

# Declaration of the corporate governance application

## The set of principles followed

Creating values for shareholders, also through the Company's transparency, is one of Enea Group's priorities. Having that in mind, the Management Board of Enea SA represents that in 2016 the Company applied the corporate governance rules being the Attachment to the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015, titled "Best Practices of WSE Listed Companies 2016,, (BPLC, corporate governance), published on WSE website under [https://www.gpw.pl/regulations\\_best\\_practices](https://www.gpw.pl/regulations_best_practices) .

## Waived rules and recommendations for corporate governance

Enea SA's Management Board's intention is to apply all the principles of the corporate governance. Due to the fact however, that some principles may pose the necessity to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2017 the Company waived the application of some principles and recommendations of the corporate governance indicated below.

### I. Management Board and Supervisory Board

II.Z.3. At least two supervisory board members meet the independence criteria referred to in rule II.Z.4.

**The Company's comment:** The Company would like to explain that pursuant to Enea SA's Statute the independence criteria should be met by at least one member of the Supervisory Board. Hence, the Company's Statute does not secure the compliance with the rule in question. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

II.Z.5. A supervisory board member submits to the remaining members of the supervisory board and to the company's management board a statement that he/she meets the criteria of independence set out in rule II.Z.4.

**The Company's comment:** The Company would like to explain that pursuant to the Company's Statute, an independent member of the Supervisory Board is obliged to make a written statement to the Company about meeting all the criteria of independence – together with an obligation to immediately inform the Company whenever he/she ceases to meet such criteria. However, the Statute of Enea SA does not provide for a duty to make such statements to the remaining members of the Supervisory Board. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

II.Z.7. As regards the tasks and operation of the committees operating in the supervisory board, the provisions of Annex I to the European Commission Recommendation referred to in rule II.Z.4 shall apply. In the case where the audit committee function is performed by the supervisory board, the above rules shall apply accordingly.

**The Company's comment:** The Company would like to explain that with respect to the tasks and operation of the committees operating in the Supervisory Board, it applies the provisions of Annex I to the European Commission Recommendation referred to in the rule under analysis, with a proviso that the Company's internal instruments do not require the majority of members of these committees to meet the independence criteria. The Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

II.Z.8. Chairman of the audit committee meets the independence criteria set out in rule II.Z.4.

**The Company's comment:** The Company would like to explain that pursuant to the Supervisory Board Regulations in effect at the Company, at least one member of the Audit Committee should be an independent member. However, the Company's internal documents do not stipulate that this requirements must be met by the chairperson of such committee. In the light of the provisions of the abovementioned Regulations, the committee members choose the chairperson from among themselves. The Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

## IV. General Meeting and shareholder relations

IV. R.2. If this is justified due to the shareholding structure or due to the shareholders' expectations communicated to the company, as long as the company is able to ensure the technical infrastructure necessary for the efficient conducting of the general meeting with the use of electronic communication means, the company should enable its shareholders to participate in the general meeting with the use of such means, in particular through: 1) real-time transmission of the general meeting sessions, 2) two-way real-time communication where the shareholders can communicate in the course of the general meeting session while staying in a location other than the place of the general meeting session, 3) exercising, either personally or via a proxy, the voting rights at the general meeting.

**The Company's comment:** The Company would like to explain that the Company's Statute does not provide for the option to participate in the General Meeting via electronic communication means. Notwithstanding the above, the Company's Management Board generally has a positive approach to enabling the Company's shareholders in the future to participate in the General Meeting with the use of the means ensuring real-time remote transmission of data, on condition that applicable legal regulations are adopted.

IV.Z.2. If this is justified due to the company's shareholding structure, the company ensures the real-time transmission of the general meeting sessions available to the public.

**The Company's comment:** The Company would like to explain that currently does not provide real-time transmission of the general meeting sessions. However, the image and sound recording of the general meeting sessions is each time made and it is subsequently rendered available by the Company via the corporate website.

## V. Conflict of interest and transactions with related entities

V.Z.5. Before the conclusion by the company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the management board shall request the supervisory board to grant a consent for such transaction. Before granting such consent, the supervisory board shall conduct the assessment of the impact of such transaction on the company's interest. The above obligation shall not refer to conventional transactions concluded on an arm's length basis as part of the operating activity carried on by the company with member entities of the company's capital group. In the case where a decision on the conclusion by the company of a significant agreement with a related entity is made by the general meeting, the company, before making such decision, shall ensure for all shareholders the access to such information as may be necessary to conduct the assessment of the impact of such transaction on the company's interest. .

**The Company's comment:** The Company would like to explain that pursuant to Enea SA's Statute, the powers of the Supervisory Board include, without limitation, granting a consent for the conclusion of a significant agreement with a related entity, provided that in order to pass a binding resolution in this respect it is necessary that the majority of the Supervisory Board members meeting the independence criteria vote for passing such resolution. The terms "related entity" and "significant agreement" are defined pursuant to the provisions of the Regulation of the Minister of Finance on current and periodical information. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

## VI. Remuneration

VI.R.1. The remuneration of members of the company's bodies and of the key managers should result from the remuneration policy adopted.

**The Company's comment:** The Company would like to explain that no remuneration policy has been adopted at Enea SA.

VI.R.2. The remuneration policy should be closely related to the company's strategy, its short- and long-term objectives, long-term interests, and results, and it should also take into account the solutions contributing to avoidance of discrimination on any grounds.

**The Company's comment:** The Company would like to explain that no remuneration policy has been adopted at Enea SA. The Management Board declares to strive to ensure that the Company's remunerating practice takes into account the circumstances mentioned in the content of the recommendation, as far as possible.

VI.R.3. . If the remuneration committee operates in the supervisory board, the scope of its operation shall be governed by rule II.Z.7.

**The Company's comment:** The Company would like to explain that with respect to the tasks and operation of the committees operating in the Supervisory Board, it applies the provisions of Annex I to the European Commission Recommendation referred to in the rule under analysis, with a proviso that the Company's internal instruments do not require the majority of members of these committees to meet the independence criteria. The Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making adequate changes to the Company's internal instruments with an adequate recommendation.

## Description of the key features of the issuer's internal control and risk management systems in relations to the process of preparing consolidated financial statements

Principles and procedures of preparing financial statements are in particular regulated by the International Financial Reporting Standards, Act on accounting and internal procedures functioning in Enea SA. Establishment of systems of internal control and risk management as regards the process of preparation of consolidated financial statements aims particularly at guaranteeing the completeness and correctness of financial information included in financial statements and interim reports.

The Management Board of Enea SA is responsible for the internal control system in Enea Group and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is complete and correct.

Financial statements and periodic reports and monthly management and operating reporting applied by Enea SA are based on data derived from the financial and bookkeeping system of the Company. After all the predetermined processes of closing the accounts books at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Control Department, with the participation of middle and senior managers from individual organisational units. In relations to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas.

The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are particularly engaged in the process of detailed planning and budgeting, which covers all the areas of Enea Group's operations. The Company's Board adopts the material and financial plan prepared by the Controlling Department, and the Supervisory Board approves that plan. During the year, the Company's Board supervises the realisation of goals specified in the approved material and financial plan. The management cockpit developed by the Controlling Department constitutes a valuable source of information for the Supervisory Board on the current financial situation, environment and the level of realisation of goals in the critical areas.

The Company applies coherent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

Enea Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of Enea SA confirms that as at 31 December 2017 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

As part of the risk management process related to the procedure of preparing financial statements, one of the basic elements of the external control is verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the accounts book, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board

and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The internal audit function, performed by the Audit Management Division is an important element of the internal control system. The internal audit in Enea Group is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. The basic tasks of the internal audit include e.g. the audit and assessment of the control mechanism processes in Enea Group, supporting the internal control system effectiveness, risk management and Compliance system, through their independent and objective assessment and recommendation of improvements within the corporate governance and monitoring.

## Information on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2017 and potential changes within its structure is to be found in Chapter 4 – **Shares and shareholding**.

Securities with special control authorisation

Till the date of preparation of this report Enea SA has not issued any securities that could give special inspection rights with respect to the Issuer.

Restrictions on exercising vote rights

As at the date of preparation of this report there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

Restrictions on transferability of securities

As at the date of preparation of this report the Company has no limitations concerning transfer of the title to securities of the Issuer.

## Enea SA's Management Board

Personal composition

Pursuant to the Company's Statute, the Management Board of the Company is composed of 3 to 8 persons, including the President of the Management Board. The number of members of the Management Board shall be determined by the Supervisory Board.

Currently, the Management Board of Enea SA is composed of four members. The composition of the Management Board of the Company as at the date of release of this report, i.e. 23 March 2018, together with information on changes in this body in 2017 and as at the date of preparation of this report, is presented in Chapter 5 "**Governing bodies**".

Rules of appointing and dismissing members of managing bodies

Pursuant to the Company's Statute, members of the Management Board or the entire Management Board shall be appointed and dismissed by the Supervisory Board, subject to the possibility of election of one

person by the Company's employees in accordance with the provisions of § 14 of the Company's Statute.

§ 14 of the Company's Statute stipulates that if the average annual employment in the Company exceeds 500 employees, the Supervisory Board shall appoint one person to the Management Board elected by the Company's employees for the term of the Management Board.

When appointing Members of the Management Board, the Supervisory Board shall comply with the rules set forth in the Regulation of the Council of Ministers of 18 March 2003 on the conduct of qualification procedures for the position of Member of the Management Board in certain commercial companies (Journal of Laws No. 55, item 476, as amended). At the Ordinary General Meeting of Enea S.A. on 26 June 2017 resolutions were adopted introducing to the Company's Statute the requirements referred to in Articles 17-20, 22 and 23 of the Act of 16 December 2016 on the principles of management of state property, among others in the scope concerning the qualification procedure for the member of the management body in the Company, its rules and procedure. On 6 March 2018, the competent court registered the above changes.

#### Competences and powers of the Management Board

The Management Board manages and represents the Company. The powers, organisation and principles of operation of the Management Board are defined by the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board. Resolutions of the Management Board shall be required for all matters exceeding the scope of the Company's ordinary activities, in particular :

- adoption of the organisational regulations of the Company's enterprise, subject to approval by the Supervisory Board
- establishment and winding-up of branches
- appointment of an authorised signatory or an authorised representative, except for an attorney ad litem, where appointment of an authorised signatory requires consent of all members of the Management Board
- taking out loans and credit facilities
- adoption of annual material and financial plans, including investment plans, as well as strategic long-term plans, subject to approval by the Supervisory Board
- incurring contingent liabilities, including granting by the Company guarantees, sureties and issuing bills of exchange
- purchase, sale or encumbrance of real estate, perpetual usufruct or shares in real estate, based on one or more legal transactions during a period of 12 consecutive months, with a value equal to or exceeding the equivalent of EUR 50 000
- leasing, renting, hiring, lending, using or any other use of the Company's real estate
- leasing, renting, hiring, use or acceptance for any other use of immovable property, on the basis of one or more legal transactions during a period of 12 consecutive months, the rental value of which for a period of 12 consecutive months is equal to or greater than the equivalent of EUR 50 000
- purchase, sale or encumbrance of a fixed asset, except for real property, perpetual usufruct or shares in real property, based on one or more legal transactions during a period of 12 consecutive months, with a value equal to or exceeding the equivalent of EUR 50 000
- leasing, renting, hiring, lending, using or any other use of fixed assets, with the exception of real estate
- leasing, renting, hiring, use or any other use of a fixed asset, except real estate, under one or more legal acts for a period of 12 months, the rental value of which for a period of 12 consecutive months is equal to or exceeds the equivalent of EUR 50 000
- matters which the Management Board requests the Supervisory Board or the General Meeting to consider
- determination of the manner of exercising the voting right by the Company at the general meeting or at the meeting of shareholders of Major Subsidiaries, subject to § 20 Sec. 2. 6 point 5 of the Company's Statute

## Management Board's principles of operation

The Management Board represents the Company in all court and out-of-court activities and conducts the Company's affairs.

The Management Board operates on the basis of the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Management Board of Enea SA. The Regulations of the Management Board are adopted by a resolution of the Management Board and approved by the Supervisory Board. Currently, the Company has in force the Regulations of the Management Board of Enea SA, adopted by the resolution of the Management Board on 22 June 2010, as amended.

Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy shall be authorised to make declarations of will on behalf of the Company.

According to the Regulations of the Management Board, meetings of the Management Board are held on Tuesdays at the Company's registered office, unless the President of the Management Board or a Management Board Member appointed by him decides otherwise.

Meetings of the Management Board of the Company shall be convened by the President of the Management Board or by a Management Board Member appointed by him, on his own initiative or at the request of two Management Board Members. Participation in the meetings of the Management Board is obligatory. A member of the Management Board shall give reasons for his/her absence at a meeting of the Management Board in writing or by means of remote communication. Absence from a Management Board meeting shall be excused by the Chairperson of the meeting. The Management Board may invite the Company's employees, experts and external advisors to its meetings. The programme and necessary documents for the Management Board meeting shall be delivered by the Service Office for the Company's Bodies at least two business days prior to the Management Board meeting. For important reasons, the meeting may be convened immediately and without any materials being handed over. In order to hold an ad hoc meeting, all members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board related to the management of the Company's affairs, referred to in § 11 Sec. 1, shall be adopted by the Management Board in accordance with the procedure laid down in § 11 Sec. 2. The resolutions adopted by the Management Board pursuant to Art. 2 of the Company's Statute shall be adopted by the Company's Management Board. The Management Board adopts resolutions if at least half of its members are present at the meeting and all members have been properly notified of the meeting. In the case of equal number of votes, the President of the Management Board has the casting vote at the adoption of a resolution by the Management Board.

The Management Board may adopt resolutions in writing or using means of direct remote communication. Adoption of a resolution in this manner requires justification and prior presentation of a draft resolution to all members of the Management Board. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Management Board with the result of voting.

The full text of the Statute and the Regulations of the Management Board of Enea SA with the detailed description of the Management Board is available at [www.enea.pl](http://www.enea.pl) in the "Investor Relations" – "Corporate Governance" tab.

## Enea SA's Supervisory Board

### Personal composition

In accordance with the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) the General Meeting of Shareholders, (ii) the Company's employees, and (iii) the State Treasury. The Supervisory Board should be composed of at least one person appointed by the General Meeting from among persons meeting the independence criteria specified in the corporate governance rules adopted by the WSE Supervisory Board.

Currently, the Supervisory Board of Enea SA is composed of ten members and is the Supervisory Board of the 9th term of office. The composition of the Company's Supervisory Board as at the date of release of this report, together with information on changes in 2017 and as at the date of preparation of this report, is presented in Chapter 5 – “ **Governing bodies**”

### Operation

The Supervisory Board acts on the basis of the provisions of the Commercial Companies Code, the Company's Statute and the Regulations of the Supervisory Board of Enea SA adopted by resolution of the Supervisory Board on 15 December 2009, as amended. During the Ordinary General Meeting of Shareholders of Enea S.A. held on 26 June 2017, resolutions were adopted introducing to the Company's Statute the requirements referred to in Articles 17-20, 22 and 23 of the Act of 16 December 2016 on the principles of management of state property; among others, new actions have been introduced, which will require the consent of the Company's supervising authority. On 6 March 2018, the competent court registered the above changes.

The Supervisory Board shall exercise permanent supervision over the Company's operations in all areas of its activity. Special duties of the Supervisory Board include evaluation of the Management Board's report on the Company's operations and the financial statements for the previous financial year in terms of their compliance with the books and documents as well as with the actual state of affairs.

Furthermore, the Supervisory Board is responsible for evaluating the Management Board's motions concerning profit distribution or loss coverage, as well as for submitting an annual written report on the results of such assessment to the General Meeting.

The Supervisory Board shall hold its meetings at least once every two months. Meetings of the Supervisory Board shall be convened by the Chairman or Vice Chairman, who shall present a detailed agenda. A meeting of the Supervisory Board should be convened at the request of any member of the Supervisory Board or at the request of the Management Board.

Participation in a meeting of the Supervisory Board shall be the duty of a member of the Supervisory Board. A member of the Supervisory Board shall state in writing the reasons for his/her absence. An excuse for the absence of a Supervisory Board member shall require a resolution of the Supervisory Board.

A meeting of the Supervisory Board shall be convened within two weeks of the date of receipt of the request. In order to convene a meeting of the Supervisory Board it is required to invite in writing all members of the Supervisory Board at least 7 days prior to the meeting of the Supervisory Board. For important reasons, the Chairman of the Supervisory Board may shorten this period to 2 days, specifying the manner of issuing the invitation. In the invitation to a Board meeting, the Chairman shall specify the date of the meeting, the place of the meeting and a detailed draft agenda. The invitation shall be accompanied by materials relating to the items on the agenda.

In cases indicated in the Supervisory Board Bylaws, meetings of the Supervisory Board may also be held without being formally convened.

Meetings of the Supervisory Board shall be chaired by the Chairman of the Supervisory Board, and in his absence by the Vice Chairman or another member of the Supervisory Board elected at the meeting. The Chairman of the Supervisory Board, and in his absence the Vice-Chairman or another member of the Supervisory Board presiding over the meeting, shall ensure efficient and correct course of the meetings of the Supervisory Board, in accordance with the adopted agenda, the provisions of law, the Statute and the Regulations of the Supervisory Board of Enea SA, and in particular shall have an exclusive right to do so:

- opening, managing and closing the meetings of the Supervisory Board
- granting and withdrawing the right to speak to members of the Supervisory Board
- to issue housekeeping orders
- order votes, ensure that they are taken properly and announce their results
- the settlement of points of order
- managing breaks in the meetings of the Supervisory Board
- issue instructions to the person recording the course of the Supervisory Board meeting
- distribution of written resolutions of the Supervisory Board
- take other actions necessary for the efficient operation of the Supervisory Board

While considering each submitted matter, Board members have the right to evaluate draft resolutions and propose amendments to their content in the form of discussion, and the discussion should take place in accordance with the following rules:

- A member of the Supervisory Board may take the floor only in matters included in the agenda within the scope of the currently considered item of the agenda.
- when considering each issue on the agenda, depending on its subject, the Chairman may determine the amount of time per a speaker
- The Chairman may draw the attention of a speaker who departs from the subject under consideration, exceeds the speaking time allowed to him or speaks in an unauthorised manner.
- The Chairman shall have the right to deprive speakers who do not follow the Chairman's remarks or who take the floor in a manner inconsistent with the Rules of Procedure of the right to speak.
- The Chairman shall decide on the conclusion of the discussion after having heard the members of the Council who have requested to speak.

The proposed agenda may be amended if all members of the Supervisory Board are present at the meeting and no one objects to the agenda. An item other than those appearing on the agenda shall be placed on the agenda of the next meeting.

The Board adopts resolutions if at least half of its members are present at the meeting and all its members have been invited. The Supervisory Board adopts resolutions by an absolute majority of votes cast. In the case of equal number of votes, the Chairperson has the casting vote at the adoption of a resolution by the Supervisory Board.

Subject to the cases described in the Commercial Companies Code, the Supervisory Board may adopt resolutions without holding a meeting by placing signatures on the same copy(s) of the draft resolution or on separate documents of the same content, or by telephone or other means of remote communication, in a manner enabling direct communication between all the Members participating in it.

Adoption of a resolution in this mode requires prior preparation of its justification and presentation of a draft resolution to all members of the Supervisory Board together with the justification. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Supervisory Board with the result of voting. Members of the Supervisory Board may participate in adopting

resolutions of the Supervisory Board by casting votes in writing through another Member of the Supervisory Board (subject to Article 388 § 2 and 4 of the Commercial Companies Code).

The full text of the Statute and the Regulations of the Supervisory Board of Enea SA, which contain a detailed description of the operation of the Supervisory Board, is available at [www.enea.pl](http://www.enea.pl) in the "Investor Relations" -> "Corporate governance" tab.

## Supervisory Board's Committees

Pursuant to the provisions of the Regulations of the Supervisory Board, the following standing committees operate within the Board:

- Audit Committee
- Nominations and Remuneration Committee

The committee consists of at least three members appointed by the Board from among its members for a period corresponding to the term of office of the Board. The members of the committee shall elect the chair of the committee from among themselves. The chairman of the committee manages the work of the committee and supervises the work of the committee, in particular the organization and course of the committee's meetings.