

# ARTICLES OF ASSOCIATION OF TAURON POLSKA ENERGIA S.A.

## UNIFORM TEXT

### INCLUDING THE CONTENT OF THE FOLLOWING NOTARIAL DEEDS:

- 1) Notarial deed Rep. A No. 20813/2006 of 6 December 2006,
- 2) Notarial deed Rep. A No. 7111/200 of 9 May 2007,
- 3) Notarial deed Rep. A No. 7706/2007 of 18 May 2007,
- 4) Notarial deed Rep. A No. 10147/2007 of 21 June 2007,
- 5) Notarial deed Rep. A No. 3111/2007 of 25 July 2007,
- 6) Notarial deed Rep. A No. 21289/2007 of 30 October 2007,
- 7) Notarial deed Rep. A No. 15313/2007 of 22 August 2007,
- 8) Notarial deed Rep. A No. 17865/2008 of 25 June 2008,
- 9) Notarial deed Rep. A No. 23875/2008 of 21 August 2008,
- 10) Notarial deed Rep. A No. 1468/2009 of 15 January 2009,
- 11) Notarial deed Rep. A No. 14946/2009 of 17 June 2009,
- 12) Notarial deed Rep. A No. 20818/2009 of 29 July 2009,
- 13) Notarial deed Rep. A No. 22065/2009 of 12 August 2009,
- 14) Notarial deed Rep. A No. 947/2010 of 4 March 2010,
- 15) Notarial deed Rep. A No. 1555/2010 of 8 April 2010,
- 16) Notarial deed Rep. A No. 3654/2010 of 26 April 2010,
- 17) Notarial deed Rep. A No. 8906/2010 of 12 October 2010,
- 18) Notarial deed Rep. A No. 8292/2010 of 14 September 2010  
*(excluding the amendment to the scope of activity of the Company mentioned in § 1 of Resolution No. 4 of the Company's General Meeting),*
- 19) Notarial deed Rep. A No. 10184/2010 of 10 November 2010,
- 20) Notarial deed Rep. A No. 4169/2011 of 6 May 2011,
- 21) Notarial deed Rep. A No. 11433/2011 of 22 November 2011,
- 22) Notarial deed Rep. A No. 4042/2012 of 24 April 2012,
- 23) Notarial deed Rep. A No. 52/2014 of 7 January 2014,
- 24) Notarial deed Rep. A No. 4377/2016 of 8 June 2016,
- 25) Notarial deed Rep. A No. 3842/2017 of 29 May 2017.

## **I. GENERAL PROVISIONS**

### **§ 1**

1. The Company conducts its activity under the firm TAURON Polska Energia Spółka Akcyjna.
2. The Company may use the short name of the firm: TAURON Polska Energia S.A. and its original graphic design.

### **§ 2**

1. The seat of the Company is: Katowice.
2. The Company conducts its activity on the territory of the Republic of Poland and abroad.
3. The Company may open and operate branches, plants, offices, agencies as well as other units, as well as it may participate in other companies and undertakings on the territory of the Republic of Poland and abroad.
4. The Company may be the member of national and foreign associations.

### **§ 3**

The founders of the Company are:

- 1) State Treasury,
- 2) EnergiaPro Koncern Energetyczny S.A. (EnergiaPro Energy Concern Joint Stock Company) with its seat in Wrocław,
- 3) ENION S.A. (Joint Stock Company) with its seat in Kraków,
- 4) Elektrownia Stalowa Wola S.A. (Stalowa Wola Power Plant Joint Stock Company) with its seat in Stalowa Wola.

### **§ 4**

The Company has been established for an undefined period of time.

## **II. SCOPE OF ACTIVITY OF THE COMPANY**

### **§ 5**

1. Scope of activity of the Company includes:

1. (PKD 06.10.Z) Extraction of crude petroleum,
2. (PKD 06.20.Z) Extraction of natural gas,
3. (PKD 09.10.Z) Support activities for petroleum and natural gas extraction,
4. (PKD 09.90.Z) Support activities for other mining and quarrying,
5. (PKD 19.20.Z) Manufacture of refined petroleum products,
6. (PKD 33.20.Z) Installation of industrial machinery and equipment,
7. (PKD 35.11.Z) Production of electricity,
8. (PKD 35.14.Z) Trade of electricity,
9. (PKD 35.21.Z) Manufacture of gas,

10. (PKD 35.23.Z) Trade of gas through mains,
11. (PKD 35.30.Z) Steam and air conditioning supply,
12. (PKD 42.22.Z) Construction of utility projects for electricity and telecommunications,
13. (PKD 43.13.Z) Test drilling and boring,
14. (PKD 46.18.Z) Agents specialized in the sale of other particular products,
15. (PKD 46.19.Z) Agents involved in the sale of a variety of goods,
16. (PKD 46.51.Z) Wholesale of computers, computer peripheral equipment and software,
17. (PKD 46.52.Z) Wholesale of electronic and telecommunications equipment and parts,
18. (PKD 46.71.Z) Wholesale of solid, liquid and gaseous fuels and related products,
19. (PKD 46.90.Z) Non-specialized wholesale trade,
20. (PKD 49.20.Z) Freight rail transport,
21. (PKD 49.41.Z) Freight transport by road,
22. (PKD 49.50.A) Transport via pipeline,
23. (PKD 50.20.Z) Sea and coastal freight water transport,
24. (PKD 61.10.Z) Wired telecommunications activities,
25. (PKD 61.20.Z) Wireless telecommunications activities, excluding satellite telecommunication,
26. (PKD 61.30.Z) Satellite telecommunications activities,
27. (PKD 61.90.Z) Other telecommunications activities,
28. (PKD 62.01.Z) Computer programming activities,
29. (PKD 62.02.Z) Computer consultancy activities,
30. (PKD 62.03.Z) Computer facilities management activities,
31. (PKD 62.09.Z) Other information technology and computer service activities,
32. (PKD 63.11.Z) Data processing, hosting and related activities,
33. (PKD 63.12.Z) Web portals,
34. (PKD 63.99.Z) Other information service activities n.e.c.;
35. (PKD 64.20.Z) Activities of holding companies,
36. (PKD 64.30.Z) Trusts, funds and similar financial entities,
37. (PKD 64.91.Z) Financial leasing,
38. (PKD 64.92.Z) Other credit granting,
39. (PKD 64.99.Z) Other financial service activities, except insurance and pension funding n.e.c.,
40. (PKD 66.12.Z) Security and commodity contracts brokerage,
41. (PKD 66.19.Z) Other activities auxiliary to financial services, except insurance and pension funding,
42. (PKD 68.20.Z) Rental and operating of own or leased real estate,

- 43. (PKD 69.20.Z) Accounting, bookkeeping and auditing activities; tax consultancy,
- 44. (PKD 70.10.Z) Activities of head offices,
- 45. (PKD 70.21.Z) Public relations and communication activities,
- 46. (PKD 70.22.Z) Business and other management consultancy activities,
- 47. (PKD 71.20.B) Technical testing and analysis,
- 48. (PKD 72.19.Z) Other research and experimental development on natural sciences and engineering,
- 49. (PKD 73.20.Z) Market research and public opinion polling,
- 50. (PKD 74.90.Z) Other professional, scientific and technical activities n.e.c.,
- 51. (PKD 77.33.Z) Rental and leasing of office machinery and equipment (including computers),
- 52. (PKD 77.39.Z) Rental and leasing of other machinery, equipment and tangible goods n.e.c.,
- 53. (PKD 82.20.Z) Activities of call centers,
- 54. (PKD 85.59.B) Other education n.e.c.,
- 55. (PKD 85.60.Z) Educational support activities,
- 56. (PKD 93.19.Z) Other sports activities,
- 57. (PKD 93.29.Z) Other amusement and recreation activities,
- 58. (PKD 95.11.Z) Repair of computers and peripheral equipment,
- 59. (PKD 95.12.Z) Repair of communication equipment.

1. If, in order to undertake activity defined in section 1 it is required to obtain a permission or concession, the Company shall commence activity in the given scope having obtained them.
2. A material change of the subject matter of the activity of the Company shall be effected exclusive of repurchase of shares from shareholders who do not consent to such change.

### **III. CAPITALS**

#### **§ 6**

Company's share capital is fully paid-up by contributions in cash before registering the Company.

#### **§ 7**

Share capital of the Company amounts to PLN 8,762,746,970.00 (PLN eight billion seven hundred sixty two million seven hundred forty six thousand nine hundred seventy) and is divided into 1,752,549,394 (one billion seven hundred fifty two million five hundred forty nine thousand three hundred ninety four) shares of the nominal value

of PLN 5 (say: PLN five) each, including 1,589,438,762 (one billion five hundred eighty nine million four hundred thirty eight thousand seven hundred sixty two) series AA ordinary bearer shares and 163,110,632 (one hundred sixty three million one hundred ten thousand six hundred thirty two) BB ordinary registered series.

### **§ 8**

1. Company's shares are ordinary bearer shares, subject to articles 3 and 4.
2. Bearer shares may not be converted into registered shares.
3. The Company's shares may be registered shares if they are issued in exchange for in-kind contributions and in other cases if absolutely applicable legal regulations require that shares issued to shareholders are registered shares.
4. Registered shares may be converted into bearer shares on terms and conditions set out in the Commercial Companies Code.

### **§ 9**

1. Company's shares may be redeemed by shareholder's consent by means of their acquisition by the Company (voluntary redemption).
2. Voluntary redemption shall not take place more often than once in a financial year.
3. General Meeting's resolution authorizing the Management Board to undertake actions aiming at acquiring shares which are to be redeemed defines the conditions of acquiring the shares by the Company.
4. Voluntary redemption of the Company's shares requires the General Meeting's resolution, except in the case defined in art. 363 § 5 of the Code of Commercial Companies.
5. Resolution on the redemption of shares shall define in particular the legal basis of the redemption, amount of remuneration that the shareholder of redeemed shares is entitled to or a justification of redemption of shares without remuneration as well as the way of decreasing the share capital.
6. The General Meeting's resolution on the voluntary redemption of shares is subject to being announced.

## **IV. SHAREHOLDERS' RIGHTS**

### **§ 10**

1. The right of vote of shareholders having over 10% (ten percent) of the total votes in the Company is limited in the way that none of them shall perform at the General Meeting more than 10% (ten percent) of the total of votes in the Company.
2. Limiting the right of vote, which is mentioned in section 1 above shall not apply to the State Treasury and subsidiaries of the State Treasury in the period in which the State Treasury together with subsidiaries of the State Treasury possesses a number of Company's shares entitling to perform at least 25% (twenty five percent) of the total votes in the Company.
3. Votes which belong to the shareholders, between whom there is dominance or dependence relationship in the meaning of the provisions of this present

paragraph (Shareholders' Grouping) shall be accumulated; in case when the accumulated number of votes exceeds 10% (ten percent) of the total votes in the Company, it is subject to being reduced. The rules of accumulating and reducing the votes are defined by sections 6 and 7 below.

4. Shareholder in the meaning of this present paragraph shall be each person, including its parent company and subsidiary which is entitled directly or indirectly to the right of vote at the General Meeting on the basis of any legal title; it is also applicable to a person who does not have shares in the Company, especially a user, pledgee, a person entitled from depository receipt in the meaning of the Act of 29 July 2005 on financial instruments turnover, as well as a person entitled to participate in the General Meeting, despite the disposal of owned shares after the day of establishing the right to participate in the General Meeting.
5. A parent company or a subsidiary, for the present paragraph, shall be understood as a person:
  - 1) having the status of a parent entrepreneur, subsidiary entrepreneur or at the same time having the status of a parent entrepreneur and subsidiary entrepreneur in the meaning of the Act of 16 February 2007 on the protection of competition and consumers, or
  - 2) having the status of a parent company, parent company of higher degree, subsidiary, subsidiary of lower degree, joint subsidiary or having at the same time the status of a parent company (including a parent company of higher degree) and subsidiary (including subsidiary of lower degree and joint subsidiary) in the meaning of the Act of 29 September 1994 on accountancy, or
  - 3) which has a decisive influence (the parent company) or on which there is decisive influence (subsidiary) in the meaning of the Act of 22<sup>nd</sup> September 2006 on the transparency of financial relations between public bodies and public entrepreneurs as well as financial transparency of some entrepreneurs, or
  - 4) whose votes resulting from the possessed directly or indirectly shares of the Company are subject to accumulation with votes of another person or other persons on the conditions defined in the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organized trading and on public companies in connection with possessing, disposal or acquiring of significant stakes in the Company's shares.
6. Accumulation of votes consists in adding up the number of votes held by particular shareholders who are part of the Shareholders' Grouping.
7. Reduction of votes is based on decreasing the total number of votes in the Company the shareholders being a part of the Shareholders' Grouping are entitled to up to the level of 10% (ten percent) of the total of votes in the Company.

The reduction of votes takes place in accordance with the following rules:

- 1) number of votes of a shareholder who has the biggest number of votes in the Company among all shareholders who are part of the Shareholders' Grouping shall be decreased by the number of votes equalling the surplus over 10% of

- the total votes in the Company that all shareholders being a part of the Shareholders' Grouping are jointly entitled to,
- 2) if despite the reduction which is mentioned in item 1 above, the total number of votes the shareholders taking part in the Shareholders' Grouping are entitled to exceeds 10% (ten percent) of the total votes in the Company, further reduction of votes belonging to other shareholders who are part of the Shareholders' Grouping takes place. Further reduction of votes of particular shareholders takes place in the order established on the basis of the number of votes (from the biggest to the smallest) that particular shareholders taking part in the Shareholders' Grouping are entitled to. Further reduction is done until reaching the state in which the total number of votes the shareholders who are part of the Shareholders' Grouping have shall not exceed 10% (ten percent) of the total votes in the Company.
  - 3) in each case the shareholder whose right of vote has been limited retains the right to perform at least one vote,
  - 4) limiting the right to perform a vote applies also to a shareholder not present at the General Meeting.
8. Each shareholder who is going to take part in the General Meeting, directly or by a proxy, is obliged, without a separate summons which is mentioned in section 9 below, to notify the Management Board or the Chairperson of the General Meeting about the fact that he has directly or indirectly more than 10% (ten percent) of the total votes in the Company.
  9. Irrespective of the provision of section 8 above, in order to establish the rules of votes accumulation and reduction, a shareholder of the Company, Management Board, Supervisory Board as well as particular members of these bodies may demand that the Company's shareholder provide information whether he is a person having the status of a parent company or subsidiary towards another shareholder in the meaning of this present paragraph. Entitlement which is mentioned in the preceding sentence includes also the right to demand disclosing the number of votes that the Company's shareholder has independently or jointly with other shareholders of the Company.
  10. Person who failed to perform or performed the obligation to inform which is mentioned in sections 8 and 9 above in a faulty way, until the moment of removing the failure of the obligation to inform shall perform the right of vote exclusively from one share; performing by such a person the right of vote from other shares is ineffective.
  11. In the case of doubt regarding the interpretation of this present paragraph, it shall be done in accordance with art. 65 § 2 of the Civil Code.

## **V. COMPANY'S BODIES**

### **§ 11**

1. Company's bodies are:
  - 1) Management Board
  - 2) Supervisory Board,
  - 3) General Meeting.

2. Subject to absolutely binding regulations of the Code of Commercial Companies as well as provisions of the Company's Articles of Association, resolutions of the Company's bodies are passed by absolute majority of votes, where the absolute majority of votes is understood as more votes given "for" than "against" and "abstain".

## **A. COMPANY'S MANAGEMENT BOARD**

### **§ 12**

1. Management Board conducts Company's business and represents the Company in all judicial and non-judicial actions.
2. All issues connected with conducting the Company's matters, not reserved by the regulations of law or provisions of the present Articles of Association for the General Meeting or the Supervisory Board shall be part of the Management Board's competences.

### **§ 13**

1. Cooperation of two Members of the Management Board or one Member of the Management Board together with a procurator is required to submit statements on behalf of the Company.
2. Shall the Board be single-person, one member of the Management Board or a procurator is entitled to submit statements on behalf of the Company.
3. Appointing a procurator requires a unanimous resolution of all members of the Management Board. The power of attorney may be cancelled by any member of the Management Board.
4. The way of the Management Board's operation is defined by the by-laws of the Management Board.

### **§ 14**

1. All issues exceeding the scope of ordinary activities of the Company require a resolution of the Management Board.
2. Resolutions of the Management Board are required especially in the case of:
  - 1) Management Board by-laws,
  - 2) organizational regulations of the Company's enterprise,
  - 3) establishing and liquidation of branches,
  - 4) appointing a procurator,
  - 5) taking loans and borrowings,
  - 6) accepting annual non-cash and financial plans of the Company and the Capital Group as well as Corporate Strategy of the Capital Group;
  - 7) taking conditional obligations in the meaning of the act of 29 September 1994 of accountancy (Journal of Laws of 2002 No. 76 item 694 as amended) including granting guaranties, sureties and issuing bills of exchange by the Company, subject to § 20 section 2 item 4 and 5,
  - 8) making a donation, cancellation of interest or releasing from debt subject to § 43 section 2 item 1 and 2.



- 9) purchase of property, perpetual usufruct or shares in property or in perpetual usufruct subject to provisions of § 20 section 2 item 1,
  - 10) purchase of fixed assets components, excluding property, perpetual usufruct or share in property or perpetual usufruct of value equal to or exceeding the equivalent of EURO 10,000 in PLN, subject to provisions of § 20 section 2 item 2,
  - 11) disposal of components of fixed assets, including property, perpetual usufruct or share in property or perpetual usufruct of value equal to or exceeding the equivalent of EURO 10,000 in PLN, subject to provisions of § 20 section 2 item 3,
  - 12) defining the right to perform a vote at the General Meeting or at Shareholders' Meetings of companies in which the Company has stock or shares, in cases being the competences of the General Meetings or Shareholders' Meetings of these companies, subject to provisions of § 20 section 3 item 9,
  - 13) rules of conducting sponsoring activity,
  - 14) accepting an annual plan of sponsoring activity,
  - 15) issues, the examination of which is asked by the Management Board to be performed by the Supervisory Board or the General Meeting.
3. Resolutions of the Management Board shall be passed by an absolute majority of votes subject to § 13 section 3. In the case of an equal number of votes the President of the Management Board's vote shall be decisive.

### **§ 15**

1. The preparation of plans referred to in § 14(2)(6) and their submission to the Supervisory Board for approval is the obligation of the Management Board.
2. The Management Board shall submit a report, drawn up at least on an annual basis, concerning representation expenses, expenses incurred on legal services, marketing services, PR services and social communication, as well as advisory services associated with management, to the General Meeting, including the opinion of the Supervisory Board.
3. The Management Board shall draw up, at least on an annual basis, a report on the oversight of implementation of investment projects and submit it to the Supervisory Board for its approval.
4. In companies towards which the Company is a parent entity within the meaning of Article 4(3) of the Act of 16 February 2007 on the protection of competition and consumers, in conjunction with Article 17 (7), Article 18 (2), Article 20 and Article 23 of the Act on the principles of state assets management, the Management Board shall be bound to introduce the principles specified in the Act on management of state assets.

### **§ 16**

1. Company's Management Board consists of 1 to 6 persons, including the President and Vice-Presidents.
2. Members of the Management Board are appointed for the period of joint term of office which lasts for three years, except for the first term of office which lasts two years.

3. A person meeting jointly the following conditions may be the candidate for a member of the Management Board of the Company:

- 1) holds a university degree or a university degree acquired abroad, recognised in the Republic of Poland pursuant to separate provisions,
- 2) has at least 5-year employment period under the employment contract, election, appointment, cooperative employment contract or provision of services under other agreement, or performing the economic activity on own account,
- 3) has at least 3-year experience on managerial or independent positions, or arising from performing the economic activity on own account,
- 4) fulfils other requirements than specified in sections 1-3, defined in separate provisions, in particular, does not infringe restrictions or prohibitions related to holding the position of a member of the management body in commercial companies.

4. A member of the Management Board of the Company must not be a person who:

- 1) acts as a social co-worker or is employed in the MP's office, senator's office, MP and senator office or the office of a Member of the European Parliament under the employment contract, or provides work under a contract for mandate, or other agreement of similar nature,
- 2) is a member of the body of the political party representing the political party outside and authorised to incur liabilities,
- 3) is employed by the political party under the employment contract, or provides work under a contract for mandate, or other agreement of similar nature,
- 4) fulfils a function having been elected to the company trade union organisation or the trade union organisation of a company from the capital group,
- 5) his/her social activity or professional activity generates a conflict of interest towards the activity of the company.

## **§ 17**

1. Members of the Management Board or the whole Management Board are appointed or dismissed by the Supervisory Board, entrusting the position of the President and Vice-Presidents.
2. Each of the members of the Management Board may be dismissed or suspended in his functions by the Supervisory Board or the General Meeting.
3. Member of the Management Board shall submit resignation in writing to the Supervisory Board to the address of the Company's seat.
4. The Supervisory Board shall appoint a Member of the Management Board after conducting of the selection procedure aimed at checking and assessment of

candidates' qualifications and electing of the best candidate for a Member of the Management Board.

- 1) The Supervisory Board conducts the qualification procedure in the case of occurrence of circumstances justifying the appointment of the Member of the Management Board,
- 2) While commencing the qualification procedure for the position of a Member of the Management Board, the Supervisory Board defines, by means of a resolution, detailed rules and terms of the procedure, including, in particular: the position subject to the procedure, deadline and venue of accepting the applications, date and venue of the interview, scope of issues being subject to the interview, requirements and methods of candidate's assessment,
- 3) The candidate for a Member of the Management Board must meet the requirements defined in §16(3) and (4),
- 4) The announcement on the qualification procedure is published on the website of the Company and in the Public Information Bulletin of the Ministry of Energy,
- 5) The deadline for accepting the applications must not be shorter than 14 days following the day of publication of the announcement on the qualification procedure,
- 6) The Supervisory Board shall notify shareholders of the results of the qualification procedure and makes the report of the qualification procedure available.

### **§ 18**

The principles for determining remuneration of Management Board members are defined by the General Meeting, taking into account the provisions of the Act of 9 June 2016 concerning principles for determining remuneration of persons managing certain companies.

## **B. SUPERVISORY BOARD**

### **§ 19**

Supervisory Board performs constant supervision over the Company's activity in all areas of its activity.

### **§ 20**

1. The competences of the Supervisory Board include:
  - 1) evaluation of the Management Board's report from the activity of the Company as well as financial report for the previous financial year in the scope of its accordance with the books, documents as well as the factual state. It also applies to the consolidated financial report of the Capital Group, if it is made,

- 2) evaluation of the motions of the Management Board when it comes to the division of profit or coverage of loss,
- 3) submitting to the General Meeting a written report from the results of activities which are mentioned in items 1 and 2,
- 4) drafting once a year and presentation to the General Meeting of:
  - a) assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function, covering all significant control mechanisms, in particular financial reporting and operational controls,
  - b) report on the activity of the Supervisory Board, containing at least the following information:
    - full names of the members of the Supervisory Board and its committees,
    - fulfilment of the independence criteria by the Supervisory Board members,
    - number of meetings of the Supervisory Board and its committees,
    - self-assessment of the Supervisory Board,
  - c) assessment of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities,
  - d) assessment of the rationality of the Company's policy concerning sponsorship, charity or other similar activities or information about lack of such policy,"
- 5) making Supervisory Board's reports from the supervision of the realization of investments by the Management Board including the purchase of fixed assets, especially giving opinions on the correctness and effectiveness of expending financial means connected with it,
- 6) making, together with a report from the results of Company's annual financial report evaluation, opinion of the Supervisory Board when it comes to the economic legitimacy of Company's capital engagement made in a given financial year in other entities of commercial law,
- 7) the selection of the statutory auditor to carry out the examination and review of the Company financial statements and consolidated financial statements of the Capital Group,
- 8) defining the scope and dates of submitting by the Management Board annual non-cash and financial plan for the Company and the Capital Group,
- 9) giving opinion on the Capital Group's Corporate Strategy,
- 10) giving opinions on the rules of conducting sponsoring activity,
- 11) giving opinions on the annual plan of conducting sponsoring activity as well as annual report from its realization,
- 12) passing regulations defining in detail the method of the Supervisory Board's operation,
- 13) accepting a uniform content of the Company's Articles of Association, prepared by the Company's Management Board,
- 14) accepting the by-laws of the Company's Management Board,

- 15) accepting the organizational regulations of the Company's enterprise,
  - 16) issuing opinions on Management Board reports on representation expenses, expenses incurred for legal services, marketing services, PR services and social communication, and advisory services associated with management,
  - 17) issuing opinions on the change of principles of disposal of fixed assets defined in § 38<sup>1</sup>,
  - 18) approval of the remuneration policy for the capital group.
2. Competences of the Supervisory Board include granting the Management Board permission to:
- 1) purchase property, perpetual usufruct or shares in property or in perpetual usufruct of the value exceeding the equivalent of EURO 5,000,000 in PLN, except for property, perpetual usufruct or shares in property or in perpetual usufruct purchased from the Companies of the Capital Group,
  - 2) acquire components of fixed assets, except for property, perpetual usufruct or share in property or in perpetual usufruct, bonds issued by Companies from the Capital Group and other components of fixed assets purchased from the Companies of the Capital Group, with the value exceeding the equivalent of EURO 5,000,000 in PLN,
  - 3) disposal of components of fixed assets including property, perpetual usufruct or share in property or in perpetual usufruct with the value exceeding the equivalent of EURO 5,000,000 in PLN, except for property, perpetual usufruct or shares in property or in perpetual usufruct and other components of fixed assets that will be sold or encumbered to the benefit of Companies from the Capital Group by way of decree,
  - 4) contracting contingencies, including guarantees and sureties given by the Company of the value exceeding the equivalent of EURO 5,000,000 in PLN,
  - 5) issuing bills of exchange of the value exceeding the equivalent of EURO 5,000,000 in PLN,
  - 6) paying advance payment on account of the anticipated dividend,
  - 7) taking up or acquiring stocks or shares in companies other than Companies from the Capital Group of the value exceeding the equivalent of EURO 5,000,000 in PLN except for situations, when taking up of stocks or shares of these companies takes place for the liabilities of the Company as a part of conciliatory or liquidation proceedings,
  - 8) disposal of stocks or shares of the value exceeding the equivalent of EURO 5,000,000 in PLN, defining the conditions and way of their disposal, except for:
    - a) disposal of shares which are traded on the regulated market,
    - b) disposal of stocks or shares that the company possesses in the amount not exceeding 10% in the share capital of particular companies,
    - c) disposal of stocks or shares to the benefit of Companies from the Capital Group,
  - 9) enter into material agreement with shareholder holding at least 5% of the total number of shares in the Company or a related entity, subject to provisions of section 3,

- 10) concluding the agreement for legal services, marketing services, PR services and social communication, and advisory services associated with management, if the level of the remuneration foreseen jointly for the services provided exceeds PLN 500,000 net on an annual basis,
  - 11) amendment to the agreement for legal services, marketing services, PR services and social communication, and advisory services associated with management, raising the remuneration above the amount referred to in item 10,
  - 12) concluding agreements for legal services, marketing services, PR services and social communication, and advisory services associated with management, where the maximum level of the remuneration is not foreseen,
  - 13) concluding a donation agreement or other agreement with a similar effect, with the value exceeding PLN 20,000 or 0.1% 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,
  - 14) discharge of debt or other agreement with a similar effect, with the value exceeding PLN 50,000 or 0.1% 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.
3. The requirement referred to in section 2 item 9) is not applicable to typical transactions or transactions concluded on arm's length basis as part of operating activities performed by the Company with companies that are part of the Capital Group.
  4. Moreover, the competences of the Supervisory Board include, in particular:
    - 1) appointing and dismissing members of the Management Board,
    - 2) establishing the rules of remuneration and the level of remuneration for the Members of the Management Board, subject to § 18,
    - 3) suspending in the right to perform actions members of the Management Board, due to material reasons,
    - 4) delegating Members of the Supervisory Board to temporarily perform actions of the members of the Management Board who cannot perform their actions and establishing their remuneration subject to the restriction that total remuneration of the person delegated as the management board's member as well as on account of being delegated to temporary perform actions of a member of the management board shall not exceed the remuneration established for the member of the management board, whom the member of the board was delegated to replace,
    - 5) conducting qualification proceedings for the position of a member of the Management Board,
    - 6) conducting a competition in order to select a person with whom an agreement to perform management in the Company shall be signed as well as signing an agreement to serve in the Board of the Company,
    - 7) granting permission to establish Company branches abroad,
    - 8) granting permission to the members of the Management Board to take positions in bodies of other companies,

- 9) defining the way of performing the right of vote at the General Meeting or at the Shareholders' Meeting of companies in which the Company has over 50% of stocks or shares, in matters concerning:
  - a) disposal and lease of the company's enterprise or its organized part as well as establishing on them a limited property right, if their value exceeds the equivalent of the amount of EURO 5,000,000 in PLN,
  - b) dissolution and liquidation of the company,
- 10) determining the manner of exercising the voting right by a representative of TAURON Polska Energia S.A. at the General Meeting of companies towards which the Company is a parent entity within the meaning of Article 4(3) of the Act of 16 February 2007 on the protection of competition and consumers (Journal of Laws of 2017 item 229), in relation to the following issues:
  - a) establishment of other company by the company,
  - b) amendment to the articles of association or the company deed and the scope of the company operations,
  - c) merger, transformation, demerger, winding-up and liquidation of the company,
  - d) increasing and decreasing the share capital of the company,
  - e) disposal and lease of the company enterprise or its organised part as well as establishing a limited proprietary right thereon,
  - f) redemption of stocks or shares,
  - g) determining remuneration of members of Management Boards and supervisory boards,
  - h) provisions concerning claims to repair damage caused at establishing of the company or delivering the management or supervision function,
  - i) in relation to matters referred to in Article 17 of the Act of 16 December 2016 on the principles of state assets management (Journal of 2016 items 2259), subject to §15(4).
5. Refusal to grant a permission by the Supervisory Board in issues listed in section 2 as well as section 4 items 7 and 8 requires a written justification.

## **§ 21**

1. The Supervisory Board may, due to material reasons, delegate particular members to perform independently particular supervisory actions for a definite period of time.
2. A delegated member of the Supervisory Board is obliged to submit the Supervisory Board a written report from the performed actions.

## **§ 22**

1. The Supervisory Board consists of 5 (five) to 9 (nine) members, appointed and dismissed by the General Meeting, subject to § 23.
2. Members of the Supervisory Board are appointed for a joint term of office which lasts three years, except for the first term of office which lasts one year.

3. Member of the Supervisory Board shall submit a resignation to the Management Board in writing to the address of the Company's seat.

### **§ 23**

1. Members of the Supervisory Board are appointed and dismissed in the following way:
  - 1) in the period in which the State Treasury, together with subsidiaries of the State Treasury in the meaning of § 10 section 5 of the Articles of Association, possesses a number of Company's shares entitling to perform at least 25% (twenty five percent) of the total votes in the Company, the State Treasury is entitled to appoint and dismiss members of the Supervisory Board, in the amount equalling half of the maximum number of the composition of the Supervisory Board defined in the Articles of Association (in the case the number turns out to be incomplete it is rounded off to an integral number downwards, for example 4.5 is rounded off to 4) increased by 1 subject that the State Treasury:
    - a) is obliged to vote at the General Meeting on the issue concerning establishing the number of the Supervisory Board's members corresponding to the maximum number of members of the Supervisory Board defined in the Articles of Association in the case of submitting such a motion to the Management Board by a shareholder or shareholders possessing a number of shares entitling to perform at least 5% (five percent) of the total of votes in the Company,
    - b) is excluded from the right to vote at the General Meeting concerning the case of appointing and dismissing other members of the Supervisory Board, including independent members of the Supervisory Board; however it does not apply in the case when the Supervisory Board may not act due to the composition being smaller from the one required by Articles of Association, and the shareholders other than the State Treasury present at the General Meeting fail to complete the composition of the Supervisory Board in accordance with the division of seats in the Supervisory Board defined in the present point.
  - 2) in the period, in which the State Treasury, together with State Treasury subsidiaries in the meaning of § 10 section 5 of the Articles of Association, has a number of Company's shares entitling to perform under 25% (twenty five percent) of the total votes in the Company, the State Treasury, represented by the minister responsible for the issues of the State Treasury is authorized to appoint and dismiss one member of the Supervisory Board.
  - 3) appointing and dismissing members of the Supervisory Board by the State Treasury in the way defined in item 1 or item 2 above takes place by means of a statement submitted to the Company.
2. At least two members of the Supervisory Board shall meet independence criteria (independent members of the Supervisory Board). The expression of an "independent member of the supervisory board" shall mean an independent member of the supervisory board in the meaning of the Commission Order of 15 February 2005 on the role of non-executive directors or directors being members



of the supervisory board of listed companies and (supervisory) board's commission (2005/162/EC) taking into consideration Good Practices of Companies Listed at the Warsaw Stock Exchange.

3. Independent members of the Supervisory Board submit to the Company, prior to being appointed to the composition of the Supervisory Board, a written statement of having fulfilled the conditions of independence. In the case of occurrence of a situation causing failure to fulfil the conditions of independence, a member of the Supervisory Board is obliged to immediately inform the Company about this fact. The Company shall inform Shareholders about the actual number of independent members of the Supervisory Board.
4. In a situation, when a number of independent members of the Supervisory Board shall be fewer than two, the Management Board of the Company shall be obliged to immediately summon the General Meeting and put in the agenda of this General Meeting an item concerning changes in the composition of the Supervisory Board. Until introducing changes in the composition of the Supervisory Board based on adjusting the number of independent members to the statutory requirements, the Supervisory Board shall act in its present composition.
5. Stipulations of section 2-4 above shall be binding respectively in the cases where during the term of office a member of the Supervisory Board shall meet the conditions to be deemed an independent member of the Supervisory Board.
6. For the purposes of the present paragraph a parent Company or the Company's subsidiary shall be understood as a related entity. Parent company shall mean an entity in a situation when:
  - 1) it has the majority of votes in bodies of another entity (Subsidiary), also on the basis of agreements with other ones entitled, or
  - 2) it is entitled to appoint or dismiss the majority of members of managing bodies of other entity (Subsidiary), or
  - 3) more than a half of the members of the management board of the other entity (Subsidiary) is at the same time members of the management board or persons performing managerial functions of the first entity or other entity being subsidiary to the first entity.

## **§ 24**

1. Members of the Supervisory Board shall choose at the first meeting the Chairperson, Vice-Chairperson and Secretary of the Board from their circle.
2. The Supervisory Board may dismiss the Chairperson, Vice-Chairperson and Secretary of the Board from their performed functions.
3. Meetings of the Supervisory Board are chaired by the Chairperson, and shall he be absent – by the Vice-Chairperson.
4. Statements addressed to the Supervisory Board between the meetings shall be made to the Chairperson of the Board and shall this be impossible to the Vice-Chairperson and Secretary of the Board.

## **§ 25**

1. The Supervisory Board shall meet at least once every two months.
2. The first meeting of the newly appointed Supervisory Board shall be summoned by the Management Board within 14 (fourteen) days from the date of appointing the Supervisory Board unless a resolution of the General Meeting shall constitute otherwise.
3. Meetings of the Supervisory Board shall be summoned by the Chairperson of the Board or Vice-Chairperson of the Board with presenting a detailed agenda.
4. Meeting of the Supervisory Board shall be summoned upon the demand of each member of the Board or upon the Management Board's motion.
5. Minutes of the meetings of the Supervisory Board are taken in accordance with provisions of art. 391 § 2 of the Code of Commercial Companies.

## **§ 26**

1. In order to summon a meeting of the Supervisory Board a written invitation to all members of the Supervisory Board at least seven days before the meeting of the Board is required. Due to material reasons the Chairperson of the Board may shorten this period to two days defining the way of submitting the invitation.
2. In the invitation to the Supervisory Board's meeting the Chairperson defines the date of the meeting, place of the meeting as well as a detailed draft of the agenda.
3. Change of the suggested agenda may take place when all members of the Board are present at the meeting and nobody objects to the changed agenda.

## **§ 27**

1. The Supervisory Board shall pass resolutions, if at the meeting at least half of its members are present, and all its members have been invited.
2. The Supervisory Board shall pass resolutions in an open ballot.
3. Secret ballot is ordered upon a motion of the Supervisory Board's member as well as in personnel-related issues. In the case of ordering a secret ballot, stipulations of sections 4 shall not apply.
4. The Supervisory Board may pass resolutions in a written mode or by using means of direct distance communication, subject to art. 388 § 4 of the Code of Commercial Companies. Passing a resolution in this way requires prior submission of a draft of the resolution to all members of the Supervisory Board.
5. Resolutions passed in the mode defined in section 4 shall be presented on the next coming meeting of the Supervisory Board together with the results of the voting.

## **§ 28**

1. The Supervisory Board or a Proxy appointed by a resolution of the General Meeting shall conclude contracts constituting the basis of employment of the Members of the Management Board or contracts to serve in the Board. The

Supervisory Board may authorize one of its members to sign the above mentioned contracts.

2. Actions between the Company and the members of the Management Board other than the ones defined in section 1 are performed in the same way.

### **§ 29**

1. The Supervisory Board shall establish the by-laws of the Supervisory Board defining its mode of acting.
2. Members of the Supervisory Board shall perform their rights and obligations personally.
3. Participation in the meeting of the Supervisory Board is a duty of the member of the Board. Member of the Supervisory Board shall provide reasons of his absence in writing. Justification of the absence of the member of the Boards requires the Supervisory Board's resolution.
4. Members of the Supervisory Board are entitled to monthly remuneration in the amount defined by the General Meeting, taking into consideration the binding regulations of law.
5. The Company covers also costs borne in connection with performing by the members of the Supervisory Board functions entrusted to them, especially costs of transport from the place of residence to the place where Supervisory Board's meeting or Supervisory Board Committee's meeting is held and back, cost of performing individual supervision, cost of accommodation and catering.

## **C. GENERAL MEETING**

### **§ 30**

1. The General Meeting is summoned in the way and on the basis of rules defined in the Code of Commercial Companies.
2. In the case when the General Meeting is summoned by an entity or body other than the Management Board on the basis of regulations of the Code of Commercial Companies and summoning the General Meeting requires cooperation from the Management Board, the Management Board shall be obliged to perform all actions defined by law in order to summon, organize and carry out the General Meeting.

### **§ 31**

General Meetings shall take place in the seat of the Company or in Warsaw.

### **§ 32**

The General Meeting shall be opened by the Chairperson of the Supervisory Board and in case of his absence to open the General Meeting the following persons in the following order are authorized: Vice-Chairperson of the Supervisory Board, President of the Management Board, a person appointed by the Management Board or a

shareholder who registered at the General Meeting shares entitling him to perform the highest number of votes. Then, among the persons entitled to take part in the General Meeting the Chairperson of the Meeting is selected.

### **§ 33**

1. The General Meeting shall pass resolutions irrespective of the number of shares represented at the Meeting unless regulations of the Code of Commercial Companies as well as provisions of the present Articles of Association shall state otherwise.
2. Resolutions with respect to matters provided for in § 5 (3) shall be adopted by the General Meeting with the majority of two thirds of the votes in the presence of persons representing at least half of the share capital.

### **§ 34**

The General Meeting may order a break in the meeting by the majority of two thirds of votes. In total, the breaks shall not last longer than thirty days.

### **§ 35**

1. The following actions require a resolution of the General Meeting:
  - 1) examining and accepting financial report of the Company and consolidated financial report of the Capital Group for the previous financial year as well as the Management Board's report on the Company's activity and the Management Board's report on the Capital Group's activity,
  - 2) granting the vote of approval to the members of the Company's bodies for performing their duties,
  - 3) division of profit or coverage of loss,
  - 4) appointing and dismissing members of the Supervisory Board,
  - 5) suspending members of Management Board in performing their functions,
  - 6) establishing the amount of remuneration for the Members of the Supervisory Board, subject to § 29 section 4.
  - 7) disposal and lease of the Company's enterprise or its organized part as well as establishing on them a limited property right,
  - 8) concluding by the Company a credit, loan, surety agreement or any other similar agreement with a member of the management board, supervisory board, procurator, liquidator or for any of these persons. Concluding a credit, loan, surety or any other similar agreement with a member of the management board, supervisory board, procurator, liquidator or for any of these persons by a subsidiary,
  - 9) increasing and decreasing the share capital of the Company,
  - 10) issuing convertible bonds or priority bonds as well as registered securities or bearer securities entitling their owner to subscribe or acquire the shares,

- 11) purchasing own shares in the cases when it is required by the regulations of the Code of Commercial Companies,
  - 12) compulsory buyout of shares in accordance with the stipulations of art. 418 of the Code of Commercial Companies,
  - 13) creating, using and liquidation of reserve capitals,
  - 14) using reserve capital,
  - 15) provisions concerning claims to repair damage made at establishing the company or serving in the board or performing supervision,
  - 16) merger, transformation or division of the Company,
  - 17) redemption of shares,
  - 18) change of Articles of Association and change of the subject of the Company's activity,
  - 19) dissolution and liquidation of the Company.
2. Purchase and disposal of property, perpetual usufruct or share in property or perpetual usufruct do not require permission from the General Meeting.

### **§ 36**

1. Motions in cases indicated in § 35 shall be submitted together with justification and a written opinion of the Supervisory Board. Motions concerning members of the Supervisory Board, especially in cases specified in § 35 section 1 item 2 do not require an opinion of the Supervisory Board.
2. The requirement to give opinion by the Supervisory Board does not apply to motions submitted by authorized shareholders.

## **VI. MANAGEMENT OF THE COMPANY**

### **§ 37**

The financial year of the Company shall be the calendar year.

### **§ 38**

1. The Company shall create the following capitals and funds:
  - 1) share capital,
  - 2) supplementary capital,
  - 3) revaluation reserve,
  - 4) other reserve capitals,
  - 5) other funds established by means of the General Meeting resolution.
2. The Company may create or annul by a resolution of the General Meeting other capitals to cover particular losses or expenses at the beginning and during the financial year.

### **§ 38<sup>1</sup>**

1. Disposal of items of fixed assets by the Company within the meaning of the Accounting Act of 29 September 1994, with the value above 0.1% of the total assets, determined on the basis of the last approved financial statements takes

place under the tendering procedure, unless the value of the item disposed of does not exceed PLN 20,000.

2. The Company may dispose of items of fixed assets without performing the tendering procedure in the case if:

- 1) the object of the agreement covers shares/stocks or other components of financial fixed assets or licenses, patents or other industrial property rights or know-how, if the terms and conditions and the mode of sales other than public procurement procedure are defined under the resolution of the Supervisory Board,
- 2) the disposal shall take place under a liquidation procedure pursuant to the rules defined under the resolution of the Supervisory Board, maintaining the effectiveness of separate provisions,
- 3) the object of the agreement covers housing premises constituting the property of the company and the sales takes place at a price which is not lower than 50% of their market value, in favour of the tenant or a close person permanently living with the tenant, within the meaning of Article 4(13) of the Act of 21 August 1997 on the real estate management; the price shall be determined taking into account the fact that the object of sales are occupied premises; the value of improvements shall count towards the price of the premises,
- 4) in other justified cases, on request of the Management Board, at a price and pursuant to the rules determined under the resolution of the Supervisory Board,
- 5) the disposal takes place in favour of subsidiaries,
- 6) the object of disposal covers CO<sub>2</sub> emission allowances and their equivalents.

3. The following procedure for disposal of fixed assets is determined:

- 1) The call for tender shall be published in the Public Information Bulletin on the website of the Company, in a visible place accessible to the public, on the premises of the Company and in other places customarily accepted for placing announcements,
- 2) The tendering procedure may take place, at the earliest, after the lapse of 14 days following the day of announcement of the call for tender,
- 3) The following persons must not participate in the tender as tenderers:
  - a) Members of the Management Board and the Supervisory Board of the Company,
  - b) an economic operator conducting the tender as well as Members of its Management Board and Supervisory Board,
  - c) persons entrusted with the performance of activities associated with conducting of the tender,

- d) a spouse, children, parents and siblings of persons referred to in items a-c,
  - e) persons remaining in such a legal or factual relationship with the entity conducting the tender which may raise justified doubts as to the impartiality of the person conducting the tender,
- 4) the prerequisite to participate in the tender is the submission of a bid bond at a level of minimum 5% of the starting price of a sold item of fixed assets. The regulations referred to in section 8 may stipulate a higher value of the bid bond,
  - 5) Prior to commencing the tender, the Company shall determine a starting price which must not be lower than the market value determined by valutors; if such a value cannot be determined, this price must not be lower than the net carrying amount,
  - 6) The Company may derogate from the valuation of the sold item of fixed assets by a valuator, if:
    - a) the cost of its valuation obviously exceeds the market value,
    - b) the item of fixed assets has a determined market price,
  - 7) The tender shall be performed in the following forms:
    - a) oral tender,
    - b) written tender,
  - 8) The regulations defining the procedure and terms of performing the tender, the content of the announcement on the call for tender, the form of tender and the conditions of the tender shall be defined by the Company,
  - 9) The organiser of the tender shall be entitled to close the tender without selecting any of the offers, without stating the reasons,
  - 10) The tenderer to offer the highest price will win the tender.

### **§ 39**

The Management Board of the Company is obliged to:

- 1) make a financial report together with a report from the Company's activity for the previous financial year within three months from the balance sheet date,
- 2) submit the financial report for examination by a certified auditor,
- 3) submit documents specified in item 1, together with the opinion and report of the certified auditor to the Supervisory Board for evaluation,
- 4) submit to the Ordinary General Meeting documents mentioned in item 1, opinion together with the report of a certified auditor as well as report of the Supervisory Board which is mentioned in § 20 section 1 item 3, until the end of the sixth month from the balance sheet date.

### **§ 40**

1. The way of allocating the net profit shall be defined by a resolution of the General Meeting.
2. The General Meeting shall make assignments from profit to supplementary capital in the amount of at least 8% of the profit for the given financial year until this capital reaches at least one third of the share capital.

3. The General Meeting may allocate part of the profit to:
  - a) shareholders' dividend,
  - b) other capitals and funds,
  - c) other purposes.
4. Record day and dividend payment date shall be determined by the Ordinary General Meeting. The record day may be determined as of the date of adoption of a resolution on distribution of profit or within the next three months of the date.
5. Company's Management Board is entitled to pass a resolution concerning paying the shareholders an advance payment on account of the anticipated dividend at the end of the financial year shall the Company have means sufficient for the payment. Payment of an advance payment requires permission of the Supervisory Board. The condition to pay by the Company an advance payment on account of the anticipated dividend is reaching and showing profit in the Company's financial report for the previous financial year, examined by a certified auditor. The advance payment may constitute maximum half of the profit reached from the end of the previous financial year, shown in the financial report examined by a certified auditor, increased by reserve capitals created from profit, which the Board may possess in order to pay advance payments as well as decreased by uncovered losses and own shares.

## **VII. PUBLICATION PROVISIONS**

### **§ 41**

The Company shall publish its announcements, included in the publication obligation in the Official Court and Economic Gazette, unless the provisions of the Code of Commercial Companies or other binding regulations require a publication in other way.

## **VIII. FINAL PROVISIONS**

### **§ 42**

1. Due to reasons provided for in the regulations of law the Company shall be dissolved.
2. Liquidators of the Company shall be members of the Management Board of the Company, unless a resolution of the General Meeting shall constitute otherwise.
3. Whenever in the Articles of Association an amount is expressed in EURO it shall be understood as an equivalent of this amount expressed in Polish currency, established on the basis of average exchange rate of PLN, announced by the National Bank of Poland on the day preceding passing the resolution by an appropriate body of the Company entitled to give consent to perform actions in connection with which the equivalent is established, subject to § 43 section 2 item 1 of the Articles of Association.
4. Whenever reference is made in the Articles of Association to Capital Group – it should be understood as a capital group in line with the definition provided in the Accounting Act.



5. Whenever in the Articles of Association a reference is made to a related entity, it shall be understood as a company related in the meaning assigned to that expression in the International Reporting Standards (IRS).