

*Enclosure to the resolution of the Supervisory Board of
PGE Polska Grupa Energetyczna S.A.
no. 90 /XI/2019 of 16 April 2019*

THE REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF THE COMPANY PGE POLSKA GRUPA ENERGETYCZNA S.A. IN THE YEAR 2018

1. Information on the Supervisory Board's term of office and activities undertaken in the previous year of the term.

The current 11th joint term of office of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A. (hereinafter also "Company", "PGE S.A." or "PGE") commenced on 20 July 2018 to last for three years.

The members of the previous 10th term of office of the Supervisory Board were appointed as of 25 June 2015 during the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. held on 24 June 2015. The 10th term of office came to end on 25 June 2018 and pursuant to Article 369 § 4, in connection with Article 386 § 2 of the Commercial Companies Code, the mandates of the Supervisory Board members expired on the date of the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. which approved the Company's financial statements for the year 2017, i.e. on 19 July 2018.

2. The composition of the Supervisory Board, duties fulfilled by the particular members, changes in the composition of the Supervisory Board during the course of the financial year.

Before 9 July 2018 the Supervisory Board had functioned in the following composition:

Anna Kowalik	Chairperson of the Supervisory Board
Artur Składanek	Vice Chairperson of the Supervisory Board
Grzegorz Kuczyński	Secretary of the Supervisory Board
Janina Goss	Member of the Supervisory Board
Tomasz Hapunowicz	Member of the Supervisory Board
Witold Kozłowski	Member of the Supervisory Board
Mieczysław Sawaryn	Member of the Supervisory Board

Mr Witold Kozłowski submitted his resignation from the position of member of the Supervisory Board as of 9 July 2018.

Before 19 July 2018 the Supervisory Board had functioned in the following composition:

Anna Kowalik	Chairperson of the Supervisory Board
Artur Składanek	Vice Chairperson of the Supervisory Board
Grzegorz Kuczyński	Secretary of the Supervisory Board
Janina Goss	Member of the Supervisory Board
Tomasz Hapunowicz	Member of the Supervisory Board
Mieczysław Sawaryn	Member of the Supervisory Board

On 19 July 2018 the Ordinary General Meeting of PGE Polska Grupa Energetyczna S.A. appointed, as of 20 July 2018, the following persons as members of the Supervisory Board for the 11th term of office.

Anna Kowalik	Chairperson of the Supervisory Board
Artur Składanek	Vice Chairperson of the Supervisory Board
Grzegorz Kuczyński	Secretary of the Supervisory Board
Artur Bartoszewicz	Member of the Supervisory Board
Janina Goss	Member of the Supervisory Board
Tomasz Hapunowicz	Member of the Supervisory Board
Mieczysław Sawaryn	Member of the Supervisory Board
Jerzy Sawicki	Member of the Supervisory Board

On 14 November 2018 the Extraordinary General Meeting dismissed Mr Artur Bartoszewicz from the Supervisory Board and appointed Mr Radosław Winiarski as member of the Supervisory Board.

As at 31 December 2018 the Supervisory Board functioned in the following composition:

Anna Kowalik	Chairperson of the Supervisory Board
Artur Składanek	Vice Chairperson of the Supervisory Board
Grzegorz Kuczyński	Secretary of the Supervisory Board
Janina Goss	Member of the Supervisory Board
Tomasz Hapunowicz	Member of the Supervisory Board
Mieczysław Sawaryn	Member of the Supervisory Board
Jerzy Sawicki	Member of the Supervisory Board
Radosław Winiarski	Member of the Supervisory Board

3. Information on the number of meetings held and resolutions adopted by the Supervisory Board.

In 2018 the Supervisory Board held 16 meetings and adopted 120 resolutions.

4. Information on the Supervisory Board members' attendance at meetings and participation in voting on resolutions as well as their justified or unjustified absences.

#	Date of meeting	Number of Board Members present	Number of Board Members absent	Resolutions on justification of absences
1.	23 January 2018	7	0	-
2.	20 February 2018	6	1	Resolution no. 315/X/2018
3.	6 March 2018	7	0	-

4.	20 March 2018	7	0	-
5.	23-24 April 2018	7	0	-
	Continued 8 May 2018	7	0	-
6.	22 May 2018 at 13:00	7	0	-
7.	22 May 2018 at 15:00	7	0	-
8.	19 June 2018	7	0	-
9.	24 July 2018	8	0	-
10.	7 August 2018	8	0	-
11.	4 September 2018	8	0	-
12.	25 September 2018	7	1	Resolution no. 25/XI/2018
13.	3 October 2018	7	1	Resolution no. 33/XI/2018
14.	20 November 2018	7	1	Resolution no. 36/XI/2018
	Continued 27 November 2018	7	1	Resolution no. 45/XI/2018
15.	11 December 2018	7	1	Resolution no. 49/XI/2018
16.	20 December 2018	6	2	Resolution no. 53/XI/2018 Resolution no. 54/XI/2018

5. Important issues dealt with by the Supervisory Board; conducted inspections and clarifying investigations.

During its meetings held in 2018, the Supervisory Board dealt, among others, with the following issues:

within the scope of the Supervisory Board's activities as provided for by the Company Statutes:

- conducted an evaluation of “The EU-IFRS-compliant standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2017 (in million zlotys)”
- “The EU-IFRS-compliant consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2017 (in million zlotys)”,
- “The Management Board's report on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2017”,
- “The Management Board's report on non-financial information related to the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2017”,

- conducted an evaluation of the Management Board's motion to be submitted to the General Meeting and relating to the allocation of net profit for the financial year 2017,
- accepted "The Report of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A. on the results of the evaluation of the following: "The EU-IFRS-compliant standalone financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2017 (in million zlotys)", "The EU-IFRS-compliant consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the year ended 31 December 2017 (in million zlotys)", "The Management Board's report on the activities of the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2017", "The Management Board's report on non-financial information related to the company PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group for the year ended 31 December 2017", and the Management Board's motion to be submitted to the General Meeting and relating to the allocation of net profit for the financial year 2017;
- gave a positive opinion on "The report on expenses concerning representation, legal services, marketing services, public relations and social communication services as well as management advisory services for 2017";
- approved the annual sponsoring plan of the company PGE Polska Grupa Energetyczna S.A. for 2018;
- approved the long-term sponsoring plan of the company PGE Polska Grupa Energetyczna S.A. for the years 2018-2024;
- gave its consent to the Company's entering into a donation agreement with the PGE Foundation;
- selected a certified auditor for the years 2019-2021;
- determined the composition of the permanent committees of the Supervisory Board of the 11th term of office;
- determined the consolidated text of the Company Statutes.

within the scope of the activities of the Management Board of PGE Polska Grupa Energetyczna S.A.:

- recommended that the General Meeting grant discharge to the Members of the Management Board for the performance of their duties in 2017;
- gave the Members of the Management Board consent to hold positions in other companies' governing bodies and to hold membership in industrial associations;
- gave its consent to the Company's entering into annexes to agreements with members of the Management Board for the provision of management services.

within the scope of the application of Corporate Governance:

- accepted The report on the activities of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A. in 2017;
- accepted The report of the Supervisory Board of the company PGE Polska Grupa Energetyczna S.A. on the evaluation of the Company's position in 2017, including an evaluation of the internal risk management control system and the internal audit function;

within the scope of the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group (hereinafter also "PGE CG"):

- became acquainted with the information of the Management Board on the position of PGE Polska Grupa Energetyczna S.A. (hereinafter also "PGE", "PGE S.A." or "Company") in the capital market;
- became acquainted, on a regular basis, with resolutions adopted by the Management Board;
- became acquainted with the Management Board's information on current and planned equity investment projects;
- became acquainted with the Management Board's information on the structure of employment in the company PGE Polska Grupa Energetyczna S.A.;
- became acquainted with the report on the implementation of the development and innovation strategy in the PGE Capital Group in 2017;
- became acquainted with the report on the implementation of the trading strategy;
- became acquainted with the Management Board's information concerning performed and planned activities relating to the functioning of the company ElektroMobility Poland S.A.;
- became acquainted with a summary of the activities of the Purchasing Department of PGE for the year 2017 and the activities planned for the year 2018 divided into the matters related to the tasks carried out for the benefit of the PGE Capital Group and the matters related to the tasks carried out for the benefit of PGE S.A.;
- became acquainted with the Management Board's information on court disputes having material impact on the functioning of the PGE Capital Group;
- became acquainted, on a regular basis, with the Management Board's information concerning the social dialogue within the PGE Capital Group;
- became acquainted with the report on the status of the distribution system for the year 2017;

- became acquainted with the report on the effectiveness of the sponsoring activities of PGE and the companies belonging to the PGE Capital Group in 2017;
- became acquainted with the Management Board's information on the activities of the PGE Foundation;
- became acquainted with the Management Board's information on the dates of the publication of periodic reports in 2018 and the restricted periods;

within the scope of the financial activities of the Company and the PGE Capital Group:

- approved the financial plan of the company PGE Polska Grupa Energetyczna S.A. for the years 2018-2019, including the capital expenditures plan of the company PGE Polska Grupa Energetyczna S.A. for the years 2018-2019;
- became acquainted with the Management Board's information on the PGE Capital Group's financial plan for the years 2018-2019;
- became acquainted, on a regular basis, with the Management Board's information on the economic and financial position of the Company and the PGE Capital Group;
- became acquainted, on a regular basis, with reports concerning the costs of external consulting services in the Company and the PGE Capital Group;
- became acquainted with the Management Board's information on bonds issued and acquired by the Company, as well as bonds issued for bank guarantors for the year 2017.

within the scope of the investment activities of the Company and the PGE Capital Group:

- became acquainted with the Management Board's information on the status of the power generation assets for the year 2018;
- became acquainted with the quarterly reports on the execution of the Mega Projects:
 - a) the construction of power generation units 5 and 6 in the Opole Power Plant,
 - b) the construction of power generation unit 7 in the Turów Power Plant,
 - c) the construction of a thermal processing and energy recovery plant in the Rzeszów Cogeneration Plant;
- became acquainted, on a regular basis, with information on the preparations of the Offshore Wind Farm capital investment project;
- became acquainted, on a regular basis, with information on the Programme of the Comprehensive Modernization of the Porąbka-Żar Pumped Storage Power Plant and concerning the particular quarters of 2018;
- became acquainted with information concerning activities related to the programme for the construction of Poland's first nuclear power plant;

- became acquainted with the report on the implementation of capital expenditure plans in the companies belonging to the PGE Capital Group in the year 2017 and became acquainted, on a regular basis, with the reports on the performance of capital expenditure plans in the companies belonging to the PGE Capital Group in the particular quarters of the year 2018;
- became acquainted with the Management Board's information on the performance of strategic capital expenditure tasks in the year 2017, as well as became acquainted, on a regular basis, with information on the performance of strategic capital expenditure tasks in the particular quarters of 2018;

within the scope of the conducted inspections and clarifying investigations:

The Supervisory Board did not adopt any resolutions concerning inspections or clarifying investigations.

In 2018 the Supervisory Board adopted two resolutions concerning the delegation of its members to perform particular supervisory actions, i.e. on 20 February 2018 the Supervisory Board adopted resolution no. 316/X/2018 concerning the delegation of Supervisory Board members Mr Grzegorz Kuczyński and Mr Witold Kozłowski to perform individually particular supervisory actions relating to the execution of a social project connected with the celebration of the centenary of the regaining of independence by Poland.

On 25 September 2018 the Supervisory Board accepted a report on the performance of the aforementioned supervisory actions.

On 3 October 2018 the Supervisory Board adopted resolution no. 34/XI/2018 concerning the delegation of Supervisory Board members Ms Anna Kowalik, Mr Grzegorz Kuczyński, Mr Tomasz Hapunowicz, Mr Mieczysław Sawaryn and Mr Artur Składanek to perform individually particular supervisory actions concerning relations with social partners. In January 2019 the Supervisory Board became acquainted with a report on the performance of the aforementioned actions.

6. Information on the implementation of resolutions of the General Meeting related to the activities of the Supervisory Board – if applicable.

In 2018 the Ordinary General Meeting adopted resolution no. 4 of 26 June 2018 concerning changes in the Company Statutes and resolution no. 5 of 26 June 2018 concerning an authorization for the Supervisory Board to determine the consolidated text of the Company Statutes.

The Supervisory Board implemented the aforementioned resolution of the General Meeting on 25 September 2018, adopting resolution no. 32/XI/2018 concerning the determination of the consolidated text of the Statutes of PGE Polska Grupa Energetyczna S.A.

Subsequently, on 14 November 2018 the Extraordinary General Meeting adopted resolution no. 4 concerning changes in § 37 of the Company Statutes and resolution no. 5 concerning an authorization for the Supervisory Board to determine the consolidated text of the Company Statutes.

The Supervisory Board implemented the aforementioned resolutions of the General Meeting on 29 January 2019, adopting resolution no. 65/XI/2019 concerning the determination of the consolidated text of the Statutes of PGE Polska Grupa Energetyczna S.A.

7. Information on the execution of a strategic or corrective programme.

The Company was implementing the updated strategy adopted by the Supervisory Board on 6 September 2016 in the form of resolution no. 132/X/2016 concerning the approval of the updated strategy of the PGE Capital Group.

In 2018 the Company started to implement the heat generation strategy of the PGE Capital Group for the years 2018-2023 with an outlook to the year 2030, which was adopted by the Management Board on 13 December 2017 in its resolution no. 556/92/2017 concerning the approval of the heat generation strategy of the PGE Capital Group for the years 2018-2023 with an outlook to the year 2030.

8. Information on the Supervisory Board's suspension of members of the Management Board in their duties or delegation of members of the Supervisory Board to perform the duties of members of the Management Board.

In 2018 the Supervisory Board did not adopt any resolution concerning the suspension of members of the Management Board in their duties or the delegation of members of the Supervisory Board to perform the duties of members of the Management Board.

9. Information on the Supervisory Board's decisions concerning the selection of a certified auditor and commissioned expert's opinions.

On 20 March 2018 the Supervisory Board adopted resolution no. 330/X/2018 concerning the determination of the criteria for the selection of a certified auditor and the manner of evaluating submitted offers, and the text of an announcement of a joint public procurement procedure for "The selection of a certified auditor responsible for auditing the standalone and consolidated financial statements of the selected companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A. for the years 2019-2021".

Adopting the aforementioned resolution, the Supervisory Board followed the guidelines of the Minister of Energy, issued on 31 August 2016, related to the principles and procedures of selecting certified auditors responsible for auditing financial statements of companies in which the State Treasury holds shares or interests and the Minister of Energy exercises rights assigned to such shares or interests.

Subsequently, on 11 December 2018 the Supervisory Board adopted resolution no. 50/X/2018 concerning the selection of the most favourable offer for the audit of the standalone and consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the years 2019-2021 and the acceptance of the recommendation of the Tender Committee concerning the selection of a contractor responsible for the audit of the standalone financial statements of the selected companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A. for the years 2019-2021, which was presented to the companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A.

10. An analysis and evaluation of the functioning of the entities belonging to the capital group in relation to an evaluation of the consolidated financial statements of the PGE Capital Group.

Based on information provided on a regular basis by the Management Board, after a thorough analysis, the Supervisory Board ascertains that the companies belonging to the PGE Capital Group were consistently implementing the updated strategy adopted by the Supervisory Board on 6 September 2016 on the basis of resolution no. 132/X/2016 concerning the approval of the updated strategy of the PGE Capital Group and were carrying out the corporate centre policy.

11. Evaluation of the utilisation of the company's fixed assets, with particular consideration given to real property.

The office building:

The office building constructed in 1951/56 with a floor area of 22,825.46 m², pursuant to decision 396/96 of 14 June 1996 constituting the Company's separate property, located in Warsaw (00-496) at 2 Mysia Street on a plot of land held under the right of perpetual usufruct, with a surface area of 4,434.00 m², register no. 109/3 and 110/3 plot 5-05-02. For the aforementioned real property, the District Court for Warsaw Mokotów in Warsaw, the 10th Land and Mortgage Register Division, 58 Solidarności Avenue, holds a land and mortgage register no. WA4M/00168674/5.

Lease of office space in the building at 2 Mysia Street.

At the end of 2018 the area of the leased office space was approximately 3.350 m².

Major tenants: the companies PGE Systemy S.A. and Polskie Sieci Elektroenergetyczne S.A. (together 1450 m²).

Important tenants: the companies TFI Energia S.A.; PGE Dom Maklerski S.A.; ElectroMobility Poland S.A. (together approx. 1150 m²).

Other tenants: the companies PGE Centrum Sp. z o.o.; Exatel S.A.; Fundacja PGE; PGE Trading GmbH; PGE Ventures sp. z o.o.; Solivoda Sp. z o.o. sp. komandytowa; PGE Nowa Energia sp. z o.o.; the companies under the business name of PGE Inwest with the following numbers: 2, 5, 8-14 and 16-19; Polska Telefonía Komórkowa – Centertel Sp. z o. o.; Polkomtel S.A.

Proceeds from lease:

Total proceeds from lease in 2018 – approximately PLN 5.300.000.

Including: major tenants – PLN 3.150.000; important tenants – PLN 1.350.000.

12. An evaluation of the fulfilment of the independence criteria by the Members of the Supervisory Board

On 1 January 2016 the new 2016 edition of “The Good Practices of Companies Listed on the Warsaw Stock Exchange” came into effect. The document had been adopted by the Supervisory Board of the Warsaw Stock Exchange in its resolution no. 26/1413/2015 of 13 October 2015 (hereinafter “The Good Practices of Companies Listed on the Warsaw Stock

Exchange"). On the basis of principle II.Z.6. of The Good Practices of Companies Listed on the Warsaw Stock Exchange, the Supervisory Board evaluates whether there occur any relations or circumstances which may have impact on the fulfilment of the independence criteria by a given member of the Supervisory Board. An evaluation of the fulfilment of the independence criteria by the Members of the Supervisory Board is presented by the Supervisory Board pursuant to principle II.Z.10.2.

The Supervisory Board ascertains the following status of the fulfilment of the independence criteria:

The former Members of the PGE Supervisory Board performing their duties in 2018	
Name and surname	Fulfilment of independence criterion
Artur Bartoszewicz	YES
Witold Kozłowski	YES

The present Members of the PGE Supervisory Board performing their duties in 2018	
Name and surname	Fulfilment of independence criterion
Anna Kowalik	NO
Janina Goss	YES
Tomasz Hapunowicz	YES
Grzegorz Kuczyński	YES
Jerzy Sawicki	YES
Mieczysław Sawaryn	YES
Artur Składanek	YES
Radosław Winiarski	NO

In light of the conducted evaluation, the Supervisory Board ascertains that in 2018 the Company complied with principle II.Z.3. of "The Good Practices of Companies Listed on the Warsaw Stock Exchange", according to which at least two members of a supervisory board are to meet the independence criteria referred to in principles II.Z.4.

13. Committees operating within the Supervisory Board

Pursuant to the Company Statutes, the Supervisory Board Regulations or a resolution of the General Meeting may provide for the appointment of committees within the structure of the Supervisory Board, in particular an audit committee and a remuneration committee. According to the effective Supervisory Board Regulations, the Supervisory Board may appoint permanent or ad hoc committees operating as collective advisory and opinion-making bodies of the Supervisory Board. Committees' objective is in particular providing the Supervisory Board with recommendations and opinions on matters belonging to their respective scopes of operation. Committees are appointed by the Supervisory Board from among its members. A committee consists of from 3 to 5 people, subject to the legal regulations providing for other requirements. A committee elects its Chairperson from among its members. The Chairperson convenes meetings of a committee, manages the activities of a committee and represents it in relation with the Company's governing bodies and employees. The mandate of a committee's member expires simultaneously with the expiry of the mandate of a member of the Supervisory Board, the submission of a notice of resignation from membership in a

committee or the dismissal from the composition of a committee by the Supervisory Board. Each member of the Supervisory Board is entitled to participate in meetings of any committee. The Chairperson of a committee may invite to its meetings members of the Management Board, the Company's employees and other people whose participation in meetings is justified. A committee makes decisions by way of consensus, unless the regulations of a given committee provide for otherwise.

The Supervisory Board has the following permanent committees: the Audit Committee, Strategy and Development Committee, Appointment and Remuneration Committee and Corporate Governance Committee. The aforementioned committees were appointed based on the resolutions of the Supervisory Board of 6 December 2007.

The Audit Committee

The Audit Committee is responsible for the examination of the correctness and efficiency of the performance of internal audits in the Company and the PGE Capital Group as well as for cooperation with the Company's auditors.

The Audit Committee is responsible in particular for the following:

- monitoring the work of the Company's certified auditors and presenting to the Supervisory Board recommendations concerning the selection and remuneration of the Company's certified auditors,
- before the audit of the Company's yearly financial statements, discussing with the Company's certified auditors the scope of their audit and monitoring their work,
- reviewing the Company's periodic and yearly financial (stand-alone and consolidated) financial statements, with emphasis put in particular on the following: all changes in accounting standards, principles and policies, major areas subject to evaluation, significant corrections resulting from an audit, declarations of the continuation of the activities, compliance with the effective accounting regulations,
- discussing with all proper people all problems or reservations which may have resulted from the audit of financial statements,
- analysing letters to the Management Board drawn up by the Company's certified auditors and the Management Board's responses, as well as examining the independence and objectivity of audits conducted by certified auditors,
- providing opinions on the Company's policy concerning dividend, profit distribution and issue of securities,
- reviewing the managerial accounting system,
- reviewing the internal control system (including the mechanisms of financial, operating, legal compliance, risk assessment and managerial controls) and annual reports,
- analysing the Company's internal auditors' reports and the main observations of other

internal analysts as well as the Management Board's responses to such observations, including an examination of internal auditors' degree of independence,

- reviewing, on an annual basis, the internal audit programme, coordinating work of internal and external auditors as well as examining internal auditors' operating conditions,
- cooperating with the Company's organizational units responsible for audit and controlling as well as evaluating their work on a periodic basis,
- considering all other issues related to the Company's audit which have drawn the attention of the Audit Committee or the Supervisory Board,
- notifying the Supervisory Board of all important issues related to the activities of the Audit and Compliance Committee,
- supervising and monitoring the compliance management system within the PGE Capital Group,
- evaluating the effectiveness of the compliance system and function,
- approving annual compliance programmes,
- accepting annual compliance reviews,
- receiving and responding to notifications from the unit responsible for compliance of risks significant from the point of view of the PGE Capital Group as well as incidents of non-compliance.

In 2018 the Audit Committee held 12 meetings. At its meetings, the Audit Committee analysed, among other things, the Company's standalone financial statements, the consolidated financial statements of the PGE Capital Group, and the Management Board's report on the activities of the Company and the PGE Capital Group. The Audit Committee held also regular meetings with the representatives of the auditors – the company Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k.

Furthermore, the Audit Committee analysed the Company's standalone financial statements for the first half of 2018, as well as the consolidated financial statements of the PGE Capital Group for the same period.

In 2018 the Audit Committee approved the compliance programme of PGE Polska Grupa Energetyczna S.A. for the year 2018.

The Audit Committee gave a positive opinion on the audit plan of the PGE Capital Group for the year 2018.

The Audit Committee also approved the updated content of the policy and procedure of selecting an audit firm responsible for conducting an audit.

The Audit Committee became also acquainted with the following:

- the audit plan of the PGE Capital Group for the year 2018.

- the supplementary information to the financial plan of PGE Polska Grupa Energetyczna S.A. for the years 2017-2018.
- the functioning of the internal audit system within the PGE Capital Group for the year 2017 and the first half of the year 2018,
- the specification of the audit tasks carried out by the Company's Audit Department in the second half of 2018,
- the proposed topics of audits to be conducted in the PGE Capital Group in 2019.
- the compliance programme of the PGE Capital Group for the year 2018.
- the report on the implementation of the compliance programme in 2017.
- the qualitative assessment of risks in the PGE Capital Group for 2018.
- the specification of the consultancy agreements entered into by the companies belonging to the PGE Capital Group.
- the information concerning the procedures being conducted by the Company's Audit Department.

The Audit Committee also supported the Supervisory Board in the implementation of resolution no. 330/X/2018 of 20 March 2018 concerning the determination of the criteria for the selection of a certified auditor and the manner of evaluating submitted offers, and the text of an announcement of a joint public procurement procedure for "The selection of a certified auditor responsible for auditing the standalone and consolidated financial statements of the selected companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A. for the years 2019-2021", as well as in the adoption of resolution no. 50/XI/2018 of 11 December 2018 concerning the selection of the most favourable offer for the audit of the standalone and consolidated financial statements of the company PGE Polska Grupa Energetyczna S.A. for the years 2019-2021 and the acceptance of the recommendation of the Tender Committee concerning the selection of a contractor responsible for the audit of the standalone financial statements of the selected companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A. for the years 2019-2021, which was presented to the companies belonging to the Capital Group of PGE Polska Grupa Energetyczna S.A. The representatives of the Audit Committee participated in the opening of applications for permits to participate in procedures, the opening of bids, and in negotiations.

The Corporate Governance Committee

The Corporate Governance Committee is responsible for the following:

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

In the year 2018 the Corporate Governance Committee held a meeting during which the participants discussed the consolidated text of the Company Statutes, including the changes accepted by the Ordinary General Meeting held on 26 June 2018.

The Strategy and Development Committee

The Strategy and Development Committee is responsible for providing opinions and presenting recommendations to the Supervisory Board with respect to planned investments having significant influence on the Company's assets. In particular, the duties of the Strategy and Development Committee include provision of opinions on strategies and strategic plans submitted to the Supervisory Board by the Management Board.

In the year 2018 the Strategy and Development Committee held 4 meetings. Among other things, the Strategy and Development Committee discussed the report on the implementation of the development and innovation strategy in the PGE Capital Group in the first quarter of 2018. Furthermore, the Strategy and Development Committee analysed the material concerning the operationalization of the heat generation strategy in the PGE Capital Group as well as the material on the review of the offshore technology.

The Appointment and Remuneration Committee

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

The Appointment and Remuneration Committee is responsible in particular for the following:

- initiating and providing opinions on solutions concerning the system of appointing members of the Management Board,
- providing opinions on the Management Board's proposed solutions concerning the Company's management system aimed at ensuring the effectiveness, coherence and security of the Company's system of management;
- in accordance with the Company's interests, periodically reviewing and recommending the rules of determining motivational remuneration for members of the Management Board and the senior management personnel, reviewing periodically the system of remuneration for members of the Management Board and the senior management personnel reporting directly to members of the Management Board, including managerial contracts and motivational systems as well as submitting to the Supervisory Board proposals concerning their development within the context of achieving the Company's strategic objectives,
- presenting to the Supervisory Board opinions concerning justifications for granting remunerations dependent on results within the context of evaluating progress in the performance of particular tasks and achievements of particular objectives,
- evaluating the Company's human resources management system.

In the year 2018 the Appointment and Remuneration Committee held 4 meetings. In 2018 the Appointment and Remuneration Committee worked on the basis of its plan of duties prepared by the Supervisory Board. The Appointment and Remuneration Committee worked on the proposal concerning the determination of managerial objectives for the members of the Management Board for the year 2018 and the proposal concerning annexes to the agreements with the members of the Management Board for the provision of management services.

Table: The compositions of the Supervisory Board committees in 2018.

Forename and surname of Supervisory Board member	The Audit Committee	The Corporate Governance Committee	The Strategy and Development Committee	The Appointment and Remuneration Committee
Artur Bartoszewicz	Member from 24.07.2018 until 14.11.2018		Member from 24.07.2018 until 14.11.2018	
Janina Goss	Member			Member
Tomasz Hapunowicz		Member from 23.01.2018 Chairperson from 24.07.2018	Member from 23.01.2018	
Anna Kowalik	Member		Member from 23.01.2018	Member
Witold Kozłowski		Member Chairperson until 09.07.2018	Member until 09.07.2018	Member until 09.07.2018
Grzegorz Kuczyński	Member Chairperson	Member	Member from 23.01.2018 until 24.07.2018	
Mieczysław Sawaryn			Member	Member Chairperson
Jerzy Sawicki		Member from 24.07.2018	Member from 24.07.2018	Member from 24.07.2018
Artur Składanek	Member		Member Chairperson	
Radosław Winiarski	Member from 20.11.2018		Member from 20.11.2018	

The Supervisory Board requests that the General Meeting grant discharge to the following Members of the Management Board for the performance of their duties in the year 2018:

Henryk Baranowski	from 01.01.2018 to 31.12.2018
Paweł Śliwa	from 01.01.2018 to 31.12.2018
Marek Pastuszko	from 01.01.2018 to 31.12.2018

Ryszard Wasilek	from 01.01.2018 to 31.12.2018
Emil Wojtowicz	from 01.01.2018 to 31.12.2018
Wojciech Kowalczyk	from 01.01.2018 to 31.12.2018

15. A self-evaluation of the Supervisory Board's work.

This report presents the main directions of the Supervisory Board's activities in the financial year 2018. The members of the Supervisory Board performed their duties with due diligence, using their knowledge and experience in the area of managing and supervision of commercial law companies.

The members of the Supervisory Board had properly diversified competencies and high qualifications allowing them to exercise effective supervision over the Company, taking into consideration its business profile and scale of operations. Most of the members of the Supervisory Board were people with higher legal education (legal counsels and attorneys); some of them were people with economic or technical education, familiar with the power generation sector. It should be emphasized that the composition of the Supervisory Board was diversified also with respect to gender. In the opinion of the Supervisory Board, the process of communication between the Supervisory Board and the Management Board was undisturbed. The members of the Management Board participated in the meetings of the Supervisory Board, presented the Management Board's motions addressed to the Supervisory Board, provided answers to questions asked by the members of the Supervisory Board and implemented the recommendations of the Supervisory Board.

The number of the meetings held by the Supervisory Board in 2018, the large attendance at the meetings, the number and variety of matters discussed and decisions made by the Supervisory Board at the meetings prove that the Supervisory Board exercised effective and continuous supervision over the Company's operations in all areas of its business activities.

In view of the above, submitting this report, the Supervisory Board requests that its members be granted discharge for the performance of their duties in the financial year 2018:

Anna Kowalik	from 01.01.2018 to 31.12.2018
Artur Składanek	from 01.01.2018 to 31.12.2018
Grzegorz Kuczyński	from 01.01.2018 to 31.12.2018
Janina Goss	from 01.01.2018 to 31.12.2018
Artur Bartoszewicz	from 20.07.2018 to 31.12.2018
Tomasz Hapunowicz	from 09.01.2018 to 31.12.2018
Witold Kozłowski	from 01.01.2018 to 31.12.2018
Mieczysław Sawaryn	from 01.01.2018 to 31.12.2018
Jerzy Sawicki	from 20.07.2018 to 31.12.2018
Radosław Winiarski	from 14.11.2018 to 31.12.2018

Chairperson of the Supervisory Board
of the company PGE Polska Grupa Energetyczna S.A.



Supervisory Board
PGE Polska Grupa Energetyczna S.A.
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Anna Kowalik

Members of the Supervisory Board:

Janina Goss

Tomasz Hapunowicz

Grzegorz Kuczyński

Mieczysław Sawaryn

Jerzy Sawicki

Artur Składanek

Radosław Winiarski