, 2023 and June 30, 2024.

The rule related to changing the audit firm of the Company and TAURON Capital Group

The Company has in place the *Policy for selecting an audit firm to conduct an audit and review of the financial statements and the consolidated financial statements of TAURON Polska Energia S.A.*, adopted by the Audit Committee of the Company's Supervisory Board, which includes the following rule:

1. maximum duration of continuous audit engagements (mandates) carried out by the same audit company or an entity related to that audit company or any member of the network operating in the EU countries that such audit companies are members of, shall not exceed 10 years,
2. after the 10-year duration of the mandate (engagement) neither the audit company, nor any member of its network operating within the European Union shall conduct an audit of the Company for the subsequent 4 years,
3. a key certified auditor shall not conduct an audit of the Company for a period longer than 5 years,
4. a key certified auditor may again conduct an audit of the Company after at least 3 years have elapsed from the completion of the last audit.

## 4. Shareholders holding substantial blocks of shares

The below table presents shareholders holding, as of December 31, 2021, and as of the date of drawing up this report, directly or indirectly via subsidiaries, substantial blocks of the Company's shares.

**Table no. 1. Shareholders holding, directly or indirectly, substantial blocks of shares as of December 31, 2022, and as of the date of drawing up this report**

Shareholders	Number of shares held	Percentage share in share capital	Number of votes held	Percentage share in the total number of votes
1. Skarb Państwa	526 848 384	30,06%	526 848 384	30,06%
2. KGHM Polska Miedź	182 110 566	10,39%	182 110 566	10,39%
3. Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5,06%	88 742 929	5,06%

There had been no changes in the holdings of the substantial blocks of TAURON shares in 2022.

## 5. Holders of securities providing special control rights

The Company did not issue securities that would grant special control rights with respect to the Company.

## 6. Restrictions on exercising the voting right

Restrictions on exercising the right to vote are included in § 10 of the Company's Articles of Association which are available on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

The above mentioned restrictions on exercising the voting right are formulated in the following way:

1. The voting right of shareholders holding over 10% of total votes in the company shall be limited so that none of them can exercise more than 10% of the total votes in the company at the General Meeting of Shareholders.
2. The restriction on exercising the voting right mentioned in clause 1 above shall not apply to the State Treasury and entities controlled thereby in the period during which the State Treasury, together with entities controlled thereby, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the company.
3. Votes of shareholders who have a parent / subsidiary relationship within the meaning of § 10 of the Articles of Association (Shareholder Cluster) shall be aggregated; in case the aggregate number of their votes exceeds 10% of total votes in the company it shall be subject to reduction. Rules of votes' aggregation and reduction are defined in clauses 6 and 7 below.
4. A shareholder, within the meaning of § 10 of the Articles of Associations, shall be any party (entity, person), including its parent and subsidiary company, entitled directly or indirectly to a voting right at the General Meeting of Shareholders on the basis of any legal title; it shall also be applicable to a party (entity, person) that does not hold the company's shares, and in particular to a user, lien holder, party (entity, person) entitled on the basis of a depositary receipt under regulations of the Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies, as well as a party (entity, person) entitled to take part in the General Meeting of Shareholders in spite of disposing of its shares after the date of establishing (registering) the right to take part in the General Meeting of Shareholders.
5. A parent company and subsidiary company, for the purposes of § 10 of the Company's Articles of Association, shall be understood, accordingly, as a party (entity, person):
  - 1) with a status of a controlling undertaking, controlled undertaking or, at the same time, both the status of a controlling undertaking and controlled undertaking in the understanding of the *Act of February 16, 2007, on the protection of competition and consumers*, or
  - 2) with a status of a parent company, higher level parent company, subsidiary company, lower level subsidiary company, co-controlled company or one that has both the status of a parent company (including a higher level parent company) and the status of a subsidiary (including a lower level subsidiary company and a co-controlled company) in the understanding of the *Act of September 29, 1994 on accounting*, or
  - 3) which has (parent company) or one which is under (subsidiary company) controlling influence in the understanding of the *Act of September 22, 2006, on transparency of financial relationships between public bodies and public undertakings and on financial transparency of some undertakings*, or
  - 4) whose votes due to the company's shares owned directly or indirectly are subject to aggregation with votes of another party (entity, person) or other parties (entities, persons) on conditions defined in the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies* in connection with holding, disposing of or acquiring substantial blocks of the Company's shares.
6. Aggregation of votes is based on totaling the number of votes held by individual shareholders that are members of the Shareholders' Cluster
7. Reduction of the votes involves decreasing the total number of votes in the Company that shareholders that are members of the Shareholders' Cluster, are entitled to exercise at the General Meeting of Shareholders to the level of 10% of total votes in the Company. Reduction of the votes shall take place in accordance with the following rules:
  - 1) number of votes of a shareholder who holds the largest number of votes in the company among all shareholders that are members of the Shareholders' Cluster shall be reduced by a number of votes equal to a surplus above 10% of total votes in the company held by all shareholders that are members of the Shareholders' Cluster,
  - 2) if, despite the reduction mentioned in 1) above, the total number of votes that shareholders that are members of the Shareholders' Cluster are entitled to exceeds 10% of the total votes in the company, a further reduction of votes held by other shareholders that are members of the Shareholders' Cluster shall be made. The further reduction of individual shareholders' votes shall take place in an order established on the basis of the number of votes that individual shareholders that are members of the Shareholders' Cluster hold (from the highest to the lowest one). The further reduction shall take place until the total number of votes held by shareholders that are members of the Shareholders' Cluster does not exceed 10% of the total votes in the Company,
  - 3) in any case a shareholder whose voting rights have been reduced shall have the right to exercise at least one vote,
  - 4) restriction on exercising the voting right shall also apply to a shareholder absent at the General Meeting of Shareholders.
8. Each shareholder who is going to take part in the General Meeting of Shareholders, in person or through a proxy, shall be obliged to, without a separate notice mentioned in clause 9 below, notify the Management Board or the Chairperson of the General Meeting of Shareholders that she/he holds, directly or indirectly, more than 10% of the total votes in the Company.



9. Notwithstanding the provisions of clause 8 above, in order to establish the basis for aggregating and reducing the votes, a Company's shareholder, Management Board, Supervisory Board and individual members of such bodies shall have the right to demand that a shareholder of the Company provide information whether she/he is a party (entity, person) having the status of a parent or subsidiary company towards another shareholder in the understanding of § 10 of the Company's Articles of Association. The entitlement mentioned in the preceding sentence shall also include the right to demand the revealing of the number of votes that the company's shareholder holds on its own or jointly with other shareholders of the Company.
10. A party (entity, person) that has failed to fulfill or has fulfilled the information obligation mentioned in clauses 8 and 9 above improperly, shall, until the failure to fulfill the information obligation has been remedied, be able to exercise its voting right with respect to one share only; exercising voting rights with respect to other shares by such party (entity, person) shall be null and void.

## **7. Restrictions on the transfer of the ownership right to securities**

As of December 31, 2022, and as of the date of drawing up this report the Company's Articles of Association do not envisage restrictions on the transfer of the ownership right to the Company's securities.

However, in accordance with the *Act of July 24, 2015 on the control of certain investments* (Journal of Laws of 2022, item 1137), an entity intending to purchase or achieve a material shareholding or purchase the dominating control over TAURON, which is, in accordance with the *Regulation of the Council of Ministers of December 16, 2022, on the list of entities subject to protection and their competent control bodies* (Journal of Laws of 2022, item 2838), an entity subject to protection, shall, each time, be obligated to submit a notification to the control body – the competent Minister of the State Assets of its intention to do so, unless such obligation rests on other entities.

## **8. Rules on appointing and dismissing the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A., and the empowerments thereof**

### **Management Board of TAURON Polska Energia S.A.**

#### **Rules on appointing and dismissing the Members of the Company's Management Board**

The Management Board of the Company shall be composed of 1 to 6 persons, including the President and Vice Presidents. The Members of the Management Board shall be appointed and dismissed by the Company's Supervisory Board for a common term of office lasting 3 years, except for the 1st term that lasted 2 years. The term of office of a Member of the Management Board shall expire, at the latest, as of the date of the General Meeting which approves the financial statements for the last full financial year of the Member of the Management Board's term of office. In accordance with the Company's Articles of Association, each of the Members of the Management Board can be dismissed or suspended from office by the Company's Supervisory Board or the General Meeting of the Company.

In order to recruit a person with whom an agreement for providing the management services at the Company will be concluded, the Company's Supervisory Board shall announce a competition and conduct a recruitment procedure for the position of the President or Vice President aimed at verifying and assessing the candidates' qualifications and selecting the best candidate. A candidate for a Member of the Company's Management Board must meet the requirements set forth in § 16, clauses 3 and 4 of the Company's Articles of Association. The announcement of the recruitment process is published on the Company's web site at the address: <https://www.tauron.pl> and in the Public Information Bulletin of the Minister competent to exercise the rights related to the State Treasury's shares. The Company notifies the shareholders of the results of the recruitment procedure.

### **Supervisory Board of TAURON Polska Energia S.A.**

#### **Rules on appointing and dismissing the Members of the Company's Supervisory Board**

The Supervisory Board of the Company shall be composed of 5 to 9 persons, appointed for a common term of office lasting 3 years, except for the first term that lasted 1 year. The term of office of a Member of the Supervisory Board shall expire, at the latest, as of the date of the General Meeting which approves the financial statements for the last full financial year of the Member of the Supervisory Board's term of office. In accordance with the Company's Articles of Association, the Members of the Company's Supervisory Board shall be appointed and dismissed by the General Meeting, subject to the following:

1. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10, clause 5 of Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise at least 25% of the total votes in the Company, the State Treasury shall be entitled to appoint and dismiss Members of the Company's Supervisory Board in the number equal to half of the maximum number of members of the Company's Supervisory Board defined in the Company's Articles of Association (in case such number is not integral it shall be rounded down to an integral number, for example 4.5 shall be rounded down to 4) and increased by 1, provided that the State Treasury:
  - 1) shall be obliged to vote at the General Meeting of Shareholders on establishing the number of Members of the Company's Supervisory Board that would correspond to the maximum number of Members of the Company's Supervisory Board defined in the Company's Articles of Association in case such a motion is submitted to the Company's Management Board by a shareholder or shareholders who hold a number of votes that entitle them to exercise at least 5% of the total number of votes in the Company,
  - 2) shall be excluded from the voting at the General Meeting of Shareholders on appointing and dismissing of the other members of the Company's Supervisory Board, including independent members of the Company's Supervisory Board; this shall not, however, apply to the case when the Company's Supervisory Board cannot act due to its membership being smaller than required by the Company's Articles of Association, and the shareholders present at the General Meeting of Shareholders, other than the State Treasury, do not supplement the membership of the Company's Supervisory Board in accordance with the distribution of seats in the Company's Supervisory Board defined in this section,
2. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10, clause 5 of the Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise less than 25% of the total number of votes in the Company, the State Treasury, represented by the minister competent to exercise the rights related to the State Treasury's shares, shall be entitled to appoint and dismiss one member of the Company's Supervisory Board,
3. appointing and dismissing members of the Company's Supervisory Board by the State Treasury pursuant to the above mentioned clause 1 or 2 shall take place by means of a statement submitted to the Company.

In accordance with the Company's Articles of Association at least two members of the Company's Supervisory Board shall meet the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and*

*public oversight*, and shall not to have the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company.

Independent Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as members of the Company's Supervisory Board, a written statement on the compliance with the independence criteria.

*The detailed information on the independence of the Members of the Company's Supervisory Board is presented in section 9.11. of this report.*

## **9. Procedure of amending TAURON Polska Energia S.A.'s Articles of Association**

Amendments to the Company's Articles of Association shall be made in accordance with the provisions of the Code of Commercial Companies, in particular: an amendment to the Company's Articles of Association shall take place by way of a resolution of the GM, passed by the majority of three fourths of the votes, and shall, subsequently, require issuing of a decision by a competent court on entering the amendment into the register of entrepreneurs (business register). The consolidated text of the Company's Articles of Association, including the amendments passed by the General Meeting, shall be adopted by the Supervisory Board of the Company by way of a resolution.

In accordance with the Company's Articles of Association, a material amendment to the subject of the Company's operations shall require the majority of two thirds of the votes in the presence of persons representing at least half of the share capital.

### **Information on the amendment of the Company's Articles of Association in 2022**

On July 18, 2022, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register entered into the Register of Entrepreneurs of the National Court Register the amendments to § 16, clause 2 and § 22, clause 2 of the Company's Articles of Association passed by the Extraordinary General Meeting of the Company on July 13, 2022.

In accordance with the new wording of the Company's Articles of Association, the Members of the Management Board and, respectively, the Members of the Supervisory Board of the Company shall be appointed for a common term of office lasting three full financial years, while a term of office of a Member of the Management Board and, respectively, of a Member of the Supervisory Board shall expire no later than as of the date of the General Meeting which approves the financial statements for the last full financial year of, respectively, the Member of the Management Board's terms of office or the Member of the Supervisory Board's term of office.

On July 29, 2022, the Company's Supervisory Board adopted the consolidated text of the Company's Articles of Association incorporating the amendments passed by the Company's Extraordinary General Meeting on July 13, 2022.

## **10. General Meeting of TAURON Polska Energia S.A. and the shareholders' rights**

### **General Meeting of TAURON Polska Energia S.A.**

The Company's General Meeting of Shareholders' procedures and its empowerments are defined in the Company's Articles of Association and in the *Regulations of the General Meeting of the Shareholders of TAURON Polska Energia S.A.* (GM Regulations) which are available on the Company's website at the address: <http://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>.

### **Procedures of the General Meeting of the Company**

General Meeting (GM) shall be convened by way of a notice published on the Company's website and in a manner defined for providing the current information (regulatory filings) by the public companies. In case the General Meeting (GM) is convened by an entity or a body other than the Management Board pursuant to the regulations of the Code of Commercial Companies, as convening a General Meeting requires the Management Board's cooperation, the Management Board shall be obliged to perform any activities required by law in order to convene, organize and conduct the General Meetings (GMs) that take place either at the Company's registered office or in Warsaw.

General Meeting shall be opened by the Chairperson of the Company's Supervisory Board, and in case he/she is absent, the following persons shall be entitled to open the General Meeting in the given order: Vice Chairperson of the Company's Supervisory Board, President of the Company's Management Board, a person designated by the Company's Management Board or the shareholder who registered at the General Meeting such a number of shares that grant the right to exercise the highest number of votes. Subsequently, the chairperson of the General Meeting shall be elected from among the persons entitled to participate in the General Meeting.

General Meeting shall pass resolutions irrespective of the number of shares represented at the General Meeting, unless the regulations of the Code of Commercial Companies, as well as the provisions of the Company's Articles of Association state otherwise.

A General Meeting may order a break in the meeting by the majority of two thirds of the votes. The breaks shall not last longer than 30 days in total. A break in the GM session may take place only in exceptional situations, every time indicated on a case-by-case basis in the justification to the resolution, prepared based on the reasons presented by a shareholder requesting the break to be ordered. A GM resolution related to the ordering of a break shall clearly indicate the date (time) of the resumption of the session, however, such a date (time) must not create a barrier for the participation of the majority of the shareholders in the resumed meeting, including the minority shareholders.

### Competence of the General Meeting of the Company

In accordance with the Company's Articles of Association the matters listed in the below table shall require a resolution of the General Meeting (GM) of the Company as of December 31, 2022, and as of the date of drawing up this report.

**Table no. 2. Competence of the General Meeting of the Company as of December 31, 2022, and as of the date of drawing up this report**

Matters that require a resolution of the General Meeting of the Company
1. reviewing and approving the financial statements of the Company and the consolidated financial statements of the Capital Group for the previous financial year as well as the Management Board's report on the Company's operations (Directors' Report) and the Management Board's report on the operations of the Capital Group,
2. granting the acknowledgement of the fulfillment of the duties to the members of the Company's corporate bodies (authorities),
3. distribution of the profit and covering of the loss,
4. appointing and dismissing the Members of the Company's Supervisory Board,
5. suspending the Members of the Company's Management Board in the performance of their duties,
6. establishing the amount of compensation for the Members of the Company's Supervisory Board, subject to § 29, clause 4 of the Company's Articles of Association,
7. establishing the principles of determining compensation and the amount of compensation of the Members of the Company's Management Board taking into account the provisions of the <i>Act of June 9, 2016, on the principles of determining compensation of the management personnel of certain companies</i> ,
8. adopting, not less often than every four years, the compensation policy for the Members of the Management Board and the Supervisory Board of the Company, taking into account the requirements of the <i>Act of July 29, 2005, on the public offering and the conditions for introducing financial instruments to an organized trading system and on public companies</i> ,
9. selling and leasing out the Company's enterprise or its organized part as well as establishing a limited pledge (property right) thereupon,
10. concluding a credit, loan, surety agreement or any other similar agreement by the Company with a member of the Management Board, Supervisory Board, proxy, liquidator (receiver) or for the benefit of any such person. Concluding a credit, loan, surety or any other similar agreement by a subsidiary with a member of the Management Board, Supervisory Board, proxy, liquidator (receiver) or for the benefit of any such person,
11. increasing and decreasing the Company's share capital,
12. issuing convertible bonds or senior bonds as well as registered securities or bearer securities entitling the holder thereof to subscribe or take up the shares,
13. purchasing (buyback) of own shares in the cases required by the regulations of the Code of Commercial Companies,
14. mandatory buyback of shares (squeeze-out) in accordance with the provisions of art. 418 of the Code of Commercial Companies,
15. setting up, using and liquidating reserve capitals,
16. using supplementary capital,
17. provisions related to the claims to repair damage caused while establishing the Company or performing the management or supervision functions,
18. merger, transformation and division of the Company,
19. redemptions (retirements) of the shares,
20. amendment to the Company's Articles of Association and change of the subject of the Company's operations,
21. dissolving and liquidating the Company,
22. providing an opinion on the report on the compensation of the Members of the Management Board and the Supervisory Board, referred to in § 20, clause 1, item 19 of the Company's Articles of Association,
23. approving of the report on the activities of the Supervisory Board, referred to in § 20, clause 1, item 4 of the Company's Articles of Association.

In accordance with the provisions of the Code of Commercial Companies the decision on the issue and repurchase of the shares shall be included within the competence of the General Meeting.

### General Meeting of the Company in 2022

The General Meeting of the Company was held two times in 2022.

The Ordinary General Meeting of the Company was held on May 24, 2022, and it adopted the resolutions related to, inter alia: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2021, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2021, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2021*, the distribution of the net profit for the financial year 2021, the providing of the opinion on the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for 2021*, the change of *Policy for the Compensation of the Members of the Management Board and of the Supervisory Board of TAURON*



*Polska Energia S.A.* the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and of the Company's Supervisory Board, the establishing of the number of the Members of the Company's Supervisory Board and the appointment of a Member of the Company's Supervisory Board of the 6<sup>th</sup> common term of office.

The Extraordinary General Meeting of the Company was held on July 13, 2022, and it adopted the resolutions related to, inter alia: the amendment of the Company's Articles of Association and the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board for the years 2019 and 2020.

## Shareholders' rights and the manner of exercising thereof

The below table presents the description of the Company's shareholders' rights related to the General Meeting in accordance with the Company's Articles of Association, Code of Commercial Companies and the Regulations of the General Meeting.

**Table no. 3. Description of the Company's shareholders' rights related to the General Meeting of the Company**

Shareholders' rights	Description of shareholders' rights
1. Convene a General Meeting (GM)	Shareholders representing at least 1/20 of the share capital, may request convening of an Extraordinary General Meeting. Such a request should include a concise justification. It may be submitted to the Company's Management Board in writing or in an electronic form, to the Company's e-mail address, provided by the Company on its website under the <i>Investor Relations</i> tab. Shareholders representing at least a half of the share capital or at least half of all of the votes in the Company may convene an Extraordinary General Meeting (GM) and appoint a chairperson of such General Meeting.
2. Include matters (items) in the agenda of the General Meeting	Shareholders representing at least 1/20 of the share capital, may request that certain matters (items) be included in the agenda of the forthcoming General Meeting. Such a request, including a justification or a draft resolution related to the proposed item of the agenda, should be submitted to the Company's Management Board not later than 21 days prior to the set date of the General Meeting in electronic form to the Company's e-mail address or in writing to the Company's address.
3. Become acquainted with the list of shareholders	Shareholders may become acquainted with the shareholders' list at the Company's Management Board's seat for 3 weekdays preceding directly the General Meeting's date. Shareholders may also request that the list of shareholders be sent to them free of charge to the address for electronic deliveries or by electronic mail, providing the address to which the list should be sent.
4. Participate in the General Meeting	Only persons who are the Shareholders 16 days before the date of the General Meeting (date of registering to participate in the General Meeting) shall have the right to take part in the General Meeting. In order to participate in the General Meeting the shareholders should submit a request to issue a name bearing affidavit on the right to take part in the General Meeting to an investment (brokerage) company maintaining their securities account. Such a request should be submitted not earlier than following the announcement (notice) on the convening of the General Meeting and not later than on the first weekday following the day of registering to participate in the General Meeting.
5. Represent a shareholder by a proxy (power of attorney)	Shareholders may take part in the General Meeting as well as exercise the voting right in person or through a proxy (power of attorney). Shares' co-owners may take part in the General Meeting and exercise the voting right only through a joint representative (proxy). A proxy (power of attorney) may represent more than one shareholder and vote differently based on the shares of each shareholder.
6. Elect the Chairperson of the General Meeting	Shareholders shall elect the Chairperson of the General Meeting from among the persons entitled to take part in the General Meeting. Each of the participants of the General Meeting shall have the right to propose one candidate. The Chairperson shall be elected by a secret ballot, by an absolute majority of the votes. In case there is just one candidate for the Chairperson, the election can take place by acclamation.
7. Elect the Returning Committee	Each shareholder may propose no more than 3 candidates for the members of the Returning Committee to be elected by the General Meeting, and vote for maximum 3 candidates.
8. Submit a draft resolution	During the General Meeting shareholders shall have the right, until the discussion on a certain item of the agenda is closed, to submit a proposal of changes to the content of a draft resolution proposed for adoption by the General Meeting, as part of the given item of the agenda.
9. Raise an objection	Shareholders who have voted against a resolution and, after the General Meeting has adopted it, want to raise their objection, should, immediately after the results of the voting have been announced, raise their objection and request it be included in the minutes of the meetings before proceeding to the next item of the agenda. In case such an objection is raised later, which however shall not take place later than by the time the General Meeting is closed, the shareholders shall indicate against which resolution passed by the General Meeting they are raising their objection. The shareholders raising their objection against a resolution of the General Meeting may request their concise justification of the objection be recorded in the minutes of the meeting.

## 11. Management Board and Supervisory Board of TAURON Polska Energia S.A. and the committees thereof

### Management Board of TAURON Polska Energia S.A.

The current, sixth term of office of the Company's Management Board began its run on July 15, 2020.

In accordance with the Company's Articles of Association the common term of office shall last 3 financial years.

The Management Board of the Company held a total of 53 meetings and passed 501 resolutions during the period covered by this report.

## The composition of the Company's Management Board as of December 31, 2022, and as of the date of drawing up this report

1. Paweł Szczeszek - President of the Management Board (CEO),
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Bogusław Rybacki - Vice President of the Management Board for Asset Management,
4. Krzysztof Surma - Vice President of the Management Board for Finance (CFO),
5. Tomasz Szczegieliński - Vice President of the Management Board for Trading,
6. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

## The changes to the composition of the Company's Management Board in 2022 and by the date of drawing up this report

As of January 1, 2022, the Company's Management Board was composed of the following persons: Artur Michałowski (Vice President of the Management Board for Trading and acting as the President of the Management Board), Patryk Demski (Vice President of the Management Board for Strategy and Development), Krzysztof Surma (Vice President of the Management Board for Finance) and Jerzy Topolski (Vice President of the Management Board for Asset Management).

On January 20, 2022, the Company's Supervisory Board appointed Artur Warzocha to be a member of the Company's Management Board, effective as of January 21, 2022, entrusting him with the function of the Vice President of the Management Board for Corporate Affairs.

On April 8, 2022, the Company's Supervisory Board appointed Paweł Szczeszek to be a member of the Company's Management Board, effective as of April 11, 2022, entrusting him with the function of the President of the Management Board.

On August 12, 2022, the Company's Supervisory Board dismissed Artur Michałowski and Jerzy Topolski from the Company's Management Board, effective as of the end of the day on August 12, 2022.

On September 5, 2022, the Company's Supervisory Board appointed Tomasz Szczegieliński to be a member of the Company's Management Board, effective as of September 6, 2022, entrusting him with the position of the Vice President of the Management Board for Trading. On the same day, the Company's Supervisory Board appointed Bogusław Rybacki to be a member of the Company's Management Board, effective as of September 9, 2022, entrusting him with the position of the Vice President for Asset Management.

There had been no other changes to the composition of the Company's Management Board by the date of drawing up this report.

## Experience and competences of the Members of the Company's Management Board who continue to hold their positions in the Company's Management Board as of the date of drawing up this report

### Paweł Szczeszek – President of the Management Board



A graduate of the Faculty of Mechanical Engineering and Computer Science and the Faculty of Management of the Częstochowa University of Technology.

From June 30, 2020, to April 10, 2022, Paweł Szczeszek had been the President of the Management Board of Enea S.A. In the period from December 2018 to June 2020 he had been the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

In the years 2017-2018 Paweł Szczeszek had held the position of the Vice President of the Management Board of PGNiG TERMIKA Energetyka Przemysłowa S.A., and in the years 2016-2017 he had been the President of the Management Board of

Przedsiębiorstwo Energetyki Ciepłej PEC S.A. in Jastrzębie-Zdrój.

Paweł Szczeszek was a member of the Supervisory Boards of the following companies: Górnośląskie Towarzystwo Lotnicze S.A., Jelcz Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej – Geotermia Podhalańska S.A., Radomskie Przedsiębiorstwo Energetyki Ciepłej "RADPEC" S.A., Wojewódzkie Przedsiębiorstwo Robót Drogowych w Katowicach Sp. z o.o., Agencja Rozwoju Regionalnego w Częstochowie S.A.

### **Patryk Demski – Vice President of the Management Board for Strategy and Development**



A graduate of the Faculty of Law at the Nicolaus Copernicus University (Uniwersytet Mikołaja Kopernika) in Toruń, Executive Master of Business Administration studies at the University of Commerce and Services (Wyższa Szkoła Handlu i Usług) in Poznań and postgraduate studies in Tax Law at the Nicolaus Copernicus University (Uniwersytet Mikołaja Kopernika) in Toruń

In the years 2020-2021 Patryk Demski had been a Member of the Management Board of Centralny Port Komunikacyjny Sp. z o.o., and from February 2020 to April 2020 he had been the Chair of the Supervisory Board of Centralny Port Komunikacyjny Sp. z o.o. In 2018-2019, he had held the position of the Vice President of the Management Board for Investments and Innovation of Grupa Lotos S.A. He had also been the Mayor of the City and Municipality of Pelplin (2014-2018), Deputy Director of the Branch / acting Branch Director / Chief Specialist at the Agricultural Real Estate Agency (Agencja Nieruchomości Rolnych) in Gdańsk (2006-2014). In 2006, he had been the Deputy Director of the Cabinet of the Pomeranian Province Governor.

### **Bogusław Rybacki – Vice President of the Management Board for Asset Management**



A graduate of the Faculty of Mechanical Engineering of the Wrocław University of Science and Technology. He also completed several postgraduate courses in the following fields: enterprise management in the context of European integration at the SGH Warsaw School of Economics, economic issues of the power sector transformation at the SGH Warsaw School of Economics, management of business entities at the University of Wrocław, economic analysis and assessment of business organizations at the Wrocław University of Economics and Business, nuclear power plants at the Poznań University of Technology.

From July 2020 to September 2022, Bogusław Rybacki had held the position of the President of the Management Board of Enea Elektrownia Połaniec S.A.

From 1982 to 2020 Bogusław Rybacki had worked at Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., where he held a number of management positions, including: Director of Elektrociepłownia Czechnica, Trade and Development Director, Production Director's Deputy, Director of Economic and Trade Affairs.

In 2009 Bogusław Rybacki had held the position of the President of the Management Board of TermHydral sp. z o.o. – a subsidiary of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

### **Krzysztof Surma – Vice President of the Management Board for Finance (CFO)**



A graduate of the Cracow University of Economics (Akademia Ekonomiczna w Krakowie), with the major in finance and banking, specialization: corporate finance. He also completed the Master of Business Administration studies for Financiers at Kozminski University (Akademia Leona Koźmińskiego), postgraduate studies in the Practical Application of International Financial Reporting Standards at the Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie) and the Manager Development Program organized by the ICAN Institute. He is a member of the Association of Chartered Certified Accountants (ACCA).

Krzysztof Surma has been associated with TAURON since 2009, holding the position of the Executive Director for Finance Management, and from May 2021 to August 4, 2021, he had been the Director of the Finance Division. While performing the above functions within the Issuer's Group, he was holding, among others, the following positions: Vice President of the Management Board of TEC1, TEC2, TEC3 (2019), President of the Management Board of Finanse Grupa TAURON sp. z o.o. (2019), President of the Management Board of PKE Broker Sp. z o.o. (2008-2009), General Director of TAURON Sweden Energy AB (2014-2019).

In the years 2001-2009 he had worked at Południowy Koncern Energetyczny S.A., including, among others, as the Head of the Risk and Insurance Department (2005-2009).

### **Tomasz Szczegieliński – Vice President of the Management Board for Trading**



A graduate of the Faculty of Law and Administration of the University of Lodz. He also completed Executive Master of Business Administration course at the Warsaw Management University/ Fachhochschule Des Mittelstands (FHM) and postgraduate course in the field of financial and economic law at the University of Lodz.

From August 2020 to June 2022 he had been the Vice President of the Management Board for Corporate Affairs at Enea S.A.

From November 2019 to June 2020 he had been an undersecretary of state at the Ministry of State Assets and also a member of the Standing Committee of the Council of Ministers.

From July to November 2019 he had been an undersecretary of state at the Chancellery of the Prime Minister. During that period he had also been a secretary of the Council of Ministers, a deputy chair of the Standing Committee of the Council of Ministers and a member of the Social Committee of the Council of Ministers.

He had worked at the Chancellery of the President of the Republic of Poland and had held management positions in self-government administration. He had gained his experience also in the Polish Chamber of Liquid Fuels, Chancellery of the Sejm of the Republic of Poland and the Patent Office of the Republic of Poland.

Mr. Tomasz Szczegieliński had been a member of the Supervisory Boards of Enea Trading Sp. z o.o. and Grupa Azoty ZAK S.A.

### **Artur Warzocha – Vice President of the Management Board for Corporate Affairs**



A graduate of the College of Education (currently Jan Długosz University) in Częstochowa and the postgraduate studies in the European financial, economic and legal relations at the SGH Warsaw School of Economics.

From September 2020 to January 2022 Artur Warzocha had been the President of the Management Board of TAURON Nowe Technologie S.A. (TAURON's wholly owned subsidiary), where he supervised strategic projects related to the cogeneration, renewable energy sources and electromobility. From November 2019 to September 2020 he had been the Vice President of the Agricultural Social Insurance Fund. In the years 2015-2019 he had been a senator of the Republic of Poland of the 9th term of office. In the years 2008-2015 he had worked at the Supreme Audit Office where he had been the chief state audit expert. From 2010 to 2014 he had held a councilor's

seat in the Silesian Regional Assembly of the 4th term of office. From 2008 to 2016 he had been a research assistant at the Institute of Political Sciences and National Security at the Jan Długosz University in Częstochowa. From 2006 to 2007 he had been the 1st Vice Governor of the Silesia province.

In addition, he had been, inter alia, the deputy director at the Agricultural Advisory Center in Częstochowa, a political assistant to the Head of the Chancellery of the Prime Minister, a town councilor in Częstochowa, the press spokesman for the Governor of the Częstochowa province and a journalist.

### **Description of the procedures of the Company's Management Board**

The Management Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *Regulations of the Management Board of TAURON Polska Energia Spółka Akcyjna with its registered office in Katowice* which are available on the Company's website at the address: <https://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>. When performing their duties the Members of the Company's Management Board shall be acting in accordance with the principles provided in the Best Practice 2021.

Two Members of the Management Board or one Member of the Management Board together with a proxy shall be entitled to make valid statements on behalf of the Company. In case the Management Board includes one person, one Member of the Management Board or a proxy shall be entitled to make valid statements on behalf of the Company.

The meetings of the Management Board shall be convened by the President of the Management Board or a Vice President of the Management Board designated thereby. The meetings of the Management Board shall also be convened on the motion of the majority of the Vice Presidents of the Management Board as well as on the motion of the Chairperson of the Supervisory Board. The meetings shall be held at the Company's registered office on the date set by the person that has convened the meeting. In justified cases the meetings of the Management Board may be held outside the Company's registered office. The President of the Management Board or a Vice President of the Management Board designated thereby shall chair the meetings of the Management Board

The Management Board shall vote in an open ballot, unless otherwise provided for in the legal regulations. The result of the ballot shall be recorded in the minutes of the meeting.

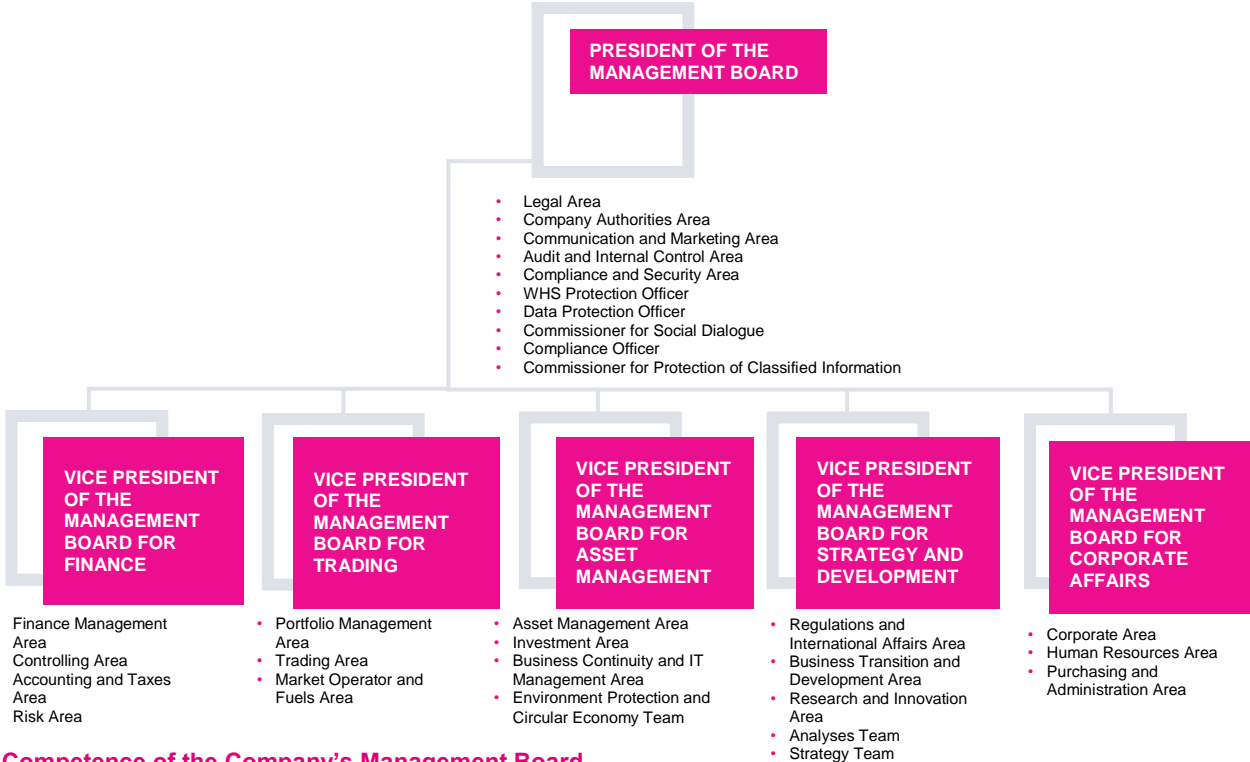


The resolutions of the Management Board shall be passed by an absolute majority of the votes in the presence of at least the majority of the Members of the Management Board. In case of an equal number of the votes the President of the Management Board shall have a casting vote. A Member of the Management Board shall inform the Management Board of any conflict of interest that has arisen or the possibility of the arising thereof and shall not participate in the reviewing of the matter or the voting on a resolution in a matter in which a conflict of interest may arise in relation thereto. The Management Board may pass resolutions by voting in writing or using the means of direct remote communications. The resolution shall be valid when all of the Members of the Management Board have been notified of the content of the draft resolution and at least the majority of the Members of the Management Board participated in adopting the resolution. The voting in accordance with the above procedures shall be ordered by the President of the Management Board or a Member of the Management Board designated thereby, including setting the final deadline for casting of the votes by the Members of the Management Board. The Members of the Management Board voting against the resolution may submit a dissenting opinion to the minutes, which shall be recorded in the minutes along with the justification thereof. The decisions of the Management Board which are the decisions on the ongoing matters (daily business) that do not require a resolution shall be recorded only in the minutes.

The internal division, among the Members of the Management Board, of the tasks and responsibilities for the individual business areas of the Company's operations, as defined in the Organizational Regulations and including the independent (autonomous) work positions, as well as the organizational units reporting directly to the Executive Directors, whose work is managed (supervised) by the Members of the Company's Management Board, is defined by the Company's Management Board Resolution No. 366/VI/2022 of September 15, 2022 regarding the assignment of individual organizational units of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A. The structure of the Company's business areas reporting to the individual Members of the Company's Management Board is posted on the Company's web site at the address: <https://www.tauron.pl/tauron/o-tauronie/wladze-spolki>.

The below figure presents the diagram (flowchart) showing the division of the responsibilities of the Members of the Company's Management Board, as of the date of drawing up this report.

Figure no. 1. Diagram (flowchart) showing the division of the responsibilities of the Members of the Company's Management Board, as of the date of drawing up this report



**Competence of the Company's Management Board**

The Management Board shall conduct the Company's affairs and represent the Company in all court and out of court proceedings. Any matters related to conducting the Company's affairs, not assigned, based on the legal regulations or the provisions of the Company's Articles of Association, to the scope of competence of the General Meeting (GM) or the Supervisory Board, shall be within the scope of competence of the Company's Management Board.

In accordance with the Company's Articles of Association, all issues which go beyond the regular scope of the Company's activities shall require a resolution of the Company's Management Board, in particular, the following issues listed in the below table, as of December 31, 2022, and as of the date of drawing up this report.

**Table no. 4. Competence of the Company's Management Board as of December 31, 2022, and as of the date of drawing up this report**

Matters that require a resolution of the Company's Management Board
<ol style="list-style-type: none"><li>1. Regulations of the Company's Management Board,</li><li>2. Company's enterprise organizational regulations,</li><li>3. establishment and liquidation of branches,</li><li>4. appointment of a proxy,</li><li>5. taking on credits and loans,</li><li>6. approving annual material and financial plans of the Company and of the Capital Group as well as the Capital Group's Corporate Strategy,</li><li>7. assuming contingent liabilities within the meaning of the <i>Act of September 29, 1994 on accounting</i>, including granting guaranties and sureties by the Company as well as issuing bills of exchange, subject to § 20 clause 2 items 3 and 4 of the Company's Articles of Association,</li><li>8. making donations, cancelling interest or releasing from debt, subject to § 20 clause 2 items 11 and 12 of the Company's Articles of Association,</li><li>9. purchase of real estate, perpetual usufruct or shares in real estate or in perpetual usufruct, subject to § 20 clause 2 item 1 of the Company's Articles of Association,</li><li>10. purchase of fixed assets excluding real estate, perpetual usufruct or share in real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20 clause 2 item 1 of the Company's Articles of Association,</li><li>11. disposal (control) of fixed assets including real estate, perpetual usufruct or share in real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20 clause 2 item 2 of the Company's Articles of Association,</li><li>12. defining the way the voting right will be exercised at the General Meeting of Shareholders or the Meeting of Shareholders of companies in which the company holds shares, on matters within the scope of competence of the General Meeting of Shareholders or the Meeting of Shareholders of such companies, subject to the provisions of § 20 clause 4 items 9 and 10 of the Company's Articles of Association,</li><li>13. rules of conducting sponsoring activities,</li><li>14. adoption of the annual plan of sponsoring activities,</li><li>15. matters which the Company's Management Board refers to the Company's Supervisory Board or the General Meeting of the Company for review</li></ol>

## Supervisory Board of TAURON Polska Energia S.A.

The current, sixth term of office of the Company's Supervisory Board, began its run on July 15, 2020,

In accordance with the Company's Articles of Association it is a common term of office and it shall last 3 full financial years.

The Company's Supervisory Board held a total of 16 meetings and passed 127 resolutions during the period covered by this report.

All of the Members of the Supervisory Board of the Company were present During 9 meetings. 1 Member of the Supervisory Board of the Company was absent during 5 meetings, while 2 Members of the Supervisory Board of the Company were absent during 2 meetings. The absences of the Members of the Supervisory Board of the Company were excused by way of the relevant resolutions of the Supervisory Board of the Company.

### The composition of the Company's Supervisory Board as of December 31, 2022, and as of the day of drawing up this report

- |                        |                                        |
|------------------------|----------------------------------------|
| 1. Piotr Tutak         | - Chair of the Supervisory Board,      |
| 2. Teresa Famulska     | - Vice Chair of the Supervisory Board, |
| 3. Marcin Wawrzyniak   | - Secretary of the Supervisory Board,  |
| 4. Stanisław Borkowski | - Member of the Supervisory Board,     |
| 5. Dariusz Hryniów     | - Member of the Supervisory Board,     |
| 6. Leszek Kozirowski   | - Member of the Supervisory Board,     |
| 7. Ryszard Madziar     | - Member of the Supervisory Board,     |
| 8. Grzegorz Peczkis    | - Member of the Supervisory Board.     |

### The changes to the composition of the Company's Supervisory Board in 2022 and by the date of drawing up this report

As of January 1, 2022, the Company's Supervisory Board was composed of the following members: Piotr Tutak (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Katarzyna Taczanowska (Secretary of the Supervisory Board), Stanisław Borkowski (Member of the Supervisory Board), Leszek Kozirowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board) and Marcin Wawrzyniak (Member of the Supervisory Board).

On January 26, 2022, the Minister of State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, appointed Dariusz Hryniów to be a Member of the Company's Supervisory Board.

On May 23, 2022, Katarzyna Taczanowska submitted a statement on her resignation, as of May 24, 2022, from the membership of the Company's Supervisory Board, and thus from holding the position of the Secretary of the Supervisory Board of the Company.

On May 24, 2022, the Ordinary General Meeting of the Company passed a resolution to appoint Marcin Chłudziński to be a member of the Supervisory Board of the Company as of May 25, 2022.

On June 10, 2022, the Supervisory Board of the Company elected Marcin Wawrzyniak to be the Secretary of the Supervisory Board of the Company.

On November 30, 2022, Marcin Chludziński submitted a statement on his resignation, as of the same day, from the function of the Member of the Company's Supervisory Board.

There had been no other changes to the composition of the Company's Supervisory Board by the date of drawing up this report.

### Information on the independence of the Members of the Company's Supervisory Board

In accordance with the Company's Articles of Association at least two Members of the Company's Supervisory Board should meet the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, and also should not have the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company.

The Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as members of the Company's Supervisory Board, a written statement on compliance with the independence criteria listed in the above mentioned act as well as on the existence or non-existence of the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company. In case a situation occurs where the independence criteria are not complied with, a Member of the Supervisory Board shall be obliged to inform the Company promptly thereof.

Information on the compliance of the Members of the Supervisory Board of the Company with the independence criteria is posted on the Company's website at the address: <https://www.tauron.pl>.

The below table presents the information on the compliance or non-compliance of the Members of the Company's Supervisory Board with the independence criteria as well as on the existence or non-existence of the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company as of December 31, 2022. The information has been prepared based on the statements made by the individual Members of the Supervisory Board of the Company.

**Table no. 5. Compliance of the Members of the Company's Supervisory Board with the independence requirements and the actual ties to a shareholder holding at least 5% of the total number of votes in the Company, as of December 31, 2022, and as of the date of drawing up this report**

First and last name	Compliance with the independence requirements		Actual ties to a shareholder	
	as of December 31, 2022	as of the date of drawing up this report	as of December 31, 2022	as of the date of drawing up this report
1. Piotr Tutak	Independent	Independent	Did not exist	Do not exist
2. Teresa Famulska	Independent	Independent	Did not exist	Do not exist
3. Marcin Wawrzyniak	Independent	Independent	Did not exist	Do not exist
4. Stanisław Borkowski	Independent	Independent	Did not exist	Do not exist
5. Dariusz Hryniów	Independent	Independent	Did not exist	Do not exist
6. Leszek Koziowski	Independent	Independent	Did not exist	Do not exist
7. Ryszard Madziar	Independent	Independent	Did not exist	Do not exist
8. Grzegorz Peczkis	Independent	Independent	Did not exist	Do not exist

### Experience and competences of the Members of the Supervisory Board who continue to hold their seats on the Company's Supervisory Board as of the date of drawing up this report

#### Piotr Tutak – Chair of the Supervisory Board

A graduate of the political science faculty at the Institute of Social Sciences of the Pedagogical University in Cracow. He completed post-graduate studies in management at the SGH Warsaw School of Economics, public administration at the Jagiellonian University and the regional development at the University of Warsaw.

Piotr Tutak has extensive experience in public administration, including in the Chancellery Office of the Prime Minister, among others as an advisor to the Prime Minister, the Secretary of State and the Deputy Head of the Chancellery Office of the Prime Minister and the President of the Government Center for Strategic Studies. He also gained professional experience working in management and control (supervision, oversight) authorities of the commercial law companies, among others in the finance, energy and real estate sectors. He participated in professional internships in the US and Japan. A Member of the Consultative Council of the Faculty of Building Services, Hydro and Environmental Engineering of the Warsaw University of Technology. He completed a course for the candidates for members of the supervisory boards of the State Treasury companies. He has been the President of the Management Board of EuRoPol Gaz S.A. since 2016.

He has been a Member of the Company's Supervisory Board since November 16, 2021.

In the Company's Supervisory Board of the 6th common term of office he is the Chair of the Company's Supervisory Board and the Head of the Nominations and Compensation Committee of the Company's Supervisory Board and is a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Teresa Famulska – Vice Chair of the Supervisory Board**

A graduate of the Academy of Economics in Katowice (currently the University of Economics in Katowice). She holds a title of a Professor of economics appointed by the President of the Republic of Poland at the request of the Board of the Faculty of Finance and Insurance of the University of Economics in Katowice. She is a professional tax advisor.

Since graduation she has been associated with the University of Economics in Katowice. She is currently the Head of the Public Finance Department holding the full Professor's position. In 1998 - 2013 she had been working at the School of Banking and Finance, recently as a dean, holding the full Professor's position.

An author of more than 150 domestic and foreign publications in the field of finance, mainly public finance and corporate finance. Apart from academic work she is continuously involved in business practice, participating, among others, in several dozen science and research projects. She conducted numerous lectures and training courses for the finance and management personnel of enterprises and for the tax authorities staff. In 2007 - 2018 she had worked for three consecutive terms at the State Examination Commission on Tax Advisory Services, where, since 2010, for two consecutive terms based on the Minister of Finance's appointment, she was the Head of the Commission. In 2007 - 2019 a member of the Financial Education Committee of the Polish Academy of Science, where, in 2011 - 2015, she was a member of the Board of the Committee. Furthermore, she is a member of the Polish Finance and Banking Association (since 2004, a member of the Board), International Fiscal Association, Center for Information and Organization of Public Finance and Tax Law Research of Central and Eastern European Countries and the Polish Economic Society.

In the period from May 29, 2017, until July 14, 2020, she had been a member of the Supervisory Board of TAURON Polska Energia S.A., holding the position of the Vice Chair of the Supervisory Board and the Head of the Audit Committee of the Supervisory Board.

She was awarded the following orders and accolades: Silver Cross of Merit, Silver Medal for Long Term Service, Medal of the Commission of National Education, awards of the Minister of National Education and of the President of the University of Economics in Katowice.

She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. of the 6<sup>th</sup> common term of office since August 3, 2020, holding the position of the Vice Chair of the Company's Supervisory Board and the Head of the Audit Committee of the Company's Supervisory Board.

#### **Marcin Wawrzyniak – Secretary of the Supervisory Board**

A graduate of the Faculty of Law and Administration of the Cardinal Stefan Wyszyński University in Warsaw (Uniwersytet Kardynała Stefana Wyszyńskiego w Warszawie). Entered on the list of legal counsels (attorneys-at-law) at the District Chamber of the Legal Counsels (Attorneys-at-law) in Warsaw (Warsaw Bar Association). An attorney-at-law (barrister), a member of the Warsaw Bar Association. A Member of the Tribunal of State.

He has had many years of professional experience with respect to providing legal services and consultancy for business entities, including the energy sector companies. A legal advisor to the central and local government administration bodies (authorities) with respect to investment processes. A partner at the law firm Wawrzyniak i Partnerzy Radcowie Prawni sp. p. (Wawrzyniak and Partners Legal Counsels Limited Liability Partnership - LLP). He was a member of the supervisory boards and the management boards of public and private sector companies. An author of several dozen publications in the field of business law, including books and comments to an act of law.

He has been a Member of the Company's Supervisory Board since April 21, 2021.

In the Company's Supervisory Board of the 6th common term of office he is a Member of the Nominations and Compensation Committee of the Company's Supervisory Board and a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Stanisław Borkowski – Member of the Supervisory Board**

A graduate of the Executive MBA studies at the University of Quebec in Montreal and a graduate of the Master of Business Administration studies at the SGH Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie). In addition, a graduate of the Faculty of Medicine at the University of Oslo.

He gained professional experience in the insurance sector, holding the position of the director of the health insurance department and a member of the management board at insurance companies, including, among others, at PZU S.A., Allianz Bank Polska S.A., Credit Agricole Ubezpieczenia, in the years 2001-2015. He had been a partner at Mangogross Sp. z o.o., responsible for consulting and investments, in the years 2015-2017. He had also



been the President of the Management Board of Uzdrowisko Konstancin Zdrój S.A. and the Medical Institution (Zakład Lecznicy) Uzdrowisko Nałęczów S.A. in the years 2016-2017.

Currently, since 2017, he has been the President of the Management Board of Colbird Sp. z o.o. (Ltd), and he has been acting as the financial director at Voico Inc. in Laval (Canada) since 2020.

He was a member of the supervisory boards of joint stock companies, where he was the chair of the supervisory board, as well as the head of the audit committees. Currently, he is a Member of the Supervisory Board and at the same time the Head of the Audit Committee of UNUM Polska S.A., as well as the Head of the Audit Committee at the Polish-Canadian Chamber of Commerce.

Decorated with the Golden Cross of Merit.

He has been a Member of the Supervisory Board of the Company since May 24, 2021.

In the Company's Supervisory Board of the 6th common term of office he is a Member of the Audit Committee of the Company's Supervisory Board and a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Dariusz Hryniów – Member of the Supervisory Board**

A graduate of the Faculty of Law and Administration of the University of Opole (master's degree in law) and the Executive Master of Business Administration (MBA) studies at Koźmiński University, ESCP Europe. He is a legal counsel. He also completed technical education in the field of energy.

From 2015 to 2020, he had been holding the position of the Director of the Corporate and Legal Services Department at Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"). There he had been responsible, inter alia, for supervising the legal services provided for PGNiG Capital Group's subsidiaries, as well as the legal services related to the key projects, including the arbitration and acquisition processes, infrastructure investment projects, capital transactions as well as import contracts.

From 2016 to 2020, Dariusz Hryniów had been the Vice Chair and then the Chair of the Supervisory Board of PGNiG Termika S.A.

In the years 2017-2019 he had been the Chair of the Supervisory Board of PGNiG Supply & Trading GmbH, and in the period from 2016 to 2018 he had been a member of the Supervisory Board of Zakłady Wytwórcze Urządzeń Gazniczych "Intergaz" sp.z o.o.

From 2015 to 2016, he had been the Chair of the Supervisory Board of Opole TBS in Opole. In addition, he is the Managing Partner at Hryniów, Łebek i Partnerzy law firm.

He has been a Member of the Supervisory Board of the Company since January 26, 2021.

In the Company's Supervisory Board of the 6th common term of office he is a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Leszek Koziowski – Member of the Supervisory Board**

A graduate of the Faculty of Law and Administration of the University of Warsaw (Uniwersytet Warszawski), Registered on the list of attorneys-at-law of the Warsaw Bar Association (Okręgowa Izba Radców Prawnych w Warszawie).

From the beginning of his professional career, he has been associated with the capital market. In the years 1994-1999 at the Securities Commission (Komisja Papierów Wartościowych - KPW), initially at the Office of Brokerage Houses and Trust Funds (Biuro Domów Maklerskich i Funduszy Powierniczych), subsequently as an advisor to the Chair of the Securities Commission (KPW).

During his work at the Securities Commission (KPW), he had also been holding the position of the Deputy Chairman of the Examination Committee for Investment Advisors.

Currently at GESSEL, KOZIOWSKI Kancelaria Radców Prawnych i Adwokatów sp. p., where he has created and manages the capital market law department - employed since 1999, a partner since 2002.

He had been an arbitrator at the Stock Exchange Court at the Warsaw Stock Exchange (Sąd Giełdowy przy Giełdzie Papierów Wartościowych w Warszawie).

Since 2015, he has been a member of the Corporate Governance Committee at the Warsaw Stock Exchange (Komitet Ładu Korporacyjnego przy Giełdzie Papierów Wartościowych w Warszawie), where he was a co-author of the Best Practice of WSE Listed Companies 2016 and of the latest: the Best Practice of WSE Listed Companies 2021.

He had been holding the position of the chair and a member of the Supervisory Boards at a number of private and public joint stock companies, for example, IGLOTEX S.A. (the chair of the Supervisory Board), ESALIENS TFI S.A. (the chair of the Supervisory Board), Zakłady Odzieżowe BYTOM S.A., TETA S.A. (the chair of the Supervisory Board), TAURON Polska Energia S.A. (in the years 2010-2017).

An author of numerous publications in the field of the capital market law.

He has been a Member of the Supervisory Board of the Company since May 24, 2021.

In the Company's Supervisory Board of the 6th common term of office he is a Member of the Audit Committee of the Company's Supervisory Board. and a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

#### **Ryszard Madziar – Member of the Supervisory Board**

A graduate of the faculty of political science of the University of Warsaw. He holds an MBA degree obtained at the Warsaw Management University (Wyższa Szkoła Menedżerska w Warszawie).

He has an extensive experience in public administration. He has held the following positions: the Mayor of Wołomin, the Head of the Political Cabinet of the Vice Chairman of the Council of Ministers, and prior to that, the Deputy Director of the Mazovian Regional Office of the Agency for Restructuring and Modernization of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa).

He is a member of the Supervisory Board of, among others, Totalizator Sportowy.

He had been the Head of the Political Cabinet of the Vice Chair of the Council of Ministers (Deputy Prime Minister) in the Chancellery of the Prime Minister until June 2021 and currently he is holding the position of an advisor to the Management Board of the Pekao S.A. bank.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since July 15, 2020.

In the Company's Supervisory Board of the 6th common term of office he is a Member of the Nominations and Compensation Committee of the Company's Supervisory Board and a Member of the Strategy Committee of the Company's Supervisory Board.

#### **Grzegorz Peczkis – Member of the Supervisory Board**

A graduate of the Faculty of Environment and Energy Engineering of the Silesian University of Technology, specializing in Machine Mechanics and Design. He holds a PhD degree in technical science in the field of machine design and operation. He also completed post-graduate studies in enterprise (business) management and pedagogical professional development studies for university lecturers.

Grzegorz Peczkis gained experience both in business, as a proxy at the Diapom sp. z o.o. company, as well as at academic institutions as an Assistant Lecturer and then an Assistant Professor at the Silesian University of Technology.

He is holding the position of the Vice Chair of the Supervisory Board of Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.

He is an author of several dozen scientific (research) and popular (journalistic) publications. He holds rights under ten patents granted by the Patent Office of the Republic of Poland.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since December 6, 2019.

In the Company's Supervisory Board of the 6th common term of office he is the Head of the Strategy Committee of the Company's Supervisory Board and a Member of the Audit Committee of the Company's Supervisory Board.

#### **Description of the procedures of the Company's Supervisory Board**

The Supervisory Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *Regulations of the Supervisory Board of TAURON Polska Energia S.A. with its registered office in Katowice* which are available on the Company's website at the address: <http://www.tauron.pl/tauron/relacje-inwestorskie/informacje-o-spolce/dokumenty-spolki>. When performing their duties the Members of the Company's Supervisory Board shall be acting in accordance with the principles provided in the Best Practice 2021.

The Members of the Supervisory Board of the Company, when performing the functions and duties assigned, shall be guided in their conduct, including in making decisions, by the independence of their own opinions and judgments, acting in the interest of the Company.

The Supervisory Board of the Company shall work by way of a debate, analyzing the situation of the Company and the Group against the background of the industry and the market on the basis of the materials provided thereto by the Management Board of the Company and the internal systems and functions of the Company, as well as obtained from outside the Company, using the results of the works of its Committees.

The main form of the Supervisory Board performing the oversight of the Company's operations shall be the meetings of the Supervisory Board. The Supervisory Board shall perform its obligations collectively. The meetings of the Company's Supervisory Board shall be convened by the Chair of the Supervisory Board or the Vice Chair of the Supervisory Board by presenting a detailed agenda of the meeting:

1. in accordance with the decisions taken by the Supervisory Board,
2. of his/her own initiative,
3. at a request of each Member of the Supervisory Board,
4. at a request of the Management Board.

The meetings of the Supervisory Board shall be held at the Company's registered office. In justified cases a meeting may be convened at a different venue.

In order to convene a meeting all of the Members of the Company's Supervisory Board must be invited in writing at least 7 days before the date of the Supervisory Board's meeting. For important reasons the Chair of the Supervisory Board may shorten this period to 2 days, defining the way the invitations should be distributed. The notifications of the Supervisory Board's meeting shall be sent by electronic mail. In the notification of the Supervisory Board's meeting the Chair shall define the date of the meeting, the venue of the meeting and the detailed draft agenda. The Supervisory Board of the Company shall meet on as needed basis, however not less frequently than once every 2 months. The Supervisory Board may hold meetings without convening a formal meeting if all of the Members of the Supervisory Board are present and nobody objects against the fact of holding the meeting or against the agenda of the meeting.

A change of the proposed agenda of the meeting may occur when all of the Members of the Company's Supervisory Board are present at the meeting and no one raises an objection against the changed agenda of the meeting. An issue not included in the agenda of the meeting should be included in the agenda of the next meeting.

The participation in a meeting of the Supervisory Board shall be a Supervisory Board Member's duty. A Member of the Supervisory Board shall provide information on the reason for his/her absence in writing. Excusing an absence of a Member of the Supervisory Board shall require a resolution of the Company's Supervisory Board. The Members of the Company's Management Board may take part in the Supervisory Board's meetings unless the Supervisory Board raises an objection. The participation of the Company's Management Board's members in the Supervisory Board meetings shall be mandatory if they have been invited by the person convening the meeting of the Supervisory Board. Other persons may also take part in the meetings if they have been invited in the above mentioned way.

The Supervisory Board may seek opinions of experts using the knowledge of the Company's employees, including in particular, the legal counsels who provide regular legal assistance for the Company.

The Supervisory Board may also appoint independent experts to obtain an opinion and make the appropriate decision, as well as invite them to the meetings of the Supervisory Board. In case a transaction of the Company with a related entity requires an approval of the Supervisory Board of the Company, before adopting a resolution on granting such a consent, the Supervisory Board shall assess whether it is necessary to first seek an opinion of an external entity that will carry out the valuation of the transaction and the analysis of its economic effects. If the conclusion of the transaction with a related entity requires the approval of the General Meeting, the Supervisory Board of the Company shall draw up an opinion on the legitimacy of concluding such a transaction and in such a case it shall assess the need for a prior seeking of an opinion of an external entity. In the cases referred to above, the Supervisory Board of the Company shall adopt a resolution to commission the selected expert to carry out the work, obliging the Management Board of the Company to conclude the applicable agreement.

The meetings of the Supervisory Board shall be chaired by the Chair of the Supervisory Board, and in case of his/her absence, by the Vice Chair of the Supervisory Board. For important reasons, with the consent of the majority of the Members of the Supervisory Board present at the meeting, the person chairing the meeting shall be obliged to subject to a vote a motion to interrupt the meeting and set the date of resuming the meeting of the Company's Supervisory Board. The Supervisory Board shall make its decisions in the form of resolutions. The Supervisory Board's resolutions shall be passed mainly during the meetings thereof. The Supervisory Board shall pass resolutions if at least half of its members are present at the meeting and all of its members have been invited in the appropriate manner defined in the Regulations of the Supervisory Board. Subject to the mandatory legal regulations in force, including the Code of Commercial Companies and the provisions of the Company's Articles of Association, the Supervisory Board shall pass resolutions by an absolute majority of votes of the persons present at the meeting where the absolute majority of votes shall be understood as more votes cast "for" than "against" and "abstain". Resolutions shall not be passed on matters not included in the agenda unless all of the Members of the Supervisory Board are present and nobody raises an objection. This shall not apply to the resolutions on excusing a Supervisory Board's Member's absence at the meeting. The resolutions shall be voted on in an open ballot. A secret ballot shall be ordered only in the cases stemming from the provisions of the law.

In accordance with the Company's Articles of Association, the Supervisory Board may pass resolutions in writing or using the means of direct remote communications. Passing a resolution in such a way shall require a prior notification of all of the Members of the Supervisory Board of the content of the draft resolution and the participation of at least half of the Members of the Supervisory Board in passing the resolution. The Company's Supervisory Board may pass resolutions this way as long as no Member of the Company's Supervisory Board raises an objection. When voting on a resolution in the above mentioned way a Member of the Company's Supervisory Board shall indicate his/her vote, i.e. "for", "against" or "abstain". A resolution with a note that it has been passed in writing

or by voting using the means of direct remote communications shall be signed by the Chair of the Supervisory Board. The resolutions passed this way shall be presented at the forthcoming meeting of the Supervisory Board along with the result of the voting.

The participation in a meeting of the Company's Supervisory Board using the means of direct remote communications, i.e. a conference call or a video conference, shall be allowed. In case the Members of the Company's Supervisory Board take part in a meeting of the Company's Supervisory Board using the means of direct remote communications, the resolutions shall be passed if at least half of the Members of the Company's Supervisory Board participate in the voting.

The Members of the Supervisory Board shall take part in the meetings and exercise their rights and responsibilities (duties) in person, and while performing their duties they shall be obliged to act with due diligence. The Members of the Supervisory Board shall be obliged to keep confidential the information related to the Company's activities that they have acquired in connection with holding their seat or on another occasion.

The Supervisory Board may, for important reasons, delegate its individual members to perform certain supervision (oversight) activities on their own for a defined period of time. The Supervisory Board may delegate its members, for a period not longer than three months, to temporarily perform the duties of the Members of the Management Board who have been dismissed, submitted their resignation or if for other reasons they cannot perform their functions. The above mentioned delegation shall require obtaining a consent of the Member of the Supervisory Board who is to be delegated.

The Company's Supervisory Board may appoint from among its members permanent or temporary (ad hoc) working groups (teams), committees to perform specific actions. The standing committees of the Company's Supervisory Board shall be:

1. Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. (Audit Committee),
2. Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A. (Nominations and Compensation Committee),
3. Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. (Strategy Committee).

The composition, tasks and procedures of the operation of the above mentioned committees shall be defined in the regulations thereof passed by the Supervisory Board.

### Competence of the Company's Supervisory Board

Supervisory Board of the Company shall continuously oversee the Company's activities in all areas of its operations.

In accordance with the Company's Articles of Association, the Company's Supervisory Board's tasks and competences shall include in particular the matters listed in the below table, as of December 31, 2022, and as of the date of drawing up this report.

**Table no. 6. Competence of the Company's Supervisory Board as of December 31, 2022, and as of the date of drawing up this report**

Matters that require a resolution of the Company's Supervisory Board

#### Competences related to providing opinions

1. evaluate the Company's Management Board's report on the Company's operations (Directors' Report) as well as the financial statements for the last financial year with respect to their compliance with the books, documents as well as with the actual status. This shall also apply to the Capital Group's consolidated financial statements,
2. evaluate the Company's Management Board's recommendations on the distribution of the profit or the covering of the loss,
3. submit a written report to the General Meeting of Shareholders on the outcome of the activities referred to in clauses 1 and 2 above,
4. draw up once a year and submit to the General Meeting a report on the activities of the Supervisory Board containing at least:
  - 1) information on: the composition of the Company's Supervisory Board and its Committees, including an indication which Members of the Supervisory Board comply with the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*, as well as those that not to have the actual and material ties to a shareholder holding at least 5% of the total number of votes in the Company, and also the information on the composition (membership) of the Supervisory Board in the context of the diversity thereof,
  - 2) summary of the activities of the Supervisory Board and its Committees
  - 3) evaluation of the Company's situation on the consolidated basis, including the assessment of the internal controls, risk management, compliance systems and the internal audit functions, including the information on the steps that the Company's Supervisory Board took in order to perform such an evaluation, including all of the significant control mechanisms, in particular the ones related to the reporting and operations
  - 4) assessment of the application of the corporate governance principles and the method of fulfilment of the information (disclosure) obligations in relation to the application thereof, defined in the Regulations of the Exchange and the provisions related to the current and periodic information (disclosures, regulatory filings) filed by the issuers of securities. including the information on the steps that the Company's Supervisory Board took in order to perform such an assessment,
  - 5) assessment of the rationality (legitimacy) of the expenditures incurred by the Company and its group to support culture, sports, charity institutions, media, social organizations, trade unions, etc.,
  - 6) information on the degree of implementation of the diversity policy in relation to the Company's Management Board and the Supervisory Board of the Company, including the implementation of the objectives and criteria of diversity, including in such areas as gender, education background, specialist knowledge, age and professional experience
5. prepare, along with the report on the results of the Company's annual financial statements' evaluation, the Company's Supervisory Board's opinion on the financial viability of the Company's capital (equity) investments in other commercial law entities made in the given financial year,



## Matters that require a resolution of the Company's Supervisory Board

6. draw up, once a year, a report on the compensation of the Members of the Company's Management Board and the Supervisory Board of the Company in accordance with the requirements defined in the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*,
7. provide opinions on the Capital Group's Corporate Strategy,
8. provide opinions on the rules of conducting the sponsoring activities,
9. provide opinions on the annual plan of conducting the sponsoring activities as well as on the annual report on the implementation thereof,
10. provide opinions on the reports drawn up, by the Company's Management Board, on the entertainment expenses, the expenditures on the legal services, marketing services, public relations and social communications services as well as the advisory services related to management,
11. provide opinions on the Company's Management Board's motions regarding the matters referred to in § 35 of the Company's Articles of Association, excluding the motions regarding the Members of the Company's Supervisory Board,
12. provide opinions on the draft resolutions introduced by the Management Board of the Company to the agenda of the General Meeting,
13. provide opinions on the changes of the rules of divesting fixed assets, defined in § 38<sup>1</sup> of the Company's Articles of Association.

## Competences that include

1. selecting a certified auditor to carry out an audit of the Company's financial statements and the Capital Group's consolidated financial statements,
2. defining the scope and deadlines for submitting the Company's and the Capital Group's annual material and financial plan by the Company's Management Board,
3. approving the Company's and the Capital Group's material and financial plan by the Company's Management Board
4. adopting the consolidated text of the Company's Articles of Association, drawn up by the Company's Management Board,
5. approving the Regulations of the Company's Management Board,
6. approving the organizational regulations of the Company's enterprise,
7. approving the capital group's compensation policy,
8. purchasing real estate asset components within the meaning of the *Act of September 29, 1994, on accounting*, with the value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,subject to the provisions of § 20, clause 5 of the Company's Articles of Association,
9. disposing of fixed asset components, within the meaning of the *Act of September 29, 1994, on accounting*, classified as intangible and legal assets, tangible fixed assets or long term investments, including making a contribution to a company or cooperative if the market value of such components exceeds PLN 20 000 000 or 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements, subject to the provisions of § 20, clause 5 of the Company's Articles of Association, as well as handing over these components for use to another entity for a period longer than 180 days in a calendar year, based on a legal transaction, if the market value of the subject of the legal transaction exceeds PLN 500 000 or 5% of the total assets, where the handing over of such components for use in case of:
  - 1) lease, tenancy and other contracts for the transfer of an asset for use by other entities for a fee - market value of the subject of legal action shall be understood as the value of services for: one year - if the asset was transferred on the basis of an agreement concluded for an indefinite period, the entire duration of the agreement - in case of contracts concluded for a fixed period,
  - 2) loan contracts and other free contracts for the handing over of an asset for use by other entities - the market value of the subject of legal transaction shall be understood as the equivalent of benefits that would be due if the lease or tenancy agreement were concluded, for: one year - if the asset is handed over under the contract concluded for an indefinite period, the entire duration of the contract - in case of contracts concluded for a definite period,
10. assuming contingent liabilities, including granting guaranties and sureties by the Company with the value exceeding the equivalent of PLN 20 000 000,
11. issuing bills of exchange with the value exceeding the equivalent of PLN 20 000 000,
12. making an advance payment on account of the expected dividend,
13. taking up or purchasing shares in another company with the value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 5% of the total assets within the meaning of the *Act of 29 September 29, 1994 on accounting*, determined on the basis of the last approved financial statements,
14. selling shares in another company with the value exceeding:
  - 1) PLN 20 000 000 or
  - 2) 10% of the total assets within the meaning of the *Accounting Act of 29 September 1994*, determined on the basis of the last approved financial statements,
15. concluding an agreement for legal services, marketing services, public relations and social communications services as well as advisory services related to management, if the amount of the total net compensation for the services provided exceeds PLN 500 000, on a yearly basis,
16. amending an agreement for legal services, marketing services, public relations and social communications services as well as advisory services related to management, increasing the compensation above the amount mentioned in section 15 above,
17. concluding an agreement for legal services, marketing services, public relations and social communications services as well as advisory services related to management, under which the maximum compensation amount (cap) is not envisaged,
18. concluding a donation agreement or another agreement with similar consequences of the value exceeding PLN 20 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
19. relieving from debt or from another agreement with similar consequences of the value exceeding PLN 50 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
20. concluding a material agreement with a related entity within the meaning of the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*,
21. granting a permission to establish the Company's branches abroad,
22. defining the way of exercising the voting right at the General Meeting of Shareholders or at the Meeting of Shareholders (Partners) of companies in which the Company holds more than 50% of shares, with respect to the following matters:
  - 1) selling and leasing out the company's enterprise or its organized part as well as establishing a limited pledge (property right) thereupon them if their value exceeds the PLN equivalent of EUR 5 000 000,
  - 2) dissolving and liquidating the company
23. defining the manner of exercising the voting right by a representative of TAURON during the GMs of companies (subsidiaries) with respect to which the Company is a dominating entrepreneur within the meaning of art. 4 section 3 of the *Act of February 16, 2007, on competition and consumer protection*, with respect to the following issues:
  - 1) a company setting up another company,

#### Matters that require a resolution of the Company's Supervisory Board

- 2) a change to the Articles of Association or the shareholders agreement and the subject of the company's operations,
- 3) merging, transforming, splitting, dissolving and liquidating the company,
- 4) increasing or decreasing the company's share capital,
- 5) selling and leasing out the company's enterprise or its organized part and establishing a limited pledge (property right) thereupon,
- 6) redeeming (retiring) of shares,
- 7) setting the compensation of members of the Management Boards and Supervisory Boards,
- 8) provision related to the claims for remedying damage inflicted when setting up the company or performing the management or supervision,
- 9) matters mentioned in art. 17 of the Act of December 16, 2016, on the principles of state assets management, subject to § 15, clause 5 of the Company's Articles of Association, with the exception of the matters relating to the legal transactions referred to in § 20. clause 5 of the Company's Articles of Association, and with the exception of matters regarding the acquisition or disposal of fixed assets constituting or intended to constitute assets necessary to conduct business operations with respect to the distribution of electricity by a company that is an operator of the power distribution system.

#### Competences related to the Management Board

1. appoint and dismiss members of the Company's Management Board,
2. establish the rules of compensation and the amounts of compensation for the Members of the Company's Management Board, subject to § 18 of the Company's Articles of Association,
3. suspend members of the Company's Management Board from office for important reasons,
4. delegate members of the Company's Supervisory Board to temporarily perform duties of the Members of the Company's Management Board who cannot perform their duties and establish their compensation subject to the provision that the total compensation of the delegated person as a Member of the Company's Supervisory Board's as well as on account of being delegated to temporarily perform duties of a Member of the Company's Management Board shall not exceed the compensation established for the Member of the Company's Management Board to replace whom the Member of the Company's Supervisory Board was delegated,
5. conduct a recruitment process for the position of a Member of the Company's Management Board,
6. conduct a competition in order to select a person with whom an agreement to perform the management board functions (services) in the Company shall be concluded and conclude such agreement to perform the management board functions (services) in the Company,
7. grant a permission to the Members of the Company's Management Board to take positions in governing bodies (authorities) of other companies.

#### Other competences of the Company's Supervisory Board

1. approve the Company's Management Board's annual report on the supervision over the implementation of the investment projects
2. draw up reports on overseeing the implementation of investment projects by the Company's Management Board, including the fixed asset purchases, and in particular provide opinions on the correctness and effectiveness of the expenditures related thereto
3. approve the reports drawn up by the Company's Management Board on :
  - 1) entertainment expenses, expenditures on legal services, marketing services, public relations and social communications service as well as advisory services related to management,
  - 2) applying good practices defined by the Chairman of the Council of Ministers (Prime Minister) on the basis of art. 7, clause 3 of the Act on the principles of state assets management with respect to corporate governance, corporate social responsibility and sponsorship,
4. pass regulations describing in detail the Company's Supervisory Board's procedures.

The below table presents the main issues that the Company's Supervisory Board was dealing with during its meetings in 2022.

**Table no. 7. Main issues that the Company's Supervisory Board was dealing with during its meetings in 2022**

Main issues that the Company's Supervisory Board was dealing with during its meetings in 2022

#### With respect to its competences related to the providing of the opinions / assessments:

1. completed an assessment of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2021, prepared in accordance with the International Financial Reporting Standards approved by the European Union*, in terms of its consistency with the books and documents, as well as with the factual situation,
2. completed an assessment of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2021, prepared in accordance with the International Financial Reporting Standards approved by the European Union*, in terms of its consistency with the books and documents, as well as with the factual situation,
3. completed an assessment of the Management Board's proposal (petition) submitted to the Company's General Meeting of Shareholders regarding the distribution of the net profit for the financial year 2021,
4. completed an assessment of the *Report of the Management Board (Directors' Report) on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2021 and the Non-financial Report of TAURON Capital Group for the year 2021*,
5. accepted the *Report of the Supervisory Board on the assessment of the Financial Statements of TAURON Polska Energia S.A., the Consolidated Financial Statements of TAURON Capital Group, the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year ended on December 31, 2021, and the Management Board's proposal (petition) regarding the distribution of the net profit for the financial year 2021*,
6. issued a positive opinion on the *Report of TAURON Polska Energia S.A. on the entertainment expenses, the expenditures on the legal services, marketing services, public relations and social communications services as well as the advisory services related to management incurred in 2021*,
7. issued a positive opinion on the *Annual Report on the implementation of the Plan of conducting the sponsoring activities by TAURON Group in 2021, the Plan of conducting the sponsoring activities by TAURON Capital Group in 2023*, as well as on the changes to the *Principles of sponsoring activities at TAURON Group*,
8. issued a positive opinion on the *TAURON Group's Strategy for the years 2022 – 2030 with an outlook until 2050*,
9. issued a positive opinion on the proposal.

#### With respect to its competences that include:

1. adopted the *Report on the activities of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021*, including in its content:
  - 1) assessment of the Company's situation, including the assessment of the internal control system, risk management system, compliance system as well as of the internal audit function, including all of the significant control mechanisms, including in particular the ones related to the financial reporting and operations,

## Main issues that the Company's Supervisory Board was dealing with during its meetings in 2022

- 2) assessment of the method of fulfillment of the information (disclosure) obligations in relation to the application of the principles of corporate governance, defined in the Regulations of the Stock Exchange and the provisions related to the current and periodic information (disclosures, regulatory filings) filed by the issuers of securities,
- 3) assessment of the rationality (legitimacy) of the policy conducted by the Company with respect to the sponsoring activities, charity activities or other activities of similar nature,
- 4) assessment of the fulfillment of the independence criteria by the Members of the Supervisory Board,
2. adopted the consolidated text of the *Articles of Association of TAURON Polska Energia S.A.*,
3. adopted the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2021* and submitted it to the General Meeting in order to receive an opinion thereupon,
4. approved the amended *Organizational Regulations of TAURON Polska Energia S.A.*,
5. approved the *Material and financial plan of TAURON Group for the year 2022* and the *Material and financial plan of TAURON Group Polska Energia S.A. for the year 2022*,
6. expressed a consent for the concluding of the agreements for the legal services, marketing services, public relations and social communications services as well as the advisory services related to the management, if the amount of the net total compensation envisaged for the services provided under the given agreement or under other agreements concluded with the given entity exceeded PLN 500 000, on a yearly basis,
7. defined the manner of exercising the voting right during the General Meetings / Meetings of Partners of companies (subsidiaries) with respect to which TAURON Polska Energia S.A. is a dominating entrepreneur within the meaning of art. 4, section 3 of the Act of February 16, 2007, *on competition and consumer protection*, with respect to the following issues: a change to the Articles of Association / Founding Acts, a change of the principles of the compensation of the members of the Management Boards, splitting and merging, acquiring of the fixed assets, increasing of the company's share capital, a change of the subject of the operations of the subsidiaries,
8. monitored the activities of the Supervisory Board's Committees, replenished their memberships.

### With respect to the cooperation with the audit firm Ernst & Young Audyt Polska sp. z o.o. sp.k.:

1. held a meeting with the certified auditor to discuss the results of the audit of the Company's and TAURON Capital Group's financial statements for the financial year 2021,
2. became familiar with the conclusions of the audit of the Company's and the TAURON Capital Group's financial statements for the year 2021, as well as the supplementary report prepared for the Audit Committee,
3. became familiar with the certified auditor's report on the assessment of the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2021*.

### With respect to the oversight of the ongoing operations of the Company and TAURON Capital Group:

1. analyzed the current economic and financial situation of the Company and of TAURON Capital Group, including the implementation of the material and financial plan, leverage ratio, utilization of the electricity generation potential, projected revenues and profits in the individual lines of business,
2. discussed a report on the implementation of the plan and schedule for the allocation of the funds raised from the bond issue worth PLN 1 billion,
3. granted an approval of the assumption by TAURON of a contingent liability in the form of a surety constituting a collateral for Bank Gospodarstwa Krajowego's receivables stemming from the loan granted to EC Stalowa Wola,
4. became familiar with the issues relating to the Polish capacity market,
5. discussed the key risks and the mitigations thereof, in particular the impact of the Russian Federation's aggression against Ukraine on TAURON Group's current and future operations,
6. discussed the information on the situation on the hard coal market, contracted volumes and demand of TAURON Group, as well as the process of rebuilding the hard coal inventories, negotiations related to the purchase of the hard coal for TAURON Group's subsidiaries,
7. granted an approval of the conclusion of the donation agreements with TAURON Foundation,
8. granted an approval of the assumption by TAURON of a contingent liability in the form of granting a surety for the liabilities of its subsidiary, TAURON Sprzedaż, towards Polska Spółka Gazownictwa sp. z o.o.,
9. granted an approval of the assumption of the contingent liabilities in the form of the bank guarantees issued at TAURON's request in order to hedge the transactions carried out on the Polish Power Exchange (Towarowa Gielda Energii S.A.) by TAURON on behalf of and for the benefit of TAURON and its subsidiaries,
10. became familiar with the content of the updated statement: *Information on the status of TAURON Polska Energia S.A.'s application of the rules contained in the Code of the Best Practices of the Companies Listed on the Warsaw Stock Exchange 2021* without making any comments thereto,
11. monitored the process of the implementation of the social dialogue at the Company and at TAURON Capital Group, held a meeting with the representatives of the Presidium of TAURON Capital Group's Social Council, explained the comments made, got acquainted with the agreement on the stabilization of the headcount at TAURON Group's subsidiaries, concluded in connection with the energy transition process,
12. became familiar with the information on the expenses incurred in 2021 and in the first half of 2022 on the consulting services at TAURON and at TAURON Capital Group, broken down into the business and strategic consulting, legal consulting, auditing services, tax consulting and other services,
13. became familiar with the report on the implementation in 2021 of the Regulation of the European Parliament and of the Council on the protection of personal data (GDPR),
14. became familiar with the up to date information related to, among other things: the completed and ongoing audit tasks at TAURON Capital Group, the compliance management area, court disputes of the PEPKH subsidiary, lists of the resolutions passed by the Management Board.

### With respect to the competences related to the Management Board:

1. based on the recruitment procedures carried out, the Supervisory Board appointed the Members of the Management Board of TAURON Polska Energia S.A. of the 6<sup>th</sup> common term of office,
2. dismissed two Members of the Management Board of TAURON Polska Energia S.A. of the 6<sup>th</sup> common term of office,
3. submitted the motions to the General Meeting related to the acknowledgment of the fulfillment of the duties of the Members of the Company's Management Board in the financial year 2021, as well as of the former Members of the Management Board for 2020 and 2019,
4. conducted an analysis of the level of the accomplishment of the Management Objectives set for the Members of the Management Board of the Company of the 6<sup>th</sup> term of office to be implemented in 2021, and determined the amount of the variable compensation to be paid out thereto,
5. in connection with the adopted compensation system, the Supervisory Board detailed the Management Objectives for the Members of the Company's Management Board to be implemented in 2022, along with the specification of the weights of these objectives and the objective criteria for the implementation and accountability thereof,
6. amended the rules for establishing and dividing the Management Objectives, their weights and the criteria for the implementation and accountability thereof,

Main issues that the Company's Supervisory Board was dealing with during its meetings in 2022

7. in connection with the Resolution of the Ordinary General Meeting, the Supervisory Board amended the principles of determining the compensation of the Members of the Management Board of TAURON Polska Energia S.A. and concluded Annexes no. 1 to the agreements for the provision of the management services with the Members of the Management Board,
8. granted an approval of the performance of the functions in the bodies of other companies and associations and of the training for the Members of the Management Board.

**With respect to the oversight of the correctness and efficiency of the spending of the funds related to the implementation of investment projects by the Management Board of the Company, including purchasing of the fixed assets:**

1. approved the *Report of the Management Board of TAURON Polska Energia S.A. on the oversight of the implementation of the investment projects at TAURON Group in 2021*,
2. approved the *Report of the Supervisory Board of TAURON Polska Energia S.A. on the oversight of the implementation by the Management Board of the investment projects including purchasing of the fixed assets in 2021*, and issued a positive opinion and raised no objections to the correctness and efficiency of the spending of the funds related to the purchasing of the fixed assets,
3. became familiar with the up to date information on the status of the implementation of the strategic investment projects,
4. granted an approval of the sale of TAURON Wydobywanie's shares to the State Treasury,
5. discussed the progress of the works related to the implementation of the Program for the spin-off of TAURON Group's hard coal-fired generating assets to the National Energy Security Agency, granted an approval of the conclusion of the agreements for the conducting of the Vendor Due Diligence studies as part of the above mentioned Program,
6. granted an approval of the merger of TAURON Wytwarzanie with Nowe Jaworzno Grupa TAURON and of the sale of TAURON's shares in Nowe Jaworzno Grupa TAURON to TAURON Wytwarzanie,
7. granted an approval of the transfer of the shares in Bioeko Grupa TAURON to TAURON Wytwarzanie,
8. became familiar with the up to date information on the 910 MW power generation unit in Jaworzno, including with the issues related to the fixing of the failure and the investigation of the root causes thereof, the mediation proceedings,
9. became familiar with the status of the implementation of the RES projects at TAURON Group, including, among others, the ongoing and the planned RES projects, as well as the RES model implemented at TAURON Group.

## Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.

The members of the Audit Committee were appointed for the current term of office on August 3, 2020, by the Company's Supervisory Board of the 6th common term of office from among its members.

The Audit Committee held a total of 7 meetings and passed 12 resolutions during the period covered by this report.

All of the Members of the Audit Committee were present during 6 meetings, while 1 Member of the Audit Committee was absent during 1 meeting. The absence of the Audit Committee Member was excused by the relevant resolution of the Audit Committee.

The Audit Committee was composed of 4 to 5 members in 2022.

### The composition of the Audit Committee as of December 31, 2022, and as of the date of drawing up this report

1. Teresa Famulska - Head of the Audit Committee,
2. Stanisław Borkowski - Member of the Audit Committee,
3. Leszek Koziowski - Member of the Audit Committee,
4. Grzegorz Peczkis - Member of the Audit Committee.

### The changes to the composition of the Audit Committee in 2022 and by the date of drawing up this report

As of January 1, 2022, the Audit Committee was composed of the following Members of the Supervisory Board of the Company: Teresa Famulska (Head of the Audit Committee), Stanisław Borkowski, Leszek Koziowski, Grzegorz Peczkis and Katarzyna Taczanowska.

On May 24, 2022, Katarzyna Taczanowska submitted a statement on her resignation from the membership of the Company's Supervisory Board, and thus her membership in the Audit Committee was terminated.

There had been no other changes to the composition of the Audit Committee by the date of drawing up this report.

### Information on the independence of the Members of the Audit Committee

Pursuant to the *Act of May 11, 2017, on certified auditors, audit companies and public oversight*, the majority the members of the audit committee, including the head thereof, should be independent and at least one member of the audit committee should have the knowledge and skills with respect to accounting or auditing financial statements and at least one member of the audit committee should have the knowledge and skills with respect to the industry that the company is operating in.

In 2021 the composition of the Audit Committee was in compliance with the requirements defined in the above mentioned act. The evaluation of the independence and the statutory requirements with respect to the knowledge and skills of the individual Members of the Audit Committee was carried out by the Company's Supervisory Board based on the relevant statements submitted by the Members of the Audit Committee. The qualifications of the Members of the Audit Committee with respect to the accounting or auditing, as well as the industry that the Company is operating in, were based on the education and skills possessed by the Members of the Audit Committee.



The below table presents the information on the compliance, in 2022, of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and skills held.

**Table no. 8. Compliance, in 2022, of the Members of the Audit Committee with the independence requirements and the requirements with respect to the knowledge and skills held.**

First and last name	Period of performing the function (tenure) in the Audit Committee in 2021	Compliance with the independence requirements and the requirements with respect to the knowledge and skills held
1. Teresa Famulska	01.01.2022 – 31.12.2022	Independent. She has knowledge and skills with respect to accounting and auditing of the financial statements.
2. Stanisław Borkowski	01.01.2022 – 31.12.2022	Independent. He has knowledge and skills with respect to accounting and auditing of the financial statements.
3. Leszek Koziorowski	01.01.2022 – 31.12.2022	Independent.
4. Grzegorz Peczkis	01.01.2022 – 31.12.2022	Independent. He has knowledge and skills with respect to the industry in which the Company operates.
5. Katarzyna Taczanowska	01.01.2022 – 24.05.2022	Independent.

### Tasks and competences of the Audit Committee

In 2022 the Audit Committee was performing the tasks and competences defined in the currently applicable legal regulations and in the *Regulations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.* adopted by the Supervisory Board.

The tasks and competences of the Audit Committee as of December 31, 2022, and as of the date of drawing up this report, are presented in the below table.

**Table no. 9. Competences of the Audit Committee as of December 31, 2022, and as of the date of drawing up this report**

Competences of the Audit Committee
<ol style="list-style-type: none"> <li>1. Monitoring the Company's financial reporting process, the effectiveness of the internal control, risk management, compliance and internal audit systems, including with respect to the financial reporting, performing of the financial auditing activities, in particular performing of an audit by an audit company, taking into account any conclusions (motions) and findings of the Audit Supervision Committee stemming from an audit performed at an audit company.</li> <li>2. controlling and monitoring of the independence of the certified auditor and the audit company, in particular in case other services than an audit are provided for the benefit of the Company by the audit company,</li> <li>3. performing the evaluation of the independence of the certified auditor and expressing consent for the performance thereby of the permitted services that do not constitute an audit within the Company,</li> <li>4. developing the policy for selecting the audit company to perform the audit,</li> <li>5. developing the policy for performing by the audit company conducting the audit, entities related to such audit company and the members of the audit company's corporate network, of the permitted services that do not constitute an audit,</li> <li>6. defining the procedure for selecting the audit company by the Company,</li> <li>7. presenting to the Supervisory Board, for the purpose of selecting the audit company responsible for performing the statutory audit or review of financial statements, of the recommendation, referred to in Art. 130, clauses 2 and 3 of the <i>Act of May 11, 2017 on certified auditors, auditing companies and public oversight</i> and in Art. 16, clause 2 of the <i>Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities (...)</i>, in line with the policies referred to above in items 4 and 5,</li> <li>8. informing the Supervisory Board of the audit results and explaining how the audit contributed to the accuracy (fairness) of the Company's financial reporting, and also what the role of the Audit Committee in the audit process was,</li> <li>9. presenting the recommendations aimed at ensuring accuracy (fairness, reliability) of the Company's financial reporting process,</li> <li>10. performing other activities vested with the audit committees pursuant to the Act and the Regulation mentioned in items 7 above and <i>the Act of September 29, 1994, on accounting</i>.</li> </ol>

The below table presents the main issues that the Audit Committee was dealing with during its meetings in 2022.

**Table no. 10. Main issues that the Audit Committee was dealing with during its meetings in 2022**

Main issues that the Audit Committee was dealing with during its meetings in 2022
<ol style="list-style-type: none"> <li>1. Monitoring of the Company's financial reporting process, including analyzing the reliability of the financial information presented by the Company in the following documents in terms of its compliance with the books and documents, as well as with the factual situation, and making the relevant recommendations to the Supervisory Board based on the assessment of the information contained in: <ol style="list-style-type: none"> <li>1) Financial statements of TAURON Polska Energia S.A. for the financial year ended on December 31, 2021,</li> <li>2) Proposal of the Management Board of the General Meeting of TAURON Polska Energia S.A. with respect to the distribution of the net profit for the financial year 2021,</li> <li>3) Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the financial year ended on December 31, 2021,</li> <li>4) Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year ended on December 31, 2021, the Non-financial Report of TAURON for the year 2021,</li> <li>5) Extended consolidated report of TAURON Polska Energia S.A. for the first quarter of 2022, the first half of 2022 and the third quarter of 2022.</li> </ol> </li> <li>2. Cooperation with the certified auditor with respect to:</li> </ol>

## Main issues that the Audit Committee was dealing with during its meetings in 2022

- 1) audit of the financial statements of the Company and of the consolidated financial statements of the Capital Group for the financial year 2021 (discussion of the auditor's report on the audit conducted, discussion of the additional report prepared by the auditor for the Audit Committee, becoming familiar with the statement on the compliance with the independence requirements by the audit firm and the members of the team performing the financial audit activities and the information on the non-performance of the non-audit services by the audit firm for the Company and TAURON Group's subsidiaries),
  - 2) review of the interim, abbreviated financial statements of the Company and of the consolidated financial statements of the Capital Group for the first half of 2022 (discussion of the results of the review conducted and becoming familiar with the statement on the compliance with the independence requirements with respect to TAURON Group's subsidiaries and remaining independent with respect to the entity being audited during the time frame from the date of the submission of the previous statement of independence),
  - 3) process of auditing the financial statements of the Company and the consolidated financial statements of the Capital Group for the financial year 2022 (discussion of the general assumptions of the audit process, the timetable, the audit strategy and the non-financial reporting, as well as the results of the preliminary audit of the Company and the subsidiaries).
3. Presenting to the Supervisory Board of a positive assessment with respect to the independence of the financial audit process and the conducting of the assessment of the key auditor and the members of the team performing the financial audit activities as to whether they meet the criteria for the independence with respect to TAURON Group's subsidiaries and remain independent with respect to the audited entity during the time frame from the date of the previous assessment of the independence,
  4. Presenting of a recommendation to the Supervisory Board on the acceptance of the *Report of the Supervisory Board on the Assessment of the Financial Statements of TAURON Polska Energia S.A., the Consolidated Financial Statements of TAURON Capital Group, the Report of the Management Board on the Operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year ended on December 31, 2021 and the Proposal of the Management Board with respect to the distribution of the net profit for the financial year 2021*,
  5. Discussion of the draft *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2021* in order to provide it to the certified auditors to receive the opinion thereof,
  6. Analysis of the financial results of TAURON Group and TAURON Polska Energia S.A. for the full year 2021, the first quarter of 2022, the first half of 2022 and for the third quarter of 2022.
  7. Becoming familiar with the detailed information on the overhead costs at TAURON and at TAURON Group, including a comparison of the costs in question over a period of 3 years,
  8. Becoming familiar with and evaluating of the new wording of the *Accounting Policy of TAURON Polska Energia S.A. Capital Group*,
  9. Becoming familiar with the information with respect to the implementation of the activities stemming from the *Procedure for ensuring compliance, within TAURON Group, with the requirement of the independence of the audit company conducting the audit and review of the financial statements and the consolidated financial statements of TAURON Polska Energia S.A.*,
  10. Monitoring of issues with respect to the internal audit and the internal control systems, in particular, discussing of the degree of the implementation of the annual *Audit Plan for TAURON Group for 2021*, as well as of the implementation in each quarter of the plan of the audit tasks and the ad hoc controls adopted for 2022.
  11. Becoming familiar with the self-assessment of the audit area's activities over a three year period with respect to the effectiveness of the audit and control projects undertaken at TAURON Capital Group and the covering with its activities of all significant areas of the operations of TAURON Capital Group's subsidiaries,
  12. Discussing of the Internal Control System Assessment Report for 2021,
  13. Monitoring of the issues with respect to the key corporate and specific risks at TAURON Group, as well as getting acquainted with the information on the impact of the armed conflict in Ukraine on TAURON Group's operations and the measures taken to support the refugees from Ukraine,
  14. Monitoring of the quarterly reports on the tasks carried out by the compliance area, as well as getting acquainted with: *TAURON Polska Energia S.A.'s Compliance Report for 2021, TAURON Group's Compliance Plan for 2022*, and the reports on the periodic assessment of the transactions concluded with the related parties for the periods of: H2 2021 and H1 2022,
  15. Analysis of the participation of TAURON Capital Group's subsidiaries in the industry organizations, as well as of the cost of the membership of individual subsidiaries, and the discussion of the forecast of the cost of the membership of the subsidiaries in the industry organizations,
  16. Becoming familiar with the quarterly information with respect to the area of purchasing, including in particular: the analysis of the purchase order (contract) award proceedings as part of the monitoring of the effectiveness of the internal control system, including the non-tender proceedings at TAURON Capital Group's subsidiaries, the findings and the conclusions stemming from the analysis of the purchase orders (contracts) awarded on the emergency basis by the Company and by TAURON Capital Group's subsidiaries, getting acquainted with the amendments to TAURON Group's Purchase Order Award Regulations,
  17. Adopting and submitting to the Supervisory Board of the *Report on the activities of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021*,
  18. Carrying out of other tasks entrusted by the Supervisory Board, including, among others, analyzing and evaluating of the documents or legal actions performed by the Company with respect to their compliance with the applicable legal regulations and the internal regulations.

## Permitted non-audit services provided by an audit company

The following permitted non-audit services were provided for TAURON and TAURON Capital Group's subsidiaries in 2022 by the audit firm auditing the financial statements:

1. confirmed in writing verification of the annual and interim (semi-annual) standalone consolidation packages of selected TAURON Capital Group's subsidiaries required to prepare the annual and interim consolidated financial statements,
2. completing the agreed procedures for the verification of the report of TAURON Dystrybcja subsidiary in connection with the requirement to estimate the Regulatory Asset Base (RAB) and the Regulatory Asset Base (RAB) for the AMI System for the needs of determining the justified return on capital employed by the President of ERO.
3. an assessment of the annual report of the Supervisory Board on the compensation of the Management Board and the Supervisory Board of TAURON Polska Energia S.A., drawn up in accordance with art. 90g of the *Act on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies*.

In connection with the provision of the above mentioned services, the Audit Committee performed an evaluation of the threats to and the safeguards of the independence of the audit company Ernst & Young Audyt Polska and expressed its consent for the provision of the above mentioned services.

### **Main assumptions of the policy for selecting an audit company to conduct the audit and the policy of providing the permitted non-audit services by the audit company conducting the audit, by the entities related to such an audit company and by a member of the audit company's network**

The Audit Committee adopted the following regulations on October 16, 2017, prepared in connection with the coming into force of the *Act of May 11, 2017, on certified auditors, auditing companies and public oversight*:

1. *Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.,*
2. *Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*
3. *Policy for the provision of the permitted non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network.*

On October 5, 2020, the Audit Committee adopted the new version of the *Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*, as well as the *Procedure for the appointment (selection) of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.*

*Policy for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* is aimed at ensuring the compliance of the selection of the audit firm to conduct the audit and review of the Company's financial statements with the legal regulations. The policy defines, in a clear manner, the principles and rules of the process for the appointment of the audit firm to audit the reports of TAURON as a public interest entity, principles of the procedure for the appointment of the audit firm, principles of preparing the recommendations of the Audit Committee related to the appointment of the audit firm, as well as the principles of the rotation of the audit firm conducting the audit and review of the financial statements and consolidated financial statements of TAURON. The most important assumptions adopted in the policy include the fact that the process for the appointment of the auditor shall be based on the applicable legal regulations, ensuring the transparency and objectivity of the process for the appointment of the auditor and including in the process of the requirements necessary for the timely and correct performance of the audit services for the Company.

*Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* is aimed at ensuring the compliance of the process for the appointment of the audit firm with the legal regulations, as well as ensuring that the audit and review of the financial statements are conducted at a high quality level, within a specified time frame, while ensuring independence, objectivity, transparency and credibility of the audit firm and the certified auditors. The procedure defines in detail and accurately the individual stages of the process to select the audit firm, including indicating the corporate authorities (bodies) and organizational units responsible for such stages. Furthermore, the procedure defines the general conditions for the participation in the proceedings and the criteria for the selection of the audit firm as well as the time frame of the auditor selection process. The most important assumptions made in the procedure include adopting a clear and transparent, based on the legal regulations, split of the responsibilities in the process for the appointment of the auditor, as well as defining transparent and non-discriminatory conditions for the participation in the tender procedure and criteria for the appointment of the audit firm that the company may apply.

*Policy for the provision of the allowed non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network* is aimed at defining clear rules aimed at meeting the requirement of the independence of the audit firm conducting the audit of the Company, in case such firm or entities that are members of its network are providing non-audit services. This policy defines the principles related to the provision for the benefit of TAURON Capital Group's entities, by the audit firm conducting the audit at TAURON, entities related to the audit firm and a member of the audit firm's network, of additional non-audit services or non-review services, in particular the conditions for the admissibility of the provision of the permitted services, the principles of the Audit Committee conducting an assessment of the threats to and safeguards of the independence of the audit firm, as well as the control mechanisms with respect to observing the principles of the independence of the certified auditor at TAURON Capital Group. The most important assumptions adopted in the policy include defining clear rules for the Audit Committee to conduct an assessment of the threats to and safeguards of the independence of the audit firm and expressing consent for the provision of the non-audit services, based on the compliance with the legal regulations and the purposefulness of the provision of such services.

### **Recommendations of the Audit Committee related to the selection of the audit firm**

In 2021, the audit firm was selected to audit and review the financial statements and consolidated financial statements of TAURON for the years 2022-2024. The Supervisory Board selected the audit company based on the recommendation of the Audit Committee which met the applicable conditions and was drawn up as a result of the Company's public procurement proceedings, in accordance with the applicable criteria, including an indication of a second alternative entity to perform such activities and providing the justification for the preferences behind the selection of the recommended audit firm.

### **Controlling and monitoring the independence of the auditor**

Controlling and monitoring the independence of the audit firm by the Audit Committee shall take place on the basis of the legal provisions and regulations adopted by the Audit Committee, in particular the *Policy for the provision of the allowed non-audit services at TAURON Group by the audit firm conducting the audit of the annual financial statements and consolidated financial statements of TAURON Polska Energia S.A., the entities related to such an audit firm and by a member of the audit firm's network* (Policy). In addition, the Company implemented the *Procedure for the selection of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A.* (Procedure), which is aimed at ensuring the correct and timely performance by the Company of the activities required for the process of controlling and monitoring the independence of the audit firm and the entities that are members of its network by the Audit Committee.

The auditor's independence shall be assessed by the Audit Committee each time as part of reviewing the interim (semi-annual) and annual financial statements and the consolidated financial statements of the Company. In accordance with the Procedure, the Company shall obtain a declaration of compliance with the independence criteria referred to in the *Act of 11 May 2017 on certified auditors, audit firms and public oversight from the audit firm at least once every six months*. This statement shall be assessed by the Audit Committee.

The auditor's independence shall be assessed by the Audit Committee each time the Company or a subsidiary intends to commission services permitted to be performed by the audit firm or a member of the network that such an audit firm is a part of. In such a situation, the Audit Committee shall each time assess the threats and safeguards protecting the independence of the certified auditor and the audit firm. The assessment of threats and safeguards protecting the independence of the certified auditor and the audit firm carried out by the Audit Committee in accordance with the Policy shall include:

1. verification whether the given service is included in the list of the permitted services,
2. verification whether the requirements regarding the maximum limit of the compensation allowed by law for the provision of services other than an audit are met,
3. checking whether the subject of the permitted service to be commissioned to the certified auditor or audit firm, an entity related to that audit firm or a member of the network that the certified auditor or the audit firm is a part of, is not related to the Company's tax policy,
4. assessment of the statement on the compliance with the independence criteria obtained by the Company, in accordance with the Procedure, from the certified auditor or the audit firm that is to perform the permitted services, valid as of the date of the assessment,
5. an analysis of the substantive justification for the performance of the service by the certified auditor or the audit firm conducting the audit, an entity related to that audit firm or an entity that is a part of its network, indicating the key factors impacting the legitimacy of such a selection.

The Procedure implemented at the Company defines activities, the organizational units responsible for their execution and deadlines for the execution of the activities aimed at ensuring, within TAURON Group, of the compliance with the requirement of independence of the audit firm conducting the audit and review of the Company's financial statements and consolidated financial statements. In particular, the Procedure defines the principles of the intra-group communication with respect to the selection of the audit firm to audit the Company's financial statements and the principles and deadlines for obtaining, from the audit firm, of the statements on the independence. The Procedure also sets forth the principles and deadlines for the Company to collect and verify the information on the agreements entered into by TAURON Capital Group's subsidiaries with the audit firm auditing and reviewing the Company's financial statements and consolidated financial statements, as well as with the members of the network that such an audit firm is a part of. In addition, the Procedure regulates the principles and the deadlines for the collection of the information on transactions entered into by TAURON Capital Group's subsidiaries with the audit firm auditing and reviewing the Company's financial statements and consolidated financial statements, as well as with the members of the network that such an audit firm is a part of. At least once a year, the Company shall prepare information on the performance of the activities stemming from this procedure and submit it to the Audit Committee for evaluation.

### **Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A.**

The members of the Nominations and Compensation Committee were appointed for the current term on August 3, 2020, by the Supervisory Board of the 6th common term of office from among its members.



The Nominations and Compensation Committee held a total of 9 meetings and passed 14 resolutions during the period covered by this report.

All of the Members of the Nominations and Compensation Committee were present during 7 meetings, while 1 Member of the Nominations and Compensation Committee was absent during 2 meetings. The absences of the Nominations and Compensation Committee Members were excused by the relevant resolutions of the Nominations and Compensation Committee.

The Nominations and Compensation Committee was composed of 4 to 5 members in 2022.

### **The composition of the Nominations and Compensation Committee as of December 31, 2022, and as of the date of drawing up this report**

1. Piotr Tutak - Head of the Nominations and Compensation Committee,
2. Leszek Koziarowski - Member of the Nominations and Compensation Committee,
3. Ryszard Madziar - Member of the Nominations and Compensation Committee,
4. Marcin Wawrzyniak - Member of the Nominations and Compensation Committee.

### **The changes to the composition of the Nominations and Compensation Committee in 2022 and by the date of drawing up this report**

As of January 1, 2022, the Nominations and Compensation Committee was composed of the following Members of the Supervisory Board of the Company: Piotr Tutak (Head of the Nominations and Compensation Committee), Leszek Koziarowski, Ryszard Madziar and Marcin Wawrzyniak.

On June 10, 2022, the Company's Supervisory Board supplemented the composition of the Nominations and Compensation Committee by appointing Marcin Chludziński to be a member thereof.

On November 30, 2022, Marcin Chludziński submitted a statement of his resignation from the membership of the Company's Supervisory Board, effective as of the same day. Thus, his membership of the Nominations and Compensation Committee was terminated.

There had been no other changes to the composition of the Nominations and Compensation Committee by the date of drawing up this report.

### **Tasks and competences of the Nominations and Compensation Committee**

The tasks and competences of the Nominations and Compensation Committee, as of December 31, 2021, and as of the date of drawing up this report, are presented in the below table.

**Table no. 8. Competences of the Nominations and Compensation Committee, as of December 31, 2022, and as of the date of drawing up this report**

Competences of the Nominations and Compensation Committee
<ol style="list-style-type: none"><li>1. Recommending to the Supervisory Board a recruitment procedure for the positions of the Members of the Company's Management Board,</li><li>2. Evaluating candidates for the Members of the Management Board and providing the Supervisory Board with opinions in this respect,</li><li>3. Recommending to the Supervisory Board a form and content of the agreements to be concluded with the members of the Management Board,</li><li>4. Recommending to the Supervisory Board a compensation and bonus system for the members of the Management Board,</li><li>5. Recommending to the Supervisory Board the need to suspend a member of the Management Board for important reasons,</li><li>6. Recommending to the Supervisory Board the need to delegate a member of the Supervisory Board to temporarily perform the duties of the Members of the Management Board who cannot perform their duties, along with a compensation proposal.</li></ol>

The below table presents the main issues that the Nominations and Compensation Committee was dealing with during its meetings in 2022.

**Table no. 9. Main issues that the Nominations and Compensation Committee was dealing with during its meetings in 2022**

Main issues that the Nominations and Compensation Committee was dealing with during its meetings in 2022
<ol style="list-style-type: none"><li>1. Presentation of the recommendations to the Supervisory Board with respect to the determination of the compensation for the Members of the Management Board of TAURON Polska Energia S.A. and the conclusion of Annexes no. 1 to the agreements for the provision of the management services with the Members of the Management Board,</li><li>2. Presentation of the recommendations to the Supervisory Board with respect to the adoption of the detailed Management Objectives for the Members of the Management Board of TAURON of the 6th common term of office to be implemented in 2022, along with the determination of the weights of these objectives as well as the objective and measurable criteria for the implementation and accountability thereof,</li><li>3. Carrying out of an analysis and evaluation of the performance of the Management Objectives set for the Members of the Management Board of the Company of the 6th common term of office to be implemented in 2021, and the presentation of the adequate recommendations to the Supervisory Board, including the ones related to the amount of the payout of the Variable Compensation due to the Members of the Management Board for 2021,</li><li>4. Adoption and submission to the Supervisory Board of the <i>Report on the activities of the Nominations and Compensation Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021</i>,</li><li>5. Presentation of a recommendation to the Supervisory Board with respect to the announcement and conducting of the recruitment procedure for the positions of the President and the Vice Presidents of the Management Board of TAURON the common 6th term of office,</li></ol>

Main issues that the Nominations and Compensation Committee was dealing with during its meetings in 2022

6. Opening and verifying of the applications of the candidates with respect to the meeting of the formal requirements in the recruitment procedure for the individual positions in the Management Board of the Company of the 6th common term of office,
7. Analyzing the quarterly information with respect to the proper performance of the duties of the Members of the Management Board under the agreements for the provision of the management services.

## Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A.

The members of the Strategy Committee were appointed for the current term on August 3, 2020, by the Supervisory Board of the 6th common term of office from among its members.

The Strategy Committee held a total of 5 meetings and passed 6 resolutions during the period covered by this report.

All of the Members of the Strategy Committee were present during 3 meetings, while 1 Member of the Strategy Committee was absent during 2 meetings. The absences of the Strategy Committee Members were excused by the relevant resolutions of the Strategy Committee.

The Strategy Committee was composed of 5 to 6 members in 2022.

### The composition of the Strategy Committee as of December 31, 2022, as of the date of drawing up this report:

1. Grzegorz Peczkis - Head of the Strategy Committee,
2. Stanisław Borkowski - Member of the Strategy Committee,
3. Dariusz Hryniów - Member of the Strategy Committee,
4. Ryszard Madziar - Member of the Strategy Committee,
5. Piotr Tutak - Member of the Strategy Committee,
6. Marcin Wawrzyniak - Member of the Strategy Committee.

### The changes to the composition of the Strategy Committee in 2022 and by the date of drawing up this report

As of January 1, 2022, the Strategy Committee was composed of the following Members of the Company's Supervisory Board: Grzegorz Peczkis (Head of the Strategy Committee), Stanisław Borkowski, Ryszard Madziar, Piotr Tutak and Marcin Wawrzyniak.

On February 23, 2022, the Company's Supervisory Board supplemented the composition of the Strategy Committee by appointing Dariusz Hryniów to be a member thereof.

There had been no other changes to the composition of the Strategy Committee by the date of drawing up this report.

### Tasks and competences of the Strategy Committee

The tasks and competences of the Strategy Committee as of December 31, 2022, and as of the date of drawing up this report are presented in the below table.

**Table no. 10. Competences of the Strategy Committee as of December 31, 2022, and as of the date of drawing up this report**

Competences of the Strategy Committee

1. evaluating the Company's and TAURON Capital Group's Strategy and presenting the results of such evaluation to the Supervisory Board,
2. recommending to the Supervisory Board the scope and deadlines for submitting the long term (multi-year) strategic plans by the Management Board,
3. evaluating the impact of the planned and currently undertaken strategic investment projects on the Company's assets' position,
4. monitoring the implementation of the strategic investment tasks,
5. evaluating activities related to the use of the Company's material assets,
6. providing opinions on the strategic documents submitted to the Supervisory Board by the Management Board.

The below table presents the main issues that the Strategy Committee was dealing with during its meetings in 2022.

**Table no. 11. Main issues that the Strategy Committee was dealing with during its meetings in 2022.**

Competences of the Strategy Committee

1. Presentation of a recommendation to the Supervisory Board with respect to the issuing of a positive opinion on *TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050*,
2. Adoption and submission to the Supervisory Board of the *Report on the activities of the Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021*,
3. Presentation of a recommendation to the Supervisory Board on the approval of the *Report of the Management Board on the oversight of the implementation of the investment projects at TAURON Group in 2021* and the acceptance of the *Report of the Supervisory Board of TAURON Polska Energia S.A. on the oversight of the implementation of the investment projects by the Management Board, including the purchasing of the fixed assets in 2021*,

4. Site surveys at the 910 MW power generation unit in Jaworzno, the 56 MW hydro power plant in Rożnów and the 30 MW Piotrków wind farm,
5. Discussion of the issues related to the implementation of the key investment projects for TAURON Group in 2022, with a particular emphasis on the projects at TAURON Dystrybucja and in the following Lines of Business: Generation, RES, Heat, Mining and Customer Service,
6. Discussion of the RES model implemented at TAURON Group with respect to the division of the tasks among the various subsidiaries and the way TAURON is coordinating and supervising the implementation of the RES projects,
7. Becoming familiar with the activities of TAURON Group's following subsidiaries: TAURON Zielona Energia, TAURON Ekoenergia, TAURON Nowe Technologie and TAURON Inwestycje,
8. Discussion of the issues related to the implementation of the projects aimed at increasing the installed capacity of the renewable energy sources, as well as the agreements and memoranda of understanding signed by TAURON Zielona Energia with the external entities securing the land for the construction of the photovoltaic installations and wind farms,
9. Becoming familiar with the planned undertakings with respect to the construction of the energy storage facilities by TAURON Group,
10. Discussion of the most important issues related to the Polish capacity market,
11. Discussion of the advancement progress of the R&D projects in 2021.

## Description of the activities of the Committees of the Supervisory Board of TAURON Polska Energia S.A.

The detailed description of the activities of the Committees of the Supervisory Board is provided in the Regulations of the individual Committees of the Supervisory Board.

The Committees of the Supervisory Board are advisory and opinion making bodies acting collectively as a part of the Company's Supervisory Board structure and perform the support and advisory functions for the Supervisory Board. The tasks of the Committees of the Supervisory Board are carried out by submitting motions, recommendations, opinions and statements related to the scope of their tasks to the Supervisory Board, by way of the resolutions passed. The Committees of the Supervisory Board are independent of the Management Board of the Company.

The Audit Committee and the Nominations and Compensation Committee of the Supervisory Board are composed of 3 to 5 members, while the Strategy Committee is composed of 3 to 7 members. The activities of the individual Committees are managed by the Chairpersons (Heads) thereof.

The meetings of the Committees of the Supervisory Board shall be convened by the Chairperson (Head) of the specific Committee on his / her own initiative or upon the motion of a member of the Committee or Chairperson of the Supervisory Board and they are held on as needed basis. In case of the Audit Committee the meetings are convened at least on a quarterly basis. The Head of the given Committee may invite the Members of the Company's Supervisory Board, who are not members of the specific Committee, the members of the Management Board and the employees of the Company as well as other persons working or cooperating with the Company to take part in the meetings of the Committees. The Head of the specific Committee or a person appointed by him / her submits motions, recommendations and reports to the Supervisory Board .

The Committees of the Supervisory Board shall pass resolutions if at least half of their members are present at the meeting and all of the members have been duly invited. The resolutions of the Committees of the Supervisory Board are adopted by an absolute majority of votes present at the meeting, where the absolute majority of votes is understood as more votes given "for" than "against" and "abstain". The Committees of the Supervisory Board may pass resolutions in writing or by using the means of direct remote communication.

The Members of the Committees of the Supervisory Board may also participate in the meetings of the Committees and vote on the resolutions being passed by using the means of direct remote communication, i.e. tele- or video conferences.

The Company's Management Board shall be informed of the recommendations and assessments submitted to the Supervisory Board by the given Committee of the Supervisory Board. Every year, the Committees of the Supervisory Board shall provide public record information, via the Company, on their memberships, the number of meetings held and the participation in the meetings during the year, as well as on their main activities.

The Company's Management Board shall provide the individual Committees with the possibility of using the services of the external advisers to the extent required to perform the obligations of the Committees.

## 12. TAURON Group's Diversity Policy

The Company has *TAURON Group's Diversity Policy* (Diversity Policy) in place, under which TAURON Capital Group applies the policy of equal treatment and seeks to ensure diversity in terms of gender, educational background, age and professional experience in relation to all of its employees. The Diversity Policy is also applied in the cooperation with the external partners of TAURON Capital Group, i.e. companies, universities, schools or other business entities.

The Company does not have a separate diversity policy with respect to the Members of the Management Board and of the Supervisory Board in place, due to the adoption by the Company of the solutions in accordance with the

Act of December 16, 2016 on the Principles of State Assets Management, related to the appointment of the members of the Management Board following the conducting of a recruitment procedure, and due to the personally assigned powers of the minister competent to exercise the rights related to the State Treasury shares to appoint a majority of the Members of the Supervisory Board.

With respect to the Members of the Management Board and the Supervisory Board the appointment of the persons performing the functions of the Members of the Management Board of the Company shall be made by the Supervisory Board of the Company, while the members of the Supervisory Board of the Company shall be elected by the General Meeting of the Company and the minister competent to exercise the rights related to the shares of the State Treasury under the statutory powers of the State Treasury.

The Members of the Management Board of the Company shall be appointed by the Supervisory Board of the Company on the basis of a recruitment procedure conducted in accordance with the rules and requirements set out in the Articles of Association and the *Act of December 16, 2016, on the principles of state assets management* whose goal is to check and assess the qualifications of the candidates and selecting the best candidate.

The announcement (notice) of the recruitment process shall be published on the Company's web site at the address: <https://www.tauron.pl> and in the Public Information Bulletin of the Minister competent to exercise the rights related to the shares of the State Treasury. Anyone who meets the requirements set out in § 16, clauses 3 and 4 of the Company's Articles of Association may enter the recruitment process. Due to the lack of specific requirements regarding, inter alia, gender, education background, age and professional experience, the Supervisory Board of the Company, when assessing and selecting candidates for the Members of the Management Board of the Company, has an option to ensure versatility and diversity in the selection of the Members of the Management Board of the Company.

### Due diligence procedures and internal regulations

The due diligence procedures in place under the Diversity Policy include the activities aimed at:

1. developing the work environment based on respect, openness, reliability and fairness (justice),
2. ensuring versatility and diversity, in particular with respect to gender, education, age and professional experience,
3. building organizational culture open to diversity, based on the corporate values: Partnership, Development and Boldness (PRO),
4. preventing discrimination by fostering appropriate atmosphere at work as well as building and strengthening positive relationships among the personnel.
5. supporting employee initiatives related to equality practices at the Group's Subsidiaries,
6. support for vulnerable groups of people
7. activities that support work-life balance,
8. equal treatment of employees in the hiring process and prohibition of discrimination.

By implementing its Diversity Policy TAURON Capital Group is seeking to provide the work environment based on respect and fairness (justice), within which each employee may fully realize his or her individual potential.

In accordance with the Diversity Policy, diversity and openness are an integral part of TAURON Capital Group's business operations. TAURON Capital Group applies the policy of equal treatment and seeks to ensure diversity in terms of gender, educational background, age and professional experience in relation to all employees, and in particular to the governing bodies and its key managers. Measures are also being taken to prevent manifestations of discrimination by developing the right atmosphere at work, creating and strengthening positive relations among the employees and building an organizational culture based on PRO corporate values.

As part of the employee related issues supporting the implementation of the directions set by TAURON Capital Group's Diversity Policy, the following regulations are put in place:

1. *Policy of compliance with the Principles of Ethics and counteracting Mobbing and Discrimination at TAURON Group,*
2. *Policy of Respect for Human Rights* defining the principles of respect for human rights and actions taken to prevent their violation and to support the atmosphere of dignity and mutual respect,
3. training and competence development programs conducive to and supporting the creation of an atmosphere for the development of each employee,
4. regulations ensuring fairness and objectivity with respect to work organization and compensation, including among others:
  - 1) *TAURON Group's Compensation Principles,*
  - 2) *Human Resources Management Policy at TAURON Group,*
  - 3) regulations with respect to benefits (entitlements),
  - 4) flexible forms of work time and ability to work remotely.
5. *TAURON Group's Employee Recruitment Principles,*



#### 6. TAURON Group's Competence Model.

TAURON Capital Group's diversity management is based on building a culture of openness. TAURON Capital Group, by fighting age related stereotypes, is building an intergenerational dialogue so as to facilitate the flow of knowledge. The workforce represents various age groups, including those over 50 years of age. Among the employees there are also people with various degrees of disability, which ensures the stimulation of the activities of this professional group.

TAURON Capital Group is taking steps aimed at preventing the discrimination, in particular due to age, gender, race, nationality, sexual orientation, appearance, fitness, difference in the views or political or religious beliefs by fostering the adequate atmosphere at work, which makes the employees feel respected and appreciated and gives a feeling that they can develop and fully realize their professional potential.