

## STATEMENT OF APPLICATION OF CORPORATE GOVERNANCE

Pursuant to § 91 item 5 point 4) of the Regulation of the Minister of Finance of 19 February 2009 *on current and periodical information submitted by issuers of securities and conditions to acknowledge as equivalent information required by legal regulations of a country not being a member state* (Journal of Laws no.33 item 259 as amended), The Company Management Board submits the Statement of Application of Corporate Governance in 2013.

### 1. Indicating the applied set of rules of corporate governance

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

The *Good Practices* were adopted for application by the Company Management Board. In 2013 the Company did not apply only the rule contained in Chapter IV item 10 of Good Practices. Other rules specified in the aforementioned document in Chapters II, III and IV were applied by the Company.

The text of the aforementioned set of Good Practices the Company is subject to, and the application of which could have been decided by the Company on voluntary basis is published at the GPW website at (<http://www.corp-gov.gpw.pl>).

### 2. Indicating the abandoned rules of corporate governance

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

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

On 2 January 2013 the Company submitted Current Report no. 1/2013, by means of EBI system (Electronic Information Base), containing information on abandoning of the application of the aforementioned corporate governance rule, due to the fact that the provisions of the Company Articles of Association did not include the provisions enabling the participation in the General Meeting by means of electronic communication means, pursuant to the provisions of the Act of 15 September 2000 *Code of Commercial Companies*.

In order to provide for application of the aforementioned rule, the Management Board of the Company applied to the Ordinary General Meeting of the Company for adopting of the resolution concerning the amendment to TAURON Articles of Association, suggesting the provision enabling the participation in the General Meeting by means of electronic communication means, including, in particular: transmission of the General Meeting session in real time, bilateral communication in real time, where Shareholders may speak during the General Meeting while being at a different location than the venue of the General Meeting, exercising the voting right personally or through a proxy, before or during the WZ.

The Ordinary General Meeting of the Company convened on 16 May 2013 did not adopt the aforementioned resolution.

Accordingly, in 2013, the Company did not apply the rule contained in Chapter IV item 10 of Good Practices and the recommendation contained in Chapter I item 12 of Good Practices.

Other rules specified in Chapters II, III and IV of Good Practices were applied by the Company. In the period since the day of commencement of public listing of the Company shares until 31 December 2013, there have been no occurrences of infringement of the corporate governance regulations adopted.

The Company shall also endeavour to implement the recommendations contained in Part I of Good Practices. The issues described below are particularly important.

#### **Recommendation concerning the remuneration policy**

With the aim of implementing recommendation I.5 of Good Practices, the Company has adopted the *Remuneration Policy for Members of supervisory and management bodies, including the description of the rules of defining the policy in TAURON Polska Energia S.A. (Remuneration Policy)*, considering the Commission Recommendation of 14 December 2004 *fostering an appropriate regime for the remuneration of directors of listed companies* (2004/913/EC), and the Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC). The above policy determines the objectives and rules of remuneration policy for members of Supervisory Board and the Management Board of the Company, with the application of general regulations as well as the relevant resolutions of the General Meeting and the Supervisory Board of the Company. The Remuneration Policy has, among others, the following objectives:

- 1) providing the motivating and consistent system of remuneration policy for members of Supervisory Board and the Management Board,
- 2) associating the remuneration rules with monitoring of implementation of the adopted strategic plans and implementation of the financial plans,
- 3) adjusting the level of remuneration of members of corporate bodies of the Company in connection with implementation of the tasks delegated.

Simultaneously, in fulfilment of the information obligations specified in the provisions of the Regulation of the Minister of Finance of 19 February 2009 *on current and periodical information submitted by issuers of securities and conditions to acknowledge as equivalent information required by legal regulations of a country not being a member state*, the Company publishes information regarding the remuneration of members of Supervisory Board and the Management Board in its annual reports.

#### **Recommendation concerning the balanced participation of women in performing the functions of management and supervision**

In accordance with recommendation I.9 of Good Practices, GPW recommends that the public companies and their shareholders should provide the balanced proportion of women and men in management and supervisory functions in companies. In the Company, members of Supervisory Board are appointed in accordance with the provisions of the Articles of Association, by the General Meeting and the State Treasury, under its personal powers, whereas the members of the Management Board are appointed by the Supervisory Board. The rules applicable in the Company in this scope do not restrict a possibility of participation in the Company governance bodies due to gender. Simultaneously, in fulfilment of the requirements specified in Section II p. 1 subsection 2a) of Good Practices, in the 4th quarter of 2013 the Company published information on participation of men and women in the Supervisory Board and the Management Board of TAURON in the period of the last two years, on its website.

### **3. Description of main characteristics of internal control and risk management systems in relation to the process of generating the financial statements and consolidated financial statements**

The internal control and risk management system in relation to the process of generating financial statements and consolidated financial statements is implemented by the Company through:

#### **Supervision over application of coherent accounting principles by the companies of TAURON Capital Group while generating the consolidated financial statements of TAURON Group.**

In order to provide for coherent accounting principles based on International Financial Reporting Standards (IFRS), approved by the EU, in TAURON Group *the Accounting Policy of TAURON Capital Group* (Accounting Policy) has been developed and implemented. The document is subject to relevant amendments and updates in case of amendments to the regulations. The rules contained in the Accounting Policy are applicable to stand-alone financial statements of the Company and consolidated financial statement of TAURON Capital Group. The reporting packages are verified by the Office for Consolidation and Reporting in the parent company as well as by the independent auditor during examination or review of consolidated financial statements of TAURON Group.

#### **Procedures of authorisation and reviewing of financial statements of the Company and consolidated financial statements of TAURON Group.**

In the Company, procedures of authorisation of financial statements have been implemented. Quarterly, semi-annual and annual financial statements of TAURON as well as consolidated financial statements of TAURON Capital Group are approved by the Company Management Board before publication. Annual financial statements of TAURON as well as consolidated financial statements of TAURON Capital Group are also presented for review by the Company Supervisory Board before publication. The Vice President of the Board, Chief Financial Officer supervises the preparation of financial statements, whereas Management Boards of companies covered by consolidation are responsible for preparation of reporting packages to TAURON Group consolidated financial statement.

Within the structure of the Supervisory Board of the Company, the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. operates. (Audit Committee) whose composition, competence and description of activities are covered in item 5.11.3. hereof.

## IT systems

The Company keeps ledgers providing basis for the preparation of financial statements in the computer financial and accounting systems of ERP class. The consolidated financial statements are prepared using the IT tool designed for consolidation of financial statements. Access to IT systems is restricted by relevant authorisations for the entitled employees. In the Company IT and organizational solutions operate which control the access to financial-accounting systems and provide adequate protection and archiving of accounting books.

## Internal audit

In the Company Internal Audit Department operates whose objective is to plan and implement the auditing tasks, among others, of advisory nature, as well as to perform the commissioned temporary inspections. The procedures and rules of implementation of the audit are specified in *Regulations of Internal audit in TAURON Group* as well as in rules of cooperation binding in individual companies of TAURON Capital Group. Implementing the function of internal audit, the Company is driven by the Code of Ethics and the International Standards of Internal Audit Professional Practice.

## Submission of financial statements of the Company and consolidated statements of TAURON Group to examination or review by independent chartered accountant

Annual financial statements of the TAURON and the annual consolidated statements of TAURON Capital Group are subject to examination by independent chartered accountant. Semi-annual financial statements of TAURON and semi-annual consolidated financial statements of TAURON Capital Group are subject to examination by chartered accountant. In 2013 the Company selected one entity authorised to examine and review financial statements for significant companies of TAURON Capital Group as well as the consolidated financial statement.

## Rule concerning change of the entity authorised to audit the financial statements of the Company and TAURON Group

According to the resolution of the Supervisory Board TAURON Polska Energia S.A. no 343/II/2010 the rule was adopted concerning changing the entity authorised to audit the financial statements of the Company and TAURON Capital Group at least once during 5 financial years. The entity authorised to audit the financial statements of the Company and TAURON Capital Group may perform these activities again after two financial years.

## 4. Shareholders holding large blocks of shares

The table below presents shareholders holding, as of 31 December 2013 and as of the day of the present report, directly or indirectly large blocks of shares of the Company

**Table no. 1 Shareholders holding large blocks of shares**

No.	Shareholders	Number of shares held	Percentage share in company share capital	Number of votes held	Percentage share in general number of votes
1.	State Treasury*	526,848,384	30.06%	526,848,384	30.06%
2.	KGHM**	182,110,566	10.39%	182,110,566	10.39%
3.	ING Otworthy Fundusz Emerytalny***	88,742,929	5.06%	88,742,929	5.06%

\*in accordance with the shareholder's notification of 28.02.2013

\*\*in accordance with the shareholder's notification of 23.03.2011

\*\*\*in accordance with the shareholder's notification of 28.12.2011

## 5. Owners of securities providing special control rights

In the financial year 2013, the Company did not issue securities which would provide special control rights towards to the Company.

## 6. Limitations on performing of the voting right

Limitations on performing the voting right have been included in § 10 of the Company Articles of Association which is available at the Company website <http://www.tauron-pe.pl/>.

The aforementioned limitations on performing of the voting right have been formulated in the following way:

1. The voting right of shareholders holding over 10% of total votes in the Company shall be limited in the way that none of them can perform at the General Meeting more than 10% of the total votes in the Company.
2. Voting right limitation included in point 1 above does not apply to the State Treasury and entities subsidiary to the State Treasury in the period of time in which the State Treasury together with subsidiary entities subsidiary of the State Treasury has a number of the Company's shares entitling to performing at least 25% of total votes in the Company.
3. Shareholders' votes, between which there is a controlling or dependence relationship within the meaning of § 10 of the Articles of Association (Association of Shareholders) are cumulated; in case when the cumulated number of votes exceeds 10% of total votes in the Company, it is subject to reduction. Rules of votes accumulation and reduction have been defined in 6 and 7 below.
4. A shareholder, within the meaning of § 10 of the Articles of Association is every person, including its parent company and subsidiary company, which is entitled directly or indirectly to a voting right at the General Assembly on the basis of any legal title; it also applies to a person who does not hold the Company's shares, and in particular to a user, pledgee, person entitled on the basis of a depositary receipt under regulations of the Act of 29 July 2005 on *financial instruments trading*, as well as a person entitled to take part in the General Meeting despite disposal of shares after the date of establishing the right to take part in the General Meeting.
5. A parent company and subsidiary company, for the purposes of § 10 of the Articles of Association, is, respectively, understood as a person:
  - 1) holding a status of a dominating entrepreneur, dependent entrepreneur or has both the status of a dominating and dependent entrepreneur within the meaning of 16 February 2007 *on competition and consumers' protection* or,
  - 2) holding the status of a parent company, higher level parent company, subsidiary company, lower level subsidiary company or which has both the status of a parent company (including a parent company of higher status and subsidiary (including a subsidiary company of lower level status or co-subsidiary) within the meaning of *Accounting Act* of 29 September 1994, or
  - 3) which has (parent company) or one which is under (subsidiary company) decisive influence within the meaning of the Act of 22 September 2006 on the *transparency of financial relationships between public bodies and public entrepreneurs and on financial transparency of some entrepreneurs*, or
  - 4) whose votes resulting from the Company's shares owned directly or indirectly are subject to accumulation with votes of another person or other persons on conditions defined in the Act of 29 July 2005 on *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 large blocks of the Company shares.
6. Accumulation of votes is based on aggregating of the number of votes held by particular shareholders of Shareholders' Group.
7. Reduction of votes is based on decreasing the total number of votes in the Company that shareholders, who are a part of Association of Shareholders, are entitled to at the General Meeting to the level of 10% of total votes in the Company. Reduction of votes takes place in accordance with the following rules:
  - 1) number of votes of a shareholder who holds the biggest amount of votes in the Company among all shareholders who are members of Association of Shareholders is subject to being decreased by a number of votes equal to surplus of over 10% total votes in the Company that all shareholders in total are entitled to and who are members of the Association of Shareholders,
  - 2) if, despite the aforementioned reduction, the total number of votes that shareholders who are members of the Association of Shareholders are entitled to exceeds 10% of the total votes in the Company, a further reduction of votes belonging to other shareholders who are members of the Association of Shareholders takes place. Further reduction of particular shareholders' votes takes place in order established on the basis of the amount

of votes that particular shareholders who are members of the Association of Shareholders hold (from the highest to the lowest one). Further reduction takes place until the moment when the total number of votes held by shareholders who are members of the Association of Shareholders does not exceed 10% of the total votes in the Company,

- 3) in each case the shareholder whose voting right has been limited shall have to right to perform at least one vote,
  - 4) limitation on performing the voting right applies also to a shareholder absent at the General Meeting.
8. Each shareholder who is going to take part in the General Meeting, in person or through a proxy is obliged to, without a separate notice stipulated in item 9 below, notify the Management Board or the Chairperson of the General Meeting that she/he holds, directly or indirectly, more than 10% of the total votes in the Company.
  9. Notwithstanding the provisions of item 8 above, in order to establish the basis for accumulation and reduction of votes, the Company's shareholder, the Management Board, the Supervisory Board or particular members of these bodies have the right to demand that the Company shareholder provides information whether she/he is a person holding the status of an entity dominating or subordinate towards other shareholder within the meaning of § 10 of the Articles of Association. The aforementioned entitlement includes also the right to demand revealing the number of votes that the Company's shareholder has independently or jointly with other shareholders of the Company.
  10. A person who has failed to fulfil or fulfilled the information obligation stipulated in items 8 and 9 above improperly, until the moment of improvement of the information obligation performed improperly shall have the voting right from one share only; performing voting rights from other shares by such a person shall be null and void.

## **7. Limitations on transfer of securities property rights**

As of 31 December 2013 and on the day of this report, there are no limitations in the Company on the transfer of proprietary rights of Company securities.

## **8. Rules on appointing and dismissing managing and supervising persons and their rights**

### **8.1. Management Board**

#### **Rules on appointing and dismissing members of the Management Board**

The Management Board of the Company consists of one to six persons, including the President and Vice-Presidents. Members of the Management Board are appointed for the period of a joint term of office which lasts three years, except for the first term of office which is two years.

Members of the Management Board or the whole Management Board are appointed and dismissed by the Supervisory Board. Each of the members of the Management Board can be dismissed or suspended in office by the Supervisory Board or the General Meeting.

#### **Competence of the Management Board**

The Management Board conducts the Company's issues and represents the Company in all judicial and non-judicial proceedings. All issues connected with managing of the Company not restricted by the regulations of law and provisions of the Company Articles of Associations for the General Meeting or Supervisory Board lie within the competences of the Company's Management Board.

The Extraordinary General Meeting of the Company held on 7 January 2014 adopted resolution on amending the Articles of Association of the Company aimed at updating the scope of activities and distribution of competence between the statutory corporate bodies of TAURON Polska Energia S.A., i.e. the Supervisory Board and the Management Board as well as the streamlining of the text of the Articles of Association and its adjustment to the current needs of the Company.

With its decision of 15 January 2014, the District Court Katowice - Wschód in Katowice, 8th Commercial Department of the National Court Register entered the aforementioned amendments to the Company Articles of Association to the register of entrepreneurs of the National Court Register.

In accordance with the Company Articles of Association, all issues which exceed the regular scope of Company activities require the resolution of the Management Board, in particular the following issues listed in the table below:

**Table no. 2 Competence of the Management Board**

No.	Issues requiring the Resolution of the Management Board
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as of 31 December 2013	as of the date of this report*
1. Management Board bylaws,	Management Board bylaws,
2. organizational regulations of the Company enterprise,	organizational regulations of the Company enterprise,
3. establishment and liquidation of branches,	establishment and liquidation of branches,
4. appointment of a proxy,	appointment of a proxy,
5. raising credits and loans,	raising credits and loans,
6. adopting the annual material and financial plans as well as long-term plans and Company strategy,	adopting the annual material and financial plans of the Company and the Capital Group, and the Corporate Strategy of the Capital Group,
7. incurring contingent liabilities within the meaning of the <i>Accounting Act</i> of 29 September 1994, including granting guaranties and sureties by the Company as well as issuing bills of exchange, subject to § 20 item 2 p. 4 and 5 of the Company Articles of Association,	incurring contingent liabilities within the meaning of the <i>Accounting Act</i> of 29 September 1994, including granting guaranties and sureties by the Company as well as issuing bills of exchange, subject to § 20 item 2 p. 4 and 5 of the Company Articles of Association,
8. making donations, redemption of interest or releasing from debt, subject to § 43 item 3 p.1 and 2 of the Company Articles of Association,	making donations, redemption of interest or releasing from debt, subject to § 43 item 3 p.1 and 2 of the Company Articles of Association,
9. purchase of real property, perpetual usufruct of shares in property or in perpetual usufruct, subject to § 20 item 2 p. 1 of the Company Articles of Association,	purchase of real property, perpetual usufruct of shares in property or in perpetual usufruct, subject to § 20 item 2 p. 1 of the Company Articles of Association,
10. purchase of the components of fixed assets excluding real property, perpetual usufruct or share in property or perpetual usufruct with the value equal to or exceeding the equivalent of EUR 10,000 in PLN, subject to § 20 item 2 p. 2 of the Company Articles of Association,	purchase of the components of fixed assets excluding real property, perpetual usufruct or share in property or perpetual usufruct with the value equal to or exceeding the equivalent of EUR 10,000 in PLN, subject to § 20 item 2 p. 2 of the Company Articles of Association,
11. disposal of the components of fixed assets, including real property, perpetual usufruct or share in property or perpetual usufruct with the value equal to or exceeding the equivalent of EUR 10,000 in PLN, subject to § 20 item 2 p. 3 of the Company Articles of Association,	disposal of the components of fixed assets, including real property, perpetual usufruct or share in property or perpetual usufruct with the value equal to or exceeding the equivalent of EUR 10,000 in PLN, subject to § 20 item 2 p. 3 of the Company Articles of Association,
12. defining the right to perform a vote at the General Meeting or at Shareholders' Meetings of companies in which the Company holds stocks or shares, on issues covered by the competence of the General Meetings or Shareholders' Meetings of these companies, subject to § 20 item 3 p. 9 of the Company Articles of Association,	defining the right to perform a vote at the General Meeting or at Shareholders' Meetings of companies in which the Company holds stocks or shares, on issues covered by the competence of the General Meetings or Shareholders' Meetings of these companies, subject to § 20 item 3 p. 9 of the Company Articles of Association,
13. rules of conducting sponsoring activity,	rules of conducting sponsoring activity,
14. adoption of the annual plan of sponsoring activity,	adoption of the annual plan of sponsoring activity,
15. issues, whose examination the Management Board refers to the Supervisory Board or the General Meeting.	issues, whose examination the Management Board refers to the Supervisory Board or the General Meeting.

*\*With its decision of 15 January 2014 the District Court Katowice-Wschód, 8th Commercial Department of the National Court Register entered the amendments to the Company Articles of Association, adopted by resolution No. 5 of the Company Extraordinary General Meeting of 7 January 2014, to the register of entrepreneurs of the National Court Register.*

## 8.2. Supervisory Board

### Rules on appointing and dismissing members of the Supervisory Board

The Supervisory Board consists of five to nine persons, appointed for the joint term of office which is two years, except for the first term of office which lasts one year. In accordance with the Company Articles of Association, members of the Supervisory Board are appointed and dismissed by the General Meeting, subject to the following provisions:

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



the case when the Supervisory Board cannot act due to a composition minor than required by the Articles of Association, and the shareholders present at the General Meeting other than the State Treasury do not supplement the composition of the Supervisory Board in accordance with the distribution of places in the Supervisory Board defined in present point;

- 2) in the period of time in which the State Treasury, together with entities dependent on the State Treasury within the meaning of § 10 item 5 of the Articles of Association, has a number of the Company's shares entitling to perform under 25% of total voting rights in the Company, the State Treasury, represented by a minister competent for the issues of the State Treasury shall be entitled to appoint and dismiss one member of the Supervisory Board.
- 3) appointing and dismissing of members of the Supervisory Board by the State Treasury pursuant to the aforementioned item 1) or item 2) takes place by means of a statement submitted to the Company.

At least two members of the Supervisory Board shall meet the criteria of independence in relation to the Company and subsidiaries significantly related to the Company (independent members of the Supervisory Board). The definition of an "independent member of the Supervisory Board" shall mean an independent member of the Supervisory Board within the meaning the Recommendation of the European Commission of 15 February 2005, on the role of non-executive directors or directors not being members of Supervisory Boards of listed companies and board's committee (supervisory board) (2005/162/EC) taking into consideration Good Practices of Companies Listed at GPW.

Independent members of the Supervisory Board provide the Company, before being appointed to the composition of the Supervisory Board, with a written statement of having fulfilled the prerequisites of independence. In case of a situation causing failure to fulfil the of independence, a member of the Supervisory Board is required to immediately notify the Company of this fact. The Company shall inform shareholders of the present number of independent members of the Supervisory Board.

### Competence of the Supervisory Board

The Supervisory Board carries out continuous supervision over the Company's activities in all areas of its operations.

The Extraordinary General Meeting of the Company held on 7 January 2014 adopted resolution on amending the Articles of Association of the Company aimed at updating the scope of activities and distribution of competence between the statutory corporate bodies of TAURON Polska Energia S.A., i.e. the Supervisory Board and the Management Board as well as the streamlining of the text of the Articles of Association and its adjustment to the current needs of the Company.

With its decision of 15 January 2014, the District Court Katowice - Wschód in Katowice, 8th Commercial Department of the National Court Register entered the aforementioned amendments to the Company Articles of Association to the register of entrepreneurs of the National Court Register.

In accordance with the Company Articles of Association, the tasks and competences of the Supervisory Board include, in particular the following issues listed in the table below:

**Table no. 3 Competence of the Supervisory Board**

No. Issues requiring the Resolution of the Supervisory Board	
as of 31 December 2013	as of the date of this report*
Opinion-making competence	
1. assessment of the Management Board report on the Company operations as well of the financial statement for the previous financial year in the scope of their compliance with the books, documents as well as with the actual status. It also applies to the consolidated financial statement of the Capital Group, provided that it is generated,	assessment of the Management Board report on the Company operations as well of the financial statement for the previous financial year in the scope of their compliance with the books, documents as well as with the actual status. It also applies to the consolidated financial statement of the Capital Group, provided that it is generated,
2. assessment of the Management Board conclusions on profit distribution or loss coverage,	assessment of the Management Board conclusions on profit distribution or loss coverage,
3. submitting of a written report to the General Meeting on the results of operations covered by items 1 and 2,	submitting of a written report to the General Meeting on the results of operations covered by items 1 and 2,
4. preparing, together with the report on results of the annual financial statement of the Company, an opinion of the Supervisory Board on the issue of economic legitimacy of involving the Company capital committed in a given financial year in other entities of commercial law,	preparing, together with the report on results of the annual financial statement of the Company, an opinion of the Supervisory Board on the issue of economic legitimacy of involving the Company capital committed in a given financial year in other entities of commercial law,
5. giving opinions on long-term plans and strategies of the Company and Capital Group,	giving opinions on the Corporate Strategy of the Capital Group,
6. giving opinions and approval of the rules of conducting sponsoring activity,	giving opinions and approval of the rules of conducting sponsoring activity,

No. Issues requiring the Resolution of the Supervisory Board		
	as of 31 December 2013	as of the date of this report*
7.	giving opinions on the annual plan of conducting of the sponsoring activity as well as quarterly reports on its implementation,	giving opinions on the annual plan of conducting of the sponsoring activity as well as annual reports on its implementation,
<b>Decision-making competence</b>		
1.	selecting of the chartered accountant to carry out the examination of the Company financial statement and consolidated financial statement of the Capital Group,	selecting of the chartered accountant to carry out the examination of the Company financial statement and consolidated financial statement of the Capital Group,
2.	determining the scope and deadlines of submitting of annual material and financial plans as well as long-term strategic plans, by the Management Board,	determining the scope and deadlines of submitting of annual material and financial plans as well as long-term strategic plans of the Company and the Capital Group, by the Management Board,
3.	adopting of consolidated text of the Company Articles of Association, prepared by the Company Management Board,	adopting of consolidated text of the Company Articles of Association, prepared by the Company Management Board,
4.	approving of the bylaws of the Company Management Board,	approving of the bylaws of the Company Management Board,
5.	approving of the organisational regulations of the Company enterprise.	approving of the organisational regulations of the Company enterprise.
6.	purchase of real property, perpetual usufruct or shares in property or in perpetual usufruct with the value exceeding the equivalent of EUR 5,000,000 in PLN,	purchase of real property, perpetual usufruct or shares in property or in perpetual usufruct with the value exceeding the equivalent of EUR 5,000,000 in PLN, excluding the real property, perpetual usufruct or shares in property or in perpetual usufruct, purchased from companies of the Capital Group,
7.	purchase of the components of fixed assets excluding real property, perpetual usufruct or share in real property or perpetual usufruct, bonds issued by the companies of the Capital Group of the value equal to or exceeding the equivalent of 5,000,000 EUR in PLN,	purchase of the components of fixed assets excluding real property, perpetual usufruct or share in real property or perpetual usufruct, bonds issued by the companies of the Capital Group and other components of fixed assets purchased from companies of the Capital Group, of the value equal to or exceeding the equivalent of 5,000,000 EUR in PLN,
8.	disposal of the components of fixed assets including real property, perpetual usufruct or share in real property or perpetual usufruct, of the value equal to or exceeding the equivalent of 5,000,000 EUR in PLN,	disposal of the components of fixed assets including real property, perpetual usufruct or shares in property or in perpetual usufruct with the value exceeding the equivalent of EUR 5,000,000 in PLN, excluding the real property, perpetual usufruct or shares in property or in perpetual usufruct, and other components of fixed assets which, as a result of the disposal will be sold or encumbered to the benefit of companies of the Capital Group,
9.	incur contingent liabilities, including granting guaranties and sureties by the Company with the value exceeding the equivalent of 5,000,000 EUR in PLN,	incur contingent liabilities, including granting guaranties and sureties by the Company with the value exceeding the equivalent of 5,000,000 EUR in PLN,
10.	issuing bills of exchange of the value exceeding the equivalent of 5,000,000 EUR in PLN,	issuing bills of exchange of the value exceeding the equivalent of 5,000,000 EUR in PLN,
11.	advance payment on account of the expected dividend	advance payment on account of the expected dividend
12.	taking over or purchase of stocks or shares in other companies, with the value exceeding the equivalent of EUR 5,000,000 in PLN, except for situations when taking over of stocks or shares of these companies takes place in exchange for the Company liabilities as a part of composition or bankruptcy proceedings,	taking over or purchase of stocks or shares in companies other than companies of the Capital Group, with the value exceeding the equivalent of 5,000,000 EUR in PLN, except for situations when taking over of stocks or shares of these companies takes place in exchange for the Company liabilities as a part of composition or bankruptcy proceedings,
13.	disposal of stocks or shares, with the value exceeding the amount of 5,000,000 EUR in PLN, with defining of the conditions and procedure of their disposal, except for: <ul style="list-style-type: none"> <li>a) disposal of shares which are traded on the regulated market,</li> <li>b) disposal of stocks or shares that the Company holds in the amount not exceeding 10% interest in the share capital of particular companies.</li> </ul>	disposal of stocks or shares, with the value exceeding the amount of 5,000,000 EUR in PLN, with defining of the conditions and procedure of their disposal, except for: <ul style="list-style-type: none"> <li>a) disposal of shares which are traded on the regulated market,</li> <li>b) disposal of stocks or shares that the Company holds in the amount not exceeding 10% interest in the share capital of particular companies.</li> <li>c) disposal of shares or stocks to the benefit of companies of the Capital Group,</li> </ul>
14.	granting permission to establish Company branches abroad,	granting permission to establish Company branches abroad,
15.	defining the way of performing the right of vote at the General Meeting or at the Shareholders' Meeting of	defining the way of performing the right of vote at the General Meeting or at the Shareholders' Meeting of



No. Issues requiring the Resolution of the Supervisory Board	
as of 31 December 2013	as of the date of this report*
companies in which the Company holds over 50% of stocks or shares, in matters concerning: a) disposal and leasing of the Company's enterprise or its organized part as well as establishing a limited proprietary right on them, if their value exceeds the equivalent of the amount of 5,000,000 EUR in PLN, b) dissolving and liquidation of the Company.	companies in which the Company holds over 50% of stocks or shares, in matters concerning: a) disposal and leasing of the Company's enterprise or its organized part as well as establishing a limited proprietary right on them, if their value exceeds the equivalent of the amount of 5,000,000 EUR in PLN, b) dissolving and liquidation of the Company.
Competence of the Company Supervisory Board related to the Management Board	
1. appointing and dismissing members of the Management Board,	appointing and dismissing members of the Management Board,
2. establishing the rules of remuneration and the amount of remuneration for the members of the Management Board, subject to § 43 item 2 p.1 of the Company Articles of Association,	establishing the rules of remuneration and the amount of remuneration for the members of the Management Board, subject to § 43 item 2 p.1 of the Company Articles of Association,
3. suspending members of the Management Board in performance of their duties, due to material reasons,	suspending members of the Management Board in performance of their duties, due to material reasons,
4. delegating members of the Supervisory Board to temporarily perform actions of the members of the Management Board who cannot perform their duties and establishing their remuneration, subject to the provision that the total remuneration of the person delegated as the Supervisory Board's member as well as on account of being delegated to temporary performing actions of a member of the Management Board shall not exceed the remuneration established for the member of the Management Board, for whom the member of the Supervisory Board was delegated,	delegating members of the Supervisory Board to temporarily perform actions of the members of the Management Board who cannot perform their duties and establishing their remuneration, subject to the provision that the total remuneration of the person delegated as the Supervisory Board's member as well as on account of being delegated to temporary performing actions of a member of the Management Board shall not exceed the remuneration established for the member of the Management Board, for whom the member of the Supervisory Board was delegated,
5. conducting recruitment proceedings for the position of a member of the Management Board,	conducting recruitment proceedings for the position of a member of the Management Board,
6. conducting of a competition in order to select a person with whom an agreement to perform management in the Company shall be concluded,	conducting of a competition in order to select a person with whom an agreement to perform management in the Company shall be concluded,
7. granting permission to the members of the Management Board to take positions in governing bodies of other companies,	granting permission to the members of the Management Board to take positions in governing bodies of other companies,
Other competences of the Company Supervisory Board	
1. preparing of reports on the supervision of implementation of investments by the Management Board, including the purchase of fixed assets, and in particular, giving opinions on the correctness and effectiveness of spending of financial resources related to the above expenditures,	preparing of reports of the Supervisory Board on supervision of implementation of investments by the Management Board, including the purchase of fixed assets, and in particular, giving opinions on the correctness and effectiveness of spending of financial resources related to the above expenditures,
2. passing of bylaws describing in details the procedures of performance of the Supervisory Board,	passing of bylaws describing in details the procedures of performance of the Supervisory Board,

## 9. Description of the procedure of amendment of the Company Articles of Association

Amendments to the Company Articles of Association in accordance with the provisions of Ksh, in particular: amendments to the Company Articles of Association take place by means of resolution of the General Meeting, at the majority of two thirds of the votes, and then requires issuing a decision by a proper court on entering the change into the Register of Entrepreneurs. The consolidated text of the Company Articles of Association, including amendments passed by the General Meeting, shall be adopted by the Supervisory Board by means of a resolution.

In accordance with the Company Articles of Association, a material amendment to the subject of activities requires two thirds of votes under the presence of persons representing at least a half of the share capital.

## 10. Way of operating of the General Meeting, its fundamental authorities and description of shareholders' rights and mode of their performance

The way of operating of the Company General Meeting and its authorities are included in the Company Articles of Association and in the *Regulations of the General Meeting of TAURON Polska Energia S.A.* which are available at the Company website <http://www.tauron-pe.pl/>.

### Way of operating of the General Meeting

The General Meeting is convened by announcement on the Company website and in the manner defined for providing current information by public companies. In case if the General Meeting is convened by an entity or body other than the Management Board on the basis of regulations of the Act of 15 September 2000 *Code of Commercial Companies*, and the convening of the General Meeting requires cooperation with the Management Board, the Management Board is obliged to perform all actions defined by law regulations in order to summon, organize and conduct the General Meeting which shall take place in the Company seat or in Warsaw.

The General Meeting is opened by the Chairperson of the Supervisory Board, and in case of his/her absence to open the General Meeting shall be authorized the following persons in the following order: Vice-Chairperson of the Supervisory Board, President of the Management Board, a person appointed by the Management Board or a shareholder who registered at the General Meeting shares entitling him/her to perform the biggest number of votes. Then, among the persons entitled to take part in the General Meeting the Chairperson of the Meeting is selected.

The General Meeting shall pass resolutions irrespective of the number of shares represented at the Meeting, unless regulations of the Act of 15 September 2000 *Code of Commercial Companies* as well as provisions of the Company's Articles of Association shall state otherwise. The General Meeting may order a break in the meeting by the majority of two thirds of votes. In total, the breaks shall not exceed thirteen days.

### Competence of the General Meeting

In accordance with the Company Articles of Association, the following issues require Resolutions of the General Meeting:

**Table no. 4 Competence of the General Meeting**

No.	Issues which require the resolution of the General Meeting
<b>as of 31 December 2013 and on the day of this report:</b>	
1.	examination and approval of financial statement for the previous financial year as well as the Management Board's report on the Company operations,
2.	granting the acknowledgement of the fulfilment of duties to the members of the governing bodies of the Company,
3.	profit distribution and coverage of loss,
4.	appointing and dismissing of members of the Supervisory Board,
5.	suspending members of the Management Board in performance of their duties,
6.	establishing the rules of remuneration for the members of the Supervisory Board, subject to § 29 item e of the Company Articles of Association,
7.	disposal and lease of the Company enterprise or its organized part as well as establishing a limited proprietary right on them,
8.	concluding of a credit, loan, surety agreement or any other similar agreement by the Company with a member of the Management Board, Supervisory Board, proxy and liquidator or for any of these persons. Concluding of a loan, surety or any other similar agreement with a member of the Management Board, Supervisory Board, proxy, liquidator or for any by a subsidiary company,
9.	increasing and lowering the share capital of the Company,
10.	issuing convertible bonds or priority bonds as well as registered securities or bearer securities entitling its owner to subscribe or acquire the shares,
11.	purchasing of treasury shares in cases required by the regulations of the Code of Commercial Companies,
12.	compulsory redemption of shares in accordance with the stipulations of art. 418 of the Code of Commercial Companies,
13.	creating, using and liquidation of reserve capitals,
14.	using of supplementary capital,
15.	provisions concerning claims to repair damage caused at establishing of the company or serving in the board or performing supervision,
16.	merger, transformation and division of the Company,
17.	redemption of shares,
18.	amendment to the Articles of Association and change of the scope of the Company operations,
19.	dissolving and liquidation of the Company.

In accordance with the provisions of the Ksh the decision on issue and repurchase of shares is included in the competence of the General Meeting.

### Description of shareholders' rights and mode of their execution

The table below presents the description of rights of the Company shareholders associated with the General Meeting, in accordance with the Company Articles of Association, Ksh and the *Regulations of the General Meeting of TAURON Polska Energia S.A.*

**Table no. 5 Description of rights of the Company shareholders associated with the General Meeting**

No.	Shareholder rights	Description of Shareholder rights
1.	Convening of the General Meeting	A shareholder or shareholders representing at least one twentieth of the share capital, may demand convening of the Extraordinary General Meeting. Such a demand shall include its concise justification. It can be submitted to the Management Board in writing or send in electronic form, to the Company e-mail address, indicated by the Company on at its website in "Investor Relations" tab. A shareholder or Shareholders representing at least a half of the share capital or at least a half of all votes in the Company may convene the Extraordinary General Meeting and appoint the Chairperson of this General Meeting.
2.	Including issues on the agenda of the General Meeting	Shareholders representing at least one twentieth of the share capital may demand including certain issues on the agenda of the nearest General Meeting. Such a demand, including a justification or a draft of resolution on the proposed point of agenda shall be submitted to the Management Board not later than 21 days before the given date of the General Meeting in electronic form to the Company e-mail address, or in writing to the Company address.
3.	Becoming acquainted with the list of shareholders	The shareholder may become acquainted with the Shareholders' list in the Company's Management Board seat during three days preceding directly the General Meeting. The shareholder may demand sending him/her the list of Shareholders free of charge by electronic mail, providing address to which the list shall be sent.
4.	Participation in the General Meeting	The right to take part in the General Meeting shall be given only to persons who are Shareholders sixteen days before the date of the General Meeting (registration date of participation in the General Meeting). In order to participate in the General Meeting such Shareholders should report the investment company holding their securities account a request to issue a certificate with their name on the right to take part in the General Meeting. Such a request shall be submitted not earlier than a day after the announcement on convening of the General Meeting and not later than on the first working day after the day of registering participation in the General Meeting.
5.	Representing the shareholder by a proxy	The shareholder may take part in the General Meeting as well as perform the voting right personally or through a proxy. Persons co-authorized by means of shares may take part in the General Meeting and perform the voting right only through a joint representative (proxy). The proxy may represent more than one Shareholder and vote differently based on shares of each Shareholder.
6.	Election of the Chairman of the General Meeting.	Shareholders select the Chairperson among persons entitled to take part in the General Meeting. Each of the members of the General Meeting shall have the right to submit one candidate to the post of the Chairperson. The election of the Chairperson takes place by secret voting, with an absolute majority of votes. In case when there is just one candidate to the Chairperson, the election can take place by acclamation.
7.	Appointment of the Returning Committee	Each Shareholder shall submit no more than three candidates to the member of Returning Committee, selected by the General Meeting and vote for maximum three candidates.
8.	Submission of draft resolution	Until closing the discussion on a certain point of the agenda of the General Meeting shareholders shall be authorised to submit a proposal of changes to the content of a draft of resolution proposed for adoption by the General Meeting within a given item of the agenda or to put forward his/her draft of such a resolution. The proposal of changes or a draft of the resolution may be submitted to the Chairperson or orally or in writing to the minutes of the meeting.
9.	Raising objections	The shareholder who was voting against a resolution, and after its adoption by the General Meeting wants to raise his/her objection shall immediately after the announcement of results of voting raise his/her objection and demand its including in the minutes before proceeding to the next item of the agenda. In case of a later raising of objection, which however shall not take place later than until closing the General Meeting, the Shareholder shall indicate to which resolution passed at this General Meeting she/he is raising his/her objection. The shareholder raising his/her objection to the General Meeting resolution may submit to the minutes of the General Meeting a concise justification of the objection.

## **11. Composition of managing and supervising bodies and their committees, its changes, description of performance**

### **11.1. Management Board**

The present, third term of office of the Management Board, started on 6 May 2011, i.e. on the day of convening of the General Meeting of the Company approving the financial statement for the last full financial year of the tenure of the members of the Management Board of the second term, i.e. for the year 2010. In accordance with the Company Articles of Association this is a joint term of office and it shall last for three years.

#### **Personal composition of the Management Board for the period from 01 January 2013 to 31 December 2013**

1. Dariusz Lubera - President of the Management Board, responsible for the Division of the President of the Management Board
2. Joanna Schmid - Vice President of the Board responsible for the Division of the Vice-President of the Board for Strategy and Business Development,

3. Dariusz Stolarczyk - Vice President of the Board responsible for the Division of the Vice-President of the Board for Corporate Matters,
4. Krzysztof Zawadzki - Vice President of the Board responsible for the Division of the Vice-President of the Board for Economic and Financial Matters.

#### **Changes in the Management Board composition:**

In the financial year no changes in the composition of the Management Board were performed.

#### **Personal composition of the Management Board as of the day of this report**

1. Dariusz Lubera - President of the Management Board, responsible for the Division of the President of the Management Board
2. Joanna Schmid - Vice President of the Board responsible for the Division of the Vice-President of the Board for Strategy and Business Development,
3. Dariusz Stolarczyk - Vice President of the Board responsible for the Division of the Vice-President of the Board for Corporate Matters,
4. Krzysztof Zawadzki - Vice President of the Board responsible for the Division of the Vice-President of the Board for Economic and Financial Matters.
5. Aleksander Grad - Member of the Supervisory Board delegated for temporary performance of activities of then Vice President of the Board responsible for the Division of the Vice-President of the Board for Corporate Matters.

#### **Experience and competences of members of the Management Board**



##### ***Dariusz Lubera - President of the Board***

Background: Electrician, MSc Eng. Graduate of AGH Academy of Science and Technology in Kraków and University of Economics in Kraków.

Acting as the President of the Management Board of TAURON Polska Energia S.A. since 8 March 2008. Currently supervises performance of the following business units: corporate bodies, legal department, HR, internal audit, market communication and PR, risk management, Health&Safety Issues and Protection of Classified Information.



##### ***Joanna Schmid - Vice-President of the Board***

Background: law and finance Graduate of the Law Faculty of the Silesian University in Katowice. Graduated from many post-graduate colleges, among others, management studies (MBA) at the Warsaw School of Economics in Warsaw.

Acting as the Vice President of the Management Board of TAURON Polska Energia S.A. since 1 October 2010. Currently supervises performance of the following business units: development strategies, strategic projects, regulations and external funds, investment effectiveness.



##### ***Dariusz Stolarczyk - Vice-President of the Board***

Graduate of the Electric Faculty of the Technical University of Wrocław, speciality: industrial power engineering and the MBA studies at the University of Economics in Wrocław. Moreover, he graduated from postgraduate colleges, i.a. at Wirtschaftsordnungsinstitut Wirtschaftskammer in Vienna and MBA studies at the College of Management and Administration in Warsaw.

Acting as the Vice President of the Management Board of TAURON Polska Energia S.A. since 8 March 2008. Currently supervises performance of the following business units: trade, sales and customer service, market operator and commercial service.



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**Krzysztof Zawadzki - Vice President of the Board.**

Background: economist. Graduate of University of Economics in Katowice, PhD Studies at the University of Economics in Kraków. Postgraduate studies, i.a. in international financial reporting standards, European standards in accountancy and finance and taxes. Holds a licence of a chartered accountant.

Acting as the Vice President of the Management Board of TAURON Polska Energia S.A. since 21 August 2009. Currently supervises performance of the following business units: accounting and taxes, financial management, controlling, portfolio management, fuels.



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**Aleksander Grad - Member of the Supervisory Board delegated for temporary performance of activities of the Vice President of the Management Board**

Graduate of Industrial Surveying Faculty at AGH Academy of Science and Technology in Kraków. Acted as the Undersecretary of State at the Ministry of Health and the Minister of Treasury. Member of Parliament of the 4th, 5th, 6th and 7th tenure. Among others, acted in the capacity of the Vice Chairman of the European Union Commission, Vice Chairman and Chairman of the Commission on State Treasury.

Delegated for temporary performance of the activities of the Vice President of the Management Board of the Company in the period from 11 February 2014 to 11 May 2014.

Currently supervises operations of the following business units: procurement, corporate management and reorganisation.

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The detailed description of experience and competences of the Board Members is published on the Company website <http://www.tauron-pe.pl/>.

### **Mode of operation**

The Management Board of the Company operates on the basis of Ksh and other regulations of law, stipulations of the Company Articles of Association and provisions of the *Bylaws of the Management Board of TAURON Polska Energia Spółka Akcyjna z siedzibą w Katowicach*, which is available at the website of the Company <http://www.tauron-pe.pl/>. While performing their obligations the members of the Management Board are governed by regulations included in the Good Practices.

Cooperation of two members of the Management Board or one member of the Management Board together with a proxy is required for submitting statements on behalf of the Company. Should the Management Board be single person, one member of the Management Board or a proxy shall be entitled to submit statements on behalf of the Company.

Meetings of the Management Board are convened by the President of the Management Board or a Vice-President of the Management Board appointed by him/her. Meetings of the Management Board are also convened upon the motion of the majority of Vice-Presidents of the Company as well as upon the motion of the Chairperson of the Supervisory Board. The meetings take place in the Company's seat, on the date set by the person convening the meeting. In justified cases, the Management Board's meetings may take place outside the seat of the Company. President of the Management Board or a Vice-President appointed by him/her shall chair the meeting.

The Management Board votes in an open voting. The result of voting is recorded in the minutes of the meeting. The President of the Management Board orders a secret ballot upon the request of any member of the Management Board.

Resolutions of the Management Board are passed by an absolute majority of votes in the presence of 3/5 of the composition of the members of the Management Board. In case of an equal number of votes the President of the Board has a casting vote. The Management Board may pass resolutions in a written mode or by using means of direct remote communication. Voting in the aforementioned modes is ordered by the President of the Management Board or the Vice-President appointed by him/her, defining the deadline to vote by the members of the Management Board. It is acceptable to submit a different opinion. It shall be recorded in the minutes together with justification. Decisions of the Management Board, regulating business as usual, not requiring a resolution, are recorded only in the minutes.

Under the circumstances when the number of Vice-Presidents of the Management Board is lower than the Divisions, the Vice-Presidents of the Management Board may join the capacity of directors of two divisions, or distribute the competence in any other way which would be in compliance with the distribution of responsibilities performed by the Supervisory Board.



Scope of activities of the President of the Management Board covers competence in the area of operations of business units reporting to the Division of the President of the Board, in accordance with the organisational structure of the Company.

Scope of activities of the Vice-Presidents of the Management Board covers competence in the area of operations of business units reporting to the Divisions of the Vice-Presidents of the Board, in accordance with the organisational structure of the Company.

The structure of the divisions reporting to individual members of the Management Board is specified in the organisational chart of the Company, presented in item 1.2.2 of this report.

## **11.2. Supervisory Board**

The current, third term of office of the Supervisory Board, started on 6 May 2011, i.e. on the day of convening of the Ordinary General Meeting of the Company approving the financial statement for the last full financial year of the tenure of the members of the Supervisory Board of the second term, i.e. for the year 2010. In accordance with the Company Articles of Association this is a joint term of office and it shall last for three years.

### **Personal composition of the Supervisory Board for the period from 1 January 2013 to 31 December 2013**

1. Antoni Tajduś - Chairman of the Supervisory Board,
2. Rafał Wardziński - Vice Chairman of the Supervisory Board,
3. Leszek Koziorowski - Secretary of the Supervisory Board,
4. Jacek Kuciński - Member of the Supervisory Board,
5. Marcin Majeranowski - Member of the Supervisory Board,
6. Jacek Szyke - Member of the Supervisory Board,
7. Marek Ściążko - Member of the Supervisory Board,
8. Agnieszka Trzaskalska - Member of the Supervisory Board.

In the financial year 2013 no changes in the composition of the Supervisory Board were performed.

### **Changes in the personal composition of the Supervisory Board after 31 December 2013**

On 7 January 2014 the Extraordinary General Meeting of the Company adopted resolution no. 7 on appointment of Mr. Aleksander Grad as a member of the Supervisory Board of the Company of the third term as of 1 February 2014.

The Company informed of this event in the current report No. 3/2014 of 07 January 2014.

On 22 January 2014 the State Treasury, acting pursuant to its personal authority specified in § 23 item 1 p. 3 of the Company Articles of Association, dismissed Mr. Rafał Wardziński who acted as the Deputy Chairman of the Supervisory Board, from the Supervisory Board of TAURON.

The Company informed of this event in the current report No. 8/2014 of 22 January 2014.

On 22 January 2014 the State Treasury, acting pursuant to its personal authority specified in § 23 item 1 p. 3 of the Company Articles of Association, appointed Ms Agnieszka Woś as a Member of the Supervisory Board, who was appointed as the Deputy Chairman of the Supervisory Board by the Supervisory Board on 10 February 2014.

The Company informed of this event in the current report No. 9/2014 of 22 January 2014.

On 10 February 2014 the Supervisory Board of TAURON adopted the resolution to delegate the member of the Supervisory Board, Mr. Aleksander Grad for temporary performance of the duties of Vice-President of the Management Board of TAURON from 11 February 2014 until 11 May 2014.

The Company informed of this event in the current report No. 12/2014 of 10 February 2014.

### **Personal composition of the Supervisory Board as of the day of this report:**

1. Antoni Tajduś - Chairman of the Supervisory Board,
2. Agnieszka Trzaskalska - Deputy Chairman of the Supervisory Board,
3. Leszek Koziorowski - Secretary of the Supervisory Board,



- |    |                       |  |
|----|-----------------------|--|
| 4. | Aleksander Grad       | - Member of the Supervisory Board delegated for temporary performance of activities Vice-Presidents of the Management Board, |
| 5. | Jacek Kuciński        | - Member of the Supervisory Board,   |
| 6. | Marcin Majeranowski   | - Member of the Supervisory Board,   |
| 7. | Jacek Szyke           | - Member of the Supervisory Board,   |
| 8. | Marek Ściążko         | - Member of the Supervisory Board,   |
| 9. | Agnieszka Trzaskalska | - Member of the Supervisory Board.   |

#### **Experience and competences of members of the Supervisory Board**

##### ***Antoni Tajduś - Chairman of the Supervisory Board***

Academic and scientific worker of the AGH Academy of Science and Technology in Kraków. During his employment at AGH, he obtained the following scientific degrees: PhD in technical sciences (1977), DSc in technical sciences (1990) and professor of technical sciences (1998). In the years 2005-2012 acted in the capacity of the rector of the AGH Academy of Science and Technology in Kraków.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 31 January 2008. Currently acting in the capacity of the Chairman of the Supervisory Board and the Chairman of the Committee on Nominations and Remunerations.

##### ***Agnieszka Trzaskalska - Deputy Chairman of the Supervisory Board,***

Graduate of the College of Information Technology and Management in Rzeszów (specialisation: accounting and finance) and the University of Economics in Kraków (specialisation: performance and development of enterprises). Obtained a title of doctor of economic sciences in 2010 in the scope of management sciences, at the University of Economics in Kraków.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 22 January 2014. Currently acting in the capacity of the Deputy Chairman of the Supervisory Board.

##### ***Leszek Kozirowski - Secretary of the Supervisory Board***

Graduate of Faculty of Law and Administration of Warsaw University, legal counsel in the Regional Chamber of Attorneys in Warsaw.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 14 September 2010. Currently acting in the capacity of the Secretary of the Supervisory Board and the Member of the Audit Committee.

##### ***Aleksander Grad - Member of the Supervisory Board***

Graduate of Industrial Surveying Faculty at AGH Academy of Science and Technology in Kraków. Acted as the Undersecretary of State at the Ministry of Health and the Minister of Treasury. Member of Parliament of the 4th, 5th, 6th and 7th tenure. Among others, acted in the capacity of the Vice Chairman of the European Union Commission, Vice Chairman and Chairman of the Commission on State Treasury.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 01 February 2014.

Delegated for temporary performance of the activities of the Vice President of the Management Board of the Company in the period from 11 February 2014 to 11 May 2014.

During the period of the assignment, the function of the Member of the Supervisory Board was suspended, with simultaneous suspension of rights and obligations arising from the membership in the Supervisory Board.

##### ***Jacek Kuciński - Member of the Supervisory Board***

Graduate of Faculty of Physics, Jagiellonian University. PhD in technical sciences at Electric Faculty of Technical University in Warsaw.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 14 September 2010. Within the Supervisory Board he also acts as a member of Audit Committee, Strategy Committee and Committee on Nominations and Remunerations.

##### ***Marcin Majeranowski - Member of the Supervisory Board***

Graduate of Faculty of Law and Administration of Warsaw University. Since 2003 entered to the register of legal counsels maintained by the Regional Chamber of Attorneys in Warsaw.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 12 December 2012. Within the Supervisory Board he also acts as a Chairman of the Audit Committee.

***Jacek Szyke - Member of the Supervisory Board***

Graduate of Faculty of Economics at Łódź University and Electric Faculty of Technical University in Poznań, where he also obtained PhD in technical sciences.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 14 September 2010. Within the Supervisory Board he also acts as a Chairman of the Strategy Committee and a member of the Audit Committee.

***Marek Ściążko - Member of the Supervisory Board***

Graduate of Faculty of Technology and Chemical Engineering, Technical University in Gliwice - speciality: chemical engineering, PhD title obtained at the same university.

Moreover, Mr Marek Ściążko holds the title of Doctor of Sciences and a University Professor.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 31 January 2008. Within the Supervisory Board he also acts as a member of Strategy Committee and Committee on Nominations and Remunerations.

***Agnieszka Trzaskalska - Member of the Supervisory Board***

Graduate of PhD studies at Faculty of Law and Administration of Warsaw University, graduate of Faculty of Law and Administration of Silesian University where she studied law.

Appointed to the Supervisory Board of TAURON Polska Energia S.A. as of 11 December 2007. Within the Supervisory Board he also acts as a member of Strategy Committee and Committee on Nominations and Remunerations.

The detailed description of experience and competences of the Board Members is published on the Company website <http://www.auron-pe.pl/>.

**Mode of operation**

A detailed description of the mode of the Supervisory Board operation is included in the Ksh, the Company Articles of Association, which is available on the Company website <http://www.auron-pe.pl/> and in the *Bylaws of the Supervisory Board of TAURON Polska Energia S.A. z siedzibą w Katowicach*.

The main form of performing supervision by the Supervisory Board over the Company's operations are meetings of the Supervisory Board. The Supervisory Board performs its obligations jointly. Meetings of the Supervisory Board are convened by the Chairperson of the Supervisory Board or Vice-Chairperson of the Supervisory Board by presenting a detailed agenda.

- 1) in accordance with decisions adopted by the Supervisory Board,
- 2) on his/her own initiative,
- 3) upon a written proposal of each member of the Supervisory Board,
- 4) upon a written proposal of the Management Board.

Meetings of the Supervisory Board take place in the Company's seat. In justified cases the venue of the meeting may be changed.

In order to convene a meeting, written invitation of all members of the Supervisory Board at least 7 days before the date of the Supervisory Board's meeting is required. Due to material reasons the Chairperson of the Supervisory Board may shorten this period to 2 days, defining the mode of giving the invitation. Notifications of the Supervisory Board meeting are sent by means of fax or electronic mail and are confirmed by phone. In the notification of the Supervisory Board meeting the Chairperson defines the date of the meeting, venue of the meeting as well as detailed draft of the agenda. The Supervisory Board shall meet when the need arises, however not less frequently than once every two months. The Supervisory Board may meet without convening a formal meeting if all members of the Supervisory Board are present and nobody appeals against the fact of holding the meeting or against the agenda.

A change of the proposed agenda may take place when all members of the Supervisory Board are present at the meeting and nobody appeals against the agenda. An issue not included on the agenda shall be included into the agenda of the next meeting.

Taking part in meetings of the Supervisory Board is the Supervisory Board Member's duty. A Member of the Supervisory Board shall give reasons of his/her absence in writing. Justification of the Supervisory Board Member's absence requires the Supervisory Board resolution. Members of the Management Board of the Company may take part in the Supervisory Board's meetings unless the Supervisory Board raises an objection. Participation of the Management Board members in the Supervisory Board meetings is compulsory if they were invited by the Chairperson of the Supervisory Board. Other persons may also take part in the meetings if they were invited in the above mentioned way.

The Supervisory Board may seek opinion of legal advisers who render regular legal advice for the Company, as well as, in justified cases, it may appoint and invite to meetings of the Supervisory Board appropriate experts in order to ask their advice and make an appropriate decision. In the aforementioned cases the Supervisory Board shall pass a resolution concerning commissioning the work to a chosen expert (audit or consulting company) obliging the Company's Management Board to conclude an appropriate agreement.

Meetings of the Supervisory Board shall be chaired by the Chairperson of the Supervisory Board, and in the case of his/her absence by the Vice-Chairperson. Due to material reasons, with the consent of the majority of the members of the Supervisory Board present at the meeting, the person chairing the meeting is obliged to submit to voting a motion to stop the meeting and establish a new date of resuming the Supervisory Board meeting. The Supervisory Board makes decisions in the form of resolutions. The Supervisory Board resolutions are passed mainly at the meetings. The Supervisory Board passes resolutions if at least half of its members are present at the meeting and all its members were invited in the way defined in the Regulations. Subject to absolutely binding regulations of law, including the Ksh as well as provisions of the Company's Articles of Association, the Supervisory Board passes resolutions by an absolute majority of votes of the persons present at the meeting, where the absolute majority of votes is understood as more votes submitted "for" than "against" and "abstain". Resolutions cannot be passed in issues not included in the agenda unless all members of the Supervisory Board are present and nobody voices an objection. It shall not apply to resolutions on justifying the Supervisory Board's member absence at the meeting. Voting of the resolutions is open. A secret ballot is ordered:

- 1) upon the request of at least one of the members of the Supervisory Board,
- 2) in personnel-related issues

The Supervisory Board, in accordance with the Articles of Association, may pass resolutions in writing or by using means of direct remote communication. Passing a resolution in such a mode requires a justification and a prior submitting of the draft of the resolution to all members of the Board. Passing resolutions in this mode does not apply to the appointing the Chairperson, the Deputy Chairperson and the Secretary of the Board, appointing or suspending in the activities of a member of the Supervisory Board and dismissing these persons as well as other issues the settlement of which requires a secret voting. Voting on a resolution passed in the aforementioned mode, a member of the Supervisory Board indicates the mode of his/her voting, "for", "against" or "abstain". In case of failure to express the vote by a Member of the Supervisory Board in the time period defined by the Chairperson the resolution shall not be passed. Resolution with a note that it was passed in a written mode or by mode of voting using means of direct distance communication shall be signed by the Chairperson of the Supervisory Board. Resolutions passed in this mode shall be submitted at the first coming meeting of the Supervisory Board with announcing the result of the voting.

The Supervisory Board, in accordance with the Articles of Association of the Company passes resolutions in a written mode or by using means of direct distance communication, i.e. tele- or videoconferences. Passing a resolution in such a mode requires a justification and a prior submitting of the draft of the resolution to all members of the Board.

Members of the Supervisory Board shall take part in meetings and perform their duties in person, and while performing their duties they are obliged to exercise due diligence. Members of the Supervisory Board are obliged to keep information connected with the Company activity which they have acquired in connection with holding their seat or at other occasion secret. The Supervisory Board performs its obligations jointly.

The Supervisory Board may, due to material reasons, delegate particular members to perform certain actions independently for a defined period of time. The Supervisory Board may delegate its members, for a period not longer than three months, to temporarily perform duties of the members of the Management Board who have been dismissed, submitted their resignation or if due to other reasons they cannot perform their functions. The aforementioned delegation requires obtaining permission from the member of the Supervisory Board who is to be delegated.

The detailed description of activities of the Supervisory Board in the previous financial year is contained in the Report on Activities of the Supervisory Board, submitted on annual basis to the General Meeting and then published on the Company website <http://www.tauron-pe.pl/>.

The Supervisory Board may appoint among its members permanent or temporary working groups or committees to perform particular actions. The permanent committees of the Supervisory Board include:

- 1) Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. (Audit Committee),

- 2) Nominations and Remuneration Committee of the Supervisory Board of TAURON Polska Energia S.A. (Nominations and Remuneration Committee),
- 3) Strategy Committee of the Supervisory Board of TAURON Polska Energia S.A. (Strategy Committee).

Composition, tasks and rules of operation of the aforementioned committees are defined by regulations passed by the Supervisory Board.

### 11.3. Audit Committee

The Audit Committee was appointed on 13 May 2010 by the Supervisory Board among its members. In 2013 the Audit Committee operated with four members.

#### Personal composition of the Audit Committee as of 31 December 2013 and on the day of this report:

1. Marcin Majeranowski – Chairman of the Audit Committee,
2. Leszek Kozirowski – Member of the Audit Committee,
3. Jacek Kuciński – Member of the Audit Committee,
4. Jacek Szyke – Member of the Audit Committee,

On 16 January 2013 Members of the Audit Committee appointed Marcin Majeranowski as the Chairman of the Audit Committee.

In 2013 no changes in the composition of the Audit Committee were performed.

The table below presents the tasks and competences of the Audit Committee as of 31 December 2013 and on the day of this report.

**Table no. 6 Competence of the Audit Committee**

No.	Issues which require the resolution of the Audit Committee
<b>as of 31 December 2013 and on the day of this report:</b>	
1.	monitoring of financial reporting process;
2.	monitoring of the accuracy of financial information presented by the Company;
3.	monitoring of the efficiency of internal control, internal audit and risk management systems existing in the Company;
4.	monitoring of performing of financial revisions;
5.	monitoring of independence and objectivity of chartered auditor and entity entitled to examine financial statements, including rendering by them services other than financial audit;
6.	recommending of an entity entitled to examine financial statements to perform financial audit to the Supervisory Board.

The detailed description of activities of the Audit Committee in the previous financial year is contained in the Report on Activities of the Audit Committee, attached to the Report on Activities of the Supervisory Board, submitted on annual basis to the General Meeting and then published on the Company website <http://www.tauron-pe.pl/>.

### 11.4. Nominations and Remuneration Committee

The Nominations and Remuneration Committee was established on 27 August 2010 by the Supervisory Committee among its members. As of 1 January 2013 the Nominations and Remuneration Committee operated with three members.

#### Personal composition of the Nominations and Remuneration Committee as of 01 January 2013

1. Antoni Tajduś – Chairman of the Nominations and Remuneration Committee
2. Jacek Kuciński – Member of The Nominations and Remuneration Committee
3. Agnieszka Trzaskalska – Member of The Nominations and Remuneration Committee.

#### Changes in the personal composition of The Nominations and Remuneration Committee

During its meeting on 13 March 2013 the Supervisory Board appointed Marek Ściażko as a Member of the Nominations and Remunerations Committee.

**Personal composition of the Nominations and Remuneration Committee as of 31 December 2013 and on the day of this report:**

1. Antoni Tajduś – Chairman of the Nominations and Remuneration Committee
2. Jacek Kuciński – Member of The Nominations and Remuneration Committee
3. Marek Ściażko – Member of The Nominations and Remuneration Committee
4. Agnieszka Trzaskalska – Member of The Nominations and Remuneration Committee.

The table below presents the tasks and competences of the Nominations and Remunerations Committee as of 31 December 2013 and on the day of this report.

**Table no. 7 Nominations and Remuneration Committee**

No. Issues which require the resolution of the Nominations and Remunerations Committee	
as of 31 December 2013 and on the day of this report:	
1.	recommendations to the Supervisory Board on a recruitment procedure for the positions of members of the Company Management Board,
2.	assessing candidates for members of the Management Board as well submitting an opinion in this scope to the Supervisory Board,
3.	recommendations to the Supervisory Board on the form and contents of agreements concluded with members of the Management Board,
4.	recommendations to the Supervisory Board on remuneration and bonus system of the members of the Management Board,
5.	recommendations to the Supervisory Board on the need to suspend a member of the Management Board due to material reasons
6.	recommendations to the Supervisory Board on the need to delegate a member of the Supervisory Board to temporarily perform the duties of members of the Management Board who cannot perform their duties together with a proposal of remuneration.

Detailed description of the activities of the Nominations and Remuneration Committee in the previous financial year is contained in the Report on activities of the Nominations and Remunerations Committee, constituting the attachment to the Report of the Supervisory Board, submitted on annual basis to the General Meeting and published at the Company website <http://www.tauron-pe.pl/>.

### **11.5. Strategy Committee**

The Audit Committee was appointed on 8 May 2012 by the Supervisory Board among its members. In 2013, the Strategy Committee operated with five members.

**Personal composition of the Strategy Committee for the period from 1 January 2013 to 31 December 2013**

1. Jacek Szyke – Chairman of the Strategy Committee,
2. Jacek Kuciński – Member of the Strategy Committee
3. Marek Ściażko – Member of the Strategy Committee
4. Agnieszka Trzaskalska – Member of the Strategy Committee
5. Rafał Wardziński – Member of the Strategy Committee

In the financial year 2013 no changes in the composition of the Strategy Committee were performed.

**Changes in the personal composition of the Strategy Committee after 31 December 2013**

Due to the dismissal of Rafał Wardziński from the Supervisory Board by the State Treasury, the composition of the Strategy Committee was decreased to four persons.

**Personal composition of the Strategy Committee as of the day of this report:**

1. Jacek Szyke – Chairman of the Strategy Committee,
2. Jacek Kuciński – Member of the Strategy Committee
3. Marek Ściażko – Member of the Strategy Committee
4. Agnieszka Trzaskalska – Member of the Strategy Committee

The table below presents the tasks and competences of the Strategy Committee as of 31 December 2013 and on the day of this report.

**Table no. 8 Competence of the Audit Committee**

No. Issues which require the resolution of the Strategy Committee	
as of 31/12/2013 and on the day of this report:	
1.	assessment of the Corporate Strategy and presenting its results to the Supervisory Board,
2.	recommending the scope and terms of submitting the strategic multi-annual plans to the Supervisory Board;
3.	assessment of impact of the planned and undertaken strategic investments on assets of the Company;
4.	monitoring the implementation of the strategic investment tasks;
5.	assessment of activities concerning availability of significant Company assets;
6.	opinion on strategic documents submitted to the Supervisory Board by the Management Board.

The detailed description of activities of the Strategy Committee in the previous financial year is contained in the Report on Activities of the Strategy Committee, attached to the Report on Activities of the Supervisory Board, submitted on annual basis to the General Meeting and then published on the Company website <http://www.tauron-pe.pl/>.

**11.6. Description of activities of the Committees of the Supervisory Board**

A detailed description of the activities of the Supervisory Board is included in the Regulations of individual Committees of the Supervisory Board of TAURON Polska Energia S.A.

The Committees of the Supervisory Board are advisory and opinion-making bodies acting jointly as a part of the Supervisory Board and perform support and advisory functions towards the Supervisory Board. The tasks of the Committees of the Supervisory Board are carried out by submitting motions, recommendations, opinions and statements on the scope of its tasks to the Supervisory Board, by means of resolutions. The Committees of the Supervisory Board are independent of the Management Board of the Company. The Management Board may not issue binding orders to the Committees of the Supervisory Board concerning performing their duties.

The Committees of the Supervisory Board consist of three to five members. The activities of the individual Committees are managed by their Chairpersons.

Meetings of the Committees are convened by the Chairperson 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 as needed. In case of the Audit Committee the meetings are convened at least on a quarterly basis. The Chairpersons of the Committees may invite members of the Supervisory Board, who are not members of the specific Committee, members of the Management Board and employees of the Company as well as other persons working or cooperating with the Company to the meetings of the Committees. The Chairperson 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 pass resolutions if at least a half of their members were present at the meeting and all their 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 means of direct remote communication.

The members of the Committees of the Supervisory Board may participate in meetings and pass resolutions in writing or by using means of direct remote communication, i.e. tele- or videoconferences.

The Company Management Board shall be informed about recommendations and assessments submitted to the Supervisory Board by the Committees of the Supervisory Board. Every year, the Committees of the Supervisory Board



provide public record information, through the Company, on the composition of the Audit Committee, number of meetings held and participation in the meetings during the year as well as on main activities. In addition, the Audit Committee confirms its positive assessment of the independence of financial audit process and submits a short description of steps taken to formulate such a motion.

The Company Management Board provides the possibility to use the services of external advisers by the Committees in the scope required for performing the obligations of the specific Committee.

## 12. Remuneration of key management and supervisory personnel

### Remuneration of key management personnel

The total amount of remuneration understood as the value of salaries, awards and benefits received in cash, in kind or in any other form, disbursed by the Company to the Management Board Members for 2013 amounted to PLN 7,713 thousand. As the total amount of remuneration paid or due and awards for 2013, the gross value of remuneration paid or due for the period from January to December 2013 is provided.

The model of remuneration of Board Members consists of two components for determining the remuneration, the fixed part (monthly basic salary) and the floating part, depending on fulfilment of specific target criteria (implementation of the task commissioned).

The members of the Management Board of the Company are not covered by the incentive or bonus programme based on the capital of the Company, neither do they receive any remuneration or awards due to performance in governing bodies of subsidiaries of TAURON Capital Group.

The table below presents the remuneration of members of the Company Management Board for 2013, divided into components

**Table no. 9 Remuneration of members of the Company Management Board for 2013, divided into components (data in thousand PLN)**

No.	Surname and name	Period of holding the position in 2013	Remuneration*	Bonus*	Other benefits*	Total
1.	Dariusz Lubera	from 01 January 2013 to 31 December 2013	1,190	525	204	<b>1,919</b>
2.	Joanna Schmid	from 01 January 2013 to 31 December 2013	900	428	135	<b>1,463</b>
3.	Dariusz Stolarczyk	from 01 January 2013 to 31 December 2013	1,076	495	194	<b>1,765</b>
5.	Krzysztof Zawadzki	from 01 January 2013 to 31 December 2013	1,080	495	150	<b>1,725</b>
<b>Total</b>			<b>4,246</b>	<b>1,943</b>	<b>683</b>	<b>6,872</b>

\* no overheads

In addition, in 2013 the due remuneration in the amount of PLN 241 thousand was paid to Krzysztof Zamasz due to the right to the annual bonus and other employee benefits. Krzysztof Zamasz acted as the Vice-President of the Management Board of the Company in 2012 and resigned on 31 December 2012.

### Remuneration of key supervising personnel

The model of remuneration of the Supervisory Board members consists of a single component, fixed part.

The table below presents the remuneration of members of the Company Supervisory Board Members for 2013

**Table no. 10 Remuneration of members of the Supervisory Board for 2013 (data in thousand PLN)**

No.	Surname and name	Period of holding the position in 2013	Remuneration and awards	Other benefits	Total
1.	Antoni Tajduś	from 01 January 2013 to 31 December 2013	144	0	<b>144</b>
2.	Rafał Wardziński	from 01 January 2013 to 31 December 2013	132	0	<b>132</b>

3.	Leszek Koziorowski	from 01 January 2013 to 31 December 2013	120	0	<b>120</b>
4.	Jacek Kuciński	from 01 January 2013 to 31 December 2013	108	0	<b>108</b>
5.	Marcin Majeranowski	from 01 January 2013 to 31 December 2013	108	0	<b>108</b>
6.	Marek Ściążko	from 01 January 2013 to 31 December 2013	108	0	<b>108</b>
7.	Jacek Szyke	from 01 January 2013 to 31 December 2013	108	0	<b>108</b>
8.	Agnieszka Trzaskalska	from 01 January 2013 to 31 December 2013	108	0	<b>108</b>
<b>Total</b>			<b>936</b>	<b>0</b>	<b>936</b>

**13. Agreements concluded with managing persons which envisage compensation in case of their resignation or dismissal from the position held, without material reason, or if their dismissal or resignation is caused by merger of the Company through takeover**

Between the Company and managing persons no agreements were concluded which envisage compensation in case of their resignation or dismissal from the position held, without material reason, or if their dismissal or resignation is caused by merger of the Company through takeover.