

Warsaw, 26 May 2020

**RESOLUTION NO. 258/XI/2020  
of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A.  
of 26 May 2020**

**concerning the presentation of an opinion on the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and concerning the adoption of "The remuneration policy for the members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A."**

In connection with the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. of 21 May 2020 (resolution no. 322/50/2020 of the Management Board of PGE Polska Grupa Energetyczna S.A. adopted on 20 May 2020), acting pursuant to § 18 clause 1 item 15 of the Statutes of PGE Polska Grupa Energetyczna S.A., the Supervisory Board of PGE Polska Grupa Energetyczna S.A. decides as follows:

**§ 1.**

The Supervisory Board gives its positive opinion on the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and concerning the adoption of "The remuneration policy for the members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.".

**§ 2.**

The resolution becomes effective as at the time of its adoption.

The resolution has been voted on in an open ballot.

8 members of the Supervisory Board have participated in the ballot.

The resolution has been adopted as follows: 8 votes for the resolution, 0 votes against the resolution, 0 abstaining votes.

Chairperson of the Supervisory Board  
of the company PGE Polska Grupa Energetyczna S.A.

Anna Kowalik

Members of the Supervisory Board:

Janina Goss .....

Tomasz Hapunowicz .....

Grzegorz Kuczyński .....

Mieczysław Sawaryn .....

Jerzy Sawicki .....

Artur Składanek .....

Radosław Winiarski .....

**RESOLUTION NO. 258/XI/2020 of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A. of 26 May 2020 concerning the presentation of an opinion on the motion of the Management Board of PGE Polska Grupa Energetyczna S.A. to be submitted to the General Meeting of PGE Polska Grupa Energetyczna S.A. and concerning the adoption of "The remuneration policy for the members of the Management Board and the Supervisory Board of PGE Polska Grupa Energetyczna S.A."**

**The Remuneration Policy**  
**for the Members of the Management Board and Supervisory Board**  
**of PGE Polska Grupa Energetyczna S.A.**

**Preamble**

The remuneration policy for the Members of the Company's Management Board and Supervisory Board specifies the basis and principles of determining, calculating and paying remuneration to Members of the Management Board and Supervisory Board. The solutions adopted in the Policy should contribute to the implementation of the Company's business strategy, the pursuit of its long-term interests, and its stability.

The legal basis for drawing up the Policy is the provisions of the Act on public offering, conditions governing the introduction of financial instruments to an organized trading system, and public companies of 29 July 2005.

**§ 1**

**Definitions**

The terms defined below have the following meanings in the Policy:

1. "**Capital Group**" – the Company and its Subsidiaries;
2. "**KSH**" – the Commercial Companies Code of 15 September 2000;
3. "**Policy**" - this document adopted pursuant to Article 90d clause 1 of the Public Offering Act and pursuant to Article 2 of the Remuneration Act;
4. "**Supervisory Board**" – the Supervisory Board of the Company;
5. "**Company**" – PGE Polska Grupa Energetyczna S.A.;
6. "**Subsidiary**" – a company that is an entity subordinate to the Company within the meaning of Article 4 clause 15 of the Public Offering Act;
7. "**Public Offering Act**" – the Act on public offering, conditions governing the introduction of financial instruments to an organized trading system, and public companies of 29 July 2005;
8. "**Remuneration Act**" – the Act on the principles determining the amount of remuneration for people managing certain companies of 9 June 2016;
9. "**General Meeting**" – the General Meeting of the Company;
10. "**Management Board**" - the Management Board of the Company.

**§2**

**Components of Remuneration for Management Board Members**

1. The total remuneration of a Member of the Management Board consists of a fixed part constituting a basic monthly remuneration expressed as a fixed amount ("**Fixed Remuneration**") and a variable part constituting a supplementary remuneration for the Company's financial year ("**Variable Remuneration**").
2. The provisions of clause 1 above do not exclude the possibility of granting a Member of the Management Board other cash or non-cash benefits permitted under the Remuneration Act, including those specified in § 8 section 1 of the Policy.
3. Only the Fixed Remuneration constitutes an obligatory part of the remuneration payable to Members of the Management Board.

**§3**

**Fixed Remuneration of Management Board Members**

The amount of the monthly Fixed Remuneration of a Member of the Management Board is determined each time by the Supervisory Board within the amount range resulting from the Remuneration Act, with the proviso that the Fixed Remuneration of a Member of the Management Board will be determined within the amount range of from 7 to 15 times the assessment basis referred to in Article 4 of the Remuneration Act, taking into account the applicable detailed legal regulations determining its amount.

#### **§ 4**

##### **Variable Remuneration (Variable Components of Remuneration)**

1. The Variable Remuneration of a Member of the Management Board depends on the degree to which Managerial Objectives have been achieved and may not exceed 100% of the Fixed Remuneration received by a Member of the Management Board in the financial year for which the Variable Remuneration is to be granted.
2. The catalogue of general Managerial Objectives includes in particular the following:
  - a) the achievement of EBITDA for the PGE Capital Group at the level specified in the approved material and financial plan for a given financial year;
  - b) compliance with the covenants under credit agreements – (net debt/EBITDA);
  - c) the achievement of the required availability index for the selected power generation units of the Capital Group;
  - d) the implementation of particular strategic investment projects and programmes;
  - e) the adjustment of the Capital Group to the structural changes of the sector by way of implementing strategic programmes and projects other than those referred to in letter d above;
  - f) the effective utilization of the potential of innovation;
  - g) the development of a systemic approach to communication within the PGE Capital Group with respect to projects.
3. In each financial year, additional Managerial Objectives are established whose achievement determines the possibility of achieving the Variable Remuneration. Such additional Managerial Objectives include in particular the following:
  - a) the development and application of the principles of establishing remuneration for members of management and supervisory bodies in subsidiaries in accordance with the principles specified in the Remuneration Act;
  - b) the fulfilment of the obligations referred to in Articles 17-20, Article 22, and Article 23, taking into account Article 18a and Article 23a of the State Property Management Act of 16 December 2016.
4. The Supervisory Board is authorized to determine detailed Managerial Objectives, their respective weights, as well as objective and measurable criteria of their accomplishment and settlement (KPI - key performance indicators), subject to the following conditions:
  - a) a given Member of the Management Board is entitled to the Variable Remuneration after the approval of the Management Board's report on the Company's activities and the Company's financial statements for a given financial year and after the acknowledgement of their discharge of duties in a given financial year by the General Meeting;
  - b) the payment of a part of the Variable Remuneration may be delayed for up to 36 months depending on the fulfilment of conditions, by a specified deadline, in accordance with the established Managerial Objectives; then such a part of the Variable Remuneration may be paid in full or in part at the end of a settlement period;
  - c) the Variable Remuneration is calculated on a pro rata basis. Proportionality depends on the number of days on which a Member of the Management Board has provided their services in a given financial year;
  - d) the Supervisory Board ascertains the fulfilment of the conditions for the granting of the Variable Remuneration by particular Members of the Management Board for whom Managerial Objectives have been established for a given financial year and who have performed their functions in the year under assessment, determining the due amount on the basis of financial statements checked by certified auditors as well as other documents, depending on the

established Managerial Objectives. Issues related to the recovery of the Variable Remuneration are regulated by the binding provisions of the law.

5. The expiry of the mandate of a Member of the Management Board undergoing assessment with respect to the achievement of the Managerial Objectives does not result in the loss of the right to receive the Variable Remuneration under the conditions specified in clauses 1-4 above, provided that such a Member of the Management Board has performed their functions for a period longer than 3 (three) months in the financial year under assessment.
6. The criteria for awarding the Variable Remuneration defined above in terms of general Managerial Objectives also apply (at a detailed level determined by the Supervisory Board) to taking into account social interests, the Company's and the Capital Group's contributing to environmental protection and taking actions aimed at preventing and eliminating negative social effects of the Company's and the Capital Group's operations by modernizing the Company and the Capital Group. The criteria specified in Managerial Objectives are to contribute to the achievement of the objectives set out in Article 90d clause 2 of the Public Offering Act by linking the remuneration to the execution of management processes involving the implementation of the business strategy of the Company and the Capital Group.

## **§ 5**

### **Mutual Proportions of Remuneration Components**

1. The proportion of the Variable Remuneration to the Fixed Remuneration is specified in § 4 clause 1 above.
2. However, under no circumstances may the Variable Remuneration be higher than the amount specified in the Remuneration Act.

## **§ 6**

### **Agreements with Management Board Members, Their Terms, and Severance Benefits**

1. With a Member of the Management Board, the Company enters into an agreement for the provision of managerial services for the duration of appointment ("Agreement"). A Member of the Management Board is obliged to provide such services in person. The Agreement is entered into within the scope of business activities conducted by a Member of the Management Board.
2. The content of the Agreement is determined by the Supervisory Board pursuant to the provisions of the Policy and taking into account the relevant legal regulation in force on the date of the execution of the Agreement.
3. The Agreement obliges a Member of the Management Board to notify the Company of any intention to perform functions in the governing bodies of any other commercial company or to acquire shares in such a company and to obtain the consent of the Supervisory Body for such actions; the Agreement may provide for a prohibition against performing functions in the governing body of any other commercial company or it may impose other restrictions concerning additional activities of a Member of the Management Board.
4. A Member of the Management Board must not receive remuneration for performing the function of a member of a governing body in companies subsidiary to the Company within the capital group, within the meaning of Article 4 clause 14 of the Competition and Consumer Protection Act of 16 February 2007.
5. The Supervisory Board is authorized to determine prohibitions and restrictions referred to in clauses 3 and 4 above, reporting obligations relating to compliance with such prohibitions and restrictions, as well as sanctions for any improper fulfilment of such obligations.
6. In the event of the expiry of the mandate, in particular in consequence of the death, dismissal or resignation of a Member of the Management Board, the Agreement will terminate on the last day of a Member's performing the function without any necessity of additional activities.
7. Either Party has the right to terminate the Agreement with immediate effect in the event of the other Party's material breach of the provisions of the Agreement.

8. Either Party has the right to terminate the Agreement for reasons other than those specified in clause 7 with a notice period of 3 (three) months subject to the condition that if during the notice period there occurs an event referred to in clause 6 and resulting in the termination of the Agreement in consequence of discontinuation in the performance of the function, the Agreement will be terminated pursuant to clause 6.
9. If the Agreement is rescinded or terminated by the Company for reasons other than those specified in clause 7, a Member of the Management Board may be granted a severance pay in the amount not higher than 3 (three) times the Fixed Remuneration provided that such a Member has performed the function for a period of at least 12 (twelve) months before the termination of the Agreement.
10. A Member of the Management Board is not entitled to the severance pay referred to in clause 9 if:
  - a) the Agreement is terminated, rescinded, or amended in consequence of a change in the function performed by a Member in the Management Board;
  - b) the Agreement is terminated, rescinded or amended in consequence of appointing a Member for another term of office of the Management Board;
  - c) a Member is appointed as a Member of the Management Board in a company belonging to the Capital Group;
  - d) a Member resigns from their function.
11. If no agreement has been entered into with a Member of the Management Board, then the relationship resulting from the act of appointment to the Management Board (corporate relationship) will be established for the period of performing a function in the Management Board and will expire in the cases specified in clause 6 above and in other cases indicated in the applicable legal regulations.

## **§ 7**

### **Non-Competition Agreement and Related Benefits**

1. The Supervisory Board and a Member of the Management Board may enter into a non-competition agreement binding and effective after discontinuation in the performance of the function; such a non-competition agreement may be entered into only if a Member of the Management Board has performed their function for a period of at least 6 (six) months, with the proviso that the amount of a monthly compensation may not exceed 50% of the Fixed Remuneration.
2. Entering into a non-competition agreement after the termination or rescindment of the Agreement is not permissible.
3. The period of the prohibition against competition may not exceed 6 (six) months from the discontinuation of the performance of the function of a Member of the Management Board.
4. Should a Member of the Management Board fail to perform, or improperly perform, a non-competition agreement, such a Member will be obliged to pay the Company a contractual penalty in the amount not lower than the amount of compensation due for the whole non-competition period.
5. In a non-competition agreement, the Supervisory Board is obliged to determine at least activities competitive to those of the Company, the amount of compensation for complying with the prohibition against competition, the deadline for the payment of such compensation, information provision obligations of a Member of the Management Board, as well as cases in which the prohibition against competition becomes ineffective. The Supervisory Board may determine the Company's right to withdraw from a non-competition agreement or the Parties' rights to terminate a non-competition agreement.

## **§ 8**

### **Additional Benefits**

1. Apart from the remuneration referred to in § 3 and § 4, the Supervisory Board may additionally, in justified cases, under the Agreement, grant Members of the Management Board the right to additional benefits.

2. In the Agreement, the Supervisory Board will determine the scope and principles of providing a Member of the Management Board with technical equipment and resources constituting the Company's assets and necessary for the performance of the function; the Supervisory Board may also determine limits or a manner of determining limits concerning costs incurred by the Company in connection with providing a Member of the Management Board with such equipment and resources as well as a Member's using such equipment and resources for business purposes.

## **§9**

### **Remuneration of Supervisory Board Members**

1. The remuneration of Members of the Supervisory Board results from the relationship of appointment.
2. The remuneration structure for persons performing the functions of Members of the Supervisory Board consists of a fixed remuneration determined in connection with the appointment as Chairperson of the Supervisory Board or Member of the Supervisory Board.
3. The monthly remuneration of Members of the Supervisory Board is the product of the assessment basis referred to in the Remuneration Act and the following multiplier:
  - a) for the Chairperson of the Supervisory Board – 1.7,
  - b) for other Members of the Supervisory Board – 1.5.
4. Members of the Supervisory Board are entitled to the remuneration referred to above, regardless of the number of convened meetings.
5. No remuneration is due for a month in which a Member of the Supervisory Board has not been present at any properly convened meeting and the absence has not been excused. The Supervisory Board makes a decision to excuse or not to excuse the absence of a Member of the Supervisory Board at a meeting by way of a resolution.

## **§ 10**

### **Taking into Account Working and Remuneration Conditions of Company Employees in Determining Remuneration for Members of Management Board and Supervisory Board**

In the process of determining the principles and amounts of remuneration for Members of the Management Board and the Supervisory Board, the principles of remuneration applicable to all Company employees are taken into account, including benefits granted to employees by the Company and the current situation on the labour market in the place where the Company conducts its business activities. In particular, when determining the amount of remuneration of a Member of the Management Board, the Supervisory Board takes into account the current amount of remuneration granted to employees holding managerial and independent positions in the Company.

## **§ 11**

### **Policy Establishment, Implementation, and Review**

1. The Policy is each time developed and prepared by the Management Board. The Management Board is responsible for the information contained in the Policy. The Management Board implements the Policy and prepares its updates.
2. The Supervisory Board gives its opinion on the Policy and exercises supervision over its implementation.
3. The final version of the Policy is subject to adoption by way of a resolution of the General Meeting, which may introduce changes to the received draft Policy.
4. A resolution on the Policy is adopted not less frequently than every 4 (four) years. If the need to make a significant change to the Policy within a period shorter than 4 (four) years from the adoption of the last change is identified, the Supervisory Board or the Management Board (after obtaining an opinion of the Supervisory Board) submits a relevant motion to the General Meeting. The Supervisory Board may submit a motion to the General Meeting requesting a change in the Policy on its own initiative or at the request of the Management Board.

5. Each year the Supervisory Board reviews the application of the Policy and prepares a remuneration report in accordance with the Public Offering Act. The first remuneration report is prepared by the Supervisory Board for the financial years 2019 and 2020, and subsequently for each financial year.

## **§ 12**

### **Managing Conflicts of Interest Related to Policy**

1. The division of authority in determining the amount of remuneration provided for in Articles 378 and 392 of the Commercial Companies Code serves to prevent the occurrence of conflicts of interest in the scope of the issues regulated by the Policy.
2. If any Member of the Management Board or Supervisory Board identifies a likelihood of a conflict of interest with respect to the issues regulated by the Policy, they notify the Chairperson of the Supervisory Board (in case of Members of the Management Board) or the President of the Management Board (in case of Members of the Supervisory Board).
3. In the event of receiving a notification referred to in clause 2 above, the Supervisory Board initiates a procedure aimed at updating the Policy, in accordance with the provisions of the Policy, in order to eliminate or prevent the occurrence of the identified conflict of interest.

## **§ 13**

### **Achievement of Objectives Indicated in Article 90d Section 2 of Public Offering Act**

The Policy contributes to the achievement of the objectives indicated in Article 90d clause 2 of the Public Offering Act by linking the remuneration of Members of the Management Board to the following:

1. the managerial qualifications of Members of the Management Board,
2. the duration of performing functions in the Company,
3. the achievement of Managerial Objectives, including strategic objectives,
4. the award of the Variable Remuneration after the approval of audited financial statements and the granting of discharge, and
5. the possibility of deferring the payment of the Variable Remuneration.

## **§ 14**

### **Remuneration in the Form of Financial Instruments, Pension Schemes and Early Retirement Schemes**

1. The Company does not grant remuneration in the form of financial instruments to Members of the Management Board or Members of the Supervisory Board.
2. The Company does not operate any pension or early retirement schemes for Members of the Management Board or Members of the Supervisory Board.

## **§ 15**

### **Description of Changes Introduced in Relation to Previous Remuneration Policy**

1. The Policy is the first policy adopted in the Company within the meaning of the Public Offering Act. Until the date of adoption of the Policy, the Company did not have a remuneration policy for Members of the Management Board and Members of the Supervisory Board within the meaning of the Public Offering Act.
2. The previous principles of determining remuneration of Members of the Management Board were established by way of resolution no. 4 adopted by the Extraordinary General Meeting on 2 December 2019 and concerning the principles of determining remuneration of Members of the Management Board and the revocation of resolution no. 4 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 14 December 2016 and concerning the principles of determining remuneration of Members of the Management Board as well as the revocation of resolution no. 37 adopted by the Ordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 27 June 2017 and concerning an amendment to resolution no. 4 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 14 December 2016.

3. The previous principles of determining remuneration of Members of the Supervisory Board were established by way of resolution no. 5 adopted by the Extraordinary General Meeting on 2 December 2019 and concerning an amendment to resolution no. 5 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna on 14 December 2016 and concerning the principles of determining remuneration of Members of the Supervisory Board.
4. The principles for determining remuneration specified in clauses 2 and 3 of this paragraph are maintained due to the fact that the Company's remuneration policy is determined by not only the provisions of the Public Offering Act but also the provisions of the Remuneration Act.

#### **§ 16**

##### **Detailed Rules Applicable to Particular Elements of Policy**

1. The General Meeting authorizes the Supervisory Board to specify detailed rules applicable to the elements of the Policy indicated in § 2 to § 8 above, including in particular the determination of the Variable Remuneration, subject to taking into account changes in the amount of this Remuneration, adequate to the Company's financial results, the achievement of Managerial Objectives, the occurrence of the circumstances provided for in the Remuneration Act.
2. On the basis of such authorization, the Supervisory Board may also decide to establish detailed rules applicable to the Policy by adopting Regulations on Remuneration of the Management Board.

#### **§ 17**

##### **Temporary Suspension of Policy**

Subject to the restrictions set out in the Remuneration Act, if it is necessary for the achievement of the Company's long-term interests and financial stability or to guarantee its profitability, the Supervisory Board may decide to suspend temporarily the application of the Policy. The reason for such temporary suspension of the application of the Policy is the occurrence of a situation where the Company's financial stability is endangered or the Company's profitability cannot be guaranteed as a result of failure to implement the budgetary guidelines in a significant part. The application of the Policy is suspended by way of a resolution of the Supervisory Board, which at one time may provide for a suspension period not longer than 12 (twelve) months. Such suspension may apply to the Fixed Remuneration and the Variable Remuneration.

#### **§ 18**

##### **Publication of Policy**

The Company immediately publishes the Policy and the resolution on the Policy, together with the date of its adoption and the results of the vote on the resolution, on its website. These documents remain available at least as long as they are applicable.

#### **§ 19**

##### **Final Provisions**

1. The Policy comes into force on the date on which the General Meeting of the Company adopts the resolution on its approval.
2. The benefits and entitlements acquired before the effective date of the Policy are governed by the regulation applicable at that time.