



ZESPÓŁ ELEKTROCIEPŁOWNI WROCŁAWSKICH

KOGENERACJA SA

***REPORT ON THE OPERATIONS
OF THE SUPERVISORY BOARD
AS THE COMPANY'S GOVERNING BODY
IN THE FINANCIAL YEAR 2018***

Wrocław, 18 April 2019

REPORT

**submitted by the Supervisory Board
of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.**

<i>Chairman of the Supervisory Board:</i>	Jakub Frejlich
<i>Vice Chairman of the Supervisory Board:</i>	Radosław Woszczyk
<i>Secretary:</i>	Roman Nowak
<i>Members:</i>	Raimondo Eggink
	Maciej Jankiewicz
	Radosław Pobol

1. Information on the term of office of the Supervisory Board and on the following year of operation

Pursuant to §13, section 1 of the Articles of Association, the Board shall consist of five to nine members.

As of 26 May 2014, in accordance with §13, section 4, of the Articles of Association, the members of the Supervisory Board were appointed for a 3-year term of office. However, due to the amended wording of the Company's Articles of Association, resulting in a lack of a joint term, the terms of office of subsequent members of the Supervisory Board began individually.

On 29 January 2018, effective immediately, Laurent Guillermin resigned from the position of a Member of the Supervisory Board and member of the Audit Committee.

On 9 April 2018, effective immediately, Krzysztof Skóra resigned from the position of a Member of the Supervisory Board and Chairman of the Audit Committee.

On 23 April 2018, the Extraordinary General Meeting of Shareholders of KOGENERACJA S.A. dismissed Mariusz Grodzki from the position of a member of the Supervisory Board of the Company. At the same time, the Extraordinary General Meeting of Shareholders appointed Maciej Jankiewicz and Radosław Pobol as new members of the Company's Supervisory Board.

The Ordinary General Meeting of Shareholders held on 21 June 2018 granted a vote of acceptance to all members of the Supervisory Board for discharging their duties in 2017.

2. Composition of the Supervisory Board, Audit Committee and Remuneration Committee; functions held by their Members and changes to the composition in the financial year 2018

Composition of the Supervisory Board

In the period from 1 January 2018 to 29 January 2018, the Supervisory Board was composed of the following seven members:

Chairman of the Supervisory Board:	Jakub Frejlich
Vice Chairman of the Supervisory Board:	Radosław Woszczyk
Secretary:	Roman Nowak
Members:	Raimondo Eggink
	Mariusz Grodzki
	Laurent Guillermin
	Krzysztof Skóra

On 29 January 2018, Laurent Guillermin resigned from the position of a member of the Supervisory Board and the Audit Committee of KOGENERACJA S.A. with effect from 29 January 2018.

In the period from 29 January 2018 to 9 April 2018, the Supervisory Board was composed of the following six members:

Chairman of the Supervisory Board:	Jakub Frejlich
Vice Chairman of the Supervisory Board:	Radosław Woszczyk
Secretary:	Roman Nowak
Members:	Raimondo Eggink
	Mariusz Grodzki
	Krzysztof Skóra

On 9 April 2018, Krzysztof Skóra resigned from the position of a Member of the Supervisory Board and Chairman of the Audit Committee of KOGENERACJA S.A. with effect from 9 April 2018.

In the period from 9 April 2018 to 23 April 2018, the Supervisory Board was composed of the following five members:

Chairman of the Supervisory Board:	Jakub Frejlich
Vice Chairman of the Supervisory Board:	Radosław Woszczyk
Secretary:	Roman Nowak
Members:	Raimondo Eggink Mariusz Grodzki

On 23 April 2018, the Extraordinary General Meeting of Shareholders of KOGENERACJA S.A. dismissed Mariusz Grodzki from the position of a member of the Supervisory Board of the Company.

At the same time, the Extraordinary General Meeting of Shareholders appointed the following persons to the Supervisory Board of the Company, with effect as of 23 April 2018, for a three-year term of office:

- 1) Maciej Jankiewicz
- 2) Radosław Pobol

In the period from 23 April 2018 to 29 November 2018, the Supervisory Board was composed of the following six members:

Chairman of the Supervisory Board:	Jakub Frejlich
Vice Chairman of the Supervisory Board:	Radosław Woszczyk
Secretary:	Roman Nowak
Members:	Raimondo Eggink Maciej Jankiewicz Radosław Pobol

On 29 November 2018, the Supervisory Board seconded Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

In the period from 29 November 2018 to 13 December 2018, the Supervisory Board was composed of the following members:

Chairman of the Supervisory Board: Jakub Frejlich

Vice Chairman of the Supervisory Board: ---

Secretary: Roman Nowak

Members: Raimondo Eggink

Maciej Jankiewicz

Radosław Pobol

Radosław Woszczyk – Vice-Chairman of the Supervisory Board
seconded to temporarily perform the duties of the President of
the Management Board of the Company

On 13 December 2018, the secondment of Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of the Company ended, which was also confirmed by the resignation from this function submitted by Radosław Woszczyk on 13 December 2018. Thus, Radosław Woszczyk returned to the active function of Vice Chairman of the Supervisory Board and to the active function in the Audit Committee and Remuneration Committee.

Due to the above, in the period from 13 December 2018 to 31 December 2018, the Supervisory Board was composed of the following six members:

Chairman of the Supervisory Board: Jakub Frejlich

Vice Chairman of the Supervisory Board: Radosław Woszczyk

Secretary: Roman Nowak

Members: Raimondo Eggink

Maciej Jankiewicz

Radosław Pobol

Composition of the Audit Committee

In the period between 1 January 2018 and 29 January 2018, the Audit Committee was composed of the following three members:

Chairman of the Audit Committee: Krzysztof Skóra (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)
Laurent Guillermin

On 29 January 2018, Laurent Guillermin resigned from the position of a member of the Supervisory Board and the Audit Committee of KOGENERACJA S.A. with effect from 29 January 2018.

In the period between 29 January 2018 and 08 February 2018, the Audit Committee was composed of the following two members:

Chairman of the Audit Committee: Krzysztof Skóra (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)

On 7 February 2018, by circulation voting, using the means of direct remote communication, and with effect as of 8 February 2018, the Supervisory Board appointed Radosław Woszczyk as a member of the Audit Committee.

In the period between 8 February 2018 and 9 April 2018, the Audit Committee was composed of the following three members:

Chairman of the Audit Committee: Krzysztof Skóra (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)
Radosław Woszczyk

On 9 April 2018, Krzysztof Skóra resigned from the position of a Chairman of the Audit Committee of KOGENERACJA S.A. with effect from 9 April 2018.

In the period between 9 April 2018 and 25 April 2018, the Audit Committee was composed of the following two members:

Chairman the Audit Committee: ---
Members: Raimondo Eggink (independence criteria fulfilled)
Radosław Woszczyk

On 25 April 2018, the Supervisory Board appointed Maciej Jankiewicz to the Audit Committee, at the same time entrusting him with the function of the Chairman of the Audit Committee.

In the period between 25 April 2018 and 29 November 2018, the Audit Committee was composed of the following three members:

Chairman of the Audit Committee: Maciej Jankiewicz (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)
Radosław Woszczyk

On 29 November 2018, the Supervisory Board seconded Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

On the same day, the Supervisory Board appointed Jakub Frejlich to the Audit Committee.

In the period between 29 November 2018 and 13 December 2018, the Audit Committee was composed of the following Members:

Chairman of the Audit Committee: Maciej Jankiewicz (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)
Jakub Frejlich
Radosław Woszczyk – Member of the Audit Committee seconded to temporarily perform the duties of the President of the Management Board of the Company

On 13 December 2018, the secondment of Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of the Company ended, which was also confirmed by the resignation from this function submitted by Radosław Woszczyk on

13 December 2018. Thus, Radosław Woszczyk returned to the active function of Vice Chairman of the Supervisory Board and to the active function in the Audit Committee and Remuneration Committee.

On the same day, Jakub Frejlich resigned from the Audit Committee.

In light of the above, from 13 December 2018 to 31 December 2018, the Audit Committee was composed of the following three members:

Chairman of the Audit Committee: Maciej Jankiewicz (independence criteria fulfilled)
Members: Raimondo Eggink (independence criteria fulfilled)
Radosław Woszczyk

The members of the Audit Committee have knowledge and skills in accounting and in the industry in which the Company operates, which they confirmed by making appropriate statements.

Composition of the Remuneration Committee

In the period between 1 January 2018 and 29 November 2018, the Remuneration Committee was composed of the following three Members:

Chairman of the Remuneration Committee: Jakub Frejlich
Members: Radosław Woszczyk
Roman Nowak, acting as a minutes-keeper.

On 29 November 2018, the Supervisory Board seconded Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

On the same day, the Supervisory Board appointed Radosław Pobol to the Remuneration Committee.

In the period between 29 November 2018 and 13 December 2018, the Remuneration Committee was composed of the following Members:

Chairman of the Remuneration Committee: Jakub Frejlich

Members: Radosław Pobol
Roman Nowak, acting as a minutes-keeper
Radosław Woszczyk – Member of the Remuneration Committee seconded to temporarily perform the duties of the President of the Management Board of the Company

On 13 December 2018, the secondment of Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of the Company ended, which was also confirmed by the resignation from this function submitted by Radosław Woszczyk on 13 December 2018. Thus, Radosław Woszczyk returned to the active function of Vice Chairman of the Supervisory Board and to the active function in the Audit Committee and Remuneration Committee.

In light of the above, from 13 December 2018 to 31 December 2018, the Remuneration Committee was composed of the following four members:

Chairman of the Remuneration Committee: Jakub Frejlich

Members: Radosław Woszczyk
Radosław Pobol
Roman Nowak, acting as a minutes-keeper

3. Information on the meetings of the Supervisory Board, Audit Committee and Remuneration Committee and on absences from the meetings of the Supervisory Board in the financial year 2018

Information on the meetings of the Supervisory Board

In 2018, six meetings of the Supervisory Board were held on the following dates:

- 1) 9 March 2018

- 2) 28 March 2018
- 3) 9 April 2018
- 4) 27 April 2018
- 5) 15/29 November 2018 (two-day meeting)
- 6) 13 December 2018

and five circulation voting sessions of the Supervisory Board were held by means of distance communication on the following dates:

- 1) 7 February 2018 (one voting session)
- 2) 25 April 2018 (one voting session)
- 3) 28 May 2018 (one voting session)
- 4) 9 July 2018 (one voting session)
- 5) 10 August 2018 (one voting session)

Information on the meetings of the Audit Committee

In 2018, ten meetings of the Audit Committee were held on the following dates:

- 1) 18 January 2018 (teleconference)
- 2) 24 January 2018 (videoconference)
- 3) 15 February 2018 (videoconference)
- 4) 28 February 2018 (videoconference)
- 5) 9 March 2018
- 6) 11 May 2018 (teleconference)
- 7) 2 August 2018 (teleconference)
- 8) 8 November 2018 (teleconference)
- 9) 15 November 2018
- 10) 04 December 2018 (teleconference)

and one circulation voting session of the Audit Committee was held by means of distance communication on the following date:

- 1) 19 July 2018 (one voting session)

Information on the meetings of the Remuneration Committee

In 2018, three meetings of the Remuneration Committee were held on the following dates:

- 1) 27 April 2018
- 2) 27 November 2018
- 3) 12 December 2018

(Excused) absences at the meetings of the Supervisory Board in 2018:

- 27 April 2018 Maciej Jankiewicz

4. Information on meeting the independence criteria by Members of the Supervisory Board

All members of the Supervisory Board provided the information on whether they meet the independence criteria or not (statements).

In accordance with the written statements submitted by the Supervisory Board members, the persons meeting the independence criteria, pursuant to Article 129, section 3 of the Law of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Dz. U. [Journal of Laws] item 1089), are the Chairman of the Audit Committee Maciej Jankiewicz, Member of the Audit Committee Raimondo Eggink and Member of the Remuneration Committee Radosław Pobol.

At the same time, they meet the independence criteria, in accordance with the recommendation of the European Commission (hereinafter: Annexe II) of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC).

The independence criteria defined in the above documents are referred to by Best Practices for WSE Listed Companies 2016.

During his time on the Supervisory Board and as Chairman of the Audit Committee, Krzysztof Skóra also fulfilled the above independence criteria.

The Supervisory Board did not find any relationships or circumstances which might affect the compliance with the independence criteria by the above-mentioned Members of the Supervisory Board.

Other, former and present members of the Supervisory Board of the Company, i.e. Mariusz Grodzki, Laurent Guillermin, Jakub Frejlich and Radosław Woszczyk represented or represent the shareholders exercising control over KOGENERACJA S.A. Roman Nowak is a representative in the Supervisory Board appointed by the employees pursuant to §13, section 1, item b) of the Articles of Association.

Résumés of all present Members of the Supervisory Board along with the information on meeting the independence criteria are available on the corporate website.

5. Information on the substantive operations of the Supervisory Board in 2018

The most important problems and issues discussed at the meetings in 2018

- 1) Occupational Health and Safety in the Company
- 2) Reports on the current performance of the Company
- 3) Information on major events in the Company
- 4) Company's budget for 2018
- 5) Good Practices of the Companies Listed on GPW – update
- 6) Audit plan 2018, audits and internal control in the Company
- 7) Risk and Opportunity Map and Table
- 8) Expressing an opinion on draft resolutions submitted to the General Meeting of Shareholders
- 9) Approval of the report on the activities of the Supervisory Board as the company's governing body in the financial year 2017
- 10) Approval of the Supervisory Board's Report on the Results of the Review of the following:
 - Financial Statements for the Financial Year 2017
 - Management Board's Report on the Company's Operations in the Financial Year 2017

- Consolidated Financial Statements for the Financial Year 2017
 - Management Board's Report on the Group's Operations in the Financial Year 2017
 - Management Board's Motion on the Distribution of Profit for the Financial Year 2017
- 11) Settlement of contracts for objectives for 2017
 - 12) Bonus for the Management Board for the year 2017
 - 13) The Management Board's objectives for 2018
 - 14) Conducting a qualification procedure for the position of President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
 - 15) Conducting a qualification procedure for the position of Vice-President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
 - 16) Changes in the Management Board of KOGENERACJA S.A.
 - 17) Determining the rules of remuneration for Members of the Management Board and determining the amount of remuneration
 - 18) Authorisation of the Representative of the Supervisory Board to sign agreements with Members of the Management Board
 - 19) Changes and additions to the composition of the following: the Supervisory Board, Audit Committee and Remuneration Committee
 - 20) EC "Zielona Góra" S.A. – results and challenges
 - 21) Explanations concerning the settlement of Stranded Costs in EC "Zielona Góra" S.A.
 - 22) Explanations regarding less quantities of obtained free emission allowances for CO₂ than in the 2017 plan
 - 23) Donations plan for 2018
 - 24) Transfer of a donation
 - 25) Program and course of the Company's integration with the PGE Group
 - 26) Progress of the "New Czechnica" project
 - 27) Cash flow plan with respect to the implementation of the "New Czechnica" project
 - 28) Granting consent to the signing of Cash Pool agreements in PGE S.A. Group
 - 29) Purchase of real estate from a transport and logistics company
 - 30) Amendment and adoption of the Supervisory Board Bylaws

- 31) Approval of the Management Board's Regulations
- 32) Providing of an opinion on the changes in the Organisational Regulations
- 33) Obtaining the Supervisory Board's consent to temporarily hold the position of Vice President of the Management Board of the ZOWER Company by the Vice President of KOGENERACJA S.A.
- 34) Entering into the Support Agreement with PGE S.A.
- 35) Possible implications of the results of the capacity market auction for KOGENERACJA S.A.
- 36) Heat market and ongoing cooperation with energy suppliers, including relations with heat distributor Fortum S.A.

In 2018, the Supervisory Board passed 52 resolutions

1. No. 1/648/2018 on appointing a member of the Audit Committee of the Supervisory Board of KOGENERACJA S.A. (the Resolution was passed by means of remote communication)
2. No. 2/649/2018 on giving consent to approve the Risk and Opportunity Map and Table
3. No. 3/650/2018 on the approval of the annual donations plan
4. No. 4/651/2018 on the application of the principles: II.Z.3. and II.Z.8. of the "Good Practices of the Companies Listed on GPW 2016"
5. No. 5/652/2018 on the dismissal from the Management Board of KOGENERACJA S.A.
6. No. 6/653/2018 on the appointment to perform the duties in the Management Board of KOGENERACJA S.A.
7. No. 7/654/2018 on the Management Board's objectives for 2018
8. No. 8/655/2018 on the dismissal from the Management Board of KOGENERACJA S.A.
9. No. 9/656/2018 on the dismissal from the Management Board of KOGENERACJA S.A.
10. No. 10/657/2018 on the dismissal from the Management Board of KOGENERACJA S.A.
11. No. 11/658/2018 on the appointment to the Management Board of the Company
12. No. 12/659/2018 on the appointment to the Management Board of the Company

13. No. 13/660/2018 on appointment of a member of the Audit Committee of the Supervisory Board of KOGENERACJA S.A. and election of the Chairman of the Audit Committee (the Resolution was passed by means of remote communication)
14. No. 14/661/2018 on excusing the absence
15. No. 15/662/2018 on the assessment of the Management Board's Report on the activities of the KOGENERACJA Company and Group and the separate and consolidated financial statements for 2017
16. No. 16/663/2018 on expressing an opinion on the motion of the Management Board on the distribution of net profit generated by the Company in the financial year 2017
17. No. 17/664/2018 on the approval of the Supervisory Board's Report on the Activities of the Supervisory Board as the Company's Governing Body in the Financial Year 2017 and the Report on the Review of KOGENERACJA S.A.'s Documents
18. No. 18/665/2018 on expressing an opinion on the Resolutions of the General Meeting; motion for the acknowledgement of performance of duties of members of the Management Board of KOGENERACJA S.A.
19. No. 19/666/2018 on the approval of the motion regarding the acknowledgement of performance of duties of Members of the Supervisory Board of KOGENERACJA S.A.
20. No. 20/667/2018 on the adoption of the Company's budget for 2018
21. No. 21/668/2018 regarding approval of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. to join the cash pooling service within the PGE Capital Group in Bank Polska Kasa Opieki S.A.
22. No. 22/669/2018 regarding the consent for Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. to join the cash pooling service within the PGE Capital Group in Powszechna Kasa Oszczędności Bank Polski S.A.
23. No. 23/670/2018 regarding consent to incurring debts towards PGE Polska Grupa Energetyczna S.A. and investing free cash within the cash pooling service
24. No. 24/671/2018 on awarding bonuses to Members of the Management Board for 2017
25. No. 25/672/2018 regarding the remuneration of a Member of the Management Board
26. No. 26/673/2018 regarding the remuneration of a Member of the Management Board
27. No. 27/674/2018 on the consent for the President of the Management Board of KOGENERACJA S.A. to continue to be bound by the employment relationship
28. No. 28/675/2018 on the adoption of the consolidated text of the Company's Articles of Association (the Resolution was passed by means of remote communication)

29. No. 29/676/2018 regarding consent to grant a joint representation (the Resolution was passed by means of distance communication)
30. No. 30/677/2018 on granting consent to a third-party sitting on the Supervisory Board by a member of the Management Board of the Company (the Resolution was passed by means of distance communication)
31. No. 31/678/2018 on consent to transfer the donation
32. No. 32/679/2018 on giving consent to approve the Audit Plan for 2018
33. No. 33/680/2018 on the initiation and conduct of the qualification procedure for the Vice President of the Management Board
34. No. 34/681/2018 on the determination of the list of candidates to be interviewed as part of the recruitment procedure for the position of Vice-President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
35. No. 35/682/2018 on the adoption of a list of questions for interviews with candidates qualified for the second stage of the recruitment procedure for the position of Vice-President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
36. No. 36/683/2018 on appointing the Vice-President of the Management Board of KOGENERACJA S.A.
37. No. 37/684/2018 regarding the remuneration of the Vice-President of the Management Board
38. No. 38/685/2018 on the dismissal of the President of the Management Board of KOGENERACJA S.A.
39. No. 39/686/2018 on the dismissal of a Member of the Management Board of KOGENERACJA S.A.
40. No. 40/687/2018 on seconding a Member of the Supervisory Board to temporarily perform the duties of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
41. No. 41/688/2018 on the amendment to the Organisational Regulations of the Company
42. No. 42/689/2018 on appointing a member of the Audit Committee of the Supervisory Board of KOGENERACJA S.A.
43. No. 43/690/2018 on appointing a member of the Remuneration Committee of the Supervisory Board of KOGENERACJA S.A.

44. No. 44/691/2018 on the initiation and conduct of the qualification procedure for the President of the Management Board
45. No. 45/692/2018 on the determination of the list of candidates to be interviewed as part of the recruitment procedure for the position of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
46. No. 46/693/2018 on the adoption of a list of questions for interviews with candidates qualified for the second stage of the recruitment procedure for the position of the President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.
47. No. 47/694/2018 on the appointment of the President of the Management Board of KOGENERACJA S.A.
48. No. 48/695/2018 regarding the remuneration of the President of the Management Board
49. No. 49/696/2018 on the adoption of the Supervisory Board Bylaws
50. No. 50/697/2018 regarding approval of the Management Board Bylaws
51. No. 51/698/2018 on granting consent to the signing by KOGENERACJA S.A. an Agreement for the provision of support services with PGE Polska Grupa Energetyczna S.A.
52. No. 52/699/2018 on granting consent for the Vice President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. to perform its duties in a separate Company

6. Information on the discharge of the so-called special duties of the Supervisory Board resulting from the provisions of the Polish Code of Commercial Partnerships and Companies

The Supervisory Board acting under Article 382 §3 of the Polish Code of Commercial Partnerships and Companies, at its meeting held on 27 April 2018, reviewed the Financial Statements, the Management Board's Report on the Company's Operations, Consolidated Financial Statements, the Management Board's Report on the Group's Operations, the Management Board's Motion on the Distribution of Profit for the Financial Year 2017, drafted a written report on the results of this review and on 21 June 2018 submitted it to the Ordinary General Meeting of Shareholders.

7. Information on the decisions made by the Supervisory Board concerning the composition of the Management Board

From 1 January 2018 to 28 March 2018, the Management Board of KOGENERACJA S.A. was composed of four Members:

- Wojciech Heydel – President of the Management Board
- Marek Salmonowicz – Member of the Management Board
- Maciej Tomaszewski – Member of the Management Board
- Krzysztof Wrzesiński – Member of the Management Board

On 28 March 2018, the Supervisory Board dismissed Wojciech Heydel from the Management Board of the Company, including from function of the President of the Management Board of KOGENERACJA S.A., and appointed Krzysztof Wrzesiński, previously the Finance Director and a member of the Management Board, to perform the duties of the President of the Management Board of the Company.

From 28 March 2018 to 9 April 2018, the Management Board of KOGENERACJA S.A. was composed of three Members:

- Krzysztof Wrzesiński – acting as the President of the Management Board
- Marek Salmonowicz – Member of the Management Board
- Maciej Tomaszewski – Member of the Management Board

On 9 April 2018, the Supervisory Board of the Company dismissed the following persons:

- Krzysztof Wrzesiński – from acting as the President of the Management Board
- Marek Salmonowicz – from the position of the Member of the Management Board
- Maciej Tomaszewski – from the position of the member of the Management Board

At the same time, on 9 April 2018, the Supervisory Board appointed new, two-person Management Board of KOGENERACJA S.A.:

- Piotr Frąszczak – as the President of the Management Board
- Krzysztof Skóra – as the Member of the Management Board

From 9 April 2018 to 29 November 2018, the Management Board of KOGENERACJA S.A. was composed of two Members:

- Piotr Frąszczak – President of the Management Board
- Krzysztof Skóra – Member of the Management Board

On 29 November 2018, the Supervisory Board of the Company dismissed the following persons:

- Piotr Frąszczak – from the position as the President of the Management Board
- Krzysztof Skóra – from the position as the Member of the Management Board

At the same time, on 29 November 2018, as a result of a procedure to find a person for a vacancy, the Supervisory Board appointed Paweł Strączyński as the Vice-President of the Management Board of the Company and seconded Radosław Woszczyk from its composition to act as the President of the Management Board of KOGENERACJA S.A.

From 29 November 2018 to 13 December 2018, the Management Board of KOGENERACJA S.A. was composed of two Members:

- Radosław Woszczyk – acting as the President of the Management Board
- Paweł Strączyński – Vice-President of the Management Board

On 13 December 2018, the secondment of Radosław Woszczyk to temporarily perform the duties of the President of the Management Board of the Company ended, which was also confirmed by the resignation from this function submitted by Radosław Woszczyk on 13 December 2018.

At the same time, on 13 December 2018, as a result of a procedure to find a person for a vacancy, the Supervisory Board appointed Paweł Szczeszek as the President of the Management Board of the Company.

From 13 December 2018 to 31 December 2018, the Management Board of KOGENERACJA S.A. was composed of two Members:

- Paweł Szczeszek – President of the Management Board
- Paweł Strączyński – Vice-President of the Management Board

8. The assessment of the way the Company fulfils disclosure obligations in the area of the application of the corporate governance rules set out in the Stock Exchange Regulations and regulations on current and interim information provided by issuers of securities

The Supervisory Board reviewed the statement of the Company's Management Board on the application of "Good Practices of the Companies Listed on GPW" in 2018 (*the Management Board's Report on the KOGENERACJA S.A. group and Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Operations for 2018* published by GPW on 12 March 2019; pp. 48–49) and stated that the Company fulfilled the disclosure obligations in terms of the "comply or explain" principle.

Further to EBI report 2/2016 of 25 January 2016 concerning information on the status of the Company's application of recommendations and principles contained in the "Good Practices of the Companies Listed on GPW 2016" (confirmation of application of recommendations and detailed rules, except for 2 recommendations: IV.R.2., VI.R.3. and 7 detailed rules: I.Z.1.20., II.Z.2., II.Z.3., II.Z.7., II.Z.8., IV.Z.2., V.Z.5.), the Company in the above mentioned report of the Management Board, as in the EBI report 2/2018 of 13 March 2018, confirmed the adoption of further detailed principles to be applied: II.Z.3. ("At least two members of the Supervisory Board meet the independence criteria referred to in Rule II.Z.4.") and II.Z.8. ("The Chairman of the Audit Committee meets the independence criteria set forth in Rule II.Z.4.").

In connection with the entry into force of the Law on Statutory Auditors, Audit Firms and Public Supervision, which regulates, among others, the activity of Audit Committees in public companies and defines the criteria of independence, the Company has adjusted the composition of the Supervisory Board and the Audit Committee to the new requirements of the Law on Statutory Auditors.

From 1 January 2018 to 9 April 2018, two members of the Supervisory Board of KOGENERACJA S.A. have met the independence criteria, both in accordance with the provisions of the Law on Statutory Auditors and Appendix II.

On 9 April 2018, there was an incidental violation of the Good Practices of the Companies Listed on GPW 2016 (EBI report 3/2018 of 9 April 2018). The breach was caused by the resignation, effective 9 April 2018, of Krzysztof Skóra from his position on the Company's Supervisory Board, including the chairmanship of the Audit Committee. Krzysztof Skóra was one of the two members meeting the independence criteria specified in Rule II.Z.3. In the opinion of the Supervisory Board, its composition did not include any persons who could supplement the composition of the Audit Committee (they would have appropriate competences in accordance with the provisions of the aforementioned Law and the attribute of independence).

Therefore, on 23 April 2018, the Extraordinary General Meeting of Shareholders of KOGENERACJA S.A. appointed the following persons to the Supervisory Board of the Company, effective 23 April 2018:

- 1) Maciej Jankiewicz
- 2) Radosław Pobol

Since 23 April 2018 to 31 December 2018, three members of the Supervisory Board of KOGENERACJA S.A. have met the independence criteria, both in accordance with the provisions of the Law on Statutory Auditors and Appendix II.

On 25 April 2018, the Supervisory Board appointed Maciej Jankiewicz to the Audit Committee, at the same time entrusting him with the function of the Chairman of the Audit Committee.

Thus, after an incidental violation of practice II.Z.3., the Company returned to the application of the above practice.

Current and interim reports were submitted to the Warsaw Stock Exchange in accordance with the law. In 2018, the Company made public 45 current reports and 5 interim reports. The reports are available in Polish and English on the corporate website of the Company <http://www.kogeneracja.com.pl> in the "Dla inwestora" [For the Investor] tab.

9. Assessment of the Company's situation, including the assessment of the internal control systems, risk management and internal audit

Pursuant to the "Agreement for the provision of consultancy services with respect to the improvement of internal control system," the supervision over the aforementioned functions was performed in 2018 by the Internal Audit Department and the Risk Management and Security Supervision Directorate of PGE Energia Ciepła S.A.

As part of its tasks, the aforementioned bodies carried out independent and objective assessment of the internal control and verification of operations. The Department of Internal Audit performed its tasks based on the annual Audit Plan adopted by the Management Board of KOGENERACJA S.A. and approved by the Supervisory Board by virtue of Resolution No. 32/679/2018 of 5 February 2017.

In line with the corporate governance policy of PGE Energia Ciepła S.A. group, in October 2018, KOGENERACJA S.A. carried out the annual "Conformity Assessment Q4 2017 and Q1-Q3 2018" in the form of self-evaluation.

In 2018, the Risk Management and Security Supervision Directorate also monitored on the quarterly basis the implementation of the audit recommendations and internal control system improvement plans.

The Supervisory Board of KOGENERACJA S.A. assessed the internal control system in the Company at the meetings on 15 November 2018.

Under the Service Agreement, in 2018, the Risk Management and Security Supervision Directorate also supervised the risk management process and coordinated the risk reporting process, providing the tools and methodological support for participants of the risk assessment process. The system used in the Company was based on semi-annual Risk Map and Table updates, including the identification, estimation of the impact, prioritisation, development of a risk management action plan and control of the implementation of actions set out in this risk management action plan.

The Supervisory Board of KOGENERACJA S.A. has reviewed the update of the Map, Risk and Opportunity Table presented by the Management Board of the Company and has given its consent to its adoption by way of Resolution No. 2/649/2018. Due to PGE's introduction of a new approach to risk assessment, in December selected risks were assessed in the Risk Book of KOGENERACJA S.A. The assessment was carried out by the risk owners and their designated employees (including HR BP) to the best of their

knowledge and experience. The Management Board of KOGENERACJA S.A. became familiar with the presented risk assessments and took note of them; however, due to the pilot performance of risk assessment according to the new approach, the Risk Book was not submitted to the Supervisory Board.

The Supervisory Board, through its supervisory activities, recognised that the internal audit, internal control and risk management function gave reasonable assurance of the effectiveness of the control and risk management mechanisms and supported the fulfilment of strategic and operational objectives of the Company.

10. Assessment of the reasonableness of the Company's sponsorship and charity policy

On 30 January 2018, the Board of KOGENERACJA S.A. adopted the General Procedure for Principles of Conducting Sponsoring Activities at PGE Polska Grupa Energetyczna SA and in other companies of the PGE Group.

The Company's sponsorship and charitable activities include the following:

- Support for the disabled, sick and those in difficult life situation;
- Support of the education of the talented youth, particularly in a difficult economic or life situation;
- Promotion of healthy and active lifestyles;
- Activation of persons with disabilities;
- Support for socially vulnerable customers.

The beneficiaries are most of all public benefit entities from the Lower Silesia region, mainly from Wrocław and nearby communes.

Until 19 June 2018, in accordance with the Company's Articles of Association, the Management Board prepared an annual donation plan, which was adopted in the form of a resolution. Then, the Management Board of KOGENERACJA S.A. requested the Supervisory Board to approve this annual donations plan.

Each time a donation is made on behalf of the Company, it requires a resolution of the Management Board, and each time a donation is made in excess of PLN 100,000, it also requires the consent of the Supervisory Board, granted at the request of the Management Board of the Company.

The plan of donations for 2018 was presented by the Management Board of KOGENERACJA S.A. and approved at the meeting of the Supervisory Board on 9 March 2018.

From 20 June 2018, after the adoption of amendments to the Company's Articles of Association, the adoption of a uniform text and the entry of the new content of the Articles of Association in the Register of Entrepreneurs of the National Court Register (current stock exchange report No. 35/2018), the Management Board of KOGENERACJA S.A. no longer prepares an annual plan of donations. Each donation made on behalf of the Company requires a resolution of the Management Board (pursuant to § 12(2)(12) of the Company's Articles of Association), and entering into donation agreements or other agreements with a similar effect with a value exceeding PLN 20 thousand or 0.1% of total assets within the meaning of the Polish Accountancy Law of 29 September 1994 as determined on the basis of the most recent separate financial statements, additionally requires the consent of the Supervisory Board in the form of a resolution to be adopted at the request of the Management Board of the Company (pursuant to § 17(4)(13) of the Company's Articles of Association).

On 15 November 2018, at the request of the Management Board of the Company, the Supervisory Board, in its resolution no. 31/678/2018, agreed to make a donation of PLN 58 thousand.

The sponsorship and charity activities of KOGENERACJA S.A. have a positive impact on the environment and build the image of a socially responsible company operating in accordance with the Sustainable Development Policy, the Company's ethical values and the values of the PGE Group, such as Partnership, Development, and Responsibility.

The Supervisory Board deems the Company's sponsorship and charity policy reasonable.