

RATIONALE

Rationale to item 18 of the amended agenda of the Ordinary General Meeting:

- 18. Adoption of the resolution concerning the amendment to Resolution no. 5 of the Extraordinary General Meeting of 15 December 2016 concerning the principles for determining remuneration of the Management Board members.*

On 1 January 2017, the Act of 16 December 2016 on the *principles of state assets management* entered into force (Journal of Laws of 2016 item 2259), which determines the requirements towards a candidate for a member of a supervisory body appointed by an entity authorised to exercise rights attaching to the shares held by the State Treasury or a state legal person. One of the requirements is passing an examination for candidates for members of supervisory bodies before the examination commission appointed by the Prime Minister.

Moreover, pursuant to the Act of 16 December 2016 on the *Provisions implementing the Act on the principles of state assets management* (Journal of Laws of 2016, item 2260), the Ministry of Treasury which was responsible for organising the examinations for candidates for members of supervisory bodies has been wound up. In connection with the said changes, a transitional break in organising the examinations for candidates for members of supervisory bodies occurred.

Considering the content of Resolution no. 5 of the Extraordinary General Meeting of 15 December 2016 concerning the principles for determining remuneration of the Management Board members, which defined the additional management objective to be delivered by 30 June 2017, i.e. development of supervisory board composition in all companies of the Capital Group, so that their members hold the mandate to participate in supervisory boards, confirmed by passed exam for candidates for supervisory board members, or hold statutory powers waiving the obligation to pass the exam, it becomes necessary to undertake measures aimed at extending the above deadline by 31 December 2017 through the amendment to the aforementioned resolution.

Moreover, under the Act of 16 December 2016 on the *Provisions implementing the Act on the principles of state assets management*, amendments were introduced to the Act of 16 December 2016 on the *principles of state assets management*, consisting in applying new wording to Article 4(7) of this Act. In accordance with the current wording of this provision, the fulfilment of the obligations arising from Articles 17-20, Article 22 and Article 23 of the Act on the *principles of state assets management* has been defined as a separate goal determining a possibility of receiving of a floating part of the remuneration of members of the management bodies for a given financial year of the company.

Rationale to items 19 and 20 of the amended agenda of the Ordinary General Meeting:

- 19. Adoption of the resolution concerning the amendments to the "Articles of Association of TAURON Polska Energia S.A."*
- 20. Adoption of the resolutions on the following issues:*
- 1) disposal of components of fixed assets,*
 - 2) rules of procedure while concluding agreements for legal services, marketing services, PR services and social communication, and advisory services associated with management as well as amendments to such agreements,*
 - 3) rules of procedure while concluding agreements on donations, discharge of debt or other agreements with similar implications by the Company,*

- 4) *principles and procedure for disposal of fixed assets,*
- 5) *the obligation to submit a report on representation expenses, expenses incurred for legal services, marketing services, PR services and social communication, and advisory services associated with management,*
- 6) *determining the requirements for a candidate for a member of the Company Management Board,*
- 7) *concerning the fulfilment of the obligations arising from Article 17(7), Article 18(2), Article 20 and Article 23 of the Act on principles of state assets management.*

The Act of 30 December 2016 *on the principles of state assets management* has imposed the obligation on entities authorised to exercise rights attaching to the shares held by the State Treasury to undertake measures in order to determine issues which should require special supervision in the scope of disposal of a company assets by way of the relevant resolution of the general meeting or in the Articles of Association of the company, as well as defined the requirements for candidates for members of supervisory and management bodies. In addition, the Act has imposed the obligation to introduce a procedure for the selection of members of the management board following a qualification procedure conducted by the Supervisory Board, with the aim of checking and evaluation of candidates' qualifications.

Due to their significant nature and importance, the proposed changes should be reflected in the provisions of the Articles of Association. The Articles of Association, as an internal act regulating the operations of the company, should demonstrate a clear distribution of competence of members of companies' corporate bodies, contain transparent rules of disposal of their assets, rules concerning taking investment decisions, method of appointing members of supervisory and management bodies and determining their remuneration as well as standards related to activities undertaken by companies' management boards, inter alia, in such areas as consulting, marketing, sponsoring or representation expenses. In accordance with the Act of 16 December 2016 *on the principles of state assets management*, those areas should be consistently standardised in companies with the State Treasury shareholding. For the foregoing reasons, it is justified to implement the provisions of the Act directly into the Articles of Association of the Company, instead of implementing them by means of resolutions of the general meeting. In case of adoption of the resolution concerning the amendment to the Articles of Association in the said scope, the proceeding of draft resolutions referred to in item 20 of the amended agenda of the Ordinary General Meeting will become redundant.

Notwithstanding the foregoing, it should be emphasised that the proposed changes shall not by any means infringe interests of minority shareholders. Moreover, they would provide them with a greater access to information on the Company and influence of decisions taken.