

Proposed amendments to the Articles of Association of TAURON Polska Energia S.A.  
to be discussed by the Ordinary General Meeting  
convened on 29 May 2017

**1. A new section 4 shall be added to §5, which shall read as follows:**

“4. The Company implements tasks related to provision of energy security of the Republic of Poland”.

**2. § 10 section 8 shall read as follows:**

“8. Each shareholder who is going to take part in the General Meeting, in person or through a proxy is obliged to, without a separate notice stipulated in item 9 below, notify the Management Board or the Chairperson of the General Meeting that she/he holds, directly or indirectly, more than 10 % (ten per cent) of the total number of votes in the Company. The above obligation shall not apply to the State Treasury.”.

**Current wording of § 10(8):**

“8. Each shareholder who is going to take part in the General Meeting, in person or through a proxy is obliged to, without a separate notice stipulated in item 9 below, notify the Management Board or the Chairperson of the General Meeting that she/he holds, directly or indirectly, more than 10 % (ten per cent) of the total number of votes in the Company.”.

**3. § 15 shall read as follows:**

“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”.

**Current wording of § 15:**

§15

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.”

**4. Sections 3 and 4 shall be added to §16, which shall read as follows:**

“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".

**5. Section 4 shall be added to §17, which shall read as follows:**

"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".

**6. The existing §18 shall read as follows:**

"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”.

**Current wording of § 18:**

“§18

Rules and amount of remuneration of the members of the Management Board are established by the Supervisory Board taking into consideration the binding regulations

of law, subject to § 43(2)(1).”

**7. The existing § 20(1)(7) shall read as follows:**

“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,”

**Current wording of § 20(1)(7):**

“7) selecting a certified auditor to perform the examination of the Company’s financial report and consolidated financial statement of the Capital Group,”

**8. In § 20(1) in item 15, the full stop is replaced by a comma and items 16, 17 and 18 are added which shall read as follows:**

“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”.

**9. In § 20(2) in item 9, the full stop is replaced by a comma and items 10-14 are added which shall read as follows:**

“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”.

**10. The existing § 20(4)(2) shall read as follows:**

“2) establishing the rules of remuneration and the level of remuneration for the Members of the Management Board, subject to § 18”,

**Current wording of § 20(4)(2):**

“2) establishing the rules of remuneration and the level of remuneration for the Members of the Management Board, subject to § 43(1)(1),”

**11. In § 20(4), in item 4) the full stop is replaced by a comma.**

**12. In § 20(4), in item 9) letter b) the full stop is replaced by a comma and item 10) is added which shall read as follows:**

„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 Laws of 2016 items 2259), subject to §15(4).”

**13. §38<sup>1</sup> is added which shall read as follows:**

“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”.

**14. Chapter IX “TRANSITIONAL PROVISIONS” shall be deleted.**

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