



Polska Grupa Energetyczna

Regulations of the Supervisory Board of PGE Polska Grupa Energetyczna S.A.

adopted by the Supervisory Board's
resolution no. 326/VIII/2011
of 14 December 2011

Warsaw, December 2011

CHAPTER I. GENERAL PROVISIONS

§ 1.

The following terms used in these Regulations shall have the following meanings:

1. **Regulations** - these Regulations of the Supervisory Board of PGE Polska Grupa Energetyczna S.A.,
2. **Company, PGE** - PGE Polska Grupa Energetyczna S.A.,
3. **PGE Capital Group, PGE CG** – PGE and all companies for which PGE is a dominant company within the meaning of article 4 § 1 clause 4 of the Commercial Companies Code,
4. **Statutes** - the Company's Statutes,
5. **General Meeting** - the Company's General Meeting,
6. **Supervisory Board** - the Company's Supervisory Board,
7. **Management Board** - the Company's Management Board,
8. **Commercial Companies Code** - the Act of 15 September 2000, The Commercial Companies Code (Journal of Laws No. 94, item 1037, as amended).

§ 2.

1. These Regulations of the Supervisory Board determine the operating principles of the Supervisory Board of PGE Polska Grupa Energetyczna S.A.
2. The PGE Supervisory Board shall act pursuant to and within the limits of the legal regulations currently in force, including the Commercial Companies Code of 15 September 2000, the provisions of the Company's Statutes, other internal bylaws effective in the Company and these Regulations.

CHAPTER II. COMPOSITION OF SUPERVISORY BOARD AND APPOINTMENT OF MEMBERS

§ 3.

1. The Supervisory Board shall consist of from five to nine members. The number of members of the Supervisory Board shall be determined by the General Meeting in a separate resolution. The number of members of the Supervisory Board shall always be an odd number. The Supervisory Board elected by way of voting in groups shall consist of five members.
2. Members of the Supervisory Board shall be appointed and dismissed by the General Meeting, subject to clauses 3 to 5 below.
3. The election of half of members of the Supervisory Board, including Chairperson of the Supervisory Board, to be appointed by the General Meeting shall be effected from among persons identified by the shareholder holding the largest number of shares in the Company's share capital on the day when the Supervisory Board adopts a resolution introducing this entitlement.

4. Pursuant to the provisions of § 20 clauses 5 and 9 of the Statutes, the State Treasury shall be entitled to appoint and dismiss one member of the Supervisory Board by way of a written notice submitted to the Management Board.
5. The Supervisory Board shall include at least one person appointed by the General Meeting from among persons meeting the criteria of independence specified in the principles of corporate governance adopted by the Board of the Warsaw Stock Exchange. If during a term of office a member of the Supervisory Board ceases to meet the criteria of independence, such member shall be obliged to notify the Chairperson of the Supervisory Board thereof immediately.
6. The State Treasury's failure to appoint a member of the Supervisory Board pursuant to clause 4 above or the General Meeting's failure to elect a member of the Supervisory Board pursuant to clause 5 above or the absence of such persons in the composition of the Supervisory Board shall not prevent the Supervisory Board from adopting valid resolutions.
7. If, in consequence of the expiry of the mandate of a member of the Supervisory Board, the number of members of the Supervisory Board becomes smaller than the minimum specified in clause 1 above, the Management Board shall immediately convene the General Meeting with a view to supplementing the composition of the Supervisory Board.

§ 4.

1. Members of the Supervisory Board shall be appointed for a joint three-year term of office.
2. The mandate of a member of the Supervisory Board shall expire at the latest at the date of holding the General Meeting approving the Company's financial statements for the last full financial year in which such member fulfilled his/her functions and in other cases as provided for by the Commercial Companies Code.
3. A member of the Supervisory Board may be dismissed by the General Meeting at any time, subject to § 20 clause 5 of the Statutes.
4. A member of the Supervisory Board may resign from his/her position by way of a written notice submitted to the Management Board.

§ 5.

1. The Chairperson of the Supervisory Board shall be appointed by the General Meeting, pursuant to § 20 clause 3 of the Statutes.
2. The activities of the Supervisory Board shall be managed by the Chairperson, and during his/her absence - the Vice Chairperson of the Supervisory Board.
3. The Supervisory Board shall elect its Vice Chairperson and Secretary from among its members. The Supervisory Board may elect a new Vice Chairperson or Secretary of the Board at any time.
4. Declarations addressed to the Supervisory Board between its meetings shall be submitted to the Chairperson of the Board, and if it is not possible, to the Vice Chairperson of the Board or its Secretary.

§ 6.

1. Fulfilling his/her duties, a member of the Supervisory Board shall act in the Company's best interest.

2. A member of the Supervisory Board shall notify the other members of the Board of any conflict of interest and shall refrain from participation in debates or voting on resolutions concerning affairs in which conflict of interest has occurred.

CHAPTER III. COMPETENCE OF SUPERVISORY BOARD

§ 7.

1. The Supervisory Board shall exercise permanent supervision over the Company's operations in all areas of activity.
2. Within the framework of its competence, the Supervisory Board shall perform supervisory and controlling actions.

§ 8.

1. The competence of the Supervisory Board shall include the following:
 - a) evaluating the Management Board's report on the Company's activities and separate financial statements for a previous financial year with respect to their consistency with the account books and other documents as well as the factual state; this shall also concern consolidated financial statements of the PGE Capital Group, if applicable,
 - b) evaluating the Management Board's proposals concerning distribution of profit or financing of loss,
 - c) submitting to the General Meeting a written report on the result of activities referred to in letters a) and b),
 - d) selecting a certified auditor responsible for auditing the Company's separate financial statements and the PGE Capital Group's consolidated statements, if applicable,
 - e) approving the Company's yearly and long-term financial plans, as well as determining their scope and deadlines for submission by the Management Board,
 - f) approving the Company's development strategy,
 - g) adopting detailed regulations specifying the procedures of the Supervisory Board,
 - h) approving the Regulations of the Company's Management Board,
 - i) determining the amount of remuneration and other conditions of agreements as well as entering into agreements with members of the Management Board (including President of the Management Board), subject to the competence of the General Meeting as provided for in the mandatory provisions of the law,
 - j) giving opinions on all motions for resolutions submitted by the Management Board to the General Meeting,
 - k) approving the Company's organizational regulations,
2. The competence of the Supervisory Board shall also include giving consent to the following:

- a) the Company's acquisition or disposal of the following components of assets:
 - (i) real property, perpetual usufruct or interest in real property,
 - (ii) components of the Company's tangible assets other than real property,
 - (iii) shares, interests or other participation rights in companies,
whose value is equal to or higher than 5,000,000 euros,
 - b) encumbering components of the Company's assets meeting the criteria mentioned in item a) above with a limited property right in the amount (security) equal to or higher than 5,000,000 euros,
 - c) the Company's entering into the following agreements:
 - (i) agreements providing for donations or debt releases whose value equals at least 5,000 euros,
 - (ii) agreements not related to the Company's business activities specified in the Statutes whose value equals at least 5,000 euros,
 - d) the Company's granting of suretyships or guarantees to entities other than directly or indirectly subordinate companies or cooperatives (within the meaning of the Commercial Companies Code),
 - e) agreements providing for the construction or commissioning of connections with power systems of other countries,
 - f) the Company's entering into agreements other than these referred to above or incurring liabilities other than these mentioned above whose value is equal to or higher than 100,000,000 euros; however, the Supervisory Board's consent shall not be required in the following cases:
 - (i) the Company's entering into agreements with directly or indirectly subordinate companies (within the meaning of the Commercial Companies Code),
 - (ii) entering into agreements or incurring liabilities related to trade in electricity, related products or related rights as well as fuels,
 - g) advanced payments towards planned dividends.
3. Besides, the competence of the Supervisory Board shall include in particular the following:
- a) delegating members of the Supervisory Board to temporarily perform the duties of these members of the Management Board who are incapable of performing their duties,
 - b) giving consent to members of the Management Board to hold positions in other companies' governing bodies.
4. The Supervisory Board's refusal to grant consent in matters specified in clause 2 and clause 3 letter b) shall require a justification.
5. For the purpose of fulfilling its obligations, the Supervisory Board may examine the Company's all documents, require reports and clarifications from the Management Board and employees as well as review the state of the Company's property.

**CHAPTER IV.
MEETINGS AND ADOPTION OF RESOLUTION**

§ 9.

1. The Supervisory Board shall perform its duties jointly; however, it may delegate its particular members to temporarily individually perform particular supervisory activities.
2. A delegated member of the Supervisory Board shall be obliged to submit to the Board written reports on conducted activities.

§ 10.

1. The Supervisory Board shall hold meetings at least once every two months.
2. The first meeting of the Supervisory Board in a new term of office shall be convened by the Chairperson of the General Meeting at which the Supervisory Board is elected, before the closing of the General Meeting. The date of such meeting may not fall later than two weeks after the date of the General Meeting. In the event that the first meeting of the Supervisory Board is not convened under this procedure, it shall be convened by the Management Board within four weeks from the date of the General Meeting.
3. Meetings of the Supervisory Board shall be convened by the Chairperson of the Board or the Vice Chairperson in place of the Chairperson.
4. Each member of the Supervisory Board or the Management Board may demand that a meeting of the Supervisory Board be convened. A person demanding that a meeting of the Supervisory Board be convened shall propose an agenda for such meeting. The Chairperson of the Supervisory Board shall convene a meeting within two weeks from the date of receiving a relevant motion. In the event of the Chairperson's failure to convene a meeting within this period of time, the person demanding a meeting may convene it himself/herself specifying its date, place and proposed agenda.
5. Members of the Supervisory Board shall be obliged to participate in meetings of the Supervisory Board. Excusing the absence of a member of the Board from its meeting shall require a resolution of the Supervisory Board. In the event that a member of the Supervisory Board is absent from more than a quarter of all meetings in a given reporting period, he/she shall present a written explanation of such absences.

§ 11.

1. The convening of a meeting of the Supervisory Board shall be effective if all members of the Supervisory Board are invited in writing at least seven days before the planned date of a meeting. For important reasons, the Chairperson or Vice Chairperson of the Supervisory Board may shorten this period to two days specifying the manner of delivering written invitations.
2. An invitation shall be deemed performed effectively if it is delivered in person to a member of the Supervisory Board or it is sent by courier or registered letter, as well as by fax or electronic mail, respectively to a fax number or an e-mail address specified by such member of the Supervisory Board as an address for correspondence.
3. Members of the Supervisory Board shall be obliged to notify the Chairperson or Secretary of any changes in their addresses or fax numbers or e-mail addresses to which invitations to meetings of the

Supervisory Board are to be sent. Should a member of the Supervisory Board fail to specify his/her new address (fax number), a notification sent to the previous address (fax number) shall be deemed delivered effectively.

4. An invitation to a meeting of the Supervisory Board shall specify the date and place of such meeting. A detailed agenda shall be attached to an invitation. Documents related to affairs included in an agenda shall be attached to an invitation.
5. An agenda of a meeting of the Supervisory Board may be changed during a meeting only if all members of the Supervisory Board are present and none of them has raised an objection to changes in the agenda.
6. Minutes shall be taken during each meeting of the Supervisory Board; such minutes shall be signed by all members of the Supervisory Board present at a meeting while members absent from a meeting shall acknowledge in writing on such minutes that they have become familiar with their contents.

§ 12.

1. The Supervisory Board shall adopt resolutions if at least half of its members are present at a meeting and all members have been duly invited to a meeting.
2. Resolutions shall be adopted by the absolute majority of votes.
3. The Supervisory Board shall adopt resolutions in open voting. Secret voting shall be ordered in personal matters and following a motion put forward by a member of the Supervisory Board.
4. If at a meeting of the Supervisory Board an equal number of votes are cast for and against a resolution, the vote cast by the Chairperson of the Supervisory Board shall prevail.

§ 13.

1. The Supervisory Board may adopt resolutions in writing or using means of direct remote communication. A resolution may be adopted under this procedure if all members of the Supervisory Board have been previously presented with proposed resolutions together with their justifications as well as a justification for following this procedure of adopting a resolution. A resolution shall be valid provided that all members of the Supervisory Board have been notified of the content of a proposed resolution.
2. Under the procedure specified in clause 1 resolutions concerning the election of the Vice Chairperson and Secretary of the Supervisory Board, the appointment, dismissal or suspension of a member of the Management Board may not be adopted.
3. Ordering a vote in writing or using means of direct remote communication the Chairperson of the Supervisory Board shall specify under which of these procedures a resolution shall be voted on.
4. Voting in writing (by circulation of votes) shall be conducted as follows: after receiving a proposed resolution (delivered by courier or post) each member of the Supervisory Board shall cast a vote by writing "in favour", "against" or "abstaining" under the text of a proposed resolution, signing it and putting the date of voting next to the signature.
5. Voting based on using means of direct remote communication shall be conducted if members of the Supervisory Board are not present in one location, but they can communicate with each other and

debate a proposed resolution by phone, email, Internet communication system or any other technical means ensuring direct communication and available to members of the Supervisory Board.

6. The beginning of a formal vote based on using means of direct remote communication may be preceded by a debate on a proposed resolution together with its justification. If changes are proposed to a draft resolution, the Chairperson of the Supervisory Board shall draw up the final wording of such resolution and shall order a vote.
7. Ordering a vote based on using means of direct remote communication, the Chairperson may specify a deadline for the casting of votes by members of the Supervisory Board.
8. The collection of votes cast by members of the Supervisory Board during a vote based on using means of direct remote communication shall be conducted in a manner specified by the Chairperson; it shall be possible to specify different means of communication for the collection of votes cast. In case of doubts it shall be deemed that using the telephone, teleconference or videoconference members of the Supervisory Board cast their votes orally communicating their decisions to the Chairperson, while using email or fax members of the Supervisory Board cast their votes by these means of communication. Casting a vote by means of email or fax a member of the Supervisory Board shall specify clearly how he/she votes by writing: "in favour", "against" or "abstaining". Besides specifying how he/she votes, a member of the Supervisory Board shall put his/her signature (fax) or give his/her name (email) together with a date of a vote.
9. Resolutions adopted under the procedure specified in clause 1 and the results of votes shall be presented at the nearest meeting of the Supervisory Board.

§ 14.

1. Resolutions of the Supervisory Board shall become effective at the time of their adoption unless a given resolution provides for otherwise.
2. Resolutions shall be signed by the members of the Supervisory Board who have voted on them.
3. Signed resolutions shall constitute attachments to the minutes of a meeting at which they have been adopted. Resolutions adopted under the procedure referred to in § 13 clause 1 above shall be attached to the minutes of the nearest meeting.

§ 15.

1. Meetings of the Supervisory Board may be attended by members of the Management Board or other persons in an advisory capacity invited by the Chairperson or Vice Chairperson of the Supervisory Board.
2. The Supervisory Board may demand from the Management Board information on all important matters concerning the Company's operations as well as risks related to its operations.

§ 16.

Members of the Supervisory Board shall be obliged to treat as confidential all information acquired in connection with their fulfilment of functions in the Supervisory Board.

**CHAPTER V.
PARTICIPATION OF SUPERVISORY BOARD MEMBERS IN GENERAL MEETINGS
AND THEIR REPORTING OBLIGATIONS**

§ 17.

1. Members of the Supervisory Board shall be entitled to participate in the Company's General Meetings.
2. The Supervisory Board shall draw up the following reports:
 - a) A report on the activities of the Supervisory Board which should include in particular information on significant issues which were the subject of the Supervisory Board's debates, on the number of meetings held and the participation of the members in such meetings as well as an evaluation of the Supervisory Board's activities;
 - b) A report on the evaluation of the Company's situation, including an evaluation of the Company's internal control system and significant risk management system;
 - c) A report on the evaluation of the Company's financial statements for a previous financial year, the Management Board's report on the Company's activities and the Management Board's proposal concerning the distribution of profit or the financing of loss;
 - d) A report on the evaluation of the PGE Capital Group's consolidated financial statements for a previous financial year and the Management Board's report on the PGE Capital Group's activities.

**CHAPTER VI.
SUPERVISORY BOARD COMMITTEES**

§ 18.

1. The Supervisory Board may appoint permanent committees or *ad hoc* committees operating as collective advisory and opinion-making bodies of the Supervisory Board whose objective shall be in particular providing the Supervisory Board with recommendations and opinions on matters belonging to their respective scopes of operation.
2. The Supervisory Board shall have the following permanent committees: the Audit Committee, Strategy and Development Committee, Appointment and Remuneration Committee and Corporate Governance Committee.
3. Members of a committee shall be appointed by the Supervisory Board from among its members. A committee shall consist of from 2 to 5 people.
4. A committee shall elect its Chairperson from among its members. The Chairperson shall manage the activities of a committee and shall represent it in relations with the Company's governing bodies and employees.
5. The mandate of a committee's member shall expire simultaneously with the expiry of the mandate of a member of the Supervisory Board, the submission of a notice of resignation from membership in a committee or the dismissal from the composition of a committee by the Supervisory Board.

§ 19.

1. The first meeting of a committee shall be convened by the Chairperson of the Supervisory Board or another member of the Supervisory Board appointed by the Chairperson. Every subsequent meeting shall be convened by the Chairperson of a committee as often as necessary for ensuring such committee's performance of tasks entrusted to it. In the event of the absence of the Chairperson, a meeting of a committee shall be convened by the Chairperson of the Supervisory Board or another member of the Supervisory Board appointed by the Chairperson.
2. A person convening a meeting shall notify all members of a committee and all other members of the Supervisory Board of the date and place of a meeting. Such notification shall be delivered not later than three days, and in urgent matters - not later than one day, before a meeting of a committee. Such notification may be delivered in writing (by post), by email, telephone or in person.
3. Each member of the Supervisory Board shall be entitled to participate in meetings of any committee.
4. The Chairperson of a committee may invite to its meetings members of the Supervisory Board, the Company's employees and other people whose participation in meetings is justified.
5. The Company shall ensure technical support for the committees of the Supervisory Board.

§ 20.

A committee shall make decisions by way of consensus.

§ 21.

1. Positions, opinions, recommendations and other decisions of a committee shall be presented to the Supervisory Board by the Chairperson of a committee or a person appointed by him/her, orally or in writing.
2. The Chairperson of a committee or a person appointed by him/her shall be entitled to submit motions to the Supervisory Board for its resolution on the preparation of expert's opinions or recommendations concerning the scope of work or employment or advisors for the needs of a committee.

§ 22.

1. The Audit Committee shall be responsible for the examination of the correctness and efficiency of the performance of internal financial audits in the Company and the PGE Capital Group as well as for cooperation with the Company's auditors. The Audit Committee shall be responsible in particular for the following:
 - a) monitoring the work of the Company's certified auditors and presenting to the Supervisory Board recommendations concerning the selection and remuneration of the Company's certified auditors,
 - b) before the audit of the Company's yearly financial statements, discussing with the Company's certified auditors the scope of their audit and monitoring their work,
 - c) reviewing the Company's periodic and yearly financial (separate and consolidated) financial statements, with emphasis put in particular on the following:
 - (i) all changes in accounting standards, principles and policies,

- (ii) major areas subject to evaluation,
 - (iii) significant corrections resulting from an audit,
 - (iv) declarations of the continuation of the activities,
 - (v) consistency with the effective accounting regulations,
- d) discussions with all proper persons of all problems or reservations which may have resulted from the audit of financial statements,
 - e) an analysis of letters to the Management Board drawn up by the Company's certified auditors and the Management Board's responses, as well as an examination of the independence and objectivity of audits conducted by certified auditors,
 - f) providing opinions on the Company's policy concerning dividend, profit distribution and issue of securities,
 - g) a review of the managerial accounting system,
 - h) a review of the internal control system (including the mechanisms of financial, operating, legal compliance, risk assessment and managerial controls) and an annual report,
 - i) an analysis of the Company's internal auditors' reports and the main observations of other internal analysts as well as the Management Board's responses to such observations, including an examination of internal auditors' degree of independence,
 - j) a yearly review of the internal audit programme, coordination of work of internal and external auditors as well as an examination of internal auditors' functioning conditions,
 - k) cooperation with the Company's organizational units responsible for audit and controlling as well as a periodic evaluation of their work,
 - l) consideration of all other issues related to the Company's audit which have drawn the attention of the Audit Committee or the Supervisory Board,
 - m) notifying the Supervisory Board of all important issues related to the activities of the Audit Committee.
2. Meetings of the Audit Committee shall be held at least once a quarter; one meeting shall be convened before the publication of the Company's financial statements.

§ 23.

The Corporate Governance Committee shall be responsible for the following:

- a) an evaluation of the implementation of the principles of corporate governance in the Company and notifying the Supervisory Board of initiatives for changes in this area,
- b) providing opinions on the Company's normative acts and other documents influencing corporate governance and submitted to the Supervisory Board,
- c) initiating and developing proposals for changes in the Supervisory Board's normative acts.

§ 24.

The Strategy and Development Committee shall be responsible for providing opinions and presenting recommendations to the Supervisory Board with respect to planned investments having significant influence on the Company's assets. The Strategy and Development Committee shall be responsible in particular for the following:

- a) providing opinions on strategy and strategic plans submitted to the Supervisory Board by the Management Board.

§ 25.

The Appointment and Remuneration Committee shall be responsible for supporting the process of achieving the Company's strategic objectives by presenting to the Supervisory Board opinions and proposals concerning the shaping of the management structure, including organizational solutions, the remuneration system and the recruitment of the personnel possessing required qualifications. The Appointment and Remuneration Committee shall be responsible in particular for the following:

- a) initiating and providing opinions on solutions concerning the system of appointing members of the Management Board,
- b) providing opinions on the Management Board's proposed solutions concerning the Company's management system aimed at ensuring the effectiveness, coherence and security of the Company's system of management,
- c) a periodic review and recommendation of the principles of determining motivational remuneration for members of the Management Board and the senior management personnel, in accordance with the Company's interest,
- d) a periodic review of the system of remuneration for members of the Management Board and the senior management personnel reporting directly to members of the Management Board, including managerial contracts and motivational systems as well as submitting to the Supervisory Board proposals concerning their development within the context of achieving the Company's strategic objectives,
- e) presenting to the Supervisory Board opinions concerning justifications for granting remunerations dependent on results within the context of evaluating progress in the performance of particular tasks and achievement of particular objectives,
- f) an evaluation of the Company's human resources management system.

CHAPTER VII. REMUNERATION AND COST REIMBURSEMENT

§ 26.

1. Members of the Supervisory Board shall receive monthly remuneration for their participation in the work of the Supervisory Board. Such remuneration for members of the Supervisory Board shall be determined by the General Meeting.
2. Remuneration for a member of the Supervisory Board delegated temporarily to perform the duties of a member of the Management Board shall be determined by the Supervisory Board in the amount which jointly with the remuneration of a given member of the Supervisory Board determined by the General Meeting shall not be higher than the highest remuneration determined for the other members of the Management Board.

§ 27.

The Company shall reimburse costs incurred by members of the Supervisory Board in the fulfilment of the function entrusted to them, in particular costs of travel to meetings of the Supervisory Board, costs of board and accommodation, as well as costs of the exercise of individual supervision.

**CHAPTER VIII.
FINAL PROVISIONS**

§ 28.

1. The Supervisory Board may use the Company's offices, equipment and materials.
2. The Company shall ensure technical and administrative support for the Supervisory Board.

§ 29.

1. The Regulations of the Company's Supervisory Board approved on the basis of resolution no. 152/VIII/2010 by the Supervisory Board on 18 May 2010 shall expire.
2. These Regulations shall become effective as of the date of their approval on the basis of a resolution of the Supervisory Board.