

Statement on application of corporate governance rules in 2018

The Management of VRG S.A. based in Cracow (hereinafter „the Company”) presents its statement on application of corporate governance rules created according to the Ordinance of Minister of Finance from March 29, 2018 on current and periodical reports provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Official Journal of Laws of 2018, item 757).

This statement constitutes a separate part of the Company’s Report on Operations for 2018 which is part of the Company’s annual report for 2018.

This statement consists of the following parts:

- I. Corporate governance rules to which the Company is subject to
- II. Description of main features of the Company’s internal control and risk management system relating to the process applied to preparation of separate and consolidated financial statements
- III. Indication of the Company's shareholders holding directly or indirectly significant blocks of shares with information on number of shares held by these entities, their percentage stake in equity, number of votes resulting therefrom and their percentage share in the total number of votes at the General Shareholder Meeting
- IV. Indication of holders of any securities that give special control rights, along with a description of these rights
- V. Indication of any restrictions on the exercise of voting rights, such as limitation of the exercise of voting rights by the holders of a given part or number of votes, and time limitations regarding the exercise of voting rights or clauses, in which, with the cooperation of the Company, rights related to securities are separated from possession of those securities
- VI. Indication of any restrictions on the transfer of ownership of the Company's securities
- VII. Description of the rules for altering the Company’s Articles of Association
- VIII. Description of the way General Shareholder Meeting functions and its basic powers together with a description of shareholders' rights and how they are exercised
- IX. Composition and changes that have occurred during the last financial year, and a description of the activities of the management and supervisory bodies of the Company and their committees
- X. Description of rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issuance or buyback of shares
- XI. Description of diversity policy applied to the administrative, managing and supervising authorities with respect to aspects such as e.g. age, sex or education and professional experience, the objectives of this diversity policy, how it is implemented and the effects in the reporting period

I.

Corporate governance rules the Company is subject to

The set of corporate governance rules to which the Company was subject in the financial year 2018 is included in the document "Best Practice of WSE Listed Companies 2016" constituting an annex to the Stock Exchange Resolution No. 26/1413/2015 dated 13 October 2015 regarding the adoption of "Best Practice of WSE Listed Companies 2016". Based on par. 29 para. 3 of the Regulations of the Warsaw Stock Exchange S.A. on January 12, 2016, the Company made public via the Electronic Information Base (EBI) EBI report 1/2016 regarding non-compliance with the detailed principles contained in "Best Practice of WSE Listed Companies 2016". Information on Company's non-compliance to individual recommendations contained in the document "Best Practices of WSE Listed Companies 2016" has been included in this Company's statement forming part of the annual report for 2018.

Compliance with the corporate governance rules contained in the document "Best Practice of WSE Listed Companies 2016"

The Management Board of the Company declares that in the financial year ended December 31, 2018, the Company and its bodies adhered to all recommendations (subject to the scope of exceptions described below for specific principles) and the detailed principles of corporate governance contained in the "Best Practices for WSE Listed Companies 2016", as amended by the Resolution of the Stock Exchange Council No. 26/1413/2015 of October 13, 2015, with the following exemptions:

Disclosure Policy, Investor Communication

I.Z.1.16. 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 information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is not applied.

The reason for resignation from application of the above principle in the Company are too high costs of providing adequate equipment and technical capabilities that would allow for the implementation of resultant tasks, not commensurate with the potential benefits arising for shareholders. In connection with the above, the record of the course of the General Shareholder Meeting in the form of audio or video will not be posted on the Company's corporate website in the near future. Other rules regarding the organization and course of the General Shareholder Meeting are applicable. The company adheres to the applicable law in this area and strives to implement the proper information policy.

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

The principle is not applied.

The reasons for the Company's resignation from the application of the above are presented in the explanation of non-application of the principle I.Z.1.16.

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.

The above rule did not apply to the Company in 2018.

Management Board, Supervisory Board

II.Z.2. A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

The above principle is not applied in the Company. The Company's internal regulations as well as agreements with members of the Management Board, do not impose such restrictions. The Company complies with applicable law, i.e. art. 380 of the Code of Commercial Companies, according to which a member of the management board may not deal with competing interests or participate in a competitive company without the consent of the Company. In case of the intention to undertake such activities, a member of the Management Board is required to obtain consent of the Supervisory Board of the Company.

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.

The principle was not applied in 2018.

The above principles were applied in the Company only in part. The Company's Management Board did not separate in the Company's organizational structure any unit responsible for internal audit or compliance functions, nor did it appoint persons responsible for these functions. These activities are carried out within each of the organizational divisions of the Company.

III.Z.3. The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle was not applied in 2018.

The reasons for withdrawing from the full application of the above principle in the Company are given in the explanation of non-application of the rule III.Z.2.

General Meeting, Shareholder Relations

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

The principle is not applied.

The reasons for the Company's non-compliance with the above principle are given in the explanation of non-application of the principle I.Z.1.16. In addition, the Company explains that currently in the Company's Articles of Association there are no provisions that would allow shareholders to participate in the Company's General Shareholder Meeting using electronic means of communication. Due to the wording of art. 406 (5) of the Code of Commercial Companies, which permits the introduction of electronic communication within the framework of the General Shareholder Meeting only when the Article of Association allow for it, the Company currently can-not provide shareholders with participation in the General Shareholder Meeting using electronic means of communication in real time.

IV.Z.9. Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, un-less it otherwise provides the shareholders with information necessary to pass a resolution with adequate un-derstanding.

The principle is not applied.

The above rule was applied in part by the Company, which should be understood that the Company was making efforts to provide shareholders with justifications, in particular, to draft resolutions on issues that are material or likely to raise doubts about atypical or rare issues in the Company. In the Company's opinion, justification for each resolution of the General Meeting, including resolutions that are taken as standard under the provisions of the Code of Commercial Companies, is not necessary for the proper decision-making process of the General Meeting.

Conflict of Interest, Related Party Transactions

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is not applied.

Decisions of the Company's bodies are made in accordance with law, in particular the Code of Commercial Companies, and therefore the Company will not define the criteria and circumstances in which the Company may encounter a conflict of interest.

Remuneration

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.

The principle is not applied.

The above principle is not currently applied in the Company. Motivational programs currently operating in the Company based on subscription warrants authorizing to take up shares of the Company, introduced on the basis of resolutions of the General Shareholder Meeting, do not meet the requirements indicated in the above principle.

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.

The principle is not applied.

The above principle was not applied in its entirety as the Company has not yet formally adopted the regulations defining the remuneration policy and rules for its determination regarding the members of the supervisory and management bodies. The remuneration of the Members of the Management Board is determined by the Supervisory Board. The basic component of the remuneration of Management Board Members is a lump-sum monthly remuneration paid out under a contract of employment. In addition, the Company implemented a stock option plan based on subscription warrants authorizing to subscribe for the Company's shares, the assumptions of which are made available by the Company on its website. The appointment of the members of the Supervisory Board is determined by the General Shareholder Meeting. Members of the Supervisory Board receive a lump-sum monthly remuneration for serving in the Supervisory Board, the amount of which is determined by the resolution of the General Shareholder Meeting. The remuneration of Members of the Management Board and of the Supervisory Board received in the Company and for performing functions in the authorities of subsidiaries included in the Capital Group are disclosed in the annual and semi-annual reports of the Company.

II.

Description of main features of the Company's internal control and risk management system relating to the process applied to preparation of separate and consolidated financial statements

The Company's financial statements are prepared in a systematic manner based on the organizational structure applicable in the Company. The management accounting tools and IT systems used in the Company to record business events in the accounting books provide the basis for assessing that the Company's financial statements are prepared in a reliable manner and contain all relevant data necessary to determine the financial standing of the Company and its assets.

Substantive supervision over the process of preparation of financial statements and periodic reports of the Company, as well as consolidated financial reports is exercised by the Vice President of the Management Board responsible for financial matters.

The Accounting Department in Finance Division is responsible for the organization of work related to the preparation of financial statements and reports directly to the Vice President of the Management Board of the Company for financial matters.

The Management Board is responsible for the internal control system in the Company and its effectiveness

in the process of preparing financial statements and periodical reports prepared and published in accordance with the rules of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by law of a non-member state as equivalent (Official Journal of Laws of 2018, item 757).

The Company's financial results are also monitored on an ongoing basis during the financial year and are subject to periodic review by the Supervisory Board. At each Supervisory Board meeting, the Company's Management Board presents information on the current financial situation of the Company.

The effective internal control system and risk management in the financial reporting process is ensured by:

- preparation of procedures specifying the rules and division of responsibility for drawing up financial statements;

- determination of the reporting scope based on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS);
- development, implementation and exercise of supervision over consistency of accounting principles used by companies from VRG SA Capital Group, and
- semi-annual reviews and annual audits of the published financial statements of the Company and VRG S.A. Capital Group by an independent auditor.

The risk management system applied in the Company is aimed at identifying and preventing or limiting to the greatest extent the adverse effects of risks related to the Company's operating activities. The Management Board of the Company is responsible for the effective management of these risks, and the Supervisory Board, through the Audit Committee, exercises constant supervision over the activities of the Management Board in the scope of the potential impact of those risks on the results of the Company's business. "Risk management regulations at VRG S.A. in Cracow", introduced based on the recommendations of the Audit Committee, is the key internal document which ensures the monitoring of risks along with the register of key mitigation measures and measures limiting their impact on the Company's operations.

Annual and semi-annual financial statements are subject to independent audit and review by certified auditors who express their opinion on the reliability, correctness and clarity of these statements and the correctness of the accounting books that constitute the basis for their preparation.

The selection of the statutory auditor is made by the Supervisory Board at the request of the Management Board, taking into account the recommendations of the Audit Committee from a group of reputable auditing companies guaranteeing high standards of services and the required independence.

Examination is carried out in accordance with the provisions of:

- chapter 7 of the Act of September 29, 1994 on accounting (unified text Official Journal of Laws of 2018 item 395, as amended) (hereinafter: "**Accounting Act**"),
- auditing standards issued by the National Council of Certified Auditors.

In particular, the research includes checking the correctness of the accounting principles and significant estimates applied by the Company, examining - on a random basis - evidence and accounting entries that result in the numbers and disclosures in the financial statements, as well as the overall assessment of the financial statements.

The task of the Company is to prepare such financial statements, including figures and verbal explanations, which:

- present true and fair view of all information relevant for the assessment of the Company's financial and asset situation as at that date, as well as its financial result for a given period,
- have been prepared, in all material respects, properly, that is, in accordance with the accounting principles of International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of ordinances of the European Commission, and in areas not regulated in these standards - pursuant to requirements of the Accounting Act and executive ordinances issued on its basis and on the basis of correctly kept accounting books,
- are consistent with the provisions of law affecting the content of the financial statements and the provisions of the Articles of Association of the Company.

The company has documentation describing the accounting principles adopted by it, as specified in art. 10 of the Accounting Act. The applied principles of cost accounting, valuation of assets and liabilities and determining the financial result are compliant with International Accounting Standards and the provisions of the Accounting Act.

Responsibility for the correctness of the Company's accounts lies with the Management Board.

The accounting records are kept using computer technology with application of programs for which the Company has obtained a license. The accounting books are kept at the registered office of the Company. Records kept enable to determine the financial result, VAT tax and other budgetary commitments. The accounting register ensures correctness and completeness of entries.

The chronology of economic events is respected.

Entries in the accounting books reflect the actual state, data is entered in full and correctly, on the basis of accounting documents qualified for booking. Continuity of records and correctness of applied procedures are ensured.

Accounting documents meet the requirements of the Accounting Act.

Only selected employees have access to data entry into the computer system. Access control is carried out at every stage of preparation of financial statements, starting from entering source data, through data processing, to generating information output.

III.

Indication of the Company's shareholders holding directly or indirectly significant blocks of shares with information on number of shares held by these entities, their percentage stake in equity, number of votes resulting therefrom and their percentage share in the total number of votes at the General Shareholder Meeting

1. Shareholder structure of the Company's equity in accordance with the information available to the Company as at December 31, 2018

As at 31.12.2018, the share capital of VRG S.A. was divided into 234,455,840 ordinary bearer shares, which entitled to a total of 234,455,840 votes at the General Shareholder Meeting of VRG S.A. ("the Company").

The table below presents information on shareholders who, to the best of the Company's knowledge, held, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	Open Pension Fund PZU „Złota Jesień” ¹	34,093,568	14.54	34,093,568	14.54
2	Nationale-Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund ²	24,535,000	10.46	24,535,000	10.46
3	Jerzy Mazgaj with related party Krakchemia S.A. ³	21,944,333	9.36	21,944,333	9.36
4	IPOPEMA TFI ⁴	21,137,000	9.02	21,137,000	9.02

¹ information on number of shares presented in accordance with notification received by the Company pursuant to art. 69 par. 1 point 2, para. 2 point 1 lit. a) and art. 69a paragraph 1 point 1 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies

² information on number of shares stated on the basis of number of shares registered by Nationale-Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund at the Company's Extraordinary General Shareholder Meeting on 31.10.2018 and publicly available sources of information on the total number of shares held jointly by Nationale- Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund in the equity of acquired Bytom S.A.

³ information on number of shares presented in accordance with notifications received by the Company pursuant to art. 69 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies and in accordance with notifications received by the Company pursuant to art. 19 MAR. According to the information possessed by the Company, Mr. Jerzy Mazgaj owns 17,944,333 shares of the Company independently, which constitutes 7.65% of the Company's equity and is entitled to 17,944,333 votes at the General Shareholder Meeting of the Company, which constitutes 7.65% of the total number of votes at the General Shareholder Meeting of the Company.

⁴ information on number of shares stated in accordance with the notification received by the Company pursuant to art. 69 par. 1 point 2, art. 69a paragraph 1 point 1 and art. 87 par. 1 point 2 of the Act of 29 July 2005 on public offer and conditions for introducing financial instruments to organized trading system and on public companies, applies to shares held jointly by funds managed by IPOPEMA TFI. According to information possessed by the Company, the IPOPEMA 2 FIZAN fund owns 21.137.000 shares of the Company independently, which constitutes 9.02% of the Company's share capital and is entitled to 21,137,000 votes at the General Shareholder Meeting of the Company, which is 9.02% the total number of votes at the General Shareholder Meeting of the Company.

2. Shareholder structure of the Company's equity in accordance with the information held by the Company as at the date of preparation of the annual report for the financial year 2018

The table below contains information about Shareholders who had as at the date of preparation of the annual report for the financial year 2018, at least 5% of the total number of votes at the General Meeting of Shareholders, according to information possessed by the Company.

As at 18.03.2019, the share capital of VRG S.A. is divided into 234,455,840 ordinary bearer shares, which entitle to a total of 234,455,840 votes at the General Shareholder Meeting of VRG S.A. ("the Company").

The table below presents information on shareholders who, to the best of the Company's knowledge, hold, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Shareholder Meeting.

No.	Shareholders	Number of shares held	Share in equity (in %)	Number of votes at the AGM	Share in the total number of votes at the AGM (in %)
1	Open Pension Fund PZU „Złota Jesień” ¹	34,093,568	14.54	34,093,568	14.54
2	IPOPEMA TFI ²	25,455,558	10.86	25,455,558	10.86
3	Nationale-Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund ²	24,535,000	10.46	24,535,000	10.46
4	Jerzy Mazgaj with related party Krakchemia S.A. ³	21,944,333	9.36	21,944,333	9.36

¹ information on number of shares presented in accordance with notification received by the Company pursuant to art. 69 par. 1 point 2, para. 2 point 1 lit. a) and art. 69a paragraph 1 point 1 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies

² information on number of shares stated in accordance with notification received by the Company pursuant to art. 69 par. 1 point 1, art. 69a paragraph 1 point 1 and art. 87 par. 1 point 2 of the Act dated 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies, applies to shares held jointly by all funds managed by IPOPEMA TFI

³ information on number of shares presented on the basis of the number of shares registered by Nationale-Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund at the Extraordinary General Shareholder Meeting of the Company on 31.10.2018 and publicly available sources of information on the total number of shares held jointly by Nationale-Nederlanden Open Pension Fund and Nationale-Nederlanden Voluntary Pension Fund in equity of acquired Bytom S.A.

⁴ information on the number of shares stated in accordance with the notifications received by the Company pursuant to art. 69 of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies and in accordance with notifications received by the Company pursuant to art. 19 MAR. According to information possessed by the Company, Mr. Jerzy Mazgaj owns 17,944,333 shares of the Company independently, which constitutes 7.65% of the Company's share capital and is entitled to 17,944,333 votes at the General Shareholder Meeting of the Company, which constitutes 7.65% of the total number of votes at the General Shareholder Meeting of the Company.

IV.

Indication of holders of any securities that give special control rights, along with a description of these rights

All the Company's shares are ordinary bearer shares with which no preference is associated, particularly with regard to special control rights.

V.

Indication of any restrictions on the exercise of voting rights, such as limitation of the exercise of voting rights by the holders of a given part or number of votes, and time limitations regarding the exercise of voting rights or clauses, in which, with the cooperation of the Company, rights related to securities are separated from possession of those securities

According to the Company's Articles of Association, there are no limitations in the exercise of voting rights, such as limitation of the right to vote by the holders of a certain part or number of votes, time limits regarding the exercise of voting rights or clauses, under which, with the cooperation of the Company, capital rights related to securities are separated from the possession of securities.

VI.

Indication of any restrictions on the transfer of ownership of the Company's securities

Pursuant to the Company's Articles of Association, restrictions on the transfer of ownership of the Company's securities do not occur.

VII.

Description of the rules for altering the Company's Articles of Association

According to the wording of art. 430 § 1 of the Code of Commercial Companies, amendment to Articles of Association requires a resolution of the General Shareholder Meeting and entry in the registrar.

According to art. 402 § 2 of the Code of Commercial Companies, in the announcement on convening the General Shareholder Meeting, whose agenda includes the intended change to the Articles of Association, it is necessary to present the existing provisions as well as the content of the proposed changes. If it is justified by a significant scope of intended changes, the announcement may contain a draft of a new uniform text of the Articles of Association together with enumeration of the new or amended clauses of the Articles of Association.

In accordance with the Company's Articles of Association, any amendments to the Articles of Association belong to the exclusive competence of the General Shareholder Meeting, which takes decisions in this matter in the form of resolutions. Competences resulting from exclusive entitlements to make amendments to the Articles of Association of the Company, the General Shareholder Meeting conducts on the request of the Company's Management Board submitted together with a written opinion of the Supervisory Board. Shareholders' request in these matters should have an opinion of the Company's Management and Supervisory Board.

According to art. 415 of the Code of Commercial Companies, the resolution regarding the amendment of Articles of Association is passed by a three-fourths majority, however, a resolution to amend the Articles of Association increasing the benefits of shareholders or reducing the rights granted personally to individual shareholders requires the consent of all concerned shareholders.

VIII.

Description of the way General Shareholder Meeting functions and its basic powers together with a description of shareholders' rights and how they are exercised

1. Description of the functioning of the General Shareholder Meeting and its basic powers:

The General Shareholder Meeting of the Company is the body deciding on basic matters relevant to the functioning of the Company.

The Company's General Shareholder Meeting operates based on the provisions of the Code of Commercial Companies, the Company's Articles of Association and in accordance with the permanent Regulations of the General Shareholder Meeting adopted by resolution No. 2 of the Ordinary General Shareholder Meeting of the Company of June 30, 2004, as amended by resolution No. 29/06/2009 of the Ordinary General Shareholder Meeting of the Company on June 29, 2009.

The full text of the Company's Articles of Association, specifying in detail the competences of the General Shareholder Meeting, is available at the Company's registered office and at the Company's website at www.vrg.pl.

Until August 3, 2009, the Company convened the General Shareholder Meeting pursuant to art. 402 of the Code of Commercial Companies by an announcement made at least three weeks before the date of the General Shareholder Meeting, which included the date, time and place of the General Shareholder Meeting and a detailed agenda, and in the case of the intended amendment of the Articles of Association, the existing provisions as well as the content of proposed changes, as well as if it was justified by a significant scope of intended changes, the announcement included a draft of a new uniform text of the Articles of Association together with enumeration of new or amended provisions of the Articles of Association.

In the period from August 3, 2009, due to new regulations introduced into the Code of Commercial Companies, the following general principles apply to the General Shareholder Meeting of the Company in relation to the rules of convening the General Shareholder Meeting. Provisions of the Articles of Association that are inconsistent with these regulations are not applicable to the General Meetings of the Company after that date.

The General Meeting may be ordinary or extraordinary.

The General Shareholder Meetings of the Company are held at the registered office of the Company or in other places permitted by generally applicable regulations.

In the light of the provisions of § 30 para. 1 of the Company's Articles of Association the competences of the General Shareholder Meeting include:

- 1) consideration and approval of the Management Board's report on the Company's operations and financial statements for the previous financial year,
- 2) adopting a resolution on the distribution of profit or coverage of losses,
- 3) granting discharge to members of the Company's governing bodies for the performance of their duties,
- 4) change of the subject of the Company's activity,
- 5) change of the Company Articles of Association,
- 6) increasing or decreasing the share capital,
- 7) merger of the Company, division of the Company, transformation of the Company,
- 8) dissolution and liquidation of the Company,
- 9) issuance of convertible bonds or bonds with pre-emptive rights and issuance of subscription warrants referred to in art. 453 § 2 of the Code of Commercial Companies,
- 10) all provisions regarding claims for damages caused when establishing the Company or exercising management or supervision,
- 11) redemption of shares.

In addition to the abovementioned matters, resolutions of the General Shareholder Meeting are required for matters specified in the Code of Commercial Companies.

Competences mentioned in point 2), 4), 5), 6), 7), 9) above, the General Shareholder Meeting executes at the request of the Company's Management Board together with a written opinion of the Supervisory Board. The shareholders' request in these matters should be reviewed by the Company's Management and the Supervisory Board.

The Ordinary General Shareholder Meeting is convened by the Management Board of the Company and should take place within 6 months after the end of the Company's financial year. The Ordinary General Shareholder Meeting may also be convened by the Supervisory Board if the Management Board fails to convene it on that date.

The Extraordinary General Shareholder Meeting is convened by the Management Board of the Company on its own initiative or on the initiative of shareholders representing at least 1/20 (one twentieth) of the share capital of the Company. The Extraordinary General Shareholder Meeting should be convened within 2 (two) weeks from the moment the motion is submitted by authorized entities.

The Extraordinary General Shareholder Meeting may also be convened by the Supervisory Board, anytime it deems the convocation necessary.

The Extraordinary General Shareholder Meeting may be convened by shareholders representing at least half of the share capital or at least a half of all votes in the Company. Shareholders appoint the chairman of this Meeting.

The General Shareholder Meeting of a public company is convened through an announcement made on the Company's website and in a manner specified for the provision of current reports in accordance with the provisions of the Act on Public Offerings and Conditions for Introducing Financial Instruments to Organized Trading and Public Companies. The announcement should be made at least twenty-six days before the date of the General Shareholder Meeting.

The announcement about the General Shareholder Meeting of a public company should contain at least:

- 1) the date, time and place of the General Shareholder Meeting and the detailed agenda,
- 2) a detailed description of the procedures for participating in the General Shareholder Meeting and exercising the voting rights, in particular information on:
 - a) the shareholder's right to demand putting certain issues on the agenda of the General Shareholder Meeting,
 - b) the right of the shareholder to submit draft resolutions regarding matters added to the agenda of the General Shareholder Meeting or matters that are to be included in the agenda before the date of the General Shareholder Meeting,
 - c) the right of the shareholder to submit draft resolutions regarding matters added to the agenda during the General Shareholder Meeting,
 - d) the manner of exercising the right to vote through a proxy, in particular about the forms used during the proxy voting, and the method of notifying the Company by means of electronic communication on appointment of a proxy,
 - e) the possibilities and manner of participation in the General Shareholder Meeting by means of electronic communication,
 - f) the manner of speaking during the General Shareholder Meeting by means of electronic communication,
 - g) the manner of exercising the right to vote by correspondence or by means of electronic communication,
- 3) the day of registration to participate in the General Shareholder Meeting referred to in art. 4061 of the Code of Commercial Companies,
- 4) information that the right to participate in the General Shareholder Meeting is only available to persons who are shareholders of the Company on the day of registration of participation in the General Shareholder Meeting,
- 5) an indication of where and how a person entitled to participate in the General Shareholder Meeting may obtain the full text of the documentation to be presented to the General Shareholder Meeting and draft resolutions or, if no resolutions are envisaged, comments of the Management Board or the Supervisory Board regarding matters put on the agenda of the General Shareholder Meeting or matters to be included in the agenda before the date of the General Shareholder Meeting,
- 6) indication of the address of the website on which information on the General Shareholder Meeting will be made available.

A shareholder or shareholders representing at least 1/20 of the Company's share capital may request that particular matters be placed on the agenda of the General Shareholder Meeting, which they request to be convened pursuant to Art. 400 § 1 of the Code of Commercial Companies and also on the agenda of the next General Shareholder Meeting.

In the case of election of Supervisory Board members by group voting, the Chairman of the General Meeting shall call on shareholders or their representatives participating in the General Shareholder Meeting to form a separate group or groups to elect one or several members of the Supervisory Board; these persons, however, do not take part in the selection of other members of the Supervisory Board.

If at least one group capable of electing a member of the Supervisory Board is not appointed, the Chairman of the General Shareholder Meeting states that the General Shareholder Meeting does not elect the members of the Supervisory Board.

After the election of the members of the Supervisory Board by the created group or groups, the General Shareholder Meeting shall elect the remaining members of the Supervisory Board by voting in which all shareholders or their representatives participate, whose votes have not been cast in the selection of members of the Supervisory Board elected by voting in separate groups.

The General Shareholder Meeting is opened by the Chairman of the Supervisory Board or another person in accordance with art. 409 § 1 of the Code of Commercial Companies, who then manages the election of the Chairman of the General Shareholder Meeting. The person opening the General Shareholder Meeting should refrain from any other substantive or formal decisions.

The Chairman of the General Shareholder Meeting prepares and signs the attendance list containing the list of participants of the General Shareholder Meeting with the number of shares that each of them represents and the votes they are entitled to. The list, after being signed by the Chairman of the General Shareholder Meeting, is displayed during the General Shareholder Meeting.

The Chairman of the General Shareholder Meeting is obliged to ensure the proper conduct of the proceedings and voting. The Chairman of the General Shareholder Meeting gives the floor to the participants of the meeting. The Chairman of the General Shareholder Meeting may present to the General Shareholder Meeting the rules of voting and adopting resolutions. He may also, in justified cases, announce short breaks in the proceedings.

However, the Chairman of the General Shareholder Meeting is not entitled, without the consent of the General Shareholder Meeting, to delete or change the order of matters included in the agenda.

The Returning Committee is appointed only if an electronic system of counting votes is not provided or if the appointment of such a committee is demanded by a shareholder and the General Shareholder Meeting will adopt an appropriate resolution on this matter. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the shareholder's request, the General Shareholder Meeting may appoint a Resolutions and Motions Committee. In this case, a two-person committee is elected by the General Shareholder Meeting.

At the request of a shareholder, the General Meeting may establish a Returning Committee combined with Resolutions and Motions Committee - performing the functions of both the Returning Committee and the Resolution and Motion Commission referred to in § 6 and 7 of the Regulations of the General Shareholder Meeting.

The General Shareholder Meeting may order breaks in the session by a two-thirds majority of votes. In total, the breaks cannot last longer than 30 days.

In the light of the provisions of § 26 para. 1 of the Company's Articles of Association, the General Shareholder Meeting may adopt resolutions regardless of the number of shareholders present and shares represented, unless the provisions of the Code of Commercial Companies state otherwise.

Unless the Company's Articles of Association or the Code of Commercial Companies provide otherwise, each share gives the right to one vote at the General Shareholder Meeting.

Pursuant to the provisions of § 28 of the Company's Articles of Association, voting during the General Shareholder Meeting is public. Secret voting is ordered at elections and on motions to dismiss members of the authorities or receivers of the Company, or to hold them liable, as well as in personal matters. In addition, a secret ballot shall be arranged at the request of at least one of those present entitled to vote.

Resolutions of the General Shareholder Meeting are adopted by a simple majority of votes cast, unless the provisions of the Code of Commercial Companies or the Company Articles of Association provide otherwise.

Resolutions on a significant change in the subject of the Company's operations are passed by a two-thirds majority of votes by open and registered vote. Such resolutions require an announcement.

Resolutions of the General Shareholder Meeting shall be included in the minutes drawn up by a notary public. The minutes should state the correctness of convening of the General Shareholder Meeting and its ability to adopt resolutions, state the resolutions and on each resolution indicate: the number of shares from which valid votes were cast, the percentage of these shares in the share capital, the total number of valid votes, the number of votes "in favour", "against" and "abstaining" and objections raised. An attendance list with signatures of the participants of the General Shareholder Meeting and a list of shareholders voting by correspondence or other-wise using the electronic communication means shall be attached to the minutes. The Management Board attaches the evidence of convening the General Shareholder Meeting to the book of minutes.

The minutes also include resolutions that were not adopted by the General Shareholder Meeting.

The excerpt from the minutes along with the evidence of convening the General Shareholder Meeting and the powers of attorney granted by the shareholders are attached to the book of minutes by the Management Board.

Shareholders may review the book of minutes and request the issuance of resolutions certified by the Management Board.

Other rules regarding the course of the General Meeting are regulated by the Code of Commercial Companies.

2. Description of shareholders' rights and the manner of exercising them:

The Company's shares are bearer shares with which no preference is associated. Each shareholder of the Company has the right to vote, which is exercised through the presence at the General Shareholder Meeting of the Company.

The property and corporate rights of the Company's shareholders are described below. Since all shares issued by the Company are dematerialized, only the regulations regarding the rights of shareholders entitled to dematerialized shares are discussed below.

The following rights are associated with the possession of the Company's shares:

1. Property rights resulting from shares:

- **Right to dividend**

The right to dividend is defined as the right to participate in the Company's profits.

This right is absolute, which means that a shareholder cannot be deprived of it by means of provisions in the Company's Articles of Association or a resolution of the General Shareholder Meeting.

However, in order to benefit from the right to dividend, certain conditions must be met, the most important of which is the Company's profit.

The amount to be distributed among shareholders may not exceed the profit for the last financial year, increased by undistributed profits from previous years, and the amounts transferred from the reserve capital and other capital reserves created from profit, which may be allocated for the payment of dividends. This amount should be reduced by uncovered losses, treasury shares and amounts that, according to the law or Articles of Association, should be allocated from the profit for the last financial year to reserve capital or other capital re-serves (Article 348 § 1 of the Code of Commercial Companies).

The entitlement to participate in the profit results from the fact of being a shareholder (holding shares) and is a property right inextricably linked to the shares.

Profit which is the base for dividend payment must be disclosed in the financial statements audited by the auditor; this profit should be simultaneously allocated by the General Shareholder Meeting for pay out to shareholders.

The rules for appointing those entitled to dividend for a given financial year are specified in the Code of Commercial Companies, Detailed Operating Principles of the National Depository for Securities ("KDPW") and the Regulations of the Warsaw Stock Exchange S.A.

The payment of the dividend takes place via KDPW. KDPW, after receiving financial resources from the Company, then transfers the amounts due from the dividend to the securities accounts of the shareholders entitled to the dividend in accordance with the resolution of the General Shareholder Meeting. A claim for payment of a dividend becomes due as of the date indicated in the resolution of the General Shareholder Meeting and is subject to statute of limitations on general terms.

The Company's Articles of Association do not authorize the Management Board to pay shareholders an advance on the anticipated dividend (i.e. interim dividend).

- **Pre-emptive right**

The shareholder has the right of priority to subscribe for new shares in relation to the number of shares held (pre-emptive right) while maintaining the requirements referred to in art. 433 of the Code of Commercial Companies.

A shareholder may be deprived of pre-emptive rights in part or in full in the interest of the Company. The Management Board presents the General Shareholder Meeting with a written opinion justifying the reasons for deprivation of the pre-emptive right.

Deprivation of the pre-emptive right requires a resolution of the General Shareholder Meeting adopted by a majority of four fifths of votes. However, the provision on the necessity to obtain a majority of at least 4/5 votes does not apply if the resolution on the share capital increase states that new shares are to be taken up entirely by a financial institution (underwriter), with the obligation to offer them subsequently to shareholders enabling them to exercise pre-emptive rights on the terms specified in the resolution and if the resolution states that new shares are to be taken up by the underwriter, if the shareholders to whom the pre-emptive rights are vested, do not take part or all of the shares offered to them.

Depriving shareholders of pre-emptive right of shares may take place only if it has been announced in the agenda of the General Shareholder Meeting.

Pre-emptive right is a security within the meaning of art. 3 point 1 of the Act of July 29, 2005 on Trading in Financial Instruments (consolidated text, Official Journal of Laws of 2018, item 2228, as amended) (hereinafter: "**Act on Trading in Financial Instruments**"), thus it may be subject of listing on the regulated market. Pre-emptive right is associated with shares already issued. The condition for the creation of this right is the adoption of a resolution by the General Shareholder Meeting on the issuance of new shares by the Company.

A resolution to increase the share capital (unless shareholder have been deprived of pre-emptive rights) should indicate the pre-emptive right day, according to which the shareholders who are entitled to the right to collect new shares are determined. The pre-emptive rights day cannot be determined later than within three months from the day the resolution on the increase of the share capital is taken, and in the case of a public company - six months from the day of adopting the resolution.

- **Right to transfer shares**

One of the basic principles contained in the Code of Commercial Companies is the right to sell shares by the shareholder. The sale takes place under the rules set out in the Civil Code.

Disposal means the legal act of transferring the ownership of the securities from the seller to the buyer. The sale may take the form of pecuniary (sale) or unpaid activities (donation). The provisions of the Company's Articles of Association do not contain any restrictions relating to the acquisition or sale of shares in the Company.

Upon the registration of the Company's shares by KDPW, the shares of the Company were dematerialized. At the time of dematerialization, the rules regarding the acquisition of securities changed, as disposing effect in the form of disposal of shares takes place at the moment of registration the Company's shares on the buyer's ac-count.

In case of dematerialized shares, a special procedure for the sale of shares applies:

rights from such securities arise when the securities are first recorded on the securities account and are held by the person who is the holder of the account. The contract obliging to transfer dematerialized securities transfers these securities to the buyer upon making the appropriate entry on the securities account. If the determination of the right to benefit from these securities took place on the day on which the transaction was settled at KDPW, or later, and these securities are still recorded in the account of the seller, the benefits accrue to the buyer at the time of subscription on his securities account .

- **The right to establish a pledge or usufruct on shares**

Establishing a pledge on shares

A shareholder may establish a pledge on his/her shares in the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The right to set a pledge on shares results for the entitled person from art. 337 of the Code of Commercial Companies, in which it refers to the disposition of shares, and thus also to perform activities related to the establishment of a pledge or usufruct on shares of the Company.

The subject of the pledge on shares is not the share itself, but the rights incorporated in the shares. For this reason, the provisions of the Civil Code on pledge on rights - regulated in art. 327 - 335 of the Civil Code apply.

In the light of art. 329 § 1 sentence 1 of the Civil Code, to establish a pledge on a right, the provisions on the disposal of this right shall apply. Establishment of a pledge will require the conclusion of an agreement between a shareholder acting as a pledger and his creditor acting as a pledgee, and then transferring the ownership of shares to the pledgee.

The legal status of the pledgee of shares is regulated, inter alia, in the provisions of: art. 340 § 1 and 3, art. 341, art. 362 § 3, art. 588 of the Code of Commercial Companies.

The establishment of a pledge on shares of companies whose shares are admitted to public trading is covered by a separate legal regime.

In connection with the conclusion of the pledge agreement, the pledgee will in principle be entitled to property rights, which are referred to as the benefits of the law (Article 54 of the Civil Code). These rights include: voting rights, the right to dividend, the right to participate in the liquidation mass.

With regard to the voting right, it should be mentioned that pursuant to art. 340 § 3 of the Code of Commercial Companies, in the period when the shares of a public company on which the pledge was established or used are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, the shareholder has the right to vote.

Establishment of usufruct on shares

A shareholder may establish usufruct on his/her shares of the Company.

The Company's Articles of Association do not provide for any restrictions in this regard.

The legal admissibility of establishing usufruct on shares results from art. 265 of the Civil Code stating that the rights may also be subject to usufruct. The establishment of usufruct on shares will relate to rights related with those shares. The legal status of the beneficiary of the person signing the usufruct on the shares (user) is regulated by the provisions of art. 4 § 1 points 4 a), art. 340, 341 § 2, art. 343 § 2 and 406 § 1 of the Code of Commercial Companies.

Establishment of usufruct on shares requires the conclusion of an agreement with the participation of a share-holder and a third party for whom the right of usufruct is established (user).

One should also indicate to a regulation contained in art. 340 § 3 of the Code of Commercial Companies, according to which in the period when the shares of a public company on which the pledge or usufruct was established are recorded in securities accounts maintained by an authorized entity in accordance with the provisions on trading in financial instruments, voting rights from such shares is entitled to a shareholder.

2. Corporate shareholders' rights:

- **The right of a shareholder to elect the members of the Company's Supervisory Board**

The Supervisory Board of the Company consists of 5 - 7 members. The number of members of the Supervisory Board is determined by the General Shareholder Meeting.

Members of the Supervisory Board are appointed and dismissed by the General Shareholder Meeting for the joint term in office.

If the election is made via the General Shareholder Meeting at the request of shareholders representing at least one fifth of the share capital, the election of the Supervisory Board may be made by voting in separate groups.

The Regulations of the General Shareholder Meeting in force at the Company provide for rules of conduct in the event of election of members of the Supervisory Board by voting in separate groups.

Persons representing at the General Shareholder Meeting this portion of shares, which falls due after division of the total number of represented shares by the number of Supervisory Board members, may form a separate group to elect one member of the Supervisory Board, without taking part in the selection of other members of the Supervisory Board.

The election of the Supervisory Board by groups prefers minority shareholders. Thanks to the possibility of creating separate groups, they can introduce their representatives to the Supervisory Board. The selection of groups takes place at the request of shareholders even when the Company's Articles of Association provide for a different manner of appointing the Supervisory Board. The selection of groups applies to all members of the Supervisory Board. The only exception is when the Supervisory Board

consists of a person appointed by an entity authorized to choose independently on the basis of separate legal provisions. Only the other members of the Supervisory Board are subject to election.

If the Supervisory Board was elected by voting in separate groups, each group has the right to delegate one of the Supervisory Board members elected by it to permanent individual performance of supervisory activities. These members have the right to participate in meetings of the Management Board in an advisory capacity. The Management Board is obliged to notify them in advance about each of their meetings.

Members of the Supervisory Board, delegated to permanent individual performance of supervision, receive a separate remuneration, the amount of which is determined by the General Shareholder Meeting. The General Shareholder Meeting may entrust this right to the Supervisory Board. These persons are obliged with the competition ban referred to in art. 380 of the Code of Commercial Companies.

- **The right to convene and request the convening of an Extraordinary General Shareholder Meeting or placing certain matters on the agenda of the General Shareholder Meeting**

Shareholders or a shareholder of the Company representing at least one twentieth of the Company's share capital have the right to request that an Extraordinary General Shareholder Meeting be convened and that specific matters be placed on the agenda of the Meeting. The request to convene an Extraordinary General Shareholder Meeting should be submitted to the Management Board in writing or in electronic form.

If, within two weeks from the date of submitting the request to the Management Board, the Extraordinary General Shareholder Meeting is not convened, a registry court may authorize the shareholders that demand the meeting to convene the Extraordinary General Shareholder Meeting. The court appoints the chairman of this Meeting. The Meeting referred to shall adopt a resolution deciding whether the costs of convening and holding the Meeting shall be borne by the Company. Shareholders, on whose request the Meeting has been convened, may apply to the registry court for exemption from the obligation to cover the costs imposed by the resolution of the General Shareholder Meeting. In the notification of convening the Extraordinary General Shareholder Meeting referred to in this paragraph, reference should be made to the decision of the registry court.

In addition, a shareholder or shareholders representing at least one twentieth of the share capital may request that certain matters be placed on the agenda of the next General Shareholder Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the Meeting. The request should contain justification or a draft resolution regarding the proposed agenda item. The request may be submitted in electronic form. The Management Board is obliged to announce immediately, but no later than eighteen days prior to the scheduled date of the General Shareholder Meeting, changes to the agenda, introduced at the request of shareholders. The announcement is made in a manner appropriate for convening the General Shareholder Meeting.

In addition, the right to convene an Extraordinary General Shareholder Meeting was granted to shareholders representing at least half of the share capital or at least half of the total votes in the Company. Shareholders appoint the chairman of this Meeting (Article 399 § 3 of the Code of Commercial Companies).

The above-described rights are governed by the provisions of the Code of Commercial Companies, whereas the Company's Articles of Association do not contain any restrictions or privileges for the Company's shareholders in this regard. Moreover, no personal rights connected with convening General Shareholder Meetings were granted in the Company's Articles of Association.

- **The right to participate in the General Shareholder Meeting and the right to request copies of motions on issues included in the agenda of the General Shareholder Meeting**

The shareholder's right to participate in the General Shareholder Meeting is one of the fundamental absolute rights of a shareholder, i.e. rights which the shareholder cannot be deprived of. The implementation of this right is guaranteed by art. 412 of the Code of Commercial Companies.

According to art. 4061 § 1 of the Code of Commercial Companies, persons who are shareholders on the day of registration, i.e. sixteen days before the date of the General Shareholder Meeting, have the right to participate in the General Shareholder Meeting of the Company.

To participate in the General Shareholder Meeting of the Company, entitled from dematerialized bearer shares shareholder, should apply to the entity maintaining the securities account not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the registration of participation in the General Shareholder Meeting to obtain a personal certificate of the right to participate in the General Shareholder Meeting (Article 4063 § 2 of the Code of Commercial Companies in connection with Article 4063 § 6 and § 7 of the Code of Commercial Companies).

The Company establishes a list of persons entitled to participate in the General Shareholder Meeting based on the list prepared by the entity keeping the securities deposit in accordance with the provisions on trading in financial instruments. The Management Board presents a list for information at the Company's headquarters for 3 (three) business days prior to the date of the General Shareholder Meeting.

Shareholders may participate in the General Shareholder Meeting and exercise their voting rights in person or by proxy.

The Company's Articles of Association do not allow shareholders to participate in the General Shareholder Meeting by means of electronic communication.

The power of attorney to participate in the General Shareholder Meeting of a public company or to exercise the voting right must be granted in writing or in electronic form without the requirement to use a secure signature verified by means of a valid qualified certificate.

On 29 June 2009, the General Shareholder Meeting of the Company, by virtue of resolution No. 29/06/2009, changed the Regulations of the General Shareholder Meeting regarding the procedure of notifying the Company of the power of attorney in electronic form via electronic means of communication.

A shareholder is entitled to notify the Company of the power of attorney to participate in the General Shareholder Meeting of the Company or to exercise the right to vote in electronic form without the requirement to use a secure signature of such power of attorney in accordance with the rules set out below.

Before the date of the General Shareholder Meeting, the Company makes available on the website www.vrg.pl a form for a power of attorney, which after filling in, the shareholder may send to the Company via the Company's website.

A shareholder who wishes to grant a power of attorney in the aforementioned form, asks in person or in writing for the Company to issue a login and password, which allows the shareholder to carry out the verification and proxy procedure in an electronic form. The shareholder undertakes to keep the assigned login and password confidential to him. The login and password are sent to the shareholder by letter or courier to the address provided by him in the request. A shareholder may change the password independently via the Company's web-site.

Before granting a power of attorney in electronic form, each shareholder should assess the risk related to notifying the Company of granting a power of attorney by means of electronic communication without using a secure signature.

Detailed rules for the implementation of the above procedure are determined by the Management Board of the Company. The Management Board of the Company may introduce additional security at its own discretion.

According to art. 407 § 2 of the Code of Commercial Companies, a shareholder has the right to request copies of motions on matters included on the agenda within one week prior to the General Shareholder Meeting. Making copies of these applications takes place at the Company's expense.

In addition, pursuant to art. 407 § 1 of the Code of Commercial Companies, a shareholder may review the list of shareholders entitled to participate in the General Shareholder Meeting, which should be displayed on the Management Board's premises three business days prior to the General Shareholder Meeting and request a copy of the list with reimbursement of costs for copying. A shareholder of a public company may also request that the list of shareholders be sent to him free of charge by e-mail, giving the address to which the list should be sent.

- **The right to submit draft resolutions for the General Shareholder Meeting**

In accordance with art. 401 § 5 of the Code of Commercial Companies, each shareholder may submit draft resolutions regarding matters included in the agenda during the General Shareholder Meeting.

In addition, pursuant to art. 401 § 4 of the Code of Commercial Companies, shareholders or shareholders representing at least one twentieth of the Company's share capital have been granted the right to notify the Company before the date of the General Shareholder Meeting in writing or using electronic communication means of draft resolutions regarding matters included in the agenda of the General Shareholder Meeting or matters to be included in the agenda. The company immediately publishes draft resolutions on the website.

- **The right to adopt resolutions at the General Shareholder Meeting**

Shareholders present at the General Shareholder Meeting adopt resolutions provided for in the agenda. In cases not covered by the agenda, no resolution may be passed, unless the entire share capital is represented at the General Shareholder Meeting and none of those present objected to the adoption of the resolution.

The Code of Commercial Companies grants each share the right to one vote at the General Shareholder Meeting (Article 411 § 1 of the Code of Commercial Companies). The Company's Articles of Association do not contain any provisions to this effect. The provisions of the Company's Articles of Association also do not contain any restrictions on the exercise of voting rights by shareholders.

The Company's shareholders may vote differently from each of the shares held (Article 411 § 3 of the Code of Commercial Companies).

The Regulations of the Company's General Shareholder Meeting do not provide for the possibility of voting (adopting resolutions) in correspondence.

The voting right vested to a shareholder is limited if the subject matter of the resolution is the extent of liability of that shareholder to the Company for any reason, including granting him discharge, waiving the liability towards the Company and a dispute between him and the Company (Article 413 of the Code of Commercial Companies); in this case, the shareholder is excluded from the vote.

Voting during the General Shareholder Meeting may take place using the electronic vote counting system.

■ **The right to request a list of shareholders present at the General Shareholder Meeting**

The right to request verification of the attendance list of shareholders present at the General Shareholder Meeting is vested to shareholders representing jointly at least 1/10 of the share capital at this General Shareholder Meeting. According to art. 410 § 2 of the Code of Commercial Companies, the attendance list should be checked by a commission elected for this purpose, composed of at least three persons. Applicants have the right to choose one member of the commission.

■ **The right to a registered share certificate**

According to art. 328 § 6 of the Code of Commercial Companies, the Company's shareholder holding dematerialized shares has the right to a registered share certificate issued by the entity keeping the securities account in accordance with the provisions on trading in financial instruments. The certificate confirms the legitimacy to exercise the rights arising from the securities indicated in its content, which are not or cannot be exercised solely on the basis of entries on the securities account, excluding the right to participate in the General Shareholder Meeting.

The share certificate contains:

- 1) the company (name), registered office and address of the issuer and the number of the certificate;
- 2) number of securities;
- 3) the type and code of the security;
- 4) company (name), registered office and address of the Company;
- 5) the nominal value of the security;
- 6) name and surname or name (company) and registered office and address of the securities account holder;
- 7) information on the existing restrictions on the transfer of securities or the charges imposed on them;
- 8) date and place of issuance of the certificate;
- 9) the purpose of issuing the certificate;
- 10) the period of validity of the certificate;
- 11) in the event that a previously issued certificate concerning the same securities was invalid or destroyed or lost before its expiration date - indicating that it is a new certificate document;
- 12) signature of the person authorized to be issue on behalf of the issuing certificate, bearing the stamp of the issuer.

■ **The right to a registered certificate of the right to participate in the General Shareholder Meeting**

According to art. 328 § 6 of the Code of Commercial Companies, a shareholder of the Company holding dematerialized shares has the right to demand from the entity maintaining the securities account issuance of a personal certificate of the right to participate in the General Shareholder Meeting. The request should be submitted not earlier than after the announcement of convening the General Shareholder Meeting and no later than the first weekday after the date of registration of participation in the General Shareholder Meeting (Article 4063 § 2 of the Code of Commercial Companies). Acknowledgment includes:

- 1) the company (name), registered office, address and stamp of the issuer and the number of the certificate,

- 2) the number of shares,
- 3) type and code of shares,
- 4) the company (name), registered office and address of the public company that issued the shares,
- 5) the nominal value of the shares,
- 6) name and surname or company (name) of the holder of the shares,
- 7) registered office (place of residence) and address of the holder of the shares,
- 8) the purpose of issuance of the certificate,
- 9) date and place of issuance of the certificate,
- 10) signature of the person authorized to issue a certificate.

At the request of the holder of the certificate entitled to dematerialized bearer shares, a part or all of the shares registered on his securities account should be indicated in the contents of the certificate.

■ **The shareholder's right to challenge resolutions of the General Shareholder Meeting**

A shareholder right to appeal the resolutions of a General Shareholder Meeting is one of these rights that require an active participation on the side of the shareholder. This right consists of the possibility of a shareholder filing a lawsuit against the Company to revoke or cancel the resolution adopted by the General Shareholder Meeting. The competent court for this type of case is the commercial court.

The subject of appeal may be resolutions of the General Shareholder Meeting that are in contradiction with the Company's Articles of Association or best practices, as well as harming the Company's interest or aimed at harming the shareholder. The resolution may be appealed against by way of an action brought against the Company.

The annulment of a resolution of the General Shareholder Meeting concerns resolutions contrary to the Act. The resolution may be appealed against by way of an action brought against the Company.

The right to bring an action to revoke a resolution or annul the resolution of the General Shareholder Meeting is entitled to, inter alia:

- the shareholder who voted against the resolution, and after it had passed, he/she demanded for his objection to be protocolled,
- a shareholder who was unjustifiably not admitted to participate in the General Shareholder Meeting,
- shareholders who were not present at the General Shareholder Meeting, but only in the case of a faulty convening of the General Shareholder Meeting or the adoption of a resolution regarding a matter not covered by the agenda.

In the case of a public company, the time limit for bringing an action to repeal a resolution is one month from the date of receipt of information about the resolution, however not later than three months from the date of adoption of the resolution.

An action for annulment of a resolution of the General Shareholder Meeting of a public company should be brought within thirty days from the date of its publication, but no later than one year from the date of adoption of the resolution.

■ **The right to bring the Company to court**

A shareholder has the right to file a claim for compensation for damage caused to the Company if the Company does not bring to court the case to repair the damage caused to it within one year from the date of disclosure of the act causing the damage.

This right is governed by the provisions of the Code of Commercial Companies, in particular art. 486 of the Code of Commercial Companies.

3. Shareholder right to information:

- **The right to request information from the Company's Management Board regarding the Company at the General Shareholder Meeting and in writing outside the General Shareholder Meeting**

As a rule, shareholders of a joint-stock company are entitled to request information about the Company at the General Shareholder Meeting, if it is justified to assess the issue covered by the agenda and provide information about the Company in writing outside the General Meeting pursuant to art. 428 of the Code of Commercial Companies.

The answer is considered to have been given if the relevant information is available on the Company's website in a separate place for asking questions and providing answers to them.

When the request for information has been submitted at the General Shareholder Meeting, the Management Board may provide information in writing outside the General Shareholder Meeting only if there are good reasons to do so. In such a case, the Management Board is obliged to provide information not later than within two weeks from the date of request at the General Shareholder Meeting. Such information together with the date of their publication and the person to whom the information was provided should be disclosed by the Management Board in writing in materials submitted to the nearest General Shareholder Meeting. The materials may not include information provided to the public and granted during the General Shareholder Meeting.

In addition, pursuant to the Code of Commercial Companies, the Management Board provides in writing information about the Company to the shareholder, also when such a request has been submitted outside the General Shareholder Meeting.

In both cases, the Management Board may refuse to provide information regarding the Company for the reasons set out below.

The Management Board refuses to provide information if it could cause damage to the Company, its related company or a subsidiary or cooperative, in particular by disclosing technical, commercial or organizational secrets of the Company.

In addition, in the case of public companies, it should be recognized that this right to information is subject to a certain limitation. The reason is the special mode of performing information obligations on the regulated market.

The Company, like any public company, is required to perform information obligations in the manner and scope provided for in the Act of July 29, 2005 on public offerings and conditions for introducing financial instruments to organized trading and on public companies (consolidated text Official Journal of Laws of 2018 item 512) (here-in after: "Act on the offer").

In practice, this means sending information as part of current and periodic reports to the extent envisaged by implementing acts to the Act on Trading in Financial Instruments. The data is sent by the ESPI system to the Polish Financial Supervision Authority, and then, after 20 minutes, they are made public by providing them by one of the national information agencies. Information provided by public companies until the time it is made public is confidential, and its submission in a manner different from the one

indicated in the Act on the offer, is related to the administrative responsibility provided for in the said Act.

Bearing in mind the above, the Management Board of the Company has the right to refuse to provide information to a shareholder who had asked such a question on the basis of art. 428 of the Code of Commercial Companies. A refusal, however, may only apply to information that constitutes confidential information, or information that has been published as part of its notification duties. In the case of refusal to provide information already published, the Management Board has the right to invoke the principle of equal access to information and the fact that the mode of informing the shareholder of a public company is carried out within the ESPI system guaranteeing equal access to information.

So the application of art. 428 of the Code of Commercial Companies to a public company concerns, in principle, situation when the question asked by a shareholder concerns matters that need not be disclosed as part of reports sent to the Polish Financial Supervision Authority. Then, the provisions provided for in the abovementioned article apply.

A shareholder who was refused disclosure of the information requested during the General Shareholder Meeting and who raised objections to the minutes may submit on the basis of art. 429 of the Code of Commercial Companies, an application to the registry court to oblige the Management Board to provide information. The application should be submitted within one week from the end of the General Shareholder Meeting at which the information was refused. A shareholder may also submit an application to the registry court for obliging the Company to publish information given to another shareholder outside the General Shareholder Meeting.

The right to receive information only applies to the Management Board. Thus, formally, the Supervisory Board may refuse to answer a question asked by the shareholder or evade the answer.

The right to information belongs only to the shareholder, and thus the Management Board is not formally obliged to answer the question of the pledgee or user authorized to exercise the voting right at the General Shareholder Meeting. The Management Board's obligation to provide information arises only when it is justified for the assessment of a matter covered by the agenda. Therefore, the Management Board is not obliged to provide information on matters other than those on the agenda.

4. Rights of shareholders arising from acts regulating the capital market in Poland:

■ Shareholder's right to information

From among the rights granted to shareholders by the Act on the offer, the broadly understood right of the shareholder to the information is considered the most important from the point of view of the proper functioning of the market.

The right to information is the basic right under the Act on the offer, although none of the provisions of the Act on the offer expressly refer to it. It results from all rights and obligations imposed on investors and issuers.

The most important is that each shareholder of a public company should have access to the same information at the same time as all other shareholders. In other words, the most important is to provide equal opportunities in access to information. This is a basic task, implemented by the provisions of the Act on the offer. Each shareholder should have access to information related to the condition of the Company, the way it operates, and the planned direction of its development.

In the case of the Company, information about the Company is disclosed to the public in the form of current and periodic reports via the ESPI system.

Failure to provide this information or providing untrue information may lead to the investor making an incorrect investment decision and suffering damage. If this occurs, the shareholder / investor who has

suffered damage as a result of failure by the Company to disclose information about such events or circumstances that could significantly affect the assessment of the security, has the right to demand its remedying in court.

■ **Other shareholder rights arising from acts regulating the securities market**

In order to implement the principles of compliance with the rules of fair trading and competition and the principle of ensuring universal access to reliable information, the Act on offer imposes numerous obligations on issuers, shareholders and investors who are not shareholders but plan to acquire shares in public companies. Fulfilment of these obligations is usually directly related to the creation of specific rights for shareholders: the right to information about the Company and its shareholders, the right to sell the Company's shares in response to a tender, which allows the Company's "withdrawal" at the right time to obtain a fair share price, the right to claim compensation in the event of damage due to false information in the prospectus.

In addition, the Act on the offer grants shareholders special rights, not related to the performance of any obligations, but related to activity of the investor / shareholder in the Company's structures. These include: the right to request the appointment of an auditor for special matters and the rights arising from the possession of a share certificate.

■ **Shareholders' right to appoint an auditor for special matters**

The right to control the affairs of the Company, implemented by initiating an examination of a particular case by the auditor for special matters, was granted to a shareholder or group of shareholders who hold at least 5% of the total number of votes at the General Shareholder Meeting. This right applies to both shareholders of a public company who hold shares in a public company not admitted to trading on a regulated market, as well as those who hold shares already admitted to trading on a regulated market.

The auditor for special matters may be an entity that has the expertise and qualifications necessary to investigate a particular matter. Depending on the case type, such qualifications may have, for example, persons holding the rights of a certified auditor, persons entered in the list of court experts or other persons possessing knowledge due to acquired professional experience.

There are two modes of appointing the auditor for special matters:

- appointing, through a resolution adopted by the General Shareholder Meeting, and
- appointment by way of a decision issued by the registry court.

IX.

Composition and changes that have occurred during the last financial year, and a description of the activities of the management and supervisory bodies of the Company and their committees

3. The Management Board

Composition of the Management Board:

At the balance sheet date of 31.12.2018 the Management Board composed of:

- Grzegorz Pilch – President of the Management Board

- Mateusz Żmijewski – Vice-President of the Management Board
- Michał Wójcik – Vice-President of the Management Board
- Erwin Bakalarz – Member of the Management Board.

The following changes took place within the Company's Management Board during the course of 2018:

Between 01.01.2018 and 30.11.2018 the Company's Management Board composed of:

- Grzegorz Pilch – President of the Management Board
- Mateusz Żmijewski – Vice-President of the Management Board
- Erwin Bakalarz – Member of the Management Board

On November 16, 2018, the Company's Supervisory Board adopted a resolution regarding the conditional appointment of Mr. Michał Wójcik to the Management Board of the Company and entrusting him the function of the Vice-President of the Management Board. Coming into force of the above mentioned resolution was conditional on the registration of merger between the Company and Bytom S.A. based in Cracow at the registrar of entrepreneurs of the National Court Register based on the Resolution No. 03/10/2018 of the Company's Extraordinary Shareholder Meeting dated October 31, 2018 regarding the merger of the Company and Bytom S.A. The above condition was met on 30.11.2018, in which the District Court for Cracow - Śródmieście in Cracow, XI Commercial Division of the National Court Register, registered the merger between the Company (the acquiring company) with and Bytom S.A. (company being acquired) in the registrar of entrepreneurs of the National Court Register.

As a result, from 30.11.2018 to 31.12.2018 the Company's Management Board composed of:

- Grzegorz Pilch – President of the Management Board
- Michał Wójcik – Vice-President of the Management Board
- Mateusz Żmijewski – Vice-President of the Management Board
- Erwin Bakalarz – Member of the Management Board

There were no changes within the Company's Management Board between the balance sheet date, i.e. 31.12.2018 and 18.03.2019 (date of publication of this statement).

Rules of Management Board operations:

The Management Board of the Company is appointed by law to conduct the affairs of the Company and to represent it. The Management Board of the Company operates based on the provisions of applicable law, including, in particular, the Code of Commercial Companies and the Accounting Act, as well as in accordance with the provisions of the Company's Articles of Association. The implementation of the competences of the Company's Management Board is carried out with respect for the binding corporate governance rules.

The manner of operation of the Company's Management Board is determined by the provisions of the Articles of Association and the Regulations of the Management Board. Both documents are available on the Company's website at www.vrg.pl.

The Management Board of the Company consists of 3-6 people. The term of the Management Board lasts for three consecutive years. The number of Management Board members is determined by the Supervisory Board. The Supervisory Board appoints the Management Board. Members of the Management Board are appointed for a joint term in office. The President, Vice-President, Member of the Management Board or the entire Management Board may be dismissed by the Supervisory Board before the end of the term.

The Management Board of the Company, chaired by the President, manages the Company and represents it. All matters related to the running of the Company not reserved by law or the Articles of

Association to the competence of the General Shareholder Meeting or the Supervisory Board belong to the scope of the Board's activities.

The Management Board Regulations specify in detail the mode of operation of the Management Board. Regulations are adopted by the Management Board and approved by the Supervisory Board.

Two members of the Management Board or one member of the Management Board together with a proxy are required to make statements on behalf of the Company.

Resolutions of the Management Board are adopted by an absolute majority of votes.

In the contract between the Company and a member of the Management Board, as well as in a dispute with him, the Company is represented by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting.

The Company adopted Regulations of the Management Board. The provisions of the Regulations will be de-scribed below.

The Management Board consists of 3-6 members appointed by the Supervisory Board for a period of three years. The Supervisory Board appoints members of the Management Board for a joint term in office.

Members of the Board perform their duties in person. The Management Board may be composed of persons from or outside of the shareholders.

The mandates of the Management Board members expire at the latest on the date of the General Shareholder Meeting of the Company approving the financial statements for the last full financial year of serving as a mem-ber of the Management Board. After the mandates have expired, the members of the Management Board may be re-appointed to the Management Board. Members of the Management Board may be dismissed at any time by the Supervisory Board before the end of the term in office.

Contracts of employment and other contracts with the Members of the Management Board of the Company may be concluded on behalf of the Company by the Supervisory Board or a proxy appointed by resolution of the General Shareholder Meeting. The same procedure applies to other legal transactions between the Company and Members of the Management Board.

The Management Board meets at least once a month. The President of the Management Board may set permanent dates of meetings of the Management Board.

The meeting of the Management Board is convened by the President, or during his absence by the member of the Management Board indicated by him.

At the duly justified request of a member of the Management Board, the meeting should be held no later than within 14 days from the date of the request.

Each member of the Management Board is required to present to the Management Board a matter requiring the adoption of a resolution of the Management Board.

In the notifications of meetings of the Management Board, the agenda should be given and the materials regarding matters covered by the agenda should be delivered.

If the President establishes fixed dates of meetings of the Management Board, the order of meetings is deter-mined at the previous meeting of the Management Board, and materials regarding matters included in the agenda should be delivered on the date set by the President of the Management Board. In the situation de-scribed in the previous sentence, the change of the agreed agenda may take place on the initiative of the President or at the request of a member of the Board addressed to the President. If the President does not agree to the request referred to in the preceding sentence, a properly justified motion

of a member of the Management Board should take place no later than within 14 days from the date of filing the application.

Employees or other persons who are competent for the discussed matter may be invited to the meeting of the Management Board.

For the validity of resolutions of the Management Board, all members of the Management Board must be notified of the meeting and at least two-thirds of its members must be present. If the President establishes fixed dates of meetings of the Management Board, they do not require separate convening and notification of Members of the Management Board.

Resolutions of the Management Board are adopted by an absolute majority of votes. All current members of the Board take part in voting on resolutions. Abstention from voting means a vote against a resolution. Each member of the Board has one vote. The order of voting on resolutions is determined by the President of the Board.

The minutes of the meetings of the Management Board are signed by the minutes clerk and members of the Management Board present at the meeting. The minutes should include the Members of the Management Board taking part in the meetings, the agenda, the number of votes cast for particular resolutions and dissenting opinions. The minutes are subject to approval at the next Management Board meeting and are signed by the Members of the Management Board present at the previous meeting. Approved protocols are attached to the book of minutes of the Management Board. The adopted resolutions are attached to the book of resolutions of the Management Board.

The scope of activities of the Management Board includes all matters of the Company not restricted by the Company's Articles of Association or the provisions of the Code of Commercial Companies to the competences of the General Shareholder Meeting of the Company or the Supervisory Board.

The Management Board, under the President's leadership, manages the Company and represents it. The Management Board provides organizational and administrative support for the functioning of other Company's bodies, collects the minutes of the General Meetings of the Company and minutes of its meetings.

Two members of the Management Board or one member of the Management Board together with a proxy are required to make statements on behalf of the Company.

The matters requiring resolutions of the Management Board include:

- 1) approving projects of the Company's development programs,
- 2) approving the Company's production and trading plans,
- 3) making decisions about investment purchases,
- 4) determining the organisational structure of the Company's enterprise and subsidiaries,
- 5) appointing and dismissing directors of subsidiaries and their deputies,
- 6) granting proxy and power of attorney,
- 7) establishing and liquidation of plants and other organizational units of the Company as part of the internal structure of the Company,
- 8) establishing regulations regarding cash and other benefits for employees,
- 9) usage of unnecessary fixed assets,

- 10) signing and withdrawal from long-term contracts and contracts resulting in liabilities with a value of more than PLN 200 thousand,
- 11) Management's report on operations, balance sheet, profit or loss statement, cash flow statement and conclusions regarding the distribution of profit and coverage of losses,
- 12) applying to the General Shareholder Meeting of the Company in other matters reserved to its competence,
- 13) requesting that the Supervisory Board meetings be convened with the proposed agenda,
- 14) convening General Shareholder Meetings of the Company,
- 15) internal division of the work of Management Board Members,
- 16) making decisions on group dismissals,
- 17) setting organizational regulations and work regulations,
- 18) matters before which, even one member of the Board expressed objection,
- 19) granting loans,
- 20) granting guarantees,
- 21) other important property and non-property matters regarding the Company's operations.

The internal division of the work of the Management Board members is determined by the Resolution of the Management Board. On its basis, the members of the Board supervise the work of subordinate organizational units. The President of the Management Board manages the work of the Management Board, chairs the meetings of the Management Board and coordinates the work of other Management Board Members. In the event of temporary inability to perform duties by the President of the Management Board, he is replaced by a member of the Management Board indicated by him.

The costs of the Board's activities are covered by the Company. The Management Board meetings are secured by employees appointed by the President.

Amendments to the regulations require a resolution of the Management Board approved by the Supervisory Board.

4. The Company's Supervisory Board

Composition of the Supervisory Board:

The Supervisory Board of the Company, in the light of the provisions of the Articles of Association of the Company and the Code of Commercial Companies, is the body supervising the activities of the Company.

At the balance sheet date of 31.12.2018 the Supervisory Board consisted of:

- Jerzy Mazgaj – Chairman of the Supervisory Board
- Katarzyna Basiak-Gała – Member of the Supervisory Board
- Artur Małek - Member of the Supervisory Board
- Maciej Matusiak – Member of the Supervisory Board
- Jan Pilch - Member of the Supervisory Board
- Grażyna Sudzińska-Amroziewicz - Member of the Supervisory Board
- Andrzej Szumański – Member of the Supervisory Board.

There were following changes within the composition of the Supervisory Board during 2018:

Between 01.01.2018 and 27.06.2018 the Supervisory Board consisted of:

- Jerzy Mazgaj – Member of the Supervisory Board
- Katarzyna Basiak-Gała - Member of the Supervisory Board
- Artur Małek - Member of the Supervisory Board
- Beata Pawłowska-Czerwińska - Member of the Supervisory Board
- Ryszard Petru - Member of the Supervisory Board
- Grażyna Sudzińska-Amroziewicz - Member of the Supervisory Board.

On June 27, 2018 the Company's Ordinary Shareholder Meeting based on its resolutions changed the composition of the Supervisory Board for a new joint term. The composition of the Supervisory Board for a new joint term is the following:

- Jerzy Mazgaj
- Katarzyna Basiak-Gała
- Artur Małek
- Maciej Matusiak
- Grażyna Sudzińska-Amroziewicz
- Andrzej Szumański.

The new Supervisory Board appointed Jerzy Mazgaj for the Chairman of the Supervisory Board.

Between 27.06.2018 and 30.11.2018 the composition of the Supervisory Board was the following:

- Jerzy Mazgaj – Chairman of the Supervisory Board
- Katarzyna Basiak-Gała – Member of the Supervisory Board
- Artur Małek - Member of the Supervisory Board
- Maciej Matusiak- Member of the Supervisory Board
- Grażyna Sudzińska-Amroziewicz - Member of the Supervisory Board
- Andrzej Szumański - Member of the Supervisory Board.

Mr Jan Pilch was conditionally appointed to the Supervisory Board on the basis of Resolution No. 05/10/2018 of the Company's Extraordinary General Shareholder Meeting on October 31, 2018 regarding increasing the number of Supervisory Board members of the current joint term and appointing an additional member of the Supervisory Board to the Supervisory Board of the Company, whose number of current common term was in-creased to 7 people.

The above-mentioned resolution No. 05/10/2018 of the Extraordinary General Shareholder Meeting of the Company on October 31, 2018 entered into force on 30.11.2018, i.e. on the day of registration into the registrar of entrepreneurs of the National Court Register changes to the Articles of Association resulting from the resolution No. 04/10/2018 of the Extraordinary General Shareholder Meeting of the Company of October 31, 2018 and the merger of the Company with Bytom SA resulting from resolution No. 03/10/2018 of the Extraordinary General Shareholder Meeting of the Company of October 31, 2018.

As a result of the above, between 30.11.2018 and 31.12.2018 the Supervisory Board consisted of:

- Jerzy Mazgaj – Chairman of the Supervisory Board
- Katarzyna Basiak-Gała – Member of the Supervisory Board
- Artur Małek – Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board
- Jan Pilch - Member of the Supervisory Board
- Grażyna Sudzińska-Amroziewicz - Member of the Supervisory Board.
- Andrzej Szumański - Member of the Supervisory Board

Between the balance sheet date, i.e. 31.12.2018 and 18.03.2019 (date of this statement) the composition of the Supervisory Board has remained unchanged.

Principles of Supervisory Board operations:

The Supervisory Board is appointed by law to exercise supervision in all aspects of the Company's operations. The Supervisory Board of the Company conducts its activity based on the provisions of applicable law, in particular the Code of Commercial Companies, as well as in accordance with the provisions of the Company's Articles of Association. Implementation of the Supervisory Board's competences also takes place with respect to the binding corporate governance rules.

The manner of operation of the Company's Supervisory Board was determined by the provisions of the Articles of Association and the Regulations of the Supervisory Board. Both documents were placed on the Company's website at www.vrg.pl.

The Supervisory Board consists of 5 - 7 members. The term of office of the Supervisory Board lasts three years. The number of members of the Supervisory Board shall be determined by the General Meeting. Members of the Supervisory Board are appointed and recalled, subject to the provisions of § 22 para. 3 and 4 of the Company's Articles of Association, by the General Shareholder Meeting for a joint term in office.

The Supervisory Board elects the Chairman of the Supervisory Board and his Deputy from among its members, and, as the need arises, also the Secretary of the Supervisory Board. The Chairman of the Supervisory Board convenes meetings of the Supervisory Board and chairs them. The Chairman of the Supervisory Board of the previous term convenes and opens the first meeting of the newly elected Supervisory Board and chairs it until the Chairman is elected. The Supervisory Board may dismiss the Chairman, his Deputy and the Secretary of the Supervisory Board.

The Supervisory Board holds meetings at least once a quarter. The Chairman of the Supervisory Board or his Deputy is also obliged to convene a meeting of the Supervisory Board within two weeks from the date of receipt of a written request to convene a meeting of the Supervisory Board included in the motion of the Management Board or a member of the Supervisory Board.

The Supervisory Board may adopt resolutions:

- at meetings,
- in writing,
- using means of direct remote communication.

A member of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting his vote in writing via another member of the Supervisory Board.

A resolution of the Supervisory Board may be adopted in writing by signing a draft resolution by the each member of the Supervisory Board, indicating the date of voting and determining whether they vote for the resolution, against the resolution or abstain. Failure by a member of the Supervisory Board to sign a draft resolution and to send it signed in the above manner within 10 days from the date of sending the draft to the address provided by the Member of the Supervisory Board shall be deemed to be abstention.

For the validity of resolutions of the Supervisory Board, it is required to invite all members of the Supervisory Board to the meeting, and in the case of resolutions adopted in writing or using means of direct remote communication - notifying all members of the Supervisory Board about the contents of the draft resolution.

The Supervisory Board adopts resolutions by an absolute majority of votes, in the presence or (in the case of resolutions adopted in writing or using means of direct remote communication) with the

participation of at least half of the composition of the Supervisory Board. In the event of an equal number of votes for and against the resolution of the Supervisory Board - the vote of the Chairman of the Supervisory Board decides.

If the text of the resolution does not provide otherwise, the resolution of the Supervisory Board shall enter into force on the day of its adoption. Adoption of a resolution in writing by signing a draft resolution by individual members of the Supervisory Board, indicating the date of voting and determining whether they vote for the resolution, against the resolution or abstain from voting at the moment of signing by all members of the Supervisory Board or 10 days from the date of sending the draft resolution to the members of the Supervisory Board.

The Supervisory Board may adopt, change, revoke its regulations defining the mode of its operation.

The Supervisory Board exercises permanent supervision over the activities of the Company.

In addition to matters reserved by the Company's Articles of Association, the special powers of the Supervisory Board include:

- 1) examination and evaluation of the financial statements for the previous financial year,
- 2) examination and evaluation of the Management Board's report on the Company's operations and the Management Board's motions regarding the distribution of profit or loss coverage,
- 3) submitting to the General Shareholder Meeting an annual written report on the results of the evaluation referred to in the previous items 1 and 2,
- 4) suspending the Management Board member or the entire Management Board for important reasons,
- 5) delegating a member of the Supervisory Board, provided that this does not violate the provisions of § 17 section 1 of the Statute of the Company, to temporarily perform the functions of members of the Management Board unable to perform their duties,
- 6) approving the regulations of the Management Board of the Company,
- 7) determining remuneration for Members of the Management Board,
- 8) selection of an auditor who audits the financial statements,
- 9) adopting in the form of a resolution for the Company's internal purposes a uniform text of the Articles of Association of the Company, prepared by the Management Board of the Company,
- 10) issuing opinions on applications for redemption of the Company's shares.

The purchase and sale of real estate, perpetual usufruct or a share in real estate requires the consent of the Supervisory Board. Undertaking these activities does not require a resolution of the General Shareholder Meeting.

Members of the Supervisory Board perform their rights and duties in person.

The rules and amount of remuneration for members of the Supervisory Board are determined by the General Shareholder Meeting with the reservation that the remuneration of members of the Supervisory Board delegated to temporarily perform the duties of members of the Management Board is determined by the resolution of the Supervisory Board.

In the event of resignation or death of a member of the Supervisory Board, the Supervisory Board may supplement its composition by co-opting a new member for the period until the end of its joint term.

The Supervisory Board's resolution on co-optation is subject to approval by the next General Shareholder Meeting. The remuneration of members of the Supervisory Board delegated to temporarily

perform the duties of members of the Management Board is determined by the resolution of the Supervisory Board.

The Company adopted the Regulations of the Supervisory Board. The provisions of the Regulations will be described below. The number of members of the Supervisory Board is determined by the General Shareholder Meeting. Members of the Supervisory Board may not be members of the Management Board, employees of the Company holding the position of an accountant, legal adviser and other employees reporting directly to a member of the Management Board, proxies, receivers or liquidators of the Company. Members of the Management Board and liquidators of subsidiaries of the Company may also not be members of the Supervisory Board.

A member of the Supervisory Board should have appropriate knowledge and experience and be able to devote the necessary amount of time to perform his/her duties. A member of the Supervisory Board should take appropriate actions so that the Supervisory Board receives information about significant matters concerning the Company.

A member of the Supervisory Board should be guided by the interest of the Company in the proceedings and independence of opinions and judgements, and in particular: (a) should not accept unjustified benefits that could adversely affect the assessment of the independence of his/her opinions and judgements, (b) expressly raise his/her objections and a separate opinion in the event that the decision of the Supervisory Board is in conflict with the interest of the Company.

Each member of the Supervisory Board provides the Management Board with information on its relations with the shareholder of the Company holding shares representing not less than 5% of the total number of votes at the General Shareholder Meeting. The term "related" is understood as a connection of an economic, family or other nature that may affect the position of a member of the Supervisory Board in a matter that will be voted on by the Supervisory Board. A member of the Supervisory Board should inform the Supervisory Board about a conflict of interest or the possibility of its occurrence. A member of the Supervisory Board should refrain from taking part in the discussion and from voting on the resolution in the case in which the conflict of interests arose.

If during the term of office the personal composition of the Supervisory Board decreases as a result of the death or resignation of a member of the Supervisory Board, the Supervisory Board acting in accordance with the provisions of § 22 para. 3 of the Company Articles of Association may supplement its composition by co-opting a new member for the period up to the end of its joint term. The Supervisory Board's resolution on co-optation is subject to approval by the next General Shareholder Meeting. If the personal composition of the Supervisory Board decreases during the term of office and the Supervisory Board fails to exercise the right referred to in § 22 subpara. 3 of the Company's Articles of Association, the Chairman of the Supervisory Board submits an application to the Management Board of the Company for immediate convening of the General Shareholder Meeting of the Company with the agenda including the adoption of a resolution of the General Shareholder Meeting on supplementing the composition of the Supervisory Board. A member of the Supervisory Board should not resign from his function in a situation where it could have a negative impact on the Supervisory Board's ability to act, including adopting resolutions.

The Supervisory Board elects a Chairman from among its members, a Deputy Chairman and, if necessary, a Secretary. The term of office of persons performing these functions ends on the expiration of the term of office of the resigning Supervisory Board, however, the Chairman of the outgoing Supervisory Board convenes the first meeting of the newly elected Supervisory Board and chairs the meeting until the Chairman is elected. The Chairman, the Deputy Chairman and the Secretary may be recalled before the end of the term in office.

The Supervisory Board exercises permanent supervision over the activities of the Company. The Supervisory Board carries out its tasks:

- a) at meetings of the Supervisory Board,
- b) through current and ad hoc supervisory and control activities, in the performance of which it may:
 - i. browse each department of the Company's activities,
 - ii. demand reports and explanations from the Management Board and employees of the Company,
 - iii. review the assets of the Company,
 - iv. perform financial control of the Company,
 - v. check books and documents,
 - vi. oblige the Management Board to commission experts to develop expert opinions for the use of the Supervisory Board, if the problem requires special knowledge, qualifications, specialist activities or independent expert assessment..

The special powers of the Supervisory Board include:

- a) examination and evaluation of the financial statements for the previous financial year;
- b) examination and evaluation of the Management Board's report on the Company's operations and the Management Board's motions regarding distribution of profits or coverage of losses;
- c) submitting to the General Shareholder Meeting an annual written report on the results of the assessment referred to in point a and b;
- d) submitting to the General Shareholder Meeting a concise written assessment of the Company's situation, attached to the annual report made available to the public;
- e) suspension of a member of the Management Board or the entire Management Board for important reasons;
- f) delegating a member or members of the Supervisory Board, provided that this does not violate the provisions of § 17 para. 1 of the Company's Articles of Association, for temporary performance of the duties of a member of the Management Board in the event of dismissal or suspension of a member of the Management Board or if the Management Board cannot act for other reasons;
- g) approval of the Regulations of the Company's Management Board;
- h) determining the remuneration of Management Board Members;
- i) selection of an auditor who audits the financial statements;
- j) giving opinions on applications for redemption of the Company's shares;
- k) consenting to purchase or sale by the Company of real estate or a share in real estate;
- l) adopting in the form of a resolution for the Company's internal purposes a uniform text of the Articles of Association prepared by the Management Board of the Company;
- m) adopting, amending and repealing the regulations of the Supervisory Board defining a detailed mode of its operation;
- n) preparing and presenting once a year to the Ordinary General Shareholder Meeting of the Company a concise evaluation of the Company's standing, including the assessment of the internal control system and the risk management system important for the Company;

- o) performing and presenting to the Ordinary General Shareholder Meeting once a year an assessment of the work of the Supervisory Board;
- p) reviewing and giving opinions on matters to be the subject of resolutions of the General Shareholder Meeting;
- q) expressing consent for the Company to conclude a significant transaction / contract with a related party. The above-mentioned obligation does not apply to typical transactions concluded on market terms as part of its operating activities by the Company with a subsidiary, in which the Company holds a majority equity interest. A related party is an entity that meets the definition of a related party within the meaning of the accounting regulations applicable to the Company;
- r) other competences delegated by the Company's Articles of Association or a resolution of the General Shareholder Meeting of the Company.

The Supervisory Board ensures that the Company complies with the applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods.

Members of the Supervisory Board should participate in the proceedings of the General Shareholder Meeting in the composition enabling the substantive answer to questions asked during the General Shareholder Meeting.

Notification of a planned meeting of the Supervisory Board should be sent by registered mail, fax or e-mail to addresses, fax numbers or e-mail addresses of Supervisory Board members indicated by them as appropriate for delivery of all materials for Supervisory Board meetings, at least seven days before its date. For important reasons, the Chairman of the Supervisory Board may shorten this period. The notification should specify the date, place and agenda of the meeting. If all members of the Supervisory Board are present at the meeting, the oral notification by the Chairman of the Supervisory Board of the date, place and agenda of the next meeting, recorded in the minutes of the Supervisory Board meeting at which the notification in the above form was transferred.

The agenda of the meeting to which it relates may be changed or supplemented only in cases where all members of the Supervisory Board are present and consent or if it is necessary to protect the Company against damage or if the object of the resolution is be an assessment of whether there is a conflict of interest between the members of the Supervisory Board and the Company.

For the validity of resolutions of the Supervisory Board, it is required to invite all its members.

It is possible to hold a meeting of the Supervisory Board in a teleconference mode in such a way that all participants can communicate with each other using means of telecommunications. For the validity of resolutions adopted during such a meeting, the protocol must be signed by all its participants.

Meetings of the Supervisory Board are convened by the Chairman or his Deputy. Meetings of the Supervisory Board are also convened at the request of the Management Board or a member of the Supervisory Board. The request to convene the Supervisory Board meeting should present the proposed agenda of the Supervisory Board and persons from the composition of the Management Board and other persons whose participation in the meeting is justified due to issues to be considered by the Supervisory Board. The Deputy Chairperson may convene meetings of the Supervisory Board only in a situation in which the Chairman cannot exercise this right due to fortuitous events directly affecting his person, preventing the activities of convening the meeting of the Supervisory Board, and only with prior written consent of all other members of the Supervisory Board (including the Deputy Chairman). The meeting should take place within two weeks of the submission of the application. If a meeting is convened by the Chairman, the Deputy Chairman has no right to convene a meeting of the Supervisory Board, and the previously convened meeting of the Supervisory Board by the Deputy is revoked.

Meetings of the Supervisory Board should take place at least once a quarter. The meeting is chaired by the Chairman and in his absence the Deputy Chairman. Meetings of the Supervisory Board are held at the registered office of the Company or in another place indicated in the notification of convening a meeting of the Supervisory Board.

Members of the Management Board and employees of the Company relevant to the discussed matter may participate in the Supervisory Board meetings, if they have been invited.

Voting is public. Secret voting is ordered:

- a) at the request of even one of the voters, and
- b) in the following matters:
 - i. appointing and dismissing Management Board Members,
 - ii. suspension of Management Board members for important reasons in their activities,
 - iii. in personal matters.

Meetings of the Supervisory Board are recorded in minutes. The report should contain:

- a) the date and place of the meeting,
- b) list of members of the Supervisory Board and other persons present at the meeting,
- c) adopted agenda,
- d) the content of the resolutions adopted, along with the number of votes cast for individual resolutions, the content of separate sentences or objections raised to resolutions or voting decisions.

At the meetings of the Supervisory Board, provisions are made in the form of:

- (a) resolutions,
- (b) motions and opinions for the General Shareholder Meeting,
- (c) post-inspection recommendations,
- (d) motions and recommendations for the Management Board.

Resolutions of the Supervisory Board shall be marked with subsequent numbers as part of a given Supervisory Board meeting. Resolutions are signed by all members of the Supervisory Board participating in the meeting.

The minutes are signed by all members of the Supervisory Board participating in the meeting and by the minutes clerk.

The originals of the minutes of the Supervisory Board meeting and attachments are kept in the book of minutes of the Supervisory Board. The book of protocols is kept at the registered office of the Company. At the request of a member of the Supervisory Board, the Company issues copies of protocols and individual resolutions.

The Supervisory Board may appoint permanent or ad hoc committees acting as collegiate advisory and opinion-making bodies of the Supervisory Board, including the Audit Committee and the Nomination and Remuneration Committee.

A permanent Audit Committee currently operates within the Supervisory Board. The obligation to create an Audit Committee applies to Supervisory Board composed of six members. If the Supervisory Board

consists of five members, the tasks of the Audit Committee may be performed by the entire Supervisory Board.

The Committee is appointed by the Supervisory Board with a resolution from among its members. The Committee elects the Chairman of the committee from among its members. The committee consists of three (3) to five (5) members.

The work of the committee is directed by the committee chairman. He/ she also supervises the preparation of the agenda. Meetings of the committee are convened by the Chairman of the committee who invites committee members to the meetings and notifies all other members of the Supervisory Board about the meeting. All members of the Supervisory Board have the right to participate in committee meetings. The committee chairman may invite members of the Management Board, Company employees and other persons to attend the committee meetings whose participation in the meeting is useful for the implementation of the committee's tasks. Notification of convening a committee meeting should be submitted to the committee member and other members of the Supervisory Board not later than 7 days before the committee meeting, and in urgent cases, no later than one day before the committee meeting. Members of the committee may vote on adopting resolutions in person, taking part in the committee meeting, or using means of distance communication. Resolutions of the committee are adopted by a simple majority of votes cast. In the case of a vote in which an equal number of votes for and against is cast, the Chairman of the committee shall have the casting vote. The committees submit annual re-ports on their activities to the Supervisory Board, which will be made available to shareholders by the Management Board of the Company.

The Supervisory Board may decide to establish a permanent Nomination and Remuneration Committee. The Nominations and Remuneration Committee advises the Supervisory Board on the appropriate development of the Company's policy in the field of employment and remuneration of the members of the Management Board of the Company. In particular, the tasks of the Nomination and Remuneration Committee include:

- a) planning the remuneration policy for Members of the Management Board, in particular in terms of the interests of the Company and its financial results,
- b) analysing remuneration and other benefits and disbursements to members of the Company's governing bodies and the terms of contracts concluded with them in order to recommend to the Supervisory Board decisions on concluding such contracts,
- c) preparation of reports containing evaluation and analysis regarding payment of remuneration to members of the Company's bodies submitted to the Supervisory Board before passing resolutions required by law, the Company's Articles of Association and internal Company's regulations,
- d) substantive assessment of candidates for the positions of Members of the Management Board of the Company and presentation of opinions on the matter to the Supervisory Board,
- e) substantive assessment of the application for dismissal of a Member of the Management Board from the position and presentation of an opinion on the matter to the Supervisory Board.

The costs of the Supervisory Board's activities are covered by the Company. The Supervisory Board uses the Company's office rooms, equipment and materials. The administrative and technical service of the Council is provided by the Office of the Company's Management Board.

Members of the Supervisory Board receive remuneration determined by the General Shareholder Meeting. Members of the Supervisory Board submit a written statement on familiarizing themselves with the corporate governance principles in the field of good practices of supervisory boards resulting from the document "Best Practice of WSE Listed Companies", including its subsequent amendments made by the Warsaw Stock Exchange Supervisory Board in Warsaw.

Members of the Supervisory Board exercise their rights and duties in person and are required to attend meetings of the Supervisory Board. The Supervisory Board may delegate its members to individual performance of particular supervisory activities, including participation, depending on the needs, in the meetings and work of the Management Board.

5. Audit Committee acting within the Supervisory Board

Composition of the Audit Committee:

As part of the Supervisory Board of the Company in the financial year 2018, the Audit Committee operated as a permanent collegial and advisory body of the Supervisory Board. The Audit Committee was appointed by way of a resolution of the Company's Supervisory Board of May 14, 2012, pursuant to art. 86 of the Act of May 7, 2009 on chartered auditors and their self-government, entities authorized to audit financial statements and on public supervision.

The composition of the Audit Committee during 2018 was subject to the following alterations resulting from changes in the composition of the Supervisory Board made on the basis of the resolutions of the Ordinary General Shareholder Meeting of the Company of 27.06.2018, which elected the Supervisory Board for the new joint term in office.

Between 01.01.2018 and 27.06.2018 the Audit Committee composed of the following members of the former Supervisory Board:

- Mr Artur Małek – Chairman of the Audit Committee,
- Mrs Grażyna Sudzińska-Amroziewicz – Member of the Audit Committee,
- Mr Ryszard Petru – Member of the Audit Committee.

At the meeting held on 03.07.2018, the Supervisory Board of the Company of the current term, acting on the basis of art. 128 para. 1 and art. 129 par. 1 of the Act of May 11, 2017 on statutory auditors, auditing companies and public supervision (hereinafter: "Act on certified auditors") appointed a permanent Audit Committee and determined its number for three persons. The following members of the Supervisory Board were appointed to the Audit Committee: Mr Artur Małek, Mr Maciej Matusiak, Mrs Grażyna Sudzińska-Amroziewicz.

As a result, between 03.07.2018 and 31.12.2018 the Audit Committee consisted of the following Supervisory Board members:

- Mr Artur Małek – Chairman of the Audit Committee (appointed for this position by the resolution of the Audit Committee on August 23, 2018),
- Mr Maciej Matusiak – Member of the Audit Committee,
- Mrs Grażyna Sudzińska-Amroziewicz - Member of the Audit Committee.

Between the balance sheet date, i.e. 31.12.2018 and 18.03.2018 (date of the statement publication) the above mentioned composition of the Audit Committee has not changed.

Rules of Audit Committee operations:

The rules of operation of the Audit Committee (hereinafter: "the Committee") are determined by the provisions of § 15, 16, 17, 18 and 19 of the Regulations of the Supervisory Board, which is available on the Company's web-site at www.vrg.pl.

The Audit Committee advises the Supervisory Board on the proper implementation of principles of budgetary and financial reporting, internal control of the Company and matters related to cooperation with auditing companies and the Company's auditors.

In particular, the Committee's tasks include:

- a) monitoring of:
- financial reporting process,
 - the effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,
 - performing financial auditing activities, in particular conducting an audit by the audit company, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the auditing company;
 - controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services other than audit to the public interest entity;
- b) informing the Supervisory Board about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the public interest unit, and what was the role of the audit committee in the audit process;
- c) assessing the independence of the auditor and consenting to the provision of permitted non-audit services to the public interest entity;
- d) developing a policy for selecting an audit firm to conduct the audit and submitting it to the Supervisory Board for approval;
- e) development of a policy by the audit firm conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
- f) determining the procedure for the selection of an audit firm by a public interest entity;
- g) presenting recommendations to the Supervisory Board regarding the selection of the audit firm referred to in art. 16 sec. 2 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909 / EC, in accordance with the policies referred to in in point d) and point e);
- h) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity.

In justified cases, the Committee may use the assistance of experts. Meetings of the Committee should be held at least once every three months, before the Company publishes its financial statements.

The President of the Management Board, high-level employees responsible for particular functions, the chief accountant and the auditor who has recently examined the financial report or the auditor currently examining the Company's financial statements may take part in the Audit Committee's meetings.

The Audit Committee should submit to the Supervisory Board a report on its activities at least once a year, at the date of approval of annual reports.

The Supervisory Board is obliged to ensure, if such a need arises, to immediately complete the composition of the Committee to the one set forth in § 16 para. 4 of the Regulations of the Supervisory Board as a minimum. The Audit Committee may, without mediation of the Supervisory Board, request information, explanations and transfer of documents necessary to perform its tasks.

The Committee should be informed on the written request of the program of work of the certified auditor who audits the Company's financial statements and receive a report from that expert, including a description of all relations between the expert and the Company or its group. The Committee should receive information in a timely manner regarding issues arising from the survey.

In the case of the Audit Committee, the majority of its members, including the chairman, must meet the independence criteria referred to in art. 129 par. 3 of the Act on certified auditors, and at least one

member of the Audit Committee must have knowledge and skills in the field of accounting or auditing of financial statements. The members of the Audit Committee should also have knowledge and skills in the industry in which the Company operates, and this condition is deemed met if at least one member of the Audit Committee has knowledge and skills in this industry or individual members in certain areas have the knowledge and skills in this industry.

In 2018, Members of the Audit Committee met the independence criteria within the meaning of art. 129 par. 3 and 4 of the Act on certified auditors, as well as in the meaning of the principle II.Z.4. "Best Practice of Companies WSE Listed Companies 2016". In the case of the Company, all members of the Audit Committee have knowledge and accountancy skills. Knowledge and skills in the aforementioned scope were gained by the members of the Audit Committee through obtaining education in the field of economic and related sciences in the framework of higher education, postgraduate studies, specialized courses and training, and through professional experience related to performing functions in the management and supervisory bodies of capital companies (including the function of a member of the Audit Committee of these bodies). In particular, with respect to the education of members of the Audit Committee, it may be indicated that:

Mr. Artur Małek graduated in 2000 from the Finance and Banking Faculty at the University of Economics in Cracow (master). In 2001, he completed post-graduate studies at the School of Entrepreneurship and Management at the University of Economics in Cracow, Faculty of Accounting and Finance. Mr. Artur Małek is a graduate of Executive MBA - Oxford Brookes University / Polish Open University in Warsaw (2009 - 2011) and a graduate of the ICAN Institute - The Strategic Leadership Academy in Warsaw (2012 - 2013). In addition, he participated in a number of courses and training in the field of management and finance.

In the years 1986-1992, Mr Maciej Matusiak studied at the Lodz University of Technology. In 1994, he obtained a securities broker license (No. 1203) issued by the then Securities Commission (currently the PFSA). In 2002, he received the title of Chartered Financial Analyst (awarded by the CFA Institute, Charlottesville, VA, USA). In addition, he completed a series of training in financial analysis and investment advisory.

Mrs. Grażyna Sudzińska-Amroziewicz studied Economics and Organization of Foreign Trade at the University of Gdańsk and was a participant in the development programs of the London Business School (UK, London), Institut Européen d'Administration des Affaires (Fontainebleau, France), CeDEP. Currently, she is pursuing post-graduate inter-faculty studies at the Center for Judicial Studies at the University of Warsaw.

Knowledge and skills in the industry in which the Company operates have members of the Supervisory Board in the person of Mr. Artur Malek and Mr. Maciej Matusiak. Mr. Artur Małek gained knowledge in the field of industry in the capacity of a member of the Supervisory Board of the Company and a member of the Audit Committee of the Company's Supervisory Board since April 2016. Mr. Maciej Matusiak gained knowledge of the industry in which the Company acts as a member of the Supervisory Board of LPP S.A. in the years 2004-2017.

In 2018, the Audit Committee held six meetings, the main topics of which were: scope, course and methodology of the auditor's work related to the review and audit of the separate and consolidated financial statements of the Company and the audit of financial statements of the subsidiaries W.KRUK S.A. and DCG SA, reviews of the internal control system and risk management in terms of ensuring that the main strategic, operational and financial risks are correctly identified and managed, detailed analysis of drafts of separate and consolidated financial statements published in the form of interim reports submitted by the Company to general public, obtaining additional information and explanations about them from the Management Board of the Company and indicating the need to introduce possible corrections, additional explanations or comments.

In 2018, the Audit Committee in relation to (i) adopted by virtue of Resolution No. 1 of the Company's Supervisory Board of December 11, 2017 "Policy of providing authorized services not being audit services (additional services) by the auditing company conducting the audit, by related parties of this auditing company and by a member of the auditing company's network "(hereinafter: " Policy "), and (ii) the fact that the auditing company Mazars Audyt Sp. z o.o. with headquarters in Warsaw performed for the Company of additional services including:

a) verification of the Company's statements regarding the fulfilment and correctness of the calculation of financial ratios indicated in covenants of the bank loan agreement concluded by the Company with the PKO Bank Polski S.A.;

b) audit of the pro-forma consolidated financial information prepared for the purposes of the information memorandum in relation to the public offer and applying for admission and introduction to trading on the regulated market of WSE of the O-series issuance shares, planned in connection with the intention of the merger between the Company and Bytom S.A. based in Cracow

- assessed that the services referred to in point a) and point b) above are the permitted services indicated in: (i) in point 3.

c) Policies as regards: assurance services in the field of pro-forma financial information, forecasts of results or estimates, included in the prospectus of the audited entity; (ii) points 3 letter f) Policies in the area of: confirming the fulfilment of the terms of loan agreements based on the analysis of financial information from audited financial statements, (iii) in point 3 letter i) policies for: certification of reports or other financial information for super-visors, supervisory boards or other supervisory bodies of the Company or owners beyond the scope of statutory audit and to help these bodies fulfil their statutory obligations and that provision of such services by Mazars Audyt Sp. z o.o. for the benefit of the Company and the Capital Group of the Company will not lead to any threat or risk for the security of independence referred to in art. 69-73 of the Act on Certified Auditors, and thus did not object to the performance of the additional services concerned by Mazars Audyt Sp. z o.o.

The main assumptions of the audit policy adopted by the Audit Committee and accepted for use in the Company's policy of selecting an audit firm to audit financial statements include:

1.) The Company, in accordance with applicable law, submits its separate and consolidated financial statements for inspection and audit conducted by the auditing firm.

2.) The selection of the entity authorized to audit the Company's financial statements should be based on the following principles:

1. An auditing company authorized to audit and review the separate and consolidated financial statements of the Company and the Capital Group of the Company is selected by the Supervisory Board of the Company upon the recommendation of the Audit Committee. The decision on the selection of an audit firm is made in the form of a resolution of the Supervisory Board.

2. When selecting the audit firm, the Supervisory Board of the Company draws attention to:

2.1. Number of chartered auditors employed by the audit firm and their professional qualifications, experience and skills, and in particular of the auditor to act as the key certified auditor and the audit team;

- 2.2. Audit firm's experience - including revenues earned during the last 3 years from the audit of public interest entities;
 - 2.3. Audit firm experience in auditing the financial statements of companies listed on the regulated market of the Warsaw Stock Exchange S.A.;
 - 2.4. The scope of offered liability for damage suffered due to improper performance of the contract for the audit of the Company's and the Company's Capital Group's statements;
 - 2.5. The ability to conduct a review and audit within the time limits set by the Company (availability);
 - 2.6. Specialization in the industry of an audit company - experience in the areas of retail operations, risk management, internal control and corporate governance;
 - 2.7. The results of audit inspections of the audit firm and the updated public transparency report;
 - 2.8. Access of the audit firm to experts in the field of taxation, corporate finance, IT systems and internal control, help of whose the auditor will be able to use it when necessary in the Company's audit;
 - 2.9. The manner of conducting the examination: the nature of the scope, frequency of contacts with the Audit Committee, the Supervisory Board and the Management Board of the Company;
 - 2.10. Cost criterion, which is not decisive in the selection of the audit firm (amount of remuneration for the audit of financial statements - separate and consolidated);
 - 2.11. Geographical scope of the activity, i.e. the possibility of conducting an audit of financial statements of entities covered by consolidation, and located outside the Republic of Poland, if applicable in the case of the Company;
 - 2.12. Other criteria that may be set by the Audit Committee, including the need to ensure independence and impartiality.
-
- 3.) The choice is made taking into account the principles of impartiality and independence of the audit firm and the analysis of the work carried out by it for the benefit of the Company, going beyond the scope of the audit of financial statements to avoid conflicts of interest (maintaining impartiality and independence).
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- 4.) The basis of the conducted audit and review by the auditing company are the applicable law, in particular the Accounting Act, International Financial Reporting Standards and the requirements of the Warsaw Stock Exchange S.A.
-
- 5.) The Supervisory Board of the Company is guided by the principle of rotation of the audit firm in accordance with the Act and the Regulation of the European Parliament and the Council (EU) No 537/2014 of April 16, 2014 on detailed requirements regarding statutory audits of financial statements of public interest entities. - repealing Commission Decision 2005/909 / EC ("the Regulation").

6.) The auditing company commences an examination or review after signing the contract with the Company. The contract with an audit company is concluded for periods and on terms consistent with the Act and the Regulation.

Main assumptions of the audit policy adopted by the Audit Committee and adopted by the auditing company, by entities related to this auditing company and by a member of the auditing company network (hereinafter: "Covered Entities") for allowed non-audit services (services additional) include:

1.) The Company, in accordance with applicable law, submits its separate and consolidated financial statements to reviews and audits conducted by the audit firm.

2.) Provision by the Entity covered by the Procedure of permitted non-audit services (additional services), should be conducted based on the provisions resulting from the Act on statutory auditors and other legal regulations, professional standards of the certified auditor and should take into account the following principles:

2.1. Entities covered by the Procedure may not provide directly or indirectly to the Company or related entities any prohibited services that are not auditing financial statements or auditing activities (hereinafter: "Prohibited Services").

2.2. Prohibited services that are not auditing financial statements are services indicated in art. 5 para. 1 of the Regulation,

2.3. Prohibited services are not services indicated in art. 136 sec. 2 of the Act on Certified Auditors,

2.4. The company may commission the services referred to in art. 136 sec. 2 of the Act on Certified auditors, Entities covered by the Procedure only to the extent not related to the Company's tax policy, after the Audit Committee has assessed the threats and safeguards of independence referred to in art. 69-73 of the Act on Certified Auditors,

2.5. Before requesting Entities covered by the Procedure for the provision of Permitted Services, the Company asks a certified auditor or an audit firm to ask if these are not the Services forbidden in the understanding of the Act on Certified Auditors;

2.6. The Audit Committee assesses the threats and safeguards of independence referred to in art. 69-73 of the Act on certified auditors at the request of the Management Board, including: indication of additional services to be provided, as well as information as to whether the statutory auditor or the audit firm confirmed that the additional service indicated is not a Prohibited Service.

The Audit Committee's recommendation regarding the selection of an audit firm to audit the financial statements met the applicable conditions.

X.

Description of rules regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issuance or buyback of shares

The rules regarding appointment and dismissal of managing persons in the Company and their rights are de-scribed in part IX point 1) of this statement regarding the principles of operation of the Company's Management Board.

The Management Board of the Company is not entitled to make an independent decision regarding the issuance of shares. In accordance with the Company's Articles of Association, the Company's share issuance and share capital increase require an appropriate resolution of the General Shareholder Meeting.

The Management Board of the Company has the right to purchase shares of the Company on the terms set out in the provisions of the Code of Commercial Companies regarding the purchase of own shares.

XI.

Description of diversity policy applied to the administrative, managing and supervising authorities with respect to aspects such as e.g. age, sex or education and professional experience, the objectives of this diversity policy, how it is implemented and the effects in the reporting period

The company informs that it has no regulations describing the diversity policy applied by the Company with respect to the Company's governing bodies and its key managers, taking into account such elements of diversity policy as gender, education, age, and professional experience. In accordance with the principle of law equality in force in Poland, the Company recognizes that everyone has the right to equal treatment and that no one may be discriminated against in political, social or economic life from any reason, including employment. The Company follows this principle in its recruitment processes. At the same time, in relation to the members of the Company's bodies, the selection of persons holding the functions of Members of the Management Board and the Supervisory Board is made by the General Shareholder Meeting and the Supervisory Board, guided by relevant and corporate decisions and professional principles. In relation to key managers, the Company makes decisions on establishing cooperation with candidates, assessing their professional experience, seniority, and education in accordance with the scope of tasks for a given position. The Company employs both women and men in various age groups, having regard to the substantive criteria and fully observing the principles that it is unacceptable to limit the freedom and rights of a person and a citizen solely on the basis of race, sex, language, religion or lack thereof, social origin, birth and property.

Within the Group, both among the members of the Company's management and supervisory bodies as well as among all employees it is recognised that availability of a wide talent pool helps in development and implementation of the objectives of the organization as a whole. For this reason, differences and diversity are valued and desirable as important components of human capital to support creativity and openness to new ways of coping with new challenges associated with the transition process of economic, social and cultural affecting business conditions of the Company and its Group. It is the effect of the accumulation and cooperation of various experiences and competences that allows for the continuous development of the organization. The development of the Company and its Capital Group as well as the implementation of business objectives will be more effective if one notices and benefits from various experiences and needs occurring in the organization and its environment. As part of the Capital Group the Company respects employees regardless of age, sex, religion, differences of opinion, cultural differences or sexual orientation. The Capital Group assures that none of the internal documents

contradicts the principle of gender equality and diversity. There are no regulations and practices within the Group companies that could indicate that either gender or group of employees should have a difficult or easier access to knowledge, benefits, privileges or would be in a special way charged with duties.

Grzegorz Pilch

President of the Management Board

Michał Wójcik

Vice-President of the Management Board

Mateusz Żmijewski

Vice-President of the Management Board

Erwin Bakalarz

Member of the Management Board

Cracow, March 18, 2019