

# Statement on the corporate governance implementation at Orzeł Biały S.A. in 2018



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## **I. Indication of the set of corporate governance principles, which Orzeł Biały is subject to, and of the place where the text of the set of rules is publicly available, together with the notice on compliance with corporate governance principles.**

In 2018, Orzeł Biały S.A. (hereinafter referred to as: "Orzeł Biały S.A.", "The Company", "The Issuer") complied with most of the corporate governance principles contained in *Good Practices for WSE Listed Companies 2016* (hereinafter referred to as: DPSN WSE) that are contained in the annex to Resolution No 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 13.10.2015. The complete text of the document is posted on the Company's website [www.orzel-bialy.com.pl](http://www.orzel-bialy.com.pl) in the "IR" tab, the "Corporate Governance" panel, which contains all the information relating to the DPSN WSE file including: Statement of the Management Board of Orzeł Biały S.A. on the application of corporate governance in 2018. The website also contains information about The Company's decision, if any, to withdraw from the application of part of the principles and recommendations of DPSN WSE, the diversity policy and the breakdown chart of duties and responsibilities of the Management Board Members.

### **Withdrawal from the provisions of the set of corporate governance principles contained in *Good Practices for WSE Listed Companies 2016* and the termination of the state of non-compliance.**

During the reporting period and until the publication of this Statement, The Company has not withdrawn from application of any of the DPSN GPW principles and it has not started to apply any of the principles from which it withdrew in the previous years.

## **II. Description of the main characteristics of internal audit and risk management systems applied in Orzeł Biały S.A. in relation to the process of financial statements and consolidated financial statements preparation.**

Orzeł Biały S.A. operates an internal audit and risk management system adapted to its needs in the financial reporting process which enables efficient and reliable flow of financial and non-financial information between individual organisational units of The Company.

The Company applies the Information Policy as updated by the Management Board President's Regulation of 01.07.2016, compatible with the Directive the European Parliament and of the Council 2014/57/EU of 16.04.2014, on criminal sanctions for market abuse (Market Abuse Directive-MAD) and Regulation of the European Parliament and of the Council (EU) no 596/2014 of 16.04.2014, on market abuse (Market Abuse Regulation – MAR). The Annexes to the above-mentioned Information Policy are procedures for the preparation and publication of current and periodic financial reports. These procedures shall specify the principles and scope of reporting and accountability in the preparation of periodic reports and financial statements, including ensuring their quality and validation, authorisation and publication. The annexes to the afore-mentioned Regulation involve also *Rules of Circulation of Confidential Information* and *Restriction Procedure* wherein restrictions on the acquisition and disposal of securities of the Issuer are defined with respect to persons discharging managerial responsibilities and closely related persons.



In accordance with the procedures in force, The Company's Management Board is responsible for the supervision of annual reports and consolidated annual reports. The development of the quarterly, semi-annual and annual reports is based on the data received from the persons responsible for the individual business areas in the Company. The Director for HR & Compliance shall be responsible for verification of the scope of the necessary information required by law and for the supervision of completing the information for the annual report and passing it to The Company's Management Board. In turn, Chief Financial Officer/Director Finance shall be responsible for the supervision over the preparation of the financial statements.

The Chief Accountant of the Company shall be responsible for the preparation of financial statements. Orzeł Biały S.A applies consistent accounting policies presenting financial data in the financial statements and periodic stock market reports. The Issuer keeps accounts in the integrated information systems. The access to system resources is limited via procedures including by authorising employees to the need-to-know extent. The Company shall keep records of people who have access to confidential information.

Semi-annual financial reports of the Group shall be reviewed while consolidated and separate annual financial statements of the Company shall be audited by an independent auditor. In addition, for the proper implementation of internal audit and risk management systems in relation to the process of the preparation of financial statements, The Company operates an internal audit which also aims at checking and supervising proper compliance with all regulations and procedures implemented in The Company.

The objectives and principles of financial risk management are presented in the Financial Statements of Orzeł Biały S.A. for 2018 in section 35.

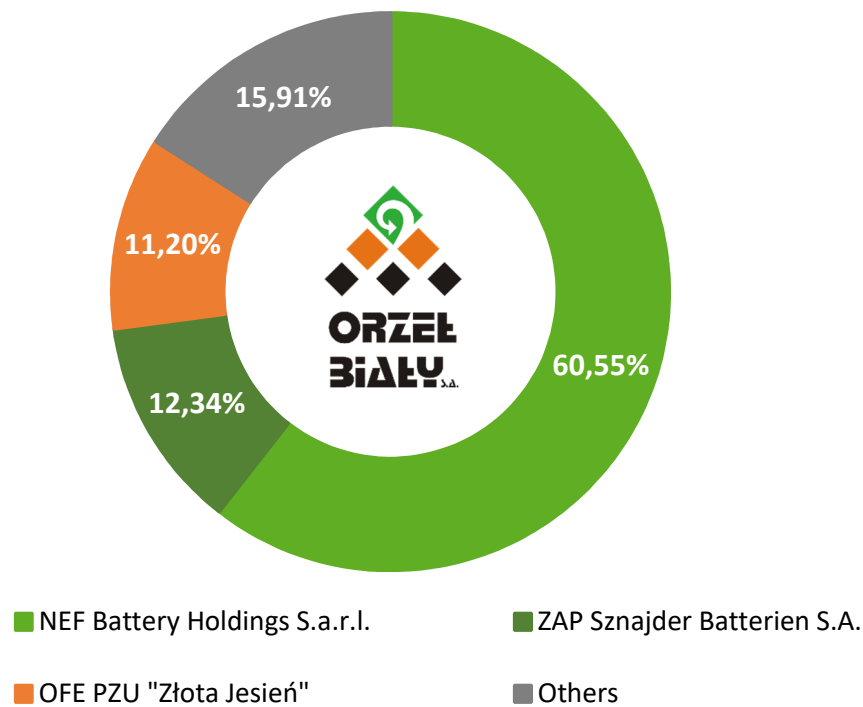
**III. Shareholders who hold, directly or indirectly, substantial blocks of shares together with an indication of the number of stocks held by these entities, their percentage in share capital, the number of votes resulting therefrom and their percentage in the total number of votes at the General Meeting.**

**SHAREHOLDERS in Orzeł Biały S.A. holding at least 5% of the total number of votes on 31 December 2018 and as at the date of publication of this Statement.**

Shareholder Identity	Number of Shares	Share Capital Percentage (%)	Number of Votes at GM	Percentage of total number of votes at GM (%)
NEF Battery Holdings S.a.r.l.	10 082 388	60,55	10 082 388	60,55
ZAP Sznajder Batterien S.A. (Mr Lech Sznajder – indirectly)	2 054 884	12,34	2 054 884	12,34
OFE PZU „Złota Jesień”	1 864 850	11,20	1 864 850	11,20



**Fig. 1. Participation in share capital/total number of votes on 31 December 2018 and as at the date of publication of this Statement**



**Indication of changes among shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of The Issuer's shareholders during the reporting period and till the publication date of this Statement.**

**On 17.05.2018**, after the publication of the report for the first quarter of 2018, The Issuer informed in the Current Report No 11/2018 dated 17.05.2018 about receiving a notification from QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf of managed investment funds - QUERCUS Parasolowy SFIO, QUERCUS Absolutnego Zwrotu FIZ and QUERCUS Absolute Return FIZ2 - about the reduction by the Funds jointly of their share in the total number of votes below the threshold of 5% in Orzeł Biały S.A. on 16.05.2018.

Before the change in the shareholding, the Funds held 835,648 shares in the Company, which represented 5.02% of The Company's share capital. The shares held gave 835,64T votes at the General Meeting of The Company representing 5.02 % of the total number of votes at the General Meeting.





Following the change in shareholding, the Fund holds a total of 916,304 shares in the Company which represent 5.50% of Company's share capital. The stocks held give 916,304 votes at Company's General Meeting which represent 5.50% of the total number of votes at the General Meeting.

As at 16.05.2018, the Funds held 826,950 shares of the Company, representing 4.97% of the share capital of The Company. The shares held accounted for 826,950 votes at the General Meeting of The Company, representing 4.97% of the total number of votes at the General Meeting.

The content of the notification was provided by The Issuer in the Current Report No 11/2018 dated 17.05.2018.

**On 20.07.2018**, the Issuer, in its Current Report No 18/2018 dated 20.07.2018, announced that it received on the same day the notification from the shareholder of the Company about an indirect transfer on 13.07.2018 of NEF Battery Holdings S.a.r.l. ("The Shareholder") shares between funds managed by the same entity.

The indicated transaction took place between PineBridge Fund New Europe Partners II, L.P. ("Fund A") as a transferor, and PineBridge New Europe Partners II-A, L.P. ("Fund B") as the transferee. The transaction did not lead to any change of the controlling entity with respect to The Shareholder (i.e. NEF Battery Holdings S.a.r.l. - Notifier).

The content of the notification was provided by The Issuer in the Current Report No 18/2018 dated 20.07.2018.

**On 16.10.2018**, The Issuer informed in the Current Report No 22/2018 about having received on 16.10.2018 a notification from ZAP Sznajder Batterien S.A. headquartered at Piastów about purchases dated 12.10.2018 and 16.10.2018 of 12.34% of Orzeł Biały S.A. shares.

**On 12.10. 2018**, ZAP Sznajder Batterien S.A. purchased, in two block transactions, 1,724,884 shares of Orzeł Biały S.A. In turn, on October 16, 2018, ZAP Sznajder Batterien S.A. purchased in one block transaction 330,000 shares of Orzeł Biały S.A.

Before the share purchase, on October 12, 2018, ZAP Sznajder Batterien S.A. did not hold any shares in Orzeł Biały S.A.

In connection with the above, as from October 16, 2018, ZAP Sznajder Batterien S.A. owns 2,054,884 shares of Orzeł Biały S.A., representing 12.34% of the stock in the share capital of The Company, which corresponds to 2,054,884 votes, i.e. 12.34% of the total number of votes.

ZAP Sznajder Batterien S.A. also informed that the intention of the company is to further increase its equity interest (directly or indirectly) in Orzeł Biały S.A.

The content of the notification was provided by The Issuer in the Current Report No 22/2018 dated 16.10.2018.



In addition, on the same day, i.e. on 16.10.2018, The Issuer informed in the Current Report No 23/2018 of 16.10.2018 that it received a notification of indirect purchase of a significant block of shares of Orzeł Biały S.A. from Mr Lech Sznajder, acting as the majority shareholder of ZAP Sznajder Batterien S.A. headquartered at Piastów, in which he informed about receiving from ZAP Sznajder Batterien S.A. (a subsidiary) information that on 12.10.2018 and on 16.10.2018 this company purchased 12.34% of shares in Orzeł Biały S.A.

The content of the notification was provided by The Issuer in the Current Report No 23/2018 dated 16.10.2018.

**On October 16, 2008**, The Issuer announced in its Current Report No 24/2018 that it received notifications from ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. on 16.10.2018. ("ALTUS TFI S.A.") acting on behalf of investment funds managed by ALTUS TFI S.A. that these funds reduced the share in the total number of votes in Orzeł Biały S.A. below the 5% threshold.

The decrease in the share in the total number of votes in The Company occurred as a result of settlement on 12.10. 2018 of the block sales of 1,249,308 shares in The Company.

Directly before the change in the share, the investment funds managed by ALTUS TFI S.A. held a total of 1,251,198 shares in The Company, representing 7.51% of the share capital of The Company, entitling to exercising 1,251,198 votes, representing 7.51% of the total number of votes in The Company

After the change in the shareholding, the investment funds managed by ALTUS TFI S.A. hold a total of 1,890 shares of The Company, representing 0.01% of The Company's share capital, entitling to exercising 1,890 votes in The Company, representing 0.01% of the total number of votes in The Company.

The content of the notification was provided by The Issuer in the Current Report No 24/2018 dated 16.10.2018.

After the reporting period, on 01.03.2019, The Issuer announced in the Current Report No 2/2019 that it received the notifications on February 28, 2019 in the evening hours from:

- PineBridge New Europe Partners II-A, L.P. (The Fund),
  - PineBridge New Europe II GP L.P. (The General Partner),
- and NEF Battery Holdings S.a.r.l. (Shareholder)

on the conclusion on 28.02.2019 of a conditional share purchase agreement for shares in NEF Battery Holdings S.a.r.l. (The Agreement) between The Fund (The Seller) and ZAP Sznajder Batterien S.A. with its headquartered at Piastów (The Buyer), and thus concerning the indirect acquisition by The Buyer of a majority shareholding in The Company.

Before The Agreement was concluded:

**1. The Seller:**

- a) did not directly hold any shares of The Company; and
- b) held indirectly through NEF Battery Holdings S.a.r.l. 10,082,388 shares of The Company representing 60.55% of The Company's share capital and entitling to exercising 10,082,388 votes at The Company's General Meeting, representing 60.55%



of the total number of votes in The Company.

2. **The Buyer:**

- a) held directly 2,054,884 shares of The Company representing 12.34% of The Company's share capital and entitling to exercising 2,054,884 votes at The Company's General Meeting, representing 12.34% of the total number of votes in The Company; and
- b) did not hold indirectly any of The Company's shares.

According to the notification, the effective execution of The Agreement shall take place on July 12, 2019.

After the effective execution of The Agreement, the Seller will not own any shares of The Company, whereas The Buyer will indirectly own through NEF Battery Holdings S.a.r.l. 10,082,388 shares of The Company representing 60.55% of The Company's share capital and entitling to 10,082,388 votes at the General Meeting of The Company, representing 60.55% of the total number of votes of The Company, and directly 2,054,884 shares of The Company representing 12.34% of the share capital of The Company and entitling to exercising 2,054,884 votes at the General Meeting of The Company, representing 12.34% of the total number of votes of The Company.

The content of the notification was provided by The Issuer in the Current Report No 2/2019 dated 01.03.2019.

In addition, on the same day, i.e. on 01.03.2019, The Issuer informed in the Current report No 3/2019 dated 01.03.2019 about the receipt of another notification from:

- PineBridge New Europe Partners II-A, L.P. (The Fund),
  - PineBridge New Europe II GP L.P. (The General Partner),
- and NEF Battery Holdings S.a.r.l. (The Shareholder),

which in The Company's view represented a complementary notification about which The Company informed in the Current report No 2/2019 dated 01.03.2019.

In the received notification, additional information was provided that after the effective execution of The Agreement, The Buyer will have jointly the right to exercise 12,137,272 votes at the General Meeting, which will represent 72.89% of the total number of votes in The Company.

A provision had also been added that The Agreement concerning the indirect acquisition by The Buyer of the shares of Orzeł Biały S.A. constitutes an understanding regarding the purchase of The Company's shares.

The content of the notification was provided by The Issuer in the Current Report No 3/2019 dated 01.03.2019.

In the reporting period until the date of publication of this Statement, according to the knowledge of The Issuer, besides the above indicated, there were no changes in the ownership of major blocks of shares.

**IV. Indication of the holders of any securities with vested special control powers, together with a description of such privileges.**

During the reporting period and at the date of publication of this Statement, according to The





Company's knowledge, there were no holders of securities which would give special control powers vis-a-vis Orzeł Biały S.A.

All shares issued by Orzeł Biały S.A. are bearer shares, equal and each share giving the right to one vote at the Company's General Meeting.

#### **V. Restrictions in the exercise of voting rights and in the transfer of securities ownership.**

As of the date of publication of this Statement, Orzeł Biały S.A. knows of no restrictions to transferring ownership of securities issued by Orzeł Biały and to exercising voting rights vested in The Company's shares.

#### **VI. Rules for the appointment and dismissal of managers and their powers, in particular, the right to take the decision to issue or buy back shares.**

In accordance with the Articles of Association of Orzeł Biały S.A., the Management Board consists of one to seven people appointed for a joint term. The term of office of the Management Board shall be three years. The Supervisory Board shall appoint the President of the Management Board and, at the request of the President of the Management Board, the remaining Members of the Management Board. The Supervisory Board shall determine the number of Management Board Members for a given term, it may dismiss the President of the Management Board, Member of the Management or the whole Management Board before the expiry of the term of office of the Management Board.

The Management Board carries out all the powers within the management ambit of The Company with the exception of the powers reserved by law or the Articles of Association to other bodies of The Company. The mode of the Management Board's operation, as well as the matters that can be assigned to individual Members are set out in detail in the Rules of Procedure of Management Board. Rules of Procedure of the Management Board shall be adopted by The Company's Management Board and approved by the Supervisory Board.

In the case that the Management Board consists of many Members, two of its Members, or one Member of the Board together with a proxy, shall be authorised to represent The Company and to act on its behalf. In the case that the Management Board consists of the President of the Management Board, he or she shall be entitled to solely represent The Company and to act on its behalf.

Under any agreement between The Company and a Management Board Member as well as in a dispute with him/her, The Company shall be represented by the Supervisory Board or a delegate appointed by a resolution of the General Meeting. Company's employees are subordinated to the Management Board. The Management Board or a person authorised by the Management Board shall conclude and terminate contracts of employment with employees and shall determine employees' remuneration, and the authorised person within the meaning of that provision may also be a Member of the Management Board. In the case of any changes to the composition of the Management Board, the outgoing Member of the Management is obligated to transfer to the Management Board, particularly to the President of the Management Board and/or his/her designated Management Board Member, information of any of their ongoing cases along with documents that he or she is in



possession of and other materials relating to The Company that they produced, collected, developed or received in the course of their performance of the Management Board function.

The Management Board is a statutory body of Orzeł Biały S.A. with its registered office at Piekary Śląskie which runs The Company's affairs and represents it, acting under provisions of law, in particular the provisions of the Commercial Companies Code Act of 15.09.2000, (Journal of Laws No 94, Item 1037 as amended) as well as The Company's Articles of Association, resolutions passed by the General Meeting, resolutions of the Supervisory Board, Rules of Procedures of The Company' other bodies, as well as under other internal acts in force in The Company in so far as they regulate the role, the function or activity of the Management Board. The scope of the Management Board's activities shall include handling all matters of the Company except for any matters reserved to the competence of the General Meeting and of the Supervisory Board. The Management Board, guided by the best interests of The Company, shall determine the strategy and main objectives of The Company and shall submit them to the Supervisory Board, and it shall be responsible for their implementation and execution.

The powers of the Management Board shall include granting and revoking powers of attorney. Appointment of a holder of the power of attorney shall require the consent of all Members of the Management Board. Any Member of the Management Board may revoke the Power of Attorney. The Management Board of The Company shall use their best efforts to receive from Members of the Supervisory Board their statements of any relations of the Supervisory Board Members with any shareholder representing not less than 5% of the total number of votes at the General Meeting of The Company and to publish such information on The Company's website.

Before the Company concludes a significant agreement with a related party, the Management Board shall approach the Supervisory Board for acceptance of such transaction/agreement, with the exception of typical transactions, concluded at arms' length as part of The Company's operations with a subsidiary in which The Company holds a majority share.

The Management Board shall be responsible for the preparation and organisation of the General Meeting. The duties of the Management Board relating to the convening and holding of the General Meeting shall include all activities stemming from the relevant provisions of the law and The Company's Articles of Association. The Management Board shall also present the rationale for the draft resolutions of the General Meeting or it shall turn to an applicant for placing the matter on the agenda of the General Meeting of the Company for it to provide justification for the resolution proposed thereby.

Cases that require resolutions of the Management Board shall include in particular:

Requests of the Management Board addressed to the General Meeting of The Company or of the Supervisory Board, concerning in particular:

distribution of profit or loss covering,

change to The Company's business purpose,

change to The Company's share capital,

The Company's merger with another company or transformation of The Company,

dissolution and liquidation of The Company,



the issuance of bonds,  
disposal and lease of The Company's business and the establishment of a right of usufruct thereon,  
legal actions, which, in the light of The Company's Articles of Association, require the consent of the Supervisory Board,  
convening of General Meetings of Shareholders and deciding on their agendas,  
determination of plans and programs of The Company's business operations,  
determination of the organisational bylaws, work rules and the rules of procedures for the Management Board  
determination of The Company's remuneration system,  
issue of internal orders and regulations,  
appointing holders of powers of attorney of The Company and determination of their remuneration,  
creating organisational units of The Company, appointment of their leaders and deputies,  
provision of guarantees and sureties for third parties' obligations,  
establishing a lien on The Company's assets,  
acquisition, subscription to and disposal of shares and stocks of other companies,  
establishment and closing of companies wherein Orzeł Biały S.A. is a partner/shareholder,  
determination of a corporate chart of accounts and of valuation principles and methods for The Company's assets,  
joining organisations and associations by The Company.

The share capital of The Company is PLN 7,159,779.07 (seven million one hundred and fifty-nine thousand seven hundred and seventy nine Zloty and seven Grosz) and is divided into 16,650,649 ordinary bearer shares with a nominal value of PLN 0.43 (zero Zloty and forty-three Grosz) each, consisting of:

14,759,929 (fourteen million seven hundred and fifty-nine thousand nine hundred and twenty-nine) A series shares,  
1,800,000 (one million eight hundred thousand) B series shares,  
56,700 (fifty-six thousand seven hundred) E series shares,  
34,020 (thirty-four thousand and twenty) F series shares.

The A Series shares had been covered in full before registering The Company. The B Series shares had been covered in full before registering an increase of the share capital of The Company by way of issuance of B series shares. The E Series shares had been covered in full before registering the capital increase through issuance of E Series shares. The F Series shares had been paid in full before registering the share capital increase through issuance of F series shares.

All Company's shares are bearer shares. The Company may issue subscription warrants and bonds, including convertible bonds.

Shares may be redeemed by the resolution of the General Meeting. Redemption of shares is allowed with the consent of the shareholder whose shares are to be redeemed (voluntary redemption). With the consent of the shareholder, the redemption can occur without compensation. Remuneration for the redemption of shares shall be paid to the shareholder within (30) thirty days of the date of the resolution to redeem their shares by the General Meeting, subject to the provisions of Art. 8, Paragraph 3 of The Company's Articles of Association.



The resolution of the General Meeting on shares redemption shall specify the manner and conditions of shares redemption, and, in particular, the amount and manner of payment of remuneration for the shareholder for redemption of their shares, the legal grounds for the redemption and method of share capital decrease.

When the payment of compensation for voluntarily shares redemption is financed from the amount which, under Art. 348 § 1 of the Commercial Companies Code, may be distributed, Art. 8 Paragraph 7-8 of The Company's Articles of Association shall apply. The Company may create statutory reserve which, under Art. 348 § 1 of the CCC, may be distributed.

The General Meeting shall adopt a resolution in which: (a) it consents to the acquisition of its own shares by the Management Board for redemption; (b) it allocates, within the limits set by Article 348 § 1 CCC, a specific part of The Company's profit for financing of the acquisition of own shares for redemption; (c) it specifies the maximum number and price of The Company's own shares to be purchased for redemption; (d) it specifies the maximum period within which the Management Board is authorised to acquire own shares for redemption. After the acquisition of its own shares for redemption, the Management Board shall convene a General Meeting without delay in order to pass a resolution on shares withdrawal and reduction of the share capital.

## **VII. Rules for the amendment of Orzeł Biały S.A.'s Articles of Association**

Any amendments to the Articles of Association shall be made by The Company's General Meeting by way of appropriate resolution. Resolutions of the General Meeting shall be taken by a simple majority, if the Articles of Association or mandatory rules of law do not provide otherwise. A simple majority of votes shall mean that the number of votes cast "In Favour" is greater than the number of „Against” votes while abstentions shall be disregarded.

## **VIII. Description of the mode of proceedings and essential powers of the General Meeting and the rights of shareholders and the way they are exercised.**

Orzeł Biały S.A. shall take every effort to organise General Meetings of The Company in such a way as to best allow all shareholders to exercise their rights. The General Meeting shall be held according to the rules set out the provisions of the Commercial Companies Code, The Company's Articles of Association and the Rules of procedures of the General Meeting of Biały Orzeł S.A.

The General Meeting shall be convened by the Management Board. Ordinary General Meeting shall be held within 6 months of the end of each fiscal year. Extraordinary General Meeting shall be convened by the Management Board on its own initiative, at the written request of the Supervisory Board or at the request of the shareholder or shareholders representing at least 5% of the share capital.

The Management Board shall convene the Extraordinary General Meeting on the date indicated in the request, and, if the compliance with such date encounters is hindered, at the earliest date to settle matters submitted for deliberations by the General Meeting, but no later than two weeks from the date of filing of the request.



The Supervisory Board shall convene a General Meeting when:

- a) the Management Board failed to convene the Ordinary General Meeting within the period specified by provisions,
- b) despite the request, referred to above, the Management Board failed to convene the Extraordinary General Meeting within two weeks of the date of filing of the request, or
- c) it shall deem the convening as advisable.

Shareholders representing at least half of the share capital of The Company or at least half of the total votes of The Company may convene an Extraordinary General Meeting. Shareholders shall appoint a Chairman of such General Meeting.

The request to convene the General Meeting and the placement of particular matters on the agenda, submitted by authorised entities, should be justified. Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to shareholders along with reasons and opinions of the Supervisory Board ahead of the General Meeting, in sufficient time for them to become acquainted with them and to make their assessment.

The Management Board shall provide the technical and organisational support for the General Meeting.

The agenda of the General Meeting shall be determined by the Management Board in agreement with the Supervisory Board. The agenda of the General Meeting convened pursuant to Art. 22, Para. 5 of the Articles of Association shall be specified by the Supervisory Board. The Supervisory Board and the shareholder or shareholders representing at least 5% of the share capital may request the placement of individual cases on the agenda of the General Assembly. The General Meeting may pass resolutions regardless of the number of shareholders present or shares represented, subject to the mandatory provisions of law.

Resolution of the General Meeting shall be taken by a simple majority if the Articles of Association or mandatory rules of law do not provide otherwise. A simple majority of votes shall mean that the number of votes cast "In favour" is greater than the number of „Against" votes while abstentions shall be disregarded.

The resolutions to remove certain matters from the agenda of the General Meeting shall require for their validity the  $\frac{3}{4}$  (three-fourths) of majority of the votes cast in the presence of shareholders representing at least 50% of the share capital, subject to Article 23 paragraph 3 of The Company's Articles of Association. Removing matters placed on the agenda of the General Meeting on the request submitted under Article 400 CCC or 401 CC requires the consent of the shareholder who made such a request. Voting at the General Meeting shall be public. Ballot shall take place in cases of elections and the requests for dismissal of governing bodies' members or liquidators of The Company, or for holding them accountable, as well as in personal matters. Resolutions on a substantial change in the business purpose of The Company shall be passed by way of public personal voting.

The General Meeting shall be opened by the Chairman of the Supervisory Board or a person





designated by him/her and a Chairman of the General Meeting shall be elected from amongst those entitled to vote.

The General Meeting shall adopt its rules of procedures. The Rules of Procedures of the General Meeting of Orzeł Biały S.A. shall specify principles and the mode of the General Meeting of Orzeł Biały with its registered office at Piekary Śląskie, regarding both ordinary and extraordinary meetings. The Rules of Procedures of the General Meeting available on The Company's website in the "IR" tab, "Documents" panel, and under "About" in „Company Documents“.

Biały Orzeł S.A. keeps, to ensure shareholders of The Company the possibility to thoroughly familiarize themselves with the agenda of the General Meeting, posting draft resolutions proposed for adoption by the General Meeting along with their justification and the opinion of the Supervisory Board and other relevant materials on The Company's website, in time sufficient to become acquainted with such and to make the assessment thereof.

The General Meeting may be attended only by persons who were shareholders of The Company 16 (sixteen) days before the date of the General Meeting (the date of registering participation in the General Meeting).

Dematerialised bearer shares shall give the right to participate in the General Meeting if they are placed on the list drawn up by a body keeping securities depository in the manner and within the time limits set out in the Commercial Companies Code.

The right to participate, referred to in § 3 Para. 1-2 of the Rules of Procedures of the General Meeting of Orzeł Biały S.A. shall include, in particular, the right to vote, make proposals and raise objections.

The General Meeting should be attended by all current Members of the Management Board and Supervisory Board of The Company, and the General Meeting which will discuss The Company's financial affairs should also be attended by the statutory auditor which audits The Company's financial statements and by the Chief Accountant of The Company.

Members of the Supervisory Board and the Management Board and the statutory auditor and the Chief Accountant of The Company should, within the ambits of their competences and to the extent necessary for the resolution of the matters deliberated on by the General Meeting, provide participants of the Meeting with explanations and information about The Company. The General Meeting may be attended by experts and guests invited by the body convening the General Meeting as well as by experts and guests invited by the Management Board if it is not the Management Board who convened the General Meeting.

A shareholder may review a list of shareholders entitled to attend the General Meeting and request a copy of such list, they may also require having the list of shareholders transferred to them free of charge by e-mail, specifying the address to which the list should be sent.

In order to achieve a fully predictable course of the General Meeting, the adopted Rules of Procedures shall specify the provisions regulating the duties of the Chairman of the General Meeting. The



Company pursues a policy aimed at a clear distinction between the competence of the governing bodies while safeguarding the interests of shareholders and complying with both the provisions of law and the regulations adopted for use as stated by the Management Board. Hence, the general Meeting Rules of Procedures includes a provision in accordance with which the cancellation of the General Meeting, whose agenda, at the request of the authorised entities, refers to particular matters, or has been convened on such a request, shall only be possible with the consent of the applicants. This shall restrict the possibility to cancel the General Meeting in particular to the case where holding the General Meeting runs into extraordinary obstacles (force majeure) or its subject is obviously irrelevant. The cancellation of the General Assembly shall take place in the same way as its convening, ensuring the least possible negative effects for The Company and the shareholders, so as not to prevent or restrict shareholders from exercising their rights to participate in the General Meeting. Rescheduling of the General Meeting shall follow the same procedure as its cancellation, even if the proposed agenda has not changed.

In addition, under § 14 of the General Meeting Rules of Procedure, upon a request of a shareholder or shareholders representing 1/5 of the share capital, the election of the Supervisory Board may be made by voting in groups.

A detailed description of the activities of the General Meeting and its essential rights and a description of shareholder rights and how to exercise them are contained in the Rules of Procedures of The Company's General Meeting which are available on The Company's website under the "IR" and "About The Company" tabs, in „Documents' and „Company's Documents" panels, respectively.

#### **IX. Composition of the governing and supervisory bodies of Orzeł Biały S.A. and their policies and committees including information on the Audit Committee.**

**The governing body of Biały Orzeł S.A. is the Management Board.**

The Management Board had been working from 01.01.2018 to 15.07.2018 in the following composition:

Michael Rohde Pedersen - President of the Management Board

**On 17.04.2018**, The Issuer announced in the Current Report No 8/2018 that, on the same day, the Supervisory Board adopted Resolution No 814/X/2018, pursuant to which it was determined that the Management Board of Orzeł Biały S.A. will work in the new 10th term in a one-man composition. In addition, the Supervisory Board adopted Resolution No 815/X/2018 pursuant to which it appointed Mr Michael Rohde Pedersen to the Management Board of The Company and entrusted him the function of the President of the Management Board – Director General.

Appointed for the tenth term, Michael Rohde Pedersen was the President of the Management Board of the previous 9th and 8th terms.

**On 17.07.2018**, the Issuer announced in the Current Report No 17/2018 that on July 16, 2008 the



Supervisory Board of The Company adopted a resolution pursuant to which Mr Dariusz Malarenko was appointed as a Member of the Management Board of The Company with immediate effect for a three-year term of office. The purpose of appointing a new Member of the Management Board was to support the preparation of the Company for potential implementation of the recommended scenarios resulting from the conclusions of the review of strategic options available to the Company as presented by ING Bank N.V. London Branch (financial adviser supporting The Company in the process of reviewing strategic options).

**On 27.08.2018**, the District Court in Gliwice, 10th Business Division of the National Court Register, issued a decision, pursuant to which it registered the above-mentioned change.

The Management Board was working from 16.07.2018 to the date of publication of this Statement in the following composition:

Michael Rohde Pedersen	-	President of the Management Board
Dariusz Malarenko	-	Member of the Management Board

Operating principles, tasks and responsibilities of The Company's Management Board are set out in the Articles of Association and, in detail, in the Rules of Procedure of Orzeł Biały S.A. Management Board which is available on The Company's website under the "IR" and "About The Company" tabs, in „Documents” and „Company's Documents” panels, respectively.

Pursuant to the provisions contained in the afore-mentioned documents, the Management Board is a statutory body which manages The Company's affairs and acts on behalf of The Company based on the provisions of law, particularly Commercial Companies Code, The Company's Articles of Association, resolutions of the General Meeting, resolutions of the Supervisory Board, Rules of Procedure of the Management Board and the Rules and Regulations of other bodies of The Company as well as on the basis of other regulations operating in The Company inasmuch as they govern roles, functions and activities of the Management Board. The Company's Management Board is a body managing the Company and representing it outside, in all matters not reserved to the competence of the General Meeting and the Supervisory Board. The Management Board is guided by the interests of The Company, it determines the strategy and main objectives of The Company and submits them to the Supervisory Board, and it is responsible for their implementation and execution. The Management Board is committed to and takes good care of the transparency and efficiency of the management system in The Company and the conduct of its affairs in accordance with law and good practices. The Management Board shall be obliged to manage The Company's assets, conduct its affairs and perform duties with the due diligence as required in the course of business.

The responsibilities of the Management Board shall in particular include:

- a. Convening of the Ordinary General Meeting at least once a year, not later than the end of June each year.
- b. Convening of the Extraordinary General Meeting on its own initiative, at the request of the Supervisory Board or at the request of the shareholder or shareholders representing at least



- 1/20 (one twentieth) of the share capital.
- c. Submitting to the Supervisory Board a statement of affairs of The Company, proposals for the distribution of the profits, sources and ways to cover potential losses and write-offs for special-purpose funds/accruals.
  - d. The Company's bookkeeping in accordance with applicable law including International Accounting Standards.

When making decisions on The Company's affairs, Board members shall act within the limits of the justifiable economic risk, i.e. upon consideration of all the information, analyses and opinions which in a reasonable assessment of the Management Board should be taken into account in a given case for the interest of the Company. In determining The Company's interest, the Management Board shall consider justified, in the long-term perspective, interests of the shareholders, creditors, employees of The Company and other entities and individuals cooperating or associated with The Company in terms of its business activities as well as the interests of the local communities. When concluding a transaction with shareholders and other stakeholders of The Company, the Management Board shall act with utmost care for the transactions to be made at arm's length. A Member of the Management Board should treat their shares in The Company and its parent and subsidiary companies as long-term investments. The election method, the number and competences of Management Board Members, powers and authorities of the Management Board of Biały Orzeł S.A. are described above. There are no committees operating within the Management Board body.

There is a Corporate Orzeł Biały S.A. Management Team operating in The Company which reports directly to the President of the Management Board/Director General of The Company. As of the publication date of this Statement, the Management Team acted in the following composition:

Director of Operations  
Director of Finance  
Director of HR & Compliance

The functioning of individual areas is governed by order of the Director General Regulation on organizational structure of The Company.

### **The Supervisory Body of Biały Orzeł S.A. is the Supervisory Board.**

During the period from 01.01.2018 to 24.01.2018, the composition of the Supervisory Board was as follows:

Leszek Waliszewski	-	Chairman of the Supervisory Board
Pierre Mellinger	-	Deputy Chairman of the Supervisory Board
Michał Hulbój	-	Member of the Supervisory Board
Tomasz Jakub Wojtaszek	-	Member of the Supervisory Board

**On 25.01.2018**, The Issuer announced in the Current Report No 3/2018 of 25.01.2018 that the



Extraordinary General Meeting of Orzeł Biały S.A., by Resolution No 3, appointed a new Member of the Supervisory Board in the person of Mr John Leone for the tenth term of office. The Company received the candidate submission in the person of Mr John Leone as a member of the Supervisory Board of Orzeł Biały S.A. from the Plenipotentiary of the main shareholder, i.e. NEF Battery Holdings S.a.r.l., on 11.01.2018, about which it informed in The Current Report No 1/2018 on the same day. On 14.02.2018, the District Court in Gliwice, 10th Companies Division of the National Court Register, issued a decision, pursuant to which it registered the above-mentioned changes.

The composition of the Supervisory Board of Orzeł Biały S.A. was from 25.01.2018 till the publication date of this Statement as follows:

Leszek Waliszewski	-	Chairman of the Supervisory Board
Pierre Mellinger	-	Deputy Chairman of the Supervisory Board
Michał Hulbój	-	Member of the Supervisory Board
John Leone	-	Member of the Supervisory Board
Tomasz Jakub Wojtaszek	-	Member of the Supervisory Board

The Supervisory Board of Orzeł Biały S.A. is a permanent supervision and control body of The Issuer. This body operates on the basis of the Supervisory Board Rules of Procedure, the Company's Articles of Association, resolutions of the General Meeting, the Commercial Companies Code, the Auditors, Audit Firms and Public Supervision Act, Regulation of the European Parliament and the Council (EU) No 537/2014 on specific requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909/EC. The Supervisory Board also acts based on the Regulations of other Company's bodies to the extent that considers the role, function and operation of the Supervisory Board as well as on the basis of other internal acts in force in The Company and the provisions of generally applicable law.

The Articles of Association of Orzeł Biały S.A. provides that the Supervisory Board shall consist of not less than five and not more than seven Members. The term of office of the Supervisory Board shall be three years and jointly for all Supervisory Board Members. The Supervisory Board Members shall be appointed and dismissed by the General Meeting. The Supervisory Board shall elect a Chairman and one or two Deputy Chairmen from among its Members.

The Chairman of the Supervisory Board shall convene meetings of the Supervisory Board and shall preside over them. The Chairman or a Member of the outgoing Supervisory Board authorised by the Supervisory Board shall convene the first meeting of the newly elected Supervisory Board and shall preside over it until the appointment of a new Chairman. If, within one month of the date of the appointment of the new Supervisory Board, the first meeting of the newly elected Supervisory Board does not take place, the meeting of the Supervisory Board may be convened and presided over by the Management Board President until the appointment of the new Chairman of the Supervisory Board.

The Supervisory Board shall meet at least once every quarter. In the period between meetings of the Supervisory Board, the Supervisory Board shall be represented towards the Management Board by the Chairman of the Supervisory Board or, in his/her absence, by a Member of the Supervisory Board appointed by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board, or in





his/her absence, one of his/her Deputies, shall convene a meeting at the written request of at least one Member of the Supervisory Board. The meeting shall be convened within two weeks of the date of submission of the request. For the resolutions of the Supervisory Board to be valid, a written invitation to all Members of the Supervisory Board must be served at least seven days before the date scheduled for the meeting. Resolutions may be passed without a meeting held if all the Members of the Supervisory Board agree in writing to the provision which shall be taken or to a written vote (by circulation procedure). A Member of the Supervisory Board may participate in the decisions of the Supervisory Board, casting their vote in writing through another Member of the Supervisory Board, subject to the mandatory provisions of the law. The Supervisory Board may adopt resolutions by way of means of remote direct communications, subject to the mandatory provisions of the law. The Supervisory Board shall adopt resolutions by an absolute majority of votes cast by Members of the Supervisory Board, in the presence of at least half of the composition of the Supervisory Board. An absolute majority of votes shall mean more than half of the votes cast.

The Supervisory Board shall perform its activities collectively; it may, however, delegate its Members to individually perform specific supervising activities. If the General Meeting appoints the Supervisory Board by voting in separate groups, Members of the Supervisory Board appointed by each of the group may delegate one Member to the regular individual performance of supervisory activities.

The scope of the Supervisory Board's activities shall include a constant supervision and control of The Company's activities in all areas of its business, above all in view of the best interest of The Company. A Member of the Supervisory Board should have appropriate education, work experience and life experience, represent high moral standards and be able to spend the necessary amount of time to properly perform their functions in the Supervisory Board. A Member of the Supervisory Board should, first and foremost, have regard to the best interest of The Company. There is an Audit Committee operating within the Supervisory Board.

The activities of the Supervisory Board are specified in detail in the Rules of Procedure of the Supervisory Board which are available on The Company's website under the "IR" and "About The Company" tabs, in „Documents' and „Company's Documents" panels, respectively.

### **The Audit Committee**

The composition of the Audit Committee of Orzeł Biały S.A. during the period from 01.01.2018 till the publication date of this Statement was as follows:

Michał Hulbój	-	Chairman of the Audit Committee
Leszek Waliszewski	-	Member of the Audit Committee
Tomasz Jakub Wojtaszek	-	Member of the Audit Committee

The personal composition of the Audit Committee complies with the requirements of the Auditors, Audit Firms and Public Supervision Act of 11th May 2017, in respect of the independence as well as knowledge and skills in accounting or auditing and knowledge and skills in the industry in which Orzeł Biały S.A operates.



Persons who meet the statutory independence criteria:

Michał Hulbój	-	Chairman of the Audit Committee
Leszek Waliszewski	-	Member of the Audit Committee

Persons with knowledge and skills of the industry in which The Issuer operates:

Leszek Waliszewski	-	Member of the Audit Committee
Tomasz Jakub Wojtaszek	-	Member of the Audit Committee

The knowledge of The Issuer's industry by the above-mentioned Audit Committee Members is the result of their professional experience. In addition, each of the Audit Committee Members has the knowledge and skills in the field of accounting or auditing of financial statements, acquired through professional experience or education in economics.

Detailed information on the education and professional experience of the Audit Committee Members, are posted by The Issuer on The Company's website in the "About the Company" tab in the "Company's Governance" panel.

In the reporting period, the Audit Committee held two meetings.

Based on the audit firm selection policy and in accordance with the regulations applicable to The Company, the selection of an entity authorised to conduct the audit shall be made by the Supervisory Board in the form of a resolution, acting on the recommendation of the Audit Committee. The main assumption of the Policy shall be to select the audit firm, taking into account the principles of its impartiality and independence, and to analyse the work carried out by it in The Company, which go beyond the scope of the audit to avoid any conflicts of interest (maintaining impartiality and independence).

The main assumptions which guide the Audit Committee when preparing recommendations and the Supervisory Board when selecting the entity authorised to conduct the audit are described in the Audit Firm Selection Policy and Procedure for Auditing Statutory Financial Statements and Consolidated Statements of Orzeł Biały S.A.

The Supervisory Board, when making the final selection, and the Audit Committee at the stage of preparing recommendations, shall be driven by the following guidelines regarding the entity authorised to conduct the audit:

- a) the price proposed by the entity authorised to conduct the audit;
- b) the ability to provide a full range of services defined by The Company (audit of separate statements, audit of consolidated statements, reviews, etc.);
- c) previous experience of the entity in the audit of the statements of entities with a business profile similar to that of The Company;
- d) previous experience of the entity in the audit of financial statements of companies listed on the Warsaw Stock Exchange;



- e) the number of people available to conduct the audit in the companies of Orzeł Biały Group;
- f) possibility of carrying out the audit on dates as specified by The Company;
- g) the reputation of an entity authorised to conduct the audit in financial markets.

**The Audit Committee** shall act according to the Rules of Procedure of the Audit Committee adopted by the resolution of the Supervisory Board No 799/X/2017, of the Audit Firm Selection Policy and Procedure for Auditing Statutory Financial Statements and Consolidated Statements of Orzeł Biały S.A., of the Rules of Procedure of the Supervisory Board, The Company's Articles of Association and the Auditors, Audit Firms and Public Supervision Act.

In addition, on December 5, 2017, the Supervisory Board had by Resolution No 803/X/2017 established a Policy of permitted non-audit services rendered by an audit firm conducting the audit, by entities related to this audit firm and by a member of the audit firm's network. The main assumption of the said Policy shall be to create conditions in The Company to prevent disallowed relations and to strengthen the objectivity of statutory auditors, audit firms as well as members of their network, to the extent that they provide non-statutory services to The Company, and to facilitate the decision of the Audit Committee Members to make decisions on providing consent to the rendering of the above-mentioned services. Documents on the basis of which the Audit Committee shall operate are available on The Issuer's website <http://www.orz-el-bialy.com.pl/pl/ir/komit-et-audytu>

The meetings of the Audit Committee shall be held not less than twice a year before the publication of financial statements by Orzeł Biały S.A. (half-yearly and annual ones) which are part of the semi-annual report and annual reports of The Company.

The work of the Audit Committee shall be headed by the Chairman of the Audit Committee. He/She shall also supervise the preparation of the agenda, organise documents distribution and have the protocols of the meetings of the Audit Committee drafted.

The Committee meeting shall be convened by the Chairman of the Audit Committee who shall invite the Audit Committee Members and shall inform all the other Members of the Supervisory Board of The Company of such meetings. All the Supervisory Board Members shall have the right to participate in the meetings of the Audit Committee. The Chairman of the Audit Committee may invite to the meetings of the Audit Committee Members of the Management Board of The Company as well as Members of the Corporate Management Team of The Company, Members of the Management Boards of related companies and, in agreement with the President of the Management Board of The Company, other employees and collaborators of The Company as well as any third parties whose participation in the meeting is useful for the performance of the tasks of the Audit Committee.

The Audit Committee resolutions shall be passed by an absolute majority of votes cast by its Members with at least half of the composition of the Audit Committee present. An absolute majority of votes shall mean more than half of the votes cast.

**After the reporting period**, on 01.02.2019, The Company posted an inquiry by the Supervisory Board of Orzeł Biały S.A. on The Issuer's website, in accordance with the adopted Audit Firm Selection Policy and



Procedure for Auditing Statutory Financial Statements and Consolidated Statements of Orzeł Biały S.A. for 2019 to 2020. The inquiry was additionally sent to potential bidders.

**On 20.03.2019**, The Company's Audit Committee, after having got familiar with the offers of selecting an audit firm. and acting on the basis of the Audit Firm Selection Policy and Procedure for Auditing Statutory Financial Statements and Consolidated Statements of Orzeł Biały S.A. of 13.09.2017, and thus meeting the applicable criteria of the Audit Committee, recommended, by way of the Resolution No 1/2019 to the Supervisory Board of Orzeł Biały S.A., the selection of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp.k. (hereinafter: PwC).

As part of the same meeting, the Audit Committee, after having familiarised itself with The Company's documents and the statutory auditor's opinion, adopted Resolution No 2/2019 on presenting recommendations to the Supervisory Board regarding the positive assessment of the Activities Report of The Company's and Group's operations and of the separate and consolidated financial statements of Orzeł Biały in terms of their compliance with the accounting records, documents and the actual state.

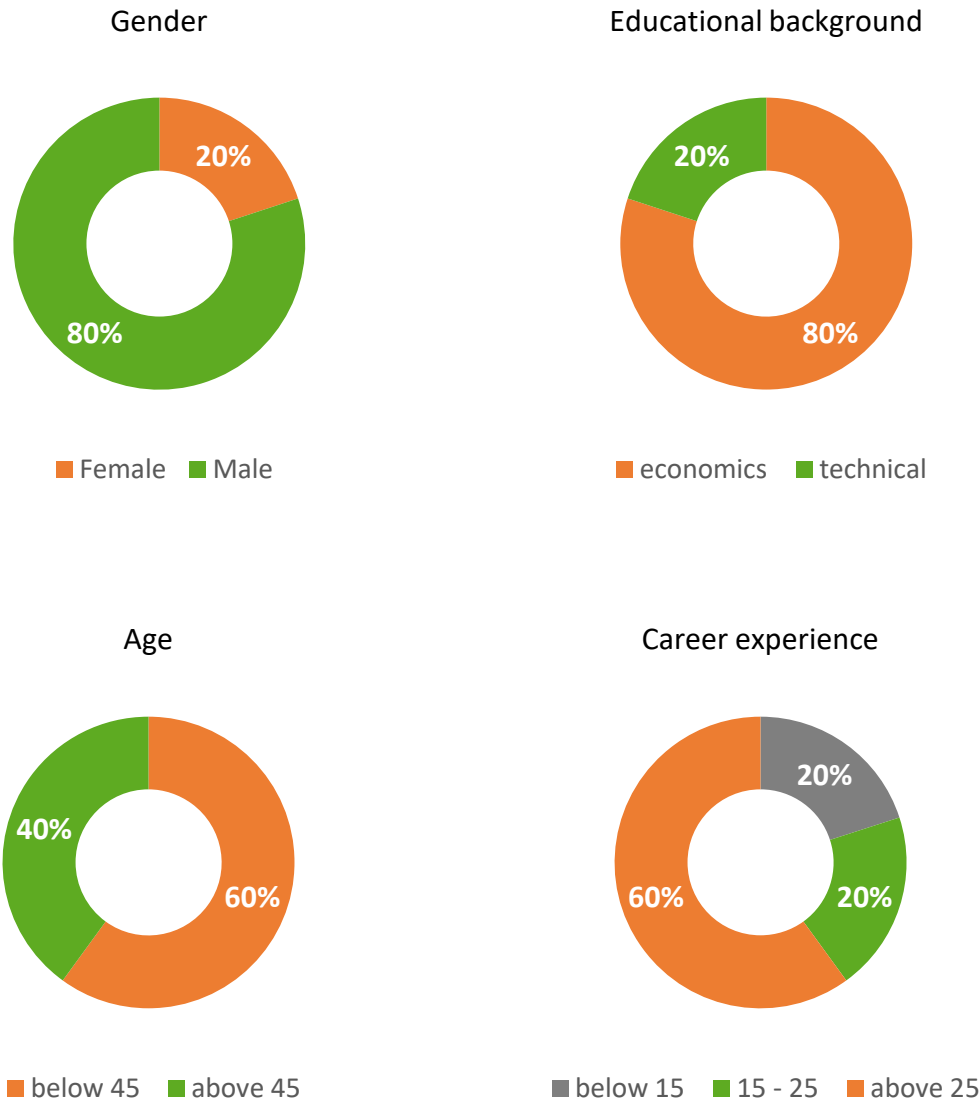
On 28.03.2019, the Supervisory Board of The Company, after having got familiar with the offers and the recommendation of the Audit Committee, selected by way of Resolution No. 838/X/2019 the audit firm, i.e. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., based in Warsaw at ul. Lecha Kaczyńskiego 14, entered into the list of entities authorised to audit financial statements by the National Council of Statutory Auditors under the registration number 144. By the date of publication of this Statement, the contract with the Statutory Auditor for reviewing and auditing The Company's separate financial statements and consolidated financial statements has not been concluded yet.

For the years 2016 to 2018, the audit and review of the statements of The Company and the Group of Orzeł Biały was carried out by PricewaterhouseCoopers sp. z o.o. based in Warsaw at ul. Armii Ludowej 14, entered into the list of entities authorised to audit financial statements by the National Council of Statutory Auditors under the registration number 144. The contract with the Statutory Accountant of June 8, 2016 was concluded for the period allowing reviewing and auditing of financial statements for 2016, 2017, and 2018. At the same time, in the reporting period, the audit firm that audited the statements was not providing The Issuer with any permitted non-audit services.

#### **X. Description of the diversity policy applied to the administrative, management and supervisory bodies of the Issuer regarding aspects such as age, gender and education and professional experience, objectives of such diversity policy, methods of implementation and effects during the reporting period**

In relation to the Management Board of the Company and its key managers, Orzeł Biały S.A. applies a diversity policy, and the characteristics of its elements are set out below.

**Fig 2. Diagram of application of the Diversity Policy regarding the executive bodies of Orzeł Biały and its key managers as at the date of publication of this Statement.**



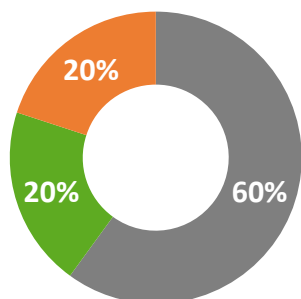
In addition, Orzeł Biały S.A. applies the diversity policy also to the supervisory bodies with characteristics as illustrated below.

**Fig 3. Diagram of application of the Diversity Policy regarding the supervising bodies of Orzeł Biały as at the date of publication of this Statement.**



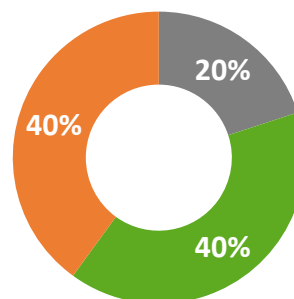


Educational background



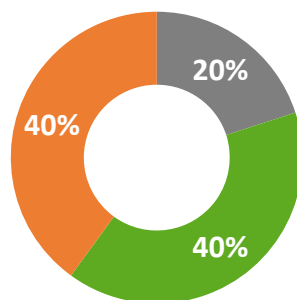
■ Economics ■ Technical ■ Humanities

Age



■ 30-40 ■ 41-55 ■ 56-70

Career experience



■ below 20 ■ 21 - 30 ■ above 30

The main purpose of the Diversity Policy shall be to create real added value that contributes to the organisation's success and to the improvement of The Company's performance.

#### The Diversity Policy implementation:

The diversity management is an approach that maximises opportunities related to employing the most talented individuals from various backgrounds, creating a culture where there is an atmosphere of openness, tolerance and teamwork, as well as an approach that minimises the risks associated with the loss of valuable employees. The diversity policy is, in the context of key managers, implemented by differentiating staff in terms of age, gender, education background and professional and career experience, and by observing the applicable values and good practices in the day-to-day operations of The Company.

The application of the Diversity Policy by The Company contributed in the reporting period to the achievement of most of the business objectives assumed. In addition, diversity in terms of professional experience as well as education enabled the parallel development of many areas of The Company's operations, which allowed The Issuer to more effectively adapt to the market conditions prevailing.



## **XI. Charity or other similar information on The Company's policy in this area (I.R. 2. principle)**

The Company has a sponsorship policy in place on the use of The Company's funds for activities not related to business, non-profit activities, such as sponsorship. Within its sponsorship activities, Orzeł Biały S.A. is keen to support mainly engaging local communities, promoting active and healthy lifestyles, sports, both amateur and professional, and strengthening environmental education of children and young people in the vicinity of the plant. To that effect, the Policy follows the overall strategy of The Company's development strategy and is an integral part of its communications with the market and local communities. Within its sponsorship activities, The Company shall apply the principles of sustainability, transparency, equal opportunities and development.

## **XII. Report on the remuneration policy of The Company (VI.Z.4. principle)**

The remuneration for the Members of the Supervisory Board and of the Audit Committee shall be established by the General Meeting of the Company. The remuneration for the Members of the Management Board shall be established by the Supervisory Board. The remuneration for the Directors shall be established by the President of the Management Board. The main elements of the remuneration system for the management Board Members, Directors, shall include fixed monthly base salary and the annual bonus depending on the level of the quantitative and qualitative objectives reached and the results of The Company earned.

Benefits and additional prerequisites for the Members of the Management Board and Directors may include, but be not limited to, company car, technical tools and equipment necessary for the performance of their duties, coverage of the costs of travel and representation to the extent and amount as appropriate to the functions assigned to them.

In addition, The Company periodically establishes Incentive Programs for the Management Board Members aimed at providing optimal conditions for the growth of The Company's financial performance and long-term increase in the value of The Company through sustained involvement of the people participating in the Incentive Program with The Company, and correlating their pay with the financial results of The Company. Such schemes may be based on the issue of subscription warrants entitling to subscribe for shares issued under the share capital increase. If such Incentive Program is introduced, specific Incentive Program Terms and Conditions shall be drafted.

### **Premium policies for key managerial personnel**

The Company operates a premium system for key top executives aimed at correlating to the value system of Orzeł Biały S.A. and designed to highly incentivise the managerial staff. Such system shall be based on The Company's strategic objectives adopted for implementation for a given year.

The bonus system involves determining individual goals and tasks defined at the beginning of the premium or bonus period by the Supervisory Board for the Members of the Management Board and by the Management Board for Directors, and by Directors for key managerial staff. The Bonus System shall promote cooperation between employees and shall motivate to achieving the best results in



Orzeł Biały.

The objectives shall be of qualitative and quantitative nature and settled after the end of the year for which they have been designated, under terms and conditions as adopted by a resolution of the Management Board or by other resolutions previously established.

Furthermore, the bonus system shall enable distinguishing employees who bring a significant contribution to results achieved.

In addition, the remuneration and reward system for The Company's employees is regulated in the Collective Bargaining Agreement of the Company and in the adopted Bonus and Rewarding Regulations for Orzeł Biały S.A. Employees. Statutory bonus shall be subject to specific criteria such as the OEE index. The criteria adopted shall be closely linked to the operational objectives of The Company. Through such a correlation, the adopted bonus and rewarding system ultimately translates into an increase in the value of The Company. The Issuer shall, in consultation with the Social Partner, adjust the Bonus and Rewarding Regulations for Orzeł Biały S.A. Employees to current needs on an ongoing basis.

#### **Additional remuneration systems of The Company's employees.**

##### **Project management in Biały Orzeł S.A.**

The Company operates implemented HR solutions in the field of project management at Orzeł Biały S.A., the Director General Order, which shall regulate the remuneration system of employees for their involvement in project implementations. Through the projects, The Company effectively achieves its strategic objectives while employees expand their competencies and develop expertise and skills.

##### **The "Clever Eagle" / „Pomysłowy Orzeł” Scheme**

The goal of the “Clever Eagle” Scheme is to involve all employees of Orzeł Biały S.A. in the continuous development and improvement of jobs, products, production processes, etc. Through ideas submissions, Orzeł Biały S.A. intends to promote and to recognise employees and workers actively involved in the process of shaping the organisational culture by giving them the opportunity to influence their working areas while, at the same time, appreciating their intellectual contributions. The Scheme Terms and Conditions shall define principles of rewarding employees and workers for submitting their ideas and their participation in idea implementation.

The information on the remuneration conditions and amount of each of the Members of the Management Board, broken down into fixed and variable remuneration components, with identified key performance indicators for determining variable remuneration components and the principles of severance and other payments due to the termination of employment, to commission or mandate contract or any other legal relationship of a similar nature, separately for The Company and each Group entity subsidiary or associate, is described by The Issuer in the Management Board Report for 2018 in Section 4.2.: *The Value Of Remuneration, Rewards And Benefits For Managers And Supervisors At Orzeł Biały S.A.*



Within the last financial year and up till the publication date of this Statement, there were no significant changes to the remuneration policy of The Company except for some formal changes involving wages & salary scale adjustment to the current market situation, as described in the Company Activities Report for 2018 under Section D.: *HR Situation*.

**Michael Rohde Pedersen**  
**President of the Management Board**

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**Dariusz Malarenko**  
**Member of the Management Board**

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