



STATEMENT
ON APPLICATION OF
CORPORATE GOVERNANCE
IN 2020

March 2021

STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE

Pursuant to § 70, clause 6, sub-clause 5) of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and conditions to acknowledge as equivalent information required by legal regulations of a non-member state (i.e. Journal of Laws of 2018, item 757), the Company's Management Board presents the statement on the application of corporate governance in 2020.

1. Applied set of corporate governance rules

In 2020 the Company was subject to the corporate governance rules, described in the document *Best Practice of WSE (GPW) Listed Companies 2016* (Best Practice 2016), adopted by the Supervisory Board of the WSE (GPW) in resolution no. 26/1413/2015 of October 13, 2015, which came into force on January 1, 2016.

The text of the Best Practice 2016 that the Company is subject to is published on the GPW website at the address: <https://www.gpw.pl/dobre-praktyki>.

2. Set of abandoned rules of corporate governance

In 2020 the Company did not apply the following detailed rules provided in the Best Practice 2016:

1. IV.Z.2. – the rule concerning the provision of the publicly available real-time broadcasts of the GM. The Company is monitoring, on an ongoing basis, the shareholding structure (composition) and in case changes take place that would justify the need to provide the publicly available real-time broadcasts of the general meeting, the Company will take relevant actions in order to provide the broadcast,
2. VI.Z.1. – the rule concerning the construction of incentive schemes in a way necessary, among others, to tie the level of compensation of members of the Company's management board and key managers to the actual long term financial standing of the Company and long term shareholder value creation as well as the Company's stability. That rule was not applied due to the compensation and bonus system applicable at TAURON in relation to members of the Management Board of the Company and its key managers that stipulates that the level of compensation will be tied to the financial situation of the Company within the annual perspective, in conjunction with the implementation of strategic objectives,
3. VI.Z.2. - the rule concerning tying the compensation of members of the management board and key managers to the Company's long term business and financial goals. The period between the allocation of options or other instruments linked to the Company's shares under the incentive scheme and their exercisability should be no less than 2 years That rule was not applied due to the compensation and bonus system applicable in TAURON in relation to Members of the Management Board of the Company and its key managers that does not provide that compensation should be tied to instruments linked with the Company shares.

In 2020 the following rules provided in the Best Practice 2016 did not apply to the Company:

1. I.Z.1.10. concerning posting the financial projections on the Company website - if the company has decided to publish them - published at least in the last 5 years, including information about the degree of their achievement. This principle did not apply to the Company due to the fact that the Company did not publish the financial forecasts,
2. III.Z.6. stating that where the Company has no separate internal audit function in its organization, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated - That rule was not applied to the Company due to the fact that the Company had a separate internal audit unit within its organizational structure.

The detailed description of the manner of applying the above rules is provided in the *Information on the status of applying by the Company of the recommendations and rules provided in Best Practice 2016*, provided on the Company's website at the address: <https://www.tauron.pl>.

Information concerning abandonment of the recommendations provided in Best Practice 2016 for application

In 2020 the Company did not apply only the recommendation provided in Best Practice 2016, designated as IV.R.2 concerning ensuring a possibility to shareholders to participate in the GM using electronic communication means. The Company is monitoring, on an ongoing basis, changes in the shareholding structure (composition) that could affect the way the communication is conducted during the general meeting. In addition, if the Company receives requests from the shareholders to conduct a general meeting using the electronic means of communication, the Company will verify the technical possibilities that would ensure a safe conduct of the general meeting for the shareholders and the Company, and in the absence of any contraindications, the Company will take actions in accordance with this recommendation.

The other recommendations provided in the Best Practice 2016 were applied by the Company in 2020.

3. Main characteristics of internal controls and risk management systems in relation to the process of generating the financial statements and consolidated financial statements

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

LEVEL I
General principles of of the Company's and TAURON Capital Group's management

Pursuant to the adopted internal regulations TAURON Capital Group's subsidiaries operate based on the organizational regulations and have defined organizational structures where the applicable business units are assigned the responsibility for preparing the financial statements and the consolidated financial statements. Such units are obligated to perform ongoing control of the tasks vested and the functional control of their activities. Based on TAURON Capital Group's Business Model put in place the Process Documentation of Mega-process 3.4 Accounting was implemented, containing, among others, processes associated with the financial reporting of the Company and TAURON Capital Group. The process documentation defines the responsibilities of the business units within the reporting processes.

LEVEL II
Risk management

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

The detailed information on the risk management system is presented in section 3.2. of this report.

LEVEL III
Internal audit

The Audit and Control Area is functioning within TAURON Capital Group, with the goal to plan and implement the audit tasks, including the advisory and opinion (feedback) providing activities as well as the performance of the control tasks, including the ad-hoc inspections commissioned. The audit and advisory activities are carried out by the Internal Audit Team carrying out the audit tasks both on the strategic level, covering TAURON Capital Group, as well as the specialized operational tasks on the level of the individual subsidiaries and lines of business areas of TAURON Capital Group. The control activities are organized in a similar manner, carried out on the group level by the Internal Control Team and on the level of the subsidiaries by the inspectors employed by such subsidiaries. In addition, the Internal Control Team carries out specialist audits (controls) of the IT, OT and security systems. Such organization of the area is aimed at enabling the scope of audits and controls to cover the entire operations of the organization both from the point of view of the needs of TAURON Capital Group and those of the individual subsidiaries. In December 2020, the Audit and Control Area completed the design works aimed at building and developing a model for a periodic assessment of the Internal Control System functioning at the Company as well as at entire TAURON Capital Group. The results of the assessment of the Internal Control System are presented to the Company's Management Board and the Audit Committee of the Company's Supervisory Board.

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

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

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

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

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

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

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

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

IT systems as well as financial and accounting processes

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

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

Due to the integration of the accounting functions and the transfer of TAURON Capital Group's material subsidiaries' financial and accounting services to CUW-R (Shared Services Center – Accounting) TAURON Capital Group's financial and accounting processes were gradually unified. The subsidiaries adjusted their own procedures to the flow of the financial and accounting processes, taking into account the specifics of the individual segments.

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

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

The Company's full year financial statements and TAURON Capital Group's full year consolidated financial statements are subject to an audit by a certified auditor. In 2018, the Company selected an entity authorized to audit and review the financial statements of the Company and of TAURON Capital Group's material subsidiaries, as well as the consolidated financial statements. The contract with the entity authorized to audit financial statements was concluded for the audit of the financial statements and the consolidated financial statements for the years 2019-2021, as well as for the review (audit) of the interim financial statements and the interim consolidated financial statements for the 6-month periods ending on June 30, 2019, June 30, 2020 and June 30, 2021.

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

In 2020, the Audit Committee of the Company's Supervisory Board updated, on October 5, 2020, the *Policy for selecting an audit firm to conduct an audit and review of the financial statements and the consolidated financial statements of TAURON Polska Energia S.A.*, which included the following rule:

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

Until October 5, 2020, the maximum continuous duration of audit engagements carried out by the same audit company or an entity related to that audit company or any member of the network operating in the EU countries that such audit companies are members of, could not have exceeded 5 years.

4. Shareholders holding substantial blocks of shares

The below table presents shareholders holding, as of December 31, 2010 and as of the date of drawing up this report, directly or indirectly via subsidiaries, substantial blocks of the Company's shares.

Table no. 1. Shareholders holding, directly or indirectly, substantial blocks of shares as of December 31, 2020 and as of the date of drawing up this report

Shareholders	Number of shares held	Percentage share in share capital	Number of votes held	Percentage share in the total number of votes
1. State Treasury	526 848 384	30.06%	526 848 384	30.06%
2. KGHM Polska Miedź (Polish Copper)	182 110 566	10.39%	182 110 566	10.39%
3. Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

Since the date of publishing the previous periodic report, i.e. since November 18, 2020, until the date of drawing up this report the Company had not received any notifications from its shareholders of any changes in the ownership structure of the substantial blocks of TAURON shares.

5. Holders of securities providing special control rights

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

6. Restrictions on exercising the voting right

Restrictions on exercising the right to vote are included in § 10 of the Company's Articles of Association which are available on the Company's website: <https://www.tauron.pl>.

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

1. The voting right of shareholders holding over 10% of total votes in the company shall be limited so that none of them can exercise more than 10% of the total votes in the company at the General Meeting of Shareholders.
2. The restriction on exercising the voting right mentioned in clause 1 above shall not apply to the State Treasury and entities controlled thereby in the period during which the State Treasury, together with entities controlled thereby, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the company.
3. Votes of shareholders who have a parent / subsidiary relationship within the meaning of § 10 of the Articles of Association (Shareholder Cluster) shall be aggregated; in case the aggregate number of their votes exceeds 10% of total votes in the company it shall be subject to reduction. Rules of votes' aggregation and reduction are defined in clauses 6 and 7 below.
4. A shareholder, in the understanding of § 10 of the Articles of Associations, shall be any party (entity, person), including its parent and subsidiary company, entitled directly or indirectly to a voting right at the General Meeting of Shareholders on the basis of any legal title; it shall also be applicable to a party (entity, person) that does not hold the company's shares, and in particular to a user, lien holder, party (entity, person) entitled on the basis of a depositary receipt under regulations of the *Act of July 29, 2005 on financial instruments trading*, as well as a party (entity, person) entitled to take part in the General Meeting of Shareholders in spite of disposing of its shares after the date of establishing (registering) the right to take part in the General Meeting of Shareholders.
5. A parent company and subsidiary company, for the purposes of § 10 of the Company's Articles of Association, shall be understood, accordingly, as a party (entity, person):
 - 1) with a status of a controlling undertaking, controlled undertaking or, at the same time, both the status of a controlling undertaking and controlled undertaking in the understanding of the *Act of February 16, 2007 on the protection of competition and consumers*, or
 - 2) with a status of a parent company, higher level parent company, subsidiary company, lower level subsidiary company, co-controlled company or one that has both the status of a parent company (including a higher level parent company) and the status of a subsidiary (including a lower level subsidiary company and a co-controlled company) in the understanding of the *Act of September 29, 1994 on accounting*, or
 - 3) which has (parent company) or one which is under (subsidiary company) controlling influence in the understanding of the *Act of September 22, 2006 on transparency of financial relationships between public bodies and public undertakings and on financial transparency of some undertakings*, or
 - 4) whose votes due to the company's shares owned directly or indirectly are subject to aggregation with votes of another party (entity, person) or other parties (entities, persons) on conditions defined in the *Act of July 29, 2005 on a public offering and conditions of introducing financial instruments to an organized trading system and on public companies* in connection with holding, disposing of or acquiring substantial blocks of the Company's shares.

6. Aggregation of votes is based on totaling the number of votes held by individual shareholders that are members of the Shareholders' Cluster.
7. Reduction of votes involves decreasing the total number of votes in the Company that shareholders that are members of the Shareholders' Cluster, are entitled to exercise at the General Meeting of Shareholders to the level of 10% of total votes in the Company. Reduction of the votes shall take place in accordance with the following rules:
 - 1) number of votes of a shareholder who holds the largest number of votes in the company among all shareholders that are members of the Shareholders' Cluster shall be reduced by a number of votes equal to a surplus above 10% of total votes in the company held by all shareholders that are members of the Shareholders' Cluster,
 - 2) if, despite the reduction mentioned in 1) above, the total number of votes that shareholders that are members of the Shareholders' Cluster are entitled to exceeds 10% of the total votes in the company, a further reduction of votes held by other shareholders that are members of the Shareholders' Cluster shall be made. The further reduction of individual shareholders' votes shall take place in an order established on the basis of the number of votes that individual shareholders that are members of the Shareholders' Cluster hold (from the highest to the lowest one). The further reduction shall take place until the total number of votes held by shareholders that are members of the Shareholders' Cluster does not exceed 10% of the total votes in the Company,
 - 3) in any case a shareholder whose voting rights have been reduced shall have the right to exercise at least one vote,
 - 4) restriction on exercising the voting right shall also apply to a shareholder absent at the General Meeting of Shareholders.
8. Each shareholder who is going to take part in the General Meeting of Shareholders, in person or through a proxy, shall be obliged to, without a separate notice mentioned in clause 9 below, notify the Management Board or the Chairperson of the General Meeting of Shareholders that she/he holds, directly or indirectly, more than 10% of the total votes in the Company.
9. Notwithstanding the provisions of clause 8 above, in order to establish the basis for aggregating and reducing the votes, a Company's shareholder, Management Board, Supervisory Board and individual members of such bodies shall have the right to demand that a shareholder of the Company provide information whether she/he is a party (entity, person) having the status of a parent or subsidiary company towards another shareholder in the understanding of § 10 of the Company's Articles of Association. The entitlement mentioned in the preceding sentence shall also include the right to demand the revealing of the number of votes that the company's shareholder holds on its own or jointly with other shareholders of the Company.
10. A party (entity, person) that has failed to fulfill or has fulfilled the information obligation mentioned in clauses 8 and 9 above improperly, shall, until the failure to fulfill the information obligation has been remedied, be able to exercise its voting right with respect to one share only; exercising voting rights with respect to other shares by such party (entity, person) shall be null and void.

7. Restrictions on transfer of the ownership right to securities

As of December 31, 2020, and as of the date of drawing up this report the Company's Articles of Association do not envisage restrictions on the transfer of the ownership right to the Company's securities.

However, in accordance with the *Act of July 24, 2015 on the control of certain investments* (Journal of Laws of 2020, item 117), an entity intending to purchase or achieve a material shareholding or purchase the dominating control over TAURON, which is, in accordance with the *Regulation of the Council of Ministers of December 23, 2019, on the list of entities subject to protection and their competent control bodies* (Journal of Laws of 2019, item 2501, as subsequently amended), an entity subject to protection, shall, each time, be obligated to submit a notification to the control body – the competent Minister of the State Assets of its intention to do so, unless such obligation rests on other entities.

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

Management Board of TAURON Polska Energia S.A.

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

Management Board of the Company shall be composed of 1 to 6 persons, including the President and Vice Presidents. Members of the Management Board shall be appointed and dismissed by the Company's Supervisory Board for a common term of office lasting 3 years, except for the 1st term that lasted 2 years. Each of the Members of the Management Board can be dismissed or suspended in office by the Company's Supervisory Board or the GM.

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

Competence of the Company's Management Board

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

In accordance with the Company's Articles of Association, all issues which go beyond the regular scope of the Company's activities shall require a resolution of the Company's Management Board, in particular, the following issues listed in the below table, as of December 31, 2020, and as of the date of drawing up this report.

Table no. 2. Competence of the Company's Management Board as of December 31, 2020, and as of the date of drawing up this report

Matters that require a resolution of the Company's Management Board	
1.	Company's Management Board by-laws,
2.	Company's enterprise organizational regulations,
3.	establishment and liquidation of branches,
4.	appointment of a proxy,
5.	taking on credits and loans,
6.	approving annual material and financial plans of the Company and of the Capital Group as well as the Capital Group's Corporate Strategy,
7.	assuming contingent liabilities within the meaning of the <i>Act of September 29, 1994 on accounting</i> , including granting guaranties and sureties by the Company as well as issuing bills of exchange, subject to § 20 clause 2 items 3 and 4 of the Company's Articles of Association,
8.	making donations, cancelling interest or releasing from debt, subject to § 20 clause 2 items 12 and 13 of the Company's Articles of Association,
9.	purchase of real estate, perpetual usufruct or shares in real estate or in perpetual usufruct, subject to § 20 clause 2 item 1 of the Company's Articles of Association,
10.	purchase of fixed assets excluding real estate, perpetual usufruct or share in real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20 clause 2 item 1 of the Company's Articles of Association,
11.	disposal (control) of fixed assets including real estate, perpetual usufruct or share in real estate or perpetual usufruct with the value equal to or exceeding PLN 40 000, subject to the provisions of § 20 clause 2 item 2 of the Company's Articles of Association,
12.	defining the way the voting right will be exercised at the General Meeting of Shareholders or the Meeting of Shareholders of companies in which the company holds shares, on matters within the scope of competence of the General Meeting of Shareholders or the Meeting of Shareholders of such companies, subject to the provisions of § 20 clause 4 items 9 and 10 of the Company's Articles of Association,
13.	rules of conducting sponsoring activities,
14.	adoption of the annual plan of sponsoring activities,
15.	matters which the Company's Management Board refers to the Company's Supervisory Board or the Company's General Meeting of Shareholders for review

Supervisory Board of TAURON Polska Energia S.A.

Rules on appointing and dismissing members of the Company's Supervisory Board

Supervisory Board of the Company shall be composed of 5 to 9 persons, appointed for a common term of office lasting 3 years, except for the first term that lasted 1 year. In accordance with the Company's Articles of Association members of the Company's Supervisory Board shall be appointed and dismissed by the General Meeting of Shareholders, subject to the following:

1. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10 clause 5 of Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise at least 25% of the total votes in the Company, the State Treasury shall be entitled to appoint and dismiss Members of the Company's Supervisory Board in the number equal to half of the maximum number of members of the Company's Supervisory Board defined in the Company's Articles of Association (in case such number is not integral it shall be rounded down to an integral number, for example 4.5 shall be rounded down to 4) and increased by 1, provided that the State Treasury:
 - 1) shall be obliged to vote at the General Meeting of Shareholders on establishing the number of Members of the Company's Supervisory Board that would correspond to the maximum number of Members of the Company's Supervisory Board defined in the Company's Articles of Association in case such a motion is submitted to the Company's Management Board by a shareholder or shareholders who hold a number of votes that entitle them to exercise at least 5% of the total number of votes in the Company,
 - 2) shall be excluded from the voting at the General Meeting of Shareholders on appointing and dismissing other members of the Company's Supervisory Board, including independent members of the Company's

Supervisory Board; this shall not, however, apply to the case when the Company's Supervisory Board cannot act due to its membership being smaller than required by the Company's Articles of Association, and the shareholders present at the General Meeting of Shareholders, other than the State Treasury, do not supplement the membership of the Company's Supervisory Board in accordance with the distribution of seats in the Company's Supervisory Board defined in this section,

2. during the time when the State Treasury, together with the State Treasury controlled entities within the meaning of § 10 clause 5 of the Company's Articles of Association, hold a number of the Company's shares that entitle them to exercise less than 25% of the total number of votes in the Company, the State Treasury, represented by the minister competent to exercise the rights related to the State Treasury's shares, shall be entitled to appoint and dismiss one member of the Company's Supervisory Board,
3. appointing and dismissing members of the Company's Supervisory Board by the State Treasury pursuant to the above mentioned clause 1) or 2) shall take place by means of a statement submitted to the Company.

In accordance with the Best Practice 2016 at least two members of the Company's Supervisory Board shall meet the criteria of independence.

Independent Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as members of the Company's Supervisory Board, a written statement on compliance with the independence criteria mentioned in the Best Practice 2016.

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

Competence of the Company's Supervisory Board

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

In accordance with the Company's Articles of Association the Company's Supervisory Board's tasks and competences shall include in particular the matters listed in the below table, as of December 31, 2020, and as of the date of drawing up this report.

Table no. 3. Competence of the Company's Supervisory Board as of December 31, 2020, and as of the date of drawing up this report

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

Competences related to providing opinions

1. evaluate the Company's Management Board's report on the Company's operations (Directors' Report) as well as the financial statements for the last financial year with respect to their compliance with the books, documents as well as with the actual status. This shall also apply to the Capital Group's consolidated financial statements,
2. evaluate the Company's Management Board's recommendations on profit distribution or loss coverage,
3. submit a written report to the General Meeting of Shareholders on the outcome of the activities referred to in clauses 1 and 2 above,
4. prepare once a year and submit to the General Meeting:
 - 1) evaluation of the Company's situation, including the assessment of the internal control, risk management systems, compliance and the internal audit functions, including all significant control mechanisms, in particular, those related to the financial reporting and operations
 - 2) report on the activities of the Company's Supervisory Board comprising at least information concerning: the composition of the Company's Supervisory Board and its Committees, compliance with the independence criteria by the Members of the Company's Supervisory Board, the number of meetings of the Company's Supervisory Board and its Committees and the completed self-assessment of the Company's Supervisory Board's work,
 - 3) assessment of the method of fulfilment of the information (disclosure) obligations by the Company, in relation to the application of the corporate governance principles defined in the Regulations of the Exchange and the provisions related to the current and periodic information (disclosures) filed by the issuers of securities,
 - 4) assessment of the rationality of the sponsoring, charitable policy, or other similar policy pursued by the Company, or the information concerning the lack of such policy
5. prepare, along with the report on the results of the Company's annual financial statements' evaluation, the Company's Supervisory Board's opinion on the financial viability of the Company's capital (equity) investments in other commercial law entities made in the given financial year,
6. provide opinions on the Capital Group's Corporate Strategy,
7. provide opinions on the rules of conducting the sponsoring activities,
8. provide opinions on the annual plan of conducting the sponsoring activities as well as on the annual report on the implementation thereof,
9. provide opinions on the reports drawn up, by the Company's Management Board, on the entertainment expenses, the expenditures on legal services, marketing services, public relations and social communications services as well as advisory services related to management,
10. provide opinions on the Company's Management Board's motions regarding the matters referred to in § 35 of the Company's Articles of Association, excluding the motions regarding the members of the Company's Supervisory Board
11. provide opinions on the changes of the rules of divesting fixed assets, defined in § 38¹ of the Company's Articles of Association.

Competences that include

1. selecting a certified auditor to carry out an audit of the Company's financial statements and the Capital Group's consolidated financial statements,
2. defining the scope and deadlines for submitting the Company's and the Capital Group's annual material and financial plan by the Company's Management Board,
3. approving the Company's and the Capital Group's material and financial plan by the Company's Management Board
4. adopting the consolidated text of the Company's Articles of Association, drawn up by the Company's Management Board,

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

5. approving the Company's Management Board's by-laws,
6. approving the organizational regulations of the Company's enterprise,
7. approving the capital group's compensation policy,
8. purchasing real estate asset components within the meaning of the *Act of September 29, 1994, on accounting*, with the value exceeding:
 - 1) PLN 20 000 000 or
 - 2) 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,subject to the provisions of § 20, clause 6 of the Company's Articles of Association,
9. disposing of fixed asset components, within the meaning of the *Act of September 29, 1994, on accounting*, classified as intangible and legal assets, tangible fixed assets or long term investments, including making a contribution to a company or cooperative if the market value of such components exceeds PLN 20 000 000 or 5% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements, subject to the provisions of § 20, clause 6 of the Company's Articles of Association, as well as handing over these components for use to another entity for a period longer than 180 days in a calendar year, based on a legal transaction, if the market value of the subject of the legal transaction exceeds PLN 500 000 or 5% of the total assets, where the handing over of such components for use in case of:
 - 1) lease, tenancy and other contracts for the transfer of an asset for use by other entities for a fee - market value of the subject of legal action shall be understood as the value of services for: one year - if the asset was transferred on the basis of an agreement concluded for an indefinite period, the entire duration of the agreement - in case of contracts concluded for a fixed period,
 - 2) loan contracts and other free contracts for the handing over of an asset for use by other entities - the market value of the subject of legal transaction shall be understood as the equivalent of benefits that would be due if the lease or tenancy agreement were concluded, for: one year - if the asset is handed over under the contract concluded for an indefinite period, the entire duration of the contract - in case of contracts concluded for a definite period,
10. assuming contingent liabilities, including granting guaranties and sureties by the Company with the value exceeding the equivalent of PLN 20 000 000,
11. issuing bills of exchange with the value exceeding the equivalent of PLN 20 000 000,
12. making an advance payment on account of the expected dividend,
13. taking up or purchasing shares in another company with the value exceeding:
 - 1) PLN 20 000 000 or
 - 2) 5% of the total assets within the meaning of the *Act of 29 September 29, 1994 on accounting*, determined on the basis of the last approved financial statements,
14. selling shares in another company with the value exceeding:
 - 1) PLN 20 000 000 or
 - 2) 10% of the total assets within the meaning of the *Accounting Act of 29 September 1994*, determined on the basis of the last approved financial statements,
15. concluding a material agreement with a shareholder holding at least 5% of the total number of votes in the Company or a related company, with a proviso, that this obligation shall not cover typical transactions and transactions concluded at arm's length as part of the business operations conducted by the Company with entities that are members of the Capital Group,
16. concluding an agreement on legal services, marketing services, public relations and social communications services as well as advisory services related to management, if the amount of the total net compensation for the services provided exceeds PLN 500 000, on a yearly basis,
17. amending an agreement on legal services, marketing services, public relations and social communications services as well as advisory services related to management, increasing the compensation above the amount mentioned in section 16 above,
18. concluding an agreement on legal services, marketing services, public relations and social communications services as well as advisory services related to management, under which the maximum compensation amount (cap) is not envisaged,
19. concluding a donation agreement or another agreement with similar consequences of the value exceeding PLN 20 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
20. relieving from debt or from another agreement with similar consequences of the value exceeding PLN 50 000 or 0.1% of the total assets within the meaning of the *Act of September 29, 1994, on accounting*, determined on the basis of the last approved financial statements,
21. granting a permission to establish the Company's branches abroad,
22. defining the way of exercising the voting right at the General Meeting of Shareholders or at the Meeting of Shareholders (Partners) of companies in which the Company holds more than 50% of shares, with respect to the following matters:
 - 1) selling and leasing out the company's enterprise or its organized part as well as establishing a limited pledge (property right) thereupon them if their value exceeds the PLN equivalent of EUR 5 000 000,
 - 2) dissolving and liquidating the company
23. defining the manner of exercising the voting right by a representative of TAURON during the GMs of companies (subsidiaries) with respect to which the Company is a dominating entrepreneur within the meaning of art. 4 section 3 of the *Act of February 16, 2007, on competition and consumer protection*, with respect to the following issues:
 - 1) company setting up another company,
 - 2) change to the Articles of Association or the shareholders agreement and the subject of the company's operations,
 - 3) merging, transforming, splitting, dissolving and liquidating the company,
 - 4) increasing or decreasing the company's share capital,
 - 5) selling and leasing out the company's enterprise or its organized part and establishing a limited pledge (property right) thereupon,
 - 6) redeeming (retiring) of shares,
 - 7) setting the compensation of members of the Management Boards and Supervisory Boards,
 - 8) provision related to the claims for remedying damage inflicted when setting up the company or performing the management or supervision,
 - 9) matters mentioned in art. 17 of the *Act of December 16, 2016, on the principles of state assets management*, subject to § 15, clause 4 of the Company's Articles of Association, with the exception of the matters relating to the legal transactions referred to in § 20. clause 6 of the Company's Articles of Association, and with the exception of matters regarding the acquisition or disposal of fixed assets constituting or intended to constitute assets necessary to conduct business operations with respect to the distribution of electricity by a company that is an operator of the power distribution system.

Competences related to the Management Board

1. appoint and dismiss members of the Company's Management Board,
2. establish the rules of compensation and the amounts of compensation for the Members of the Company's Management Board, subject to § 18 of the Company's Articles of Association,
3. suspend members of the Company's Management Board from office for important reasons,

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

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

Other competences of the Company's Supervisory Board

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

Pursuant to the *Act of July 29, 2005 on the public offering and the conditions for introducing financial instruments to an organized trading system and on public companies*, the competences of the Supervisory Board of the Company include, in addition, the preparation of a report on the compensation received by the Members of the Management Board and the Supervisory Board of the Company in the last financial year. The report on the compensation of the Members of the Management Board and the Supervisory Board is subject to an assessment (opinion) by a certified auditor with respect to including therein of the information required under art. 90 g, clauses 1-5 and 8 of the above mentioned Act on the public offering and presented to the Ordinary General Meeting of the Company.

Report on the compensation of the Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for the years 2019-2020 will be published on the Company's website at the address: <https://www.tauron.pl>.

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

Amendments to the Company's Articles of Association shall be made in accordance with the provisions of the Code of Commercial Companies, in particular: an amendment to the Company's Articles of Association shall take place by way of a resolution of the GM, passed by the majority of 3/4 of the votes, and shall, subsequently, require issuing of a decision by a competent court on entering the amendment into the register of entrepreneurs (business register). The consolidated text of the Company's Articles of Association, including the amendments passed by the General Meeting, shall be adopted by the Supervisory Board by way of a resolution.

In accordance with the Company's Articles of Association, a material amendment to the subject of the operations requires 2/3 of the votes in the presence of persons representing at least half of the share capital.

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

General Meeting of TAURON Polska Energia S.A.

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

Procedures of the General Meeting of the Company

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

General Meeting shall be opened by the Chairperson of the Company's Supervisory Board, and in case he/she is absent, the following persons shall be entitled to open the General Meeting in the given order: Vice Chairperson of the Company's Supervisory Board, President of the Company's Management Board, a person designated by the Company's Management Board or the shareholder who registered at the General Meeting such a number of shares

that grant the right to exercise the highest number of votes. Subsequently, the chairperson of the General Meeting shall be elected from among the persons entitled to participate in the General Meeting.

General Meeting shall pass resolutions irrespective of the number of shares represented at the Meeting, unless the regulations of the Code of Commercial Companies, as well as the provisions of the Company's Articles of Association state otherwise. A General Meeting may order a break in the meeting by the majority of two thirds of votes. Breaks shall not exceed 30 days in total.

A break in the GM session may take place only in exceptional situations indicated on a case-by-case basis in the justification to the resolution, prepared based on the reasons presented by a shareholder requesting the announcement of the break.

The GM resolution concerning a break shall clearly indicate the date of the resumption of the session, however, such a date must not create a barrier for participation of the majority of shareholders in the resumed meeting, including the minority shareholders.

Competence of the General Meeting of the Company

In accordance with the Company's Articles of Association the matters listed in the below table shall require a resolution of the General Meeting (GM) of the Company as of December 31, 2020, and as of the date of drawing up this report.

Table no. 4. Competence of the General Meeting of the Company as of December 31, 2020, and as of the date of drawing up this report

Matters that require a resolution of the General Meeting of the Company
<ol style="list-style-type: none">1. reviewing and approving the financial statements of the Company and the consolidated financial statements of the Capital Group for the previous financial year as well as the Management Board's report on the Company's operations (Directors' Report) and the Management Board's report on the operations of the Capital Group2. granting the acknowledgement of the fulfillment of duties to the members of the Company's corporate bodies,3. profit distribution and coverage of loss,4. appointing and dismissing members of the Company's Supervisory Board,5. suspending members of the Company's Management Board in performance of their duties,6. establishing the amount of compensation for the Members of the Company's Supervisory Board, subject to § 29, clause 4 of the Company's Articles of Association,7. establishing the principles of determining compensation and the amount of compensation of the Members of the Company's Management Board taking into account the provisions of the <i>Act of June 9, 2016, on the principles of determining compensation of the management personnel of certain companies</i>,8. adopting the compensation policy for the Members of the Management Board and the Supervisory Board of the Company, taking into account the requirements of the <i>Act of July 29, 2005 on the public offering and the conditions for introducing financial instruments to an organized trading system and on public companies</i>,9. selling and leasing out the Company's enterprise or its organized part as well as establishing a limited pledge (property right) thereupon,10. concluding a credit, loan, surety agreement or any other similar agreement by the Company with a member of the Management Board, Supervisory Board, proxy, liquidator or for the benefit of any such person. Concluding a credit, loan, surety or any other similar agreement by a subsidiary with a member of the Management Board, Supervisory Board, proxy, liquidator or for the benefit of any such person,11. increasing and decreasing the Company's share capital,12. issuing convertible bonds or senior bonds as well as registered securities or bearer securities entitling the holder thereof to subscribe or acquire the shares,13. purchasing of own shares in cases required by the regulations of the Code of Commercial Companies,14. mandatory buyback of shares (squeeze-out) in accordance with the provisions of art. 418 of the Code of Commercial Companies,15. setting up, using and liquidating reserve capitals,16. using supplementary capital,17. provisions related to claims to repair damage caused while establishing the Company or performing the management or supervision functions,18. merger, transformation and division of the Company,19. redemptions (retirements) of shares,20. amendment to the Company's Articles of Association and change of the subject of the Company's operations,21. dissolving and liquidating the Company.

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

Pursuant to the *Act of July 29, 2005 on the public offering and the conditions for introducing financial instruments to an organized trading system and on public companies*, the competences of the General Meeting of the Company include, in addition, the preparation of an opinion on the compensation received by the Members of the Management Board and the Supervisory Board of the Company in the last financial year,

Shareholders' rights and the manner of exercising thereof

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

Table no. 5. Description of the Company's shareholders' rights related to the General Meeting of the Company

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

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

Management Board of TAURON Polska Energia S.A.

The current 6th term of office of the Company's Management Board began its run on July 15, 2020.

The Company's Supervisory Board dismissed all Members of the Company's Management Board of the 5th common term of office on July 14, 2020, effective as of the end of the day and appointed, as of July 15, 2020, the Members of the Company's Management Board of the 6th common term of office.

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

The composition of the Company's Management Board as of December 31, 2020

1. Wojciech Ignacok - President of the Management Board,
2. Jerzy Topolski - Vice President of the Management Board for Asset Management,
3. Marek Wadowski - Vice President of the Management Board for Finance.

The composition of the Company's Management Board as of the date of drawing up this report

1. Marek Wadowski - acting as the President of the Management Board / Vice President of the Management Board for Finance,
2. Jerzy Topolski - Vice President of the Management Board for Asset Management.

The changes to the composition of the Company's Management Board in 2020 and by the date of drawing up this report

As of January 1, 2020, the Management Board of the 5th common term of office was composed of the following persons: Filip Grzegorzczak (President of the Management Board), Jarosław Broda (Vice President of the

Management Board for Asset Management and Development) and Marek Wadowski (Vice President of the Management Board for Finance).

The Company's Supervisory Board dismissed all Members of the Company's Management Board of the 5th common term of office on July 14, 2020, effective as of the end of the day and appointed, as of July 15, 2020, Wojciech Ignacok, Jerzy Topolski and Marek Wadowski to be the Members of the Company's Management Board of the 6th common term of office.

On February 19, 2021, Wojciech Ignacok submitted a statement of resignation, as of February 28, 2021, from the position of the President of the Company's Management Board of the 6th common term of office for health reasons.

On February 24, 2021, the Company's Supervisory Board entrusted Marek Wadowski with the duties of the President of the Company's Management Board from March 1, 2021, until the appointment of the Company's President of the Management Board.

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

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

Marek Wadowski – acting as the President of the Management Board / Vice President of the Management Board for Finance



A graduate of the Faculty of Economics of the University of Economics in Katowice. He also completed post graduate studies at École Supérieure de Commerce Toulouse where he obtained Mastère Spécialisé en Banque et Ingénierie Financière diploma and the Executive MBA studies at the Kozminski University in Warsaw.

He has professional experience in the field of financial, controlling and accounting process management in industry (power sector, mining, steel industry), as well as in financing of investment projects and international commercial transactions.

Since January 29, 2016, he has been holding the position of the Vice President of the Management Board of TAURON Polska Energia S.A. and overseeing the operations of the following business areas: finance management, controlling, accounting and tax policy, analytics, procurement and administration, IT, market operator and trading services, trading, fuel trading, portfolio management, as well as the Personal Data Protection Inspector.

In 2008 - 2015 he had been associated with Jastrzębska Spółka Węglowa S.A. capital group (JSW). In 2008 - 2009, as the Vice President of the Management Board – the Director for Finance of Polski Koks S.A. (a JSW subsidiary), he had been responsible for structuring commercial transactions, implementing the currency risk hedging policy, reducing financial costs, liquidity management. In 2009 - 2012, as the Vice President of the Management Board of JSW for Economic Affairs, he had been involved in the company's IPO (implementation of the International Accounting Standards, modification of the management information system, drafting of the IPO prospectus, talks with investors). In 2012 - 2015, as the Vice President of the Management Board - Director for Economic Affairs of Spółka Energetyczna Jastrzębie S.A. (a JSW subsidiary), he had been involved in the implementation of the Power Sector 2016 (Energetyka 2016) investment program, as part of which he has been dealing with the business plan development as well as structuring and acquisition of financing from the consortium of banks in the form of a bond issue program. He had also been implementing the risk management procedures related to interest rates, CO₂ and prices of certificates of origin, as well as developing and implementing the liquidity management policy.

In 2005 - 2008 he had worked at Huta Cynku Miasteczko Śląskie S.A., where he had held the positions of: the management board's plenipotentiary for restructuring, the Director for Economics and Finance, a Member of the Management Board - the Director for Economics and Finance, the President of the Management Board - General Manager.

In 1999 - 2005 he had worked as a consultant at BRE Corporate Finance S.A., responsible for the due diligence projects and enterprise valuations.

Jerzy Topolski - Vice President of the Management Board



A graduate of the Faculty of Electrical Engineering, Automatics and Electronics of the AGH University of Science and Technology in Cracow. He also completed the postgraduate studies in the field of energy enterprise management and new techniques in power engineering management.

He has professional experience with respect to the operations of the power sector, including management of the development of the distribution grid and the provision of electricity distribution services. He was involved in setting up the organization of the electricity market in Poland.

From the beginning of his professional career, he had been associated with the energy industry and TAURON Group or its legal predecessors, i.e. ENION S.A. and Zakład Energetyczny Kraków S.A.

Since 2016, he was the Vice President of the Management Board for Operator at TAURON Dystrybucja S.A. (Issuer's subsidiary), where he was responsible, among others, for the development of the distribution grid, provision of electricity distribution services, metering and grid operation management.

In addition to the above mentioned position, in 2016 he was the Director of TAURON Dystrybucja S.A. Cracow and Tarnów branches. In 2015-2016 he had worked as a coordinator and had been responsible, among others, for customer service quality. From 2013 to 2014 he had been the chief specialist, and in 2011-2012 he had been the head of the Office of Tariffs and the Energy Regulatory Office (URE) Relations.

In 2010 - 2011 he had been holding the position of the Director of the Tariff Department at ENION S.A. and had been responsible in particular for regulated revenue management. In 2007 - 2010 he had been the Director of the Distribution Services Department and had been responsible for ensuring profitability of the distribution services sales. From 2005 to 2007, he had been the President of the Management Board, in 2004 - 2005 - a Member of the Management Board for Trading, and until 2004 - a Member of the Management Board and the Director of Energy Trading.

In 1989 - 2000 he had been holding the following positions at Zakład Energetyczny Kraków S.A.: the director of the high voltage region; deputy head of the high voltage region for technical affairs as well as the grid foreman and engineer.

Description of the procedures of the Company's Management Board

Management Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *By-laws of the Management Board of TAURON Polska Energia Spółka Akcyjna with its registered office in Katowice* which are available on the Company's website at the address: <https://www.tauron.pl>. When performing their duties the Members of the Company's Management Board shall be acting in accordance with the principles provided in the Best Practice 2016.

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

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

The Management Board shall vote in an open ballot. The result of the ballot shall be recorded in the minutes of the meeting. President of the Management Board shall order a secret ballot at the request of any Member of the Management Board.

The resolutions of the Management Board shall be passed by an absolute majority of votes in the presence of 3/5 of the Members of the Management Board. In case of an equal number of votes the President of the Management Board shall have a casting vote. The Management Board may pass resolutions by voting in writing or using means of direct remote communications. Voting in accordance with the above procedures shall be ordered by the President of the Management Board or a Vice President of the Management Board designated thereby, including setting the deadline for casting votes by the Members of the Management Board. Submission of a dissenting opinion shall be allowed. Such dissenting opinion shall be recorded in the minutes of the meeting, including the justification thereof. The decisions of the Management Board related to ongoing issues that do not require passing of a resolution shall be recorded solely in the minutes of the meeting.

The internal division, among the Members of the Management Board, of the tasks and responsibilities for the individual areas of the Company's operations, as defined in the *Organizational Regulations of TAURON Polska Energia S.A.* and including the independent work positions as well as the organizational units reporting directly to the Executive Directors, whose work is managed (supervised) by the Members of the Company's Management Board, is defined by the Company's Management Board Resolution No. 351/V/2020 of November 3, 2020 regarding the assignment of individual business areas of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A. that replaced the Company's Management Board Resolution No. 397/V/2019 of November 13, 2019 regarding the assignment of individual business areas of the Company and independent work positions directly reporting to the Members of the Management Board of TAURON Polska Energia S.A.

The structure of the Company's business areas reporting to the individual Members of the Company's Management Board is presented on the diagram (flowchart) showing the split of responsibilities of the members of the Company's Management Board, described in section 1.10. of this report and posted on the Company's web site at the address: <https://www.tauron.pl>.

Supervisory Board of TAURON Polska Energia S.A.

The current, 6th term of office of the Company's Supervisory Board, began on July 15, 2020, i.e. on the day of holding the Ordinary GM of the Company approving the financial statements for the last full financial year of the tenure of the Members of the Company's Supervisory Board of the 5th term, i.e. for the financial year 2019.

In accordance with the Company's Articles of Association it shall be a common term of office and it shall last for 3 years

The composition of the Company's Supervisory Board as of December 31, 2020

1. Andrzej Kania - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Katarzyna Taczanowska - Secretary of the Supervisory Board,
4. Ryszard Madziar - Member of the Supervisory Board,
5. Grzegorz Peczkis - Member of the Supervisory Board,
6. Barbara Piontek - Member of the Supervisory Board.

The composition of the Company's Supervisory Board as of the date of drawing up this report

1. Andrzej Kania - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Katarzyna Taczanowska - Secretary of the Supervisory Board,
4. Ryszard Madziar - Member of the Supervisory Board,
5. Grzegorz Peczkis - Member of the Supervisory Board.

The changes to the composition of the Company's Supervisory Board in 2020 and by the date of drawing up this report

As of January 1, 2020, the Company's Supervisory Board of the 5th common term of office was composed of the following members: Beata Chłodzińska (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Jacek Szyke (Secretary of the Supervisory Board), Barbara Łasak – Jarszak (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board), Jan Płudowski (Member of the Supervisory Board), Marcin Szlenk (Member of the Supervisory Board), Katarzyna Taczanowska (Member of the Supervisory Board) and Agnieszka Woźniak (Member of the Supervisory Board).

On March 24, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Agnieszka Woźniak from the Company's Supervisory Board of the 5th common term of office and appointed Andrzej Śliwka to be a member of the Company's Supervisory Board of the 5th common term of office.

On April 20, 2020, Jacek Szyke and Marcin Szlenk submitted statements on their resignations from the membership of the Company's Supervisory Board of the 5th common term of office, without providing the reasons for their resignations.

On April 27, 2020, Beata Chłodzińska submitted a statement on her resignation from the membership of the Company's Supervisory Board of the 5th common term of office, without providing the reasons for her resignation.

On May 22, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed Andrzej Kania to be a member of the Company's Supervisory Board of the 5th common term of office.

On May 25, 2020, the Company's Supervisory Board appointed Andrzej Kania to be the Chair of the Company's Supervisory Board of the 5th common term of office and Katarzyna Taczanowska to be the Secretary of the Company's Supervisory Board of the 5th common term of office.

On June 5, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Jan Płudowski from the Company's Supervisory Board of the 5th common term of office and appointed Barbara Piontek to be a member of the Company's Supervisory Board of the 5th common term of office.

On June 16, 2020, Andrzej Śliwka submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office, without providing the reasons for his resignation.

On July 15, 2020, i.e. on the date of the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of performing the function of the Members of the Company's Supervisory Board of the 5th common term of office, i.e. for the financial year 2019, the mandates of all Members of the Company's Supervisory Board of the 5th common term of office expired.

On July 15, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed Andrzej Kania, Ryszard Madziar and Barbara Piontek to be Members of the Company's Supervisory Board of the 6th common term of office.

On July 15, 2020, the Ordinary General Meeting (GM) of the Company, acting pursuant to § 22, section 1) of the Company Articles of Association, appointed Grzegorz Peczkis and Katarzyna Taczanowską to be Members of the Company's Supervisory Board of the 6th common term of office.

On August 3, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed Teresa Famulska to be a Member of the Company's Supervisory Board of the 6th common term of office.

On August 3, 2020, the Company's Supervisory Board of the 6th common term of office elected Andrzej Kania to be the Chair of the Company's Supervisory Board of the 6th common term of office, Teresa Famulska to be the Vice-Chair of the Company's Supervisory Board of the 6th common term of office and Katarzyna Taczanowska as the Secretary of the Company's Supervisory Board of the 6th common term of office.

On February 12, 2021, Barbara Piontek submitted a statement on her resignation, as of February 28, 2021, from the membership of the Company's Supervisory Board of the 6th common term of office, in connection with assuming the position of the President of the Management Board of Jastrzębska Spółka Węglowa S.A. from 1 March 2021.

No other changes to the composition of the Company's Supervisory Board had taken place by the date of drawing up this report.

Information on the independence of the Members of the Supervisory Board

In accordance with the Best Practice 2016 at least two members of the Company's Supervisory Board shall meet the criteria of independence.

The phrase "an independent member of the supervisory board" denotes independence of a member of the supervisory board within the meaning of Appendix II to the *Recommendation of the European Commission of February 15, 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC)* and the additional criteria indicated in the Best Practice 2016.

Independent Members of the Company's Supervisory Board shall submit to the Company, prior to their appointment as members of the Company's Supervisory Board, a written statement on compliance with the independence criteria mentioned in the Best Practice 2016. In case a situation occurs where the independence criteria are not complied with, a Member of the Supervisory Board shall be obligated to inform the Company promptly thereof.

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

The table below presents the information on the fulfillment by the Members of the Company's Supervisory Board of the independence requirements specified in the above mentioned Recommendation and the *Best Practice 2016* as of December 31, 2019 and as of the date of drawing up this report.

Table no. 6. Fulfillment by the Members of the Company's Supervisory Board of the independence requirements, as of December 31, 2020 and as of the date of drawing up this report

First and last name	Fulfillment of the independence requirements	
	as of December 31, 2020	as of the date of drawing up this report
1. Andrzeja Kania	Does not meet independence requirements	Does not meet independence requirements
2. Teresa Famulska	Meets independence requirements	Meets independence requirements
3. Katarzyna Taczanowska	Does not meet independence requirements	Does not meet independence requirements
4. Ryszard Madziar	Does not meet independence requirements	Does not meet independence requirements

First and last name	Fulfillment of the independence requirements	
	as of December 31, 2020	as of the date of drawing up this report
5. Grzegorz Peczkis	Meets independence requirements	Meets independence requirements
6. Barbara Piontek	Meets independence requirements	-

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

Andrzej Kania - Chair of the Supervisory Board

A graduate of the Rzeszów University of Technology (Politechnika Rzeszowska), where he completed his studies in 1991. Andrzej Kania is also a graduate of the National School of Public Administration in Warsaw (Krajowa Szkoła Administracji Publicznej) and the doctoral studies that he completed at the Warsaw School of Economics (Szkoła Główna Handlowa)

He has held important positions at public institutions. He was a Department Head at the Energy Regulatory Office and the Director of the Energy Department at the Ministry of Economy. He also held the position of the Office Director of the Polish Electricity Association.

Andrzej Kania has extensive experience with respect to investment project evaluation and implementation based on measurable results in the management of large scale and high risk investment projects.

He also served as a Member of the Supervisory Board at six companies operating in the energy and infrastructure sector. He was a Member of the Supervisory Board of Polimex Mostostal S.A. from November 30, 2017, until March 15, 2020.

He is currently holding the position of the Director of the Department of Security and Crisis Management at the Ministry of State Assets.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 22, 2020.

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

Teresa Famulska - Vice Chair of the Supervisory Board

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

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

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

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

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

In the Company's Supervisory Board of the 6th common term of office she is the Vice Chair of the Company's Supervisory Board and the Head of the Audit Committee of the Company's Supervisory Board.

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

Katarzyna Taczanowska - Secretary of the Supervisory Board

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

Katarzyna Taczanowska has many years of professional experience in providing legal services for business entities that she has been offering since 2003. She was a partner at the GWW Woźny and Partners (GWW Woźny i Wspólnicy) law firm, since 2009 until now she has been a partner at the Kudlak, Taczanowska-Wileńska sp.k. law firm. In 2009 - 2012 she had been the Director of the Legal Office at Towarzystwo Funduszy Inwestycyjnych PZU S.A. (PZU S.A. Investment Funds Company). She was a member of the Supervisory Boards of PZU Życie S.A., LOT Aircraft Maintenance Services sp. z o.o. and IDA Management sp. z o.o.

Since July 2018 Katarzyna Taczanowska has been holding the position of the General Director for Corporate and Legal Affairs at KGHM Polska Miedź S.A.

She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 8, 2019.

In the Company's Supervisory Board of the 6th common term of office she is the Secretary of the Company's Supervisory Board and a member of the Audit Committee of the Company's Supervisory Board.

Ryszard Madziar - Member of the Supervisory Board

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

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

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

Currently, he is the Head of the Political Cabinet of the Vice Chair of the Council of Ministers (Deputy Prime Minister) in the Chancellery of the Prime Minister.

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

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

Grzegorz Peczkis - Member of the Supervisory Board

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

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

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

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

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

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

Description of the procedures of the Company's Supervisory Board

Supervisory Board of the Company shall act on the basis of the Code of Commercial Companies and other legal regulations, the provisions of the Company's Articles of Association and the provisions of the *Regulations of the Supervisory Board of TAURON Polska Energia S.A. with its registered office in Katowice* which are available on the

Company's website at the address: <https://www.tauron.pl>. When performing their duties the Members of the Company's Management Board shall be acting in accordance with the principles provided in the Best Practice 2016.

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

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

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

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

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

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

The Supervisory Board may seek opinions of legal counsels who provide 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 seek their opinion and make the right decision. In the above mentioned cases the Supervisory Board shall pass a resolution on commissioning the selected expert to carry out the work, obligating the Company's Management Board to conclude an applicable agreement.

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

1. at the request of at least one member of the Supervisory Board,
2. in personnel related matters.

In accordance with the Company's Articles of Association the Supervisory Board may pass resolutions in writing or using means of direct remote communications. Passing a resolution in such a way shall require a prior notification of all Members of the Supervisory Board of the content of the draft resolution and the participation of at least half of the Members of the Supervisory Board in passing the resolution. The Supervisory Board may pass resolutions this way in the personnel related matters, as well as in other matters the resolution of which requires a secret ballot vote

as long as no Member of the Supervisory Board raises an objection. When voting on a resolution in the above mentioned way a Member of the Supervisory Board shall indicate his/her vote, i.e. "for", "against" or "abstain". A resolution with a note that it has been passed in writing or by voting using the means of direct remote communications shall be signed by the Chairperson of the Supervisory Board. Resolutions passed this way shall be presented at the forthcoming meeting of the Supervisory Board along with the result of the voting.

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

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

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

The detailed description of the activities of the Supervisory Board in the last financial year is provided in the Report on the Activities of the Company's Supervisory Board, submitted on an annual basis to the General Meeting (GM) and published on the Company's website at the address: <http://www.tauron.pl>.

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

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

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

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

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

In 2020 the Audit Committee was composed of 3 to 5 members.

Due to the changes to the membership of the Supervisory Board of the Company introduced in 2020, the Company's Supervisory Board also made changes to the membership of the Audit Committee.

Composition of the Audit Committee as of December 31, 2020 and as of the date of drawing up this report

1. Teresa Famulska - Head of the Audit Committee,
2. Grzegorz Peczkis - Member of the Audit Committee,
3. Katarzyna Taczanowska - Member of the Audit Committee.

The changes to the composition of the Audit Committee in 2020 and by the date of drawing up this report

As of January 1, 2020, the Audit Committee was composed of the following members: Teresa Famulska (Head of the Audit Committee), Jan Płudowski, Marcin Szlenk, Jacek Szyke and Katarzyna Taczanowska.

On April 20, 2020, Jacek Szyke and Marcin Szlenk submitted statements on their resignations from the membership of the Company's Supervisory Board of the 5th common term of office. This way, they ceased to be the members of the Audit Committee.

On May 25, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Audit Committee by appointing Grzegorz Peczkis and Andrzej Śliwka to be the members thereof.

On June 5, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Jan Płudowski from the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Audit Committee.

On June 16, 2020, Andrzej Śliwka submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Audit Committee.

On July 15, 2020, i.e. on the date of the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of performing the function of the Members of the Company's Supervisory Board of the 5th common term of office, i.e. for the financial year 2019, the mandates of all Members of the Company's Supervisory Board of the 5th common term of office expired. This way, Teresa Famulska, Katarzyna Taczanowska and Grzegorz Peczkis ceased to be the members of the Audit Committee.

On August 3, 2020, in connection with the appointment of the Members of the Company's Supervisory Board of the 6th common term of office, the Company's Supervisory Board appointed, from the members thereof, Teresa Famulska, Grzegorz Peczkis and Katarzyna Taczanowska to be the members of the Audit Committee.

On August 3, 2020, the Audit Committee elected Teresa Famulska to hold the position of the Head of the Audit Committee.

No other changes to the composition of the Audit Committee had taken place by the date of drawing up this report.

Information on the independence of the members of the Audit Committee

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

In 2020 the membership (composition) of the Audit Committee was in compliance with the requirements defined in the above mentioned act. The evaluation of the independence and the statutory requirements with respect to the knowledge and skills of the individual members of the Audit Committee was made by the Company's Supervisory Board based on the relevant statements submitted by the members of the Audit Committee.

The below table presents the information on the fulfillment, in 2020, by the Members of the Audit Committee of the independence requirements and the requirements with respect to the knowledge and skills held.

Table no. 7. Fulfillment, in 2020, by the Members of the Audit Committee of the independence requirements and the requirements with respect to the knowledge and skills held

First and last name	Period of performing the function (tenure) in the Audit Committee	Fulfillment of the independence requirements and the requirements with respect to the knowledge and skills held
1. Teresa Famulska	01.01.2020 - 15.07.2020 03.08.2020 - 31.12.2020	<ul style="list-style-type: none"> • Meets independence requirements • Has knowledge and skills in the field of accounting and auditing of financial statements
2. Grzegorz Peczkis	25.05.2020 - 15.07.2020 03.08.2020 - 31.12.2020	<ul style="list-style-type: none"> • Meets independence requirements • Has knowledge of the industry that the Company is operating in
3. Katarzyna Taczanowska	01.01.2020 - 15.07.2020 03.08.2020 - 31.12.2020	<ul style="list-style-type: none"> • Does not meet independence requirements
4. Jan Pludowski	01.01.2020 - 05.06.2020	<ul style="list-style-type: none"> • Meets independence requirements • Has knowledge of the industry that the Company is operating in
5. Marcin Szlenk	01.01.2020 - 20.04.2020	<ul style="list-style-type: none"> • Meets independence requirements • Has knowledge and skills in the field of accounting and auditing of financial statements
6. Jacek Szyke	01.01.2020 - 20.04.2020	<ul style="list-style-type: none"> • Meets independence requirements • Has knowledge of the industry that the Company is operating in
7. Andrzej Śliwka	25.05.2020 - 16.06.2020	<ul style="list-style-type: none"> • Does not meet independence requirements

The detailed information on the way the Members of the Audit Committee, that continue to hold their seats in the Audit Committee, as of the date of drawing up this report, have gained the knowledge and skills to the extent defined in the *Act of May 11, 2017, on certified auditors, audit firms and public oversight* is presented in section 9.11. of this report.

Tasks and competences of the Audit Committee

In 2020 the Audit Committee was performing the tasks and competences defined in the currently applicable legal regulations and in the *Regulations of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A.* adopted by the Supervisory Board.

The Audit Committee held 9 meetings in total during the period covered by this report.

The tasks and competences of the Audit Committee as of December 31, 2020, and as of the date of drawing up this report, are presented in the below table.

Table no. 8. Competences of the Audit Committee as of December 31, 2020, and as of the date of drawing up this report

Competences of the Audit Committee
<ol style="list-style-type: none">1. monitoring:<ol style="list-style-type: none">1) Company's financial reporting process,2) effectiveness of the internal control, risk management, compliance and internal audit systems, including with respect to the financial reporting3) performing of financial revisions, in particular performing of an audit by an audit company, taking into account any conclusions (motions) and findings of the Audit Supervision Committee stemming from an audit (inspection) performed at an audit company2. controlling and monitoring of the independence and impartiality of the chartered accountant (certified auditor) and the audit company, in particular in case other services than an audit are provided for the benefit of the Company by the audit company,3. performing the evaluation of the independence of the certified auditor and expressing consent for the performance thereby of the permitted services that do not constitute an audit within the Company,4. developing the policy for selecting the audit company to perform the audit,5. developing the policy for performing by the audit company conducting the audit, entities related to such audit company and the members of the audit company's corporate network, of the permitted services that do not constitute an audit,6. defining the procedure for selecting the audit company by the Company,7. presenting to the Supervisory Board, for the purpose of selecting the audit company responsible for performing the statutory audit or review of financial statements, of the recommendation, referred to in Art. 130, clauses 2 and 3 of the <i>Act of May 11, 2017 on certified auditors, auditing companies and public oversight</i> and in Art. 16, clause 2 of the <i>Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC</i>, in line with the policies referred to above in items 4 and 5,8. informing the Supervisory Board of the audit results and explaining how the audit contributed to the accuracy (fairness) of the Company's financial reporting, and also what the role of the Audit Committee in the audit process was,9. presenting the recommendations aimed at ensuring accuracy (fairness, reliability) of the Company's financial reporting process,10. performing other activities vested with the audit committees pursuant to the <i>Act of May 11, 2017, on certified auditors, auditing companies and public oversight, Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities, repealing the Commission Decision 2005/909/EC and the Act of September 29, 1994, on accounting</i>.

Permitted non-audit services provided by an audit company

The following permitted non-audit services were provided for TAURON and TAURON Capital Group's subsidiaries in 2020 by an audit firm auditing the financial statements:

1. confirmed in writing verification of the annual and interim standalone consolidation packages of selected TAURON Capital Group's subsidiaries required to prepare the annual and interim consolidated financial statements,
2. completing the agreed procedures for the verification of the report of TAURON Dystyrbucja subsidiary in connection with the requirement to estimate the Regulatory Asset Base (RAB) and the Regulatory Asset Base (RAB) for the AMI System for the needs of determining the justified return on capital employed by the President of ERO.

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

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

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

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

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

Policy for the appointment of the audit firm to conduct the audit and review of the financial statements and consolidated financial statements of TAURON Polska Energia S.A. is aimed at ensuring the compliance of the

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

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

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

Recommendations of the Audit Committee related to the appointment (selection) of the audit firm

The Audit Committee did not recommend an appointment of the audit firm to the Supervisory Board of TAURON in 2020.

In 2018, the audit firm was selected to audit and review the financial statements and consolidated financial statements of TAURON for the years 2019-2021. The Supervisory Board selected the audit company based on the recommendation of the Audit Committee which met the applicable conditions and was made as a result of the Company's public procurement proceedings, in accordance with the applicable criteria, including an indication of a second alternative entity to perform such activities and providing the justification for the preferences behind the selection of the recommended audit firm.

The detailed description of the activities of the Audit Committee is provided in the Report on the activities of the Supervisory Board submitted on an annual basis to the General Meeting (GM) and published on the Company's website at the address: <http://www.tauron.pl>.

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

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

In 2020 the Nominations and Compensation Committee was composed of 2 to 4 members.

Due to the changes to the membership of the Supervisory Board of the Company introduced in 2020, the Company's Supervisory Board also made changes to the membership of the Nominations and Compensation Committee.

Composition of the Nominations and Compensation Committee as of December 31, 2020

1. Andrzej Kania - Head of the Nominations and Compensation Committee,
2. Ryszard Madziar - Member of the Nominations and Compensation Committee,
3. Barbara Piontek - Member of the Nominations and Compensation Committee.

Composition of the Nominations and Compensation Committee as of the date of drawing up this report

1. Andrzej Kania - Head of the Nominations and Compensation Committee,
2. Ryszard Madziar - Member of the Nominations and Compensation Committee,
3. Grzegorz Peczkis - Member of the Nominations and Compensation Committee.

The changes to the composition of the Nominations and Compensation Committee in 2020 and by the date of drawing up this report

As of January 1, 2020, the Nominations and Compensation Committee was composed of the following members: Beata Chłodzińska (Head of the Nominations and Compensation Committee), Barbara Łasak - Jarszak and Agnieszka Woźniak.

On March 24, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1 and 3 of the Company's Articles of Association, dismissed Ms. Agnieszka Woźniak from the Company's Supervisory Board of the 5th common term of office. This way, she ceased to be the member of the Nominations and Compensation Committee.

On April 20, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Nominations and Compensation Committee by appointing Andrzej Śliwka to be a member thereof.

On April 27, 2020, Beata Chłodzińska submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office. This way, she ceased to be the member of the Nominations and Compensation Committee.

On May 25, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Nominations and Compensation Committee by appointing Andrzej Kania and Jan Płudowski to be the members thereof.

On May 25, 2020, the Nominations and Compensation Committee elected Andrzej Śliwka to hold the position of the Head of the Nominations and Compensation Committee.

On June 5, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Jan Płudowski from the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Nominations and Compensation Committee.

On June 16, 2020, Andrzej Śliwka submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Nominations and Compensation Committee.

On June 18, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Nominations and Compensation Committee by appointing Teresa Famulska to be a member thereof.

On June 18, 2020, the Company's Supervisory Board of the 5th common term of office elected Andrzej Kania to hold the position of the Head of the Nominations and Compensation Committee.

On July 15, 2020, i.e. on the date of the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of performing the function of the Members of the Company's Supervisory Board of the 5th common term of office, i.e. for the financial year 2019, the mandates of all Members of the Company's Supervisory Board of the 5th common term of office expired. This way, Barbara Łasak-Jarszak, Andrzej Kania and Teresa Famulska ceased to be the members of the Nominations and Compensation Committee.

On August 3, 2020, in connection with the appointment of the Members of the Company's Supervisory Board of the 6th common term of office, the Company's Supervisory Board appointed, from the members thereof, Andrzej Kania, Ryszard Madziar and Barbara Piontek to be the members of the Nominations and Compensation Committee.

On August 3, 2020, the Audit Nominations and Compensation Committee elected Andrzej Kania to hold the position of the Head of the Nominations and Compensation Committee.

On February 12, 2020, Barbara Piontek submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 6th common term of office. This way, he ceased to be the member of the Nominations and Compensation Committee.

On February 19, 2020, the Company's Supervisory Board of the 6th common term of office supplemented the composition of the Nominations and Compensation Committee by appointing Grzegorz Peczkis to be a member thereof.

No other changes to the composition of the Nominations and Compensation Committee had taken place by the date of drawing up this report.

Tasks and competences of the Nominations and Compensation Committee

The tasks and competences of the Nominations and Compensation Committee did not change in 2019.

The tasks and competences of the Nominations and Compensation Committee, as of December 31, 2020 and as of the date of drawing up this report, are presented in the below table.

Table no. 9. Competences of the Nominations and Compensation Committee, as of December 31, 2020 and as of the date of drawing up this report

Competences of the Nominations and Compensation Committee	
1.	recommending to the Supervisory Board a recruitment procedure for the positions of the Members of the Company's Management Board,
2.	evaluating candidates for the Members of the Management Board and providing the Supervisory Board with opinions in this respect,
3.	recommending to the Supervisory Board a form and content of the agreements to be concluded with the members of the Management Board,
4.	recommending to the Supervisory Board a compensation and bonus system for the members of the Management Board,
5.	recommending to the Supervisory Board the need to suspend a member of the Management Board for important reasons,
6.	recommending to the Supervisory Board the need to delegate a member of the Supervisory Board to temporarily perform the duties of the Members of the Management Board who cannot perform their duties, along with a compensation proposal

The detailed description of the activities of the Nominations and Compensation Committee in the last financial year is provided in the Report on the activities of the Supervisory Board submitted on an annual basis to the General Meeting (GM) and published on the Company's website at the address: <http://www.tauron.pl>.

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

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

In 2020 the Strategy Committee was composed of 2 to 5 members.

Due to the changes to the membership of the Supervisory Board of the Company, introduced in 2020, the Company's Supervisory Board also made changes to the membership of the Strategy Committee.

Composition of the Strategy Committee as of December 31, 2020

1. Grzegorz Peczkis - Head of the Strategy Committee,
2. Ryszard Madziar - Member of the Strategy Committee,
3. Barbara Piontek - Member of the Strategy Committee.

Composition of the Strategy Committee as of the date of drawing up this report

1. Grzegorz Peczkis - Head of the Strategy Committee,
2. Andrzej Kania - Member of the Strategy Committee,
3. Ryszard Madziar - Member of the Strategy Committee.

The changes to the composition of the Strategy Committee in 2020 and by the date of drawing up this report

As of January 1, 2020, the Strategy Committee was composed of the following members: Jacek Szyke (Head of the Strategy Committee), Beata Chłodzińska, Grzegorz Peczkis, Jan Płudowski and Agnieszka Woźniak.

On March 24, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1 and 3 of the Company's Articles of Association, dismissed Ms. Agnieszka Woźniak from the Company's Supervisory Board of the 5th common term of office. This way, she ceased to be the member of the Strategy Committee.

On April 20, 2020, Jacek Szyke submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Strategy Committee.

On April 27, 2020, Beata Chłodzińska submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 5th common term of office. This way, she ceased to be the member of the Strategy Committee

On May 25, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Strategy Committee by appointing Andrzej Kania to be a member thereof.

On May 25, 2020, the Strategy Committee elected Jan Płudowski to hold the position of the Head of the Strategy Committee.

On June 5, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Jan Płudowski from the Company's Supervisory Board of the 5th common term of office. This way, he ceased to be the member of the Strategy Committee.

On June 19, 2020, the Company's Supervisory Board of the 5th common term of office supplemented the composition of the Strategy Committee by appointing Barbara Łasak-Jarszak to be a member thereof.

On June 26, 2020, the Strategy Committee elected Grzegorz Peczkis to hold the position of the Head of the Strategy Committee.

On July 15, 2020, i.e. on the date of the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of performing the function of the Members of the Company's Supervisory Board of the 5th common term of office, i.e. for the financial year 2019, the mandates of all Members of the Company's Supervisory Board of the 5th common term of office expired. This way, Grzegorz Peczkis, Andrzej Kania and Barbara Łasak-Jarszak ceased to be the members of the Strategy Committee.

On August 3, 2020, in connection with the appointment of the Members of the Company's Supervisory Board of the 6th common term of office, the Company's Supervisory Board appointed, from the members thereof, Ryszard Madziar, Grzegorza Peczkis and Barbara Piontek to be the members of the Strategy Committee.

On August 3, 2020, the Strategy Committee elected Grzegorza Peczkis to hold the position of the Head of the Strategy Committee.

On February 12, 2020, Barbara Piontek submitted a statement on his resignation from the membership of the Company's Supervisory Board of the 6th common term of office. This way, he ceased to be the member of the Strategy Committee.

On March 1, 2020, the Company's Supervisory Board of the 6th common term of office supplemented the composition of the Strategy Committee by appointing Andrzej Kania to be a member thereof.

No other changes to the composition of the Strategy Committee had taken place by the date of drawing up this report.

Tasks and competences of the Strategy Committee

The tasks and competences of the Strategy Committee did not change in 2020.

The tasks and competences of the Strategy Committee as of December 31, 2020 and as of the date of drawing up this report are presented in the below table.

Table no. 10. Competences of the Strategy Committee as of December 31, 2020 and as of the date of drawing up this report

Competences of the Strategy Committee
<ol style="list-style-type: none">1. evaluating the Company's and TAURON Capital Group's Strategy and presenting the results of such evaluation to the Supervisory Board,2. recommending to the Supervisory Board the scope and deadlines for submitting the long term strategic plans by the Management Board,3. evaluating the impact of the planned and currently undertaken strategic investment projects on the Company's assets' position,4. monitoring the implementation of the strategic investment tasks,5. evaluating activities related to the use of the Company's material assets,6. providing opinions on the strategic documents submitted to the Supervisory Board by the Management Board

The detailed description of the activities of the Strategy Committee in the last financial year is provided in the report on the activities of the Supervisory Board submitted on an annual basis to the General Meeting (GM) and published on the Company's website at the address: <http://www.tauron.pl>.

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

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

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

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

The meetings of the Committees of the Supervisory Board are convened by the Chairperson (Head) of the specific Committee on his / her own initiative or upon the motion of a member of the Committee or Chairperson of the

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

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

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

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

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

12. TAURON Group's Diversity Policy

TAURON Group's Diversity Policy (Diversity Policy), put in place in 2017, was in force at the Company and TAURON Capital Group in 2020, with its goal to strengthen the awareness and organizational culture open to diversity.

In accordance with the above Diversity Policy the diversity and openness are an integral part of TAURON Capital Group's business operations. TAURON Capital Group applies the policy of equal treatment and seeks to ensure diversity in terms of gender, educational background, age and professional experience with respect to all employees, and in particular to the management bodies and its key managers. Also, actions have been undertaken to prevent discrimination by fostering appropriate work atmosphere as well as building and strengthening positive relationships among the personnel and developing organizational culture open to diversity, based on the corporate values: Partnership, Development and Boldness (PRO),

The diversity policy is also applied with respect to the cooperation (relationships) with the external partners of TAURON Capital Group, i.e. companies, universities, schools or other business entities.

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

1. *TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination,*
2. *Policy of Respect for Human Rights* defining the principles of respect for human rights and actions taken to prevent the violation thereof and to support the atmosphere of dignity and mutual respect,
3. Training and competence development programs conducive to and supporting the creation of an atmosphere fostering the development of each employee,
4. Regulations ensuring fairness and objectivity with respect to work organization and compensation, including among others:
 - 1) *TAURON Group's Compensation Principles,*
 - 2) *TAURON Group's Human Resources Management Policy,*
 - 3) regulations with respect to benefits (entitlements),
 - 4) flexible forms of work time and ability to work remotely.
5. Programs and regulations dedicated to women, ensuring equal opportunities for them and support in combining professional life with private life, e.g.:
 - 1) reduced working time for pregnant women,
 - 2) *Mum works (Mama pracuje)* program put in place in the distribution line of business, with the goal to build a friendly work environment for mothers,
 - 3) *Magenta meetings (Magentowe spotkania)* program as part of the *Women's Power (Kobieca Moc)* campaign dedicated to women students of the electrical engineering faculties, whose goal is to provide support for girls, among others in selecting a career path.
6. *TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy,*
7. *TAURON Group's Competence Model.*

The detailed data and indicators related to diversity in terms of age, gender and the activities undertaken, as well as the results stemming from the implementation of the Diversity Policy are provided in section 2.8 of this report.

With respect to the members of the corporate authorities of TAURON, i.e. the Management Board and the Supervisory Board, persons acting as the Members of the Company's Management Board are appointed by the Company's Supervisory Board, while the Members of the Company's Supervisory Board are appointed by the Company's GM and the Minister competent to exercise the rights related to the State Treasury's shares, acting within the statutory powers of the State Treasury.

The Members of the Company's Management Board are appointed by the Company's Supervisory Board after conducting a qualification procedure designed to verify and assess their qualifications and select the best candidate. The notice of the qualification process is published on the Company's website at the address: <https://www.tauron.pl> and in the Public Information Bulletin (Biuletyn Informacji Publicznej) of the Minister competent to exercise the rights related to the State Treasury's shares. The competition is open to any person that meets the requirements provided in § 16 clauses 3 and 4 of the Company's Articles of Association. As there are no special requirements related to, among others, gender, education profile, age and professional experience, the Company's Supervisory Board is able to ensure comprehensive and diverse approach when assessing and selecting the candidates for Members of the Company's Management Board.

As of December 31, 2020, the Company's Management Board was composed of 3 men, and the Company's Supervisory Board included 3 women and 3 men. The age structure of the Members of the Company's Management Board was as follows: over 40-50 years - 2 persons, over 50-60 years - 1 person, while in case of the Company's Supervisory Board: over 40-50 years - 4 persons, over 50-60 years - 1 person, above 60 years - 1 person.

Information on the qualifications and professional experience of persons appointed as members of the Management Board and the Supervisory Board of TAURON is published in the applicable securities filings (current reports) and on the Company's website at the address: <https://www.tauron.pl>.