

## Statement of compliance with corporate governance rules by RAFAKO S.A. in 2017

This statement has been prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. No. 33, item 259, as amended).

**1. Code of corporate governance applicable to the Company and its availability to the general public**

In 2017, the Company applied the rules of corporate governance stipulated in the 'Code of Best Practice for WSE Listed Companies 2016' (Code of Best Practice), approved by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange dated October 13th 2015 on approval of the 'Code of Best Practice for WSE Listed Companies 2016', which is available at:

<http://www.rafako.com.pl/relacje-inwestorskie/lad-korporacyjny-raport>

**2. Scope of and reasons for non-compliance with the corporate governance principles****I. Disclosure Policy, Investor Communications**

I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

**Reasons for non-compliance:** *The company has not adopted a separate formal regulation governing its diversity policy. However, the Company applies the principle of equal treatment based on generally applicable laws, including labour law, the EU regulations, and the Charter of Human Rights.*

I.Z.1.20. an audio or video recording of a general meeting.

**Reasons for non-compliance:** The Company declares that it will comply with the corporate governance principle requiring the publication of audio- or video-recordings of general meetings on a corporate website if at least one Company shareholder (regardless of the number of shares held) expresses an interest in general meetings being so recorded and submits a relevant request by e-mail to [wza@rafako.com.pl](mailto:wza@rafako.com.pl) within seven days of the date of the general meeting notice. If such a request is filed with the Company, the Company will continue to comply with this principle indefinitely (in relation to each general meeting convened following the receipt of the request by the Company).

After each General Meeting, the Management Board will announce that the General Meeting proceedings were audio- or video-recorded and that the recording is available on the Company's website. The Company declares that it will comply with the corporate governance principle requiring the publication of audio- or video-recordings of general meetings on a corporate website if Company shareholders, including minority shareholders (stock exchange investors), express an interest in general meetings being so recorded.

In addition, the Company will do the same if at least one Company shareholder (regardless of the number of shares held) expresses an interest in general meetings being so recorded and submits a relevant request by e-mail to [wza@rafako.com.pl](mailto:wza@rafako.com.pl) within seven days of the date of the general meeting notice. If such a request is filed with the Company, the Company will continue to comply with this principle indefinitely (in relation to each general meeting convened following the receipt of the request by the Company).

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.

**Reasons for non-compliance:** The Company does not operate an English-language website containing the documents and information specified in rule I.Z.1. of the Code of Best Practice due to high costs involved. Only selected documents that reasonably need to be translated are published in English.

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**II. Management Board, Supervisory Board**

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

***Reasons for non-compliance:***

The Company continues not to comply with this principle, the non-compliance being, however, attributable to different reasons. The Audit Committee and the Remuneration Committee established within the Supervisory Board operate in accordance with the provisions of applicable laws and the Rules of Procedure of the Supervisory Board as adopted by the Supervisory Board. In addition, the Audit Committee's operations are regulated by the separate Rules of Procedure of the Audit Committee. Most of the Audit Committee and Remuneration Committee members satisfy the independence criteria provided for in the Polish Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089) as well as the independence criteria set out in Annex II to the Commission Recommendation referred to in principle II.Z.4. Both committees are comprised of persons with requisite qualifications and experience. A significant part of the provisions of Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and operation the Audit Committee and Remuneration Committee. Through the Remuneration Committee and the remuneration policy, the Company ensures that the amount of remuneration of Management Board members is set by the Supervisory Board according to the specific responsibilities of individual Management Board members. The Management Board sets the amount of remuneration of key managers on the same basis, in accordance with the remuneration policy in place at the Company. Therefore, the Company's Management Board currently can see no adverse effects that non-compliance with this principle could cause to existing or potential Shareholders.

II.Z.10.2. A report on the activity of the supervisory board containing at least the following information:

full names of the members of the supervisory board and its committees,

- supervisory board members' fulfilment of the independence criteria,
- number of meetings of the supervisory board and its committees in the reporting period,
- self-assessment of the supervisory board;

***Reasons for non-compliance:***

Activity reports prepared by the Supervisory Board contain all necessary information, except self-assessment. The Supervisory Board's performance is assessed by the General Meeting.

**III. Internal Systems and Functions**

III.Z.2. Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

***Reasons for non-compliance:*** *Due to the nature of the Company's operations, the elements of risk management and compliance system are distributed among the organisational units and described in various internal regulations. The Management Board has adopted a Risk Management Policy. An internal audit officer, reporting directly to the President of the Management Board, has been appointed. The officer may report directly to the Supervisory Board.*

*The Company periodically reviews individual risk categories to anticipate possible threats and their potential consequences.*

III.Z.4. The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.

***Reasons for non-compliance:*** *The Management Board together with the internal audit officer assess the effectiveness of internal audit and the internal control system.*

*The assessment of other systems and functions is performed jointly by the Management Board and the management staff. These matters are periodically discussed by the Management Board with the Supervisory Board.*

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III.Z.5. The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

**Reasons for non-compliance:** *The Company has in place an internal control system and internal audit function, whose performance is periodically reported on by the head of the audit function and the Management Board to the Audit Committee and the Supervisory Board. Due to the distribution of risk management and compliance functions, it is the Management Board that discusses potential and actual events related to the risk management and compliance with the Supervisory Board.*

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

**Comment:**

As the Company has a separate internal audit function in its organisation, this principle does not apply to the Company.

**IV. General Meeting, Shareholder Relations**

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1. real-life broadcast of the general meeting;
2. real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
3. exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

**Reasons for non-compliance:** *The Management Board will consider the need to broadcast the General Meeting and will inform the shareholders of the option to participate in the General Meeting and vote by electronic means of communication on a case-by-case basis.*

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

**Reasons for non-compliance:** *The Management Board will consider the need to ensure publicly available real-time broadcast of the General Meeting on a case-by-case basis and announce its decision.*

**V. Salaries and wages**

Recommendation VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

**Reasons for non-compliance:**

*As the Company does not apply principle II.Z.7. to the tasks or operation of the committees established within the Supervisory Board, this principle is not applicable to the Remuneration Committee either.*

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

**Reasons for non-compliance:** *Remuneration of the Management Board members is set by the Supervisory Board. The Supervisory Board also awards discretionary bonuses to the Management Board members, depending on their performance of duties. The Company is currently developing a new incentive scheme for the key management staff.*

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VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

**Reasons for non-compliance:** *The Company does not grant options or other instruments linked to Company shares.*

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

1. general information about the company's remuneration system;
2. information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
3. information about non-financial remuneration components due to each management board member and key manager;
4. significant amendments of the remuneration policy in the last financial year or information about their absence;
5. assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

**Reasons for non-compliance:** In its annual financial statements, the Company discloses the amounts of all benefits payable to members of the Company's governing bodies in accordance with relevant stock exchange regulations and International Accounting Standards applicable to the Company, and therefore such statements contain only some of the data referred to in this principle. Moreover, the company treats the details of its remuneration policy as a trade secret.

### **3. Key features of the Company's internal control and risk management systems used in the preparation of separate and consolidated financial statements**

The role of the continually enhanced internal control and risk management systems at RAFAKO S.A. is to ensure that the financial statements are prepared in a reliable, timely, comprehensive and transparent manner. The purpose of the systems is to identify, assess, manage and monitor potential events, a process which reasonably ensures the reliability and compliance of financial reporting. The aim is the preparation of financial statements that would give a fair view of the Company's business activity, in compliance with the IAS and Polish Accounting Act. All material aspects of the Company's operations are governed by its internal regulations, including those of the Integrated Management System implemented at the Company.

The Company's Organisational Rules define its organisational structure and operating procedures, as well as the remits and responsibilities of its organisational units. The control powers of individual employees are defined in the internal regulations and relevant job descriptions.

RAFAKO S.A. has in place procedures defining the competencies required for individual jobs, as well as the rules governing employee training (from requirements description, to actual training, to its assessment measured by employee performance).

Another important internal regulation is the Accounting Policy and Chart of Accounts adopted and applied by the Management Board of RAFAKO S.A., compliant with the International Financial Reporting Standards.

The Company has also implemented the Risk Management Policy, which defines the Risk Management System as a continuous, active and regular process, as well as the method of its management supporting the achievement of the Company's objectives. The system forms an integral part of the organisation's core management processes, using historical information, feedback from stakeholders, experience and forecasts. The Company identifies risks and threats to its operations, as described in Section 2 (Chapter II) of the Directors' Report on the Operations of RAFAKO S.A. For information on the objectives and rules of financial risk management, including the specification of the most material risks, see Note 50 to the Company's financial statements.

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The Supervisory Board (through the Audit Committee) participates in the process of risk control and management in financial reporting through approval of quarterly and half-year reports, as well as assessment of the Company's financial statements on an annual basis. The Supervisory Board's powers include approval of annual budgets and multi-year plans, binding commercial bids, purchase and disposal of property, acquisition and disposal of equity interests. The Supervisory Board also reviews the economic aspects of Company's operating, financing and investing activities on an ongoing basis. Whenever the Supervisory Board deems it necessary, it delegates its members to individually perform specific supervisory tasks.

In accordance with the Polish Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017, an Audit Committee has been established within the Supervisory Board, with the powers and responsibilities as defined in the Act, including also advising the Supervisory Board on proper implementation of budget reporting, financial reporting, and internal control standards at the Company and the RAFAKO Group, and other matters.

The Audit Committee's responsibilities include in particular a review of the Company's financial statements, management accounting and internal control systems, including control mechanisms in the area of finance, operations, compliance, risk assessment and management.

RAFAKO S.A.'s organisational structure includes an Internal Audit Unit, operating in accordance with the adopted Internal Control Rules and based on international standards of internal audit. As it meets the organisational independence criteria, the Internal Audit Unit carries out its activities with an objective and independent approach.

The Internal Audit Unit performs its internal audits based on the annual audit plan, carries out ad hoc audits and audit activities aimed at, among other things, assessing the effectiveness of the internal control system and improving risk management processes.

The Company uses the following IT systems to support its internal control and risk management activities and preparation of financial statements:

- an ERP Infor LN10 integrated IT system, whose functionalities ensure the transparent allocation of responsibilities and consistency of accounting records. Thanks to its extensive reporting system, it is possible to verify the consistency of information.
- IBM Notes and Vdesk, guaranteeing the achievement of assumed objectives; used in an extensive computer network, they also support quantitative and qualitative verification of individual documents and review of their contents.

Describing the internal control system, it should be noted that its most important element is the verification of financial statements by an independent qualified auditor. A qualified auditor also assesses the internal control and risk management systems in terms of their roles in the financial reporting process.

RAFAKO S.A. has long-standing relationships with a group of reputable audit firms offering high-quality services and satisfying the criterion of full independence. A qualified auditor of the Company's financial statements is selected by the Supervisory Board in an RFP process.

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**4. Shareholders holding directly or indirectly major holdings of shares, along with an indication of the numbers of shares and percentages of the Company's share capital held by such shareholders, and the numbers of votes and percentages of the total vote that such shares represent at the General Meeting**

Shareholders holding each more than 5% of shares as at December 31st 2017

AKCJONARIUSZ / NAZWA FIRMY	LICZBA AKCJI	LICZBA GŁOSÓW	UDZIAŁ W KAPITALE ZAKŁADOWYM	UDZIAŁ W OGÓLNEJ LICZBIE GŁOSÓW
PBG S.A., Multaros Trading Company Ltd. oraz Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych zgodnie z porozumieniem z dnia 24 października 2017 r. o którym mowa w art. 87 ust. 1 pkt 6) Ustawy o Ofercie Publicznej(*)	55 081 769	55 081 769	43,22%	43,22%
- PBG S.A.(*)	7 665 999	7 665 999	6,02%	6,02%
- Multaros Trading Company Ltd. (**)(***)	34 800 001	34 800 001	27,31%	27,31%
- Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (**)	12 615 769	12 615 769	9,90%	9,90%
Nationale-Nederlanden Otwarty Fundusz Emerytalny zarządzany przez Powszechne Towarzystwo Emerytalne S.A. (****)	12 582 710	12 582 710	9,87%	9,87%
Pozostali	59 767 519	59 767 519	46,90%	46,90%
<b>Razem</b>	<b>127 431 998</b>	<b>127 431 998</b>	<b>100%</b>	<b>100%</b>

(\*) stan akcji na podstawie zawiadomienia od PBG i Multaros z dnia 28 grudnia 2017 r.

(\*\*) stan akcji na podstawie zawiadomienia Funduszu Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych z dnia 3 stycznia 2018 roku

(\*\*\*) Multaros Trading Company Ltd. jest spółką zależną PBG S.A. w związku z czym spółka RAFAKO S.A. („Spółka”) jest pośrednio kontrolowana przez PBG, która posiada łącznie, bezpośrednio i pośrednio, 42.466.000 akcji Spółki stanowiących 33,32% kapitału zakładowego Spółki i uprawniających do wykonywania 33,32% głosów ogólnej liczby głosów na Walnym Zgromadzeniu Spółki

(\*\*\*\*) liczba akcji oszacowana na podstawie rocznej struktury aktywów opublikowanej przez Nationale-Nederlanden Otwarty Fundusz Emerytalny (stan na dzień 29.12.2017)

SHAREHOLDER/COMPANY NAME	SHARES	VOTING RIGHTS	OWNERSHIP INTEREST	% OF TOTAL VOTING RIGHTS AT GM
PBG S.A., Multaros Trading Company Ltd. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, in accordance with the agreement of October 24th 2017 referred to in Art. 87.1.6) of the Public Offering Act (*)	55,081,769	55,081,769	43.22%	43.22%
- PBG S.A. (*)	7,665,999	7,665,999	6.02%	6.02%
-Multaros Trading Company Ltd. (*) (***)	34,800,001	34,800,001	27.31%	27.31%
- Fundusz Inwestycyjny Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (**)	12,615,769	12,615,769	9.90%	9.90%
Nationale-Nederlanden Otwarty Fundusz Emerytalny managed by Powszechne Towarzystwo Emerytalne S.A. (***)	12,582,710	12,582,710	9.87%	9.87%
Other	59,767,519	59,767,519	46.90%	46.90%
<b>Total</b>	<b>127,431,998</b>	<b>127,431,998</b>	<b>100%</b>	<b>100%</b>
(*) Number of shares based on PBG's and Multaros's notifications of December 28th 2017.				
(**) Number of shares based on a notification of January 3rd 2018 received from Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.				
(***) Given the fact that Multaros Trading Company Ltd. is PBG S.A.'s subsidiary, RAFAKO S.A. (the "Company") is indirectly controlled by PBG S.A., which holds, directly and indirectly, 42,466,000 Company shares, representing 33.32% of its share capital and conferring the right to 33.32% of total voting rights at its General Meeting.				
(****) Number of shares estimated based on the annual asset structure published by Nationale-Nederlanden Otwarty Fundusz Emerytalny (as at December 29th 2017).				

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**5. Holders of any securities conferring special control rights, and description of those rights**

All RAFAKO shares are ordinary bearer shares and they confer no special control rights with respect to the Company.

**6. Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities**

RAFAKO S.A. is aware of no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

Shareholders of the Company may have up-to-date information on such restrictions, if any.

**7. Any restrictions on transfer of ownership rights to the Company's securities**

To the best of the Company's knowledge (the information is publicly available), on April 20th 2016 PBG S.A. and Multaros Trading Company Limited signed lock-up agreements with banks as part of performance of PBG's obligations towards some of its creditors. The agreements provide for the creation of registered pledges over all RAFAKO S.A. shares held by PBG and Multaros.

In connection with the court's decision of June 13th 2016 to approve the arrangement between PBG and its creditors, the ordinary pledge over RAFAKO shares held by these companies, created to secure the arrangement, became effective.

Moreover, on December 2nd 2016 RAFAKO S.A. was notified by PBG S.A. of the creation of a registered pledge over RAFAKO shares held by PBG and Multaros Trading Company Limited for the benefit of PBG's arrangement creditors acquiring bonds, in accordance with the arrangement. Shareholders of the Company may have up-to-date information on such restrictions, if any.

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**8. Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, particularly the power to make decisions to issue or buy back shares**

Pursuant to RAFAKO's Articles of Association, members of the Management Board are appointed and removed by the Supervisory Board. The Supervisory Board may remove the President or a Member of the Management Board, as well as the entire Management Board, at any time before the expiry of their term of office. The General Meeting has the power to adopt a decision to issue or buy back shares, upon the Management Board's proposal submitted together with the Supervisory Board's written opinion.

**9. Rules governing amendments to the Company's Articles of Association**

The Articles of Association of RAFAKO S.A. may be amended by the General Meeting upon the Management Board's proposal submitted together with the Supervisory Board's written opinion, the Supervisory Board's proposal or a proposal by Shareholders entitled to convene the General Meeting.

**10. Manner of operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the rules stipulated in the rules of procedure of the General Meeting if such rules have been adopted, unless the relevant information follows directly from legal regulations**

The operation of the General Meeting of RAFAKO S.A. is governed by legal regulations (including the Commercial Companies Code), the Company's Articles of Association and the General Meeting Rules of Procedure adopted by the General Meeting. The texts of the Articles of Association and the Rules of Procedure are available on the website at:

<http://www.rafako.com.pl/o-nas/dokumenty-organizacyjne-spolki>.

**11. Composition and activities of the Company's management, supervisory or administrative bodies and of their committees; changes in their composition over the last financial year**

In the financial year 2017, there were no changes in the composition of the Company's Management Board.

As at December 31st 2017, the Management Board of RAFAKO S.A. was composed of:

- 1) Agnieszka Wasilewska-Semail – President of the Management Board,
- 2) Krzysztof Burek – Vice President of the Management Board,
- 3) Jarosław Dusiło – Vice President of the Management Board,
- 4) Edward Kasprzak – Vice President of the Management Board,
- 5) Tomasz Tomczak – Vice President of the Management Board.

The operation of the Management Board is governed by legal regulations (including the Commercial Companies Code), the Company's Articles of Association and the Management Board Rules of Procedure adopted by the Supervisory Board. The texts of the Articles of Association and the Rules of Procedure are available on the website at: <http://www.rafako.com.pl/o-nas/dokumenty-organizacyjne-spolki>

In the financial year 2017, there were changes in the composition of the Company's Supervisory Board. On November 9th 2017, Mr Dariusz Sarnowski tendered his resignation as member of the Company's Supervisory Board.

As at December 31st 2017, the Supervisory Board of RAFAKO S.A. was composed of:

- 1) Jerzy Wiśniewski – Chairman of the Supervisory Board,
- 2) Krzysztof Gerula – Member of the Supervisory Board (independent member),
- 3) Przemysław Schmidt – Member of the Supervisory Board (independent member),
- 4) Dariusz Szymański – Member of the Supervisory Board,
- 5) Adam Szyszka – Member of the Supervisory Board (independent member),
- 6) Małgorzata Wiśniewska – Member of the Supervisory Board.

The operation of the Supervisory Board is governed by legal regulations (including the Commercial Companies Code), the Company's Articles of Association and the Supervisory Board Rules of Procedure adopted by the



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Supervisory Board. The texts of the Articles of Association and the Rules of Procedure are available on the website at:

<http://www.rafako.com.pl/o-nas/dokumenty-organizacyjne-spolki>.

In the financial year 2017, there were changes in the composition of the Supervisory Board's Audit Committee. Following the resignation by Mr Dariusz Sarnowski, who was also a member of the Supervisory Board's Audit Committee, the Supervisory Board appointed Mr Dariusz Szymański to the Audit Committee on November 9th 2017.

As at December 31st 2017, the Audit Committee was composed of:

- 1) Dariusz Szymański – Member of the Supervisory Board's Audit Committee,
- 2) Przemysław Schmidt – Member of the Supervisory Board's Audit Committee, qualified in accounting,
- 3) Adam Szyszka – Chairman of the Supervisory Board's Audit Committee, qualified in accounting.

Adam Szyszka and Przemysław Schmidt meet the independence criteria.

The Supervisory Board's Audit Committee operates in accordance with the provisions of applicable laws and its Rules of Operation adopted by the Supervisory Board.

Moreover, in accordance with the Rules of Procedure for the Supervisory Board, a Remuneration Committee has been formed within the Supervisory Board, appointed from among its members. The Remuneration Committee is composed of Jerzy Wiśniewski, Krzysztof Gerula, and Przemysław Schmidt.

The responsibilities of the Remuneration Committee include: (i) submitting, to the Supervisory Board for approval, proposals regarding the rules of remuneration for the Management Board members; (ii) submitting to the Supervisory Board proposals regarding the amounts of remuneration of individual members of the Management Board; (iii) submitting to the Supervisory Board proposals regarding appropriate forms of contracts with Management Board members. The Remuneration Committee presents to the Supervisory Board its recommendations regarding the rules and amounts of remuneration for Management Board members orally or in writing.

## **12. Sponsorship and charity policy**

Recommendation I.R.2.: Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

RAFAKO S.A.'s mission is to build state-of-the-art power capacities, with due regard paid to environmental protection. Our presence on the Polish and international markets is a reason to be proud of, but it also makes us aware of our social responsibility. Therefore, we build the image of a large and stable Polish company while supporting major economic events, sports, science and culture.

As part of our sponsorship activities, we act as a partner of the most important conferences devoted on the Polish economy, and on the power sector in particular.

As one of the largest employers in our region, we are particularly attuned to the needs of the local communities, offering support to local cultural, educational and sport initiatives, especially local clubs, cultural projects, and sports events. We also remember about those in need, allocating considerable resources to social and charitable projects.

RAFAKO supports Polish sports, both individual athletes and clubs, as well as various sports events. We focus on endurance sports, which require strong character, determination and hard work, as well as those based on cooperation and mutual trust. Examples include the sponsoring of the world's best long-distance triathlete Ewa Bugdoł and the top Polish volleyball team ZAKSA Kędzierzyn-Koźle, as well as the 'Race for a New Life' project. Locally, the Company mainly supports its employees keen on mountain biking, long-distance running and triathletes.

We engage in advancing Polish medicine as a partner of the Professor Zbigniew Religa Cardiac Surgery Development Foundation, and we sponsor the Race for a New Life, an annual event promoting Polish transplantology.

## **13. Diversity Policy applied to the Company's supervisory and management bodies**

In 2017, the Company did not have an official document describing the diversity policy. However, the Company applies the principle of equal treatment based on generally applicable laws, including the labour law, EU regulations, Charter of Human Rights, and the RAFAKO Code of Ethics. RAFAKO's key management staff is

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diversified in all material respects (i.e. gender, education, age, and professional experience), in accordance with the general non-discrimination principle followed by the Company. The Company has not recorded any acts of discrimination, including gender or age discrimination, within the Company's governing bodies or management personnel. The Company has been following a policy of appointing to its governing bodies and key management competent and creative persons with relevant professional experience and diverse educational backgrounds. No other factors, including gender, are taken into account as selection criteria. The Company strives to have diverse management and supervisory personnel (in terms of experience and education), because diversity enhances innovation, creativity, and management methods, and thus contributes to the Company's growth, improving the quality of its products and services, etc. The appointment and selection of these persons for the new term of office was also based on the principles defined in the implemented diversity policy.