

Polskie Górnictwo Naftowe i Gazownictwo SA  
Centrala Spółki

Warsaw, June 3rd 2020

**Additional draft resolution for the Annual General Meeting of PGNiG SA to be held on  
June 24th 2020**

Current Report No. 26/2020

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG", the "Company") hereby publishes a draft resolution referring to item 12 of the agenda of the Annual General Meeting of PGNiG SA convened for June 24th 2020 (resolution to adopt a Remuneration Policy for members of the Management Board and Supervisory Board of PGNiG S.A.).

The proposed resolution is an addition to the draft resolutions presented by the Company on May 26th in Current Report No. 23/2020.

Legal basis:

Par. 19.1.2 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757).

**Resolution No. / 2020  
of the Annual General Meeting  
of  
Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna  
dated June ..... 2020**

to adopt a Remuneration Policy for members of the Management Board and Supervisory Board of PGNiG S.A.

Section 1

Pursuant to Art. 90d of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005, the Annual General Meeting of PGNiG S.A. resolves to adopt the following document:

**“Remuneration Policy  
for members of the Management Board and Supervisory Board of  
PGNiG S.A.**

**Part I – General provisions**

Section 1 Introduction

1. This remuneration policy for members of the Management Board and Supervisory Board of PGNiG S.A. (the “**Remuneration Policy**”), within the meaning of Art. 90d of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (the “**Public Offering Act**”), defines the rules of remuneration for members of the Management Board and Supervisory Board of PGNiG S.A., which support the delivery of the Company’s business strategy, long-term interests and stability.
2. This Remuneration Policy sets out the detailed rules of remuneration for members of the PGNiG Management Board and Supervisory Board, as laid down in relevant resolutions of the General Meeting and Supervisory Board, in accordance with the Act on Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016 (the “**Remuneration Act**”).
3. Responsibility for information contained in this Policy rests with members of the Company’s Management Board, subject to Section 15.

## Section 2 Subject matter

### 1. This Remuneration Policy includes:

- 1) a description of the fixed and variable remuneration components, as well as bonuses and other cash and non-cash benefits that may be awarded to members of the Management Board and Supervisory Board;
- 2) indication of the relative proportion between the remuneration components referred to in Section 2.1.1);
- 3) explanation of how the terms of employment and remuneration of the Company's employees other than members of the Management Board and Supervisory Board were taken into account in establishing this Remuneration Policy;
- 4) information on the effective periods and termination provisions of contracts concluded with Management Board members;
- 5) a description of the decision-making process for establishing, implementing and reviewing this Remuneration Policy;
- 6) a description of measures taken to avoid or manage conflicts of interest that may arise in relation to this Remuneration Policy;
- 7) information on how this Remuneration Policy supports the delivery of objectives referred to in Section 1.1;
- 8) a description of any material changes relative to the remuneration policy previously in place and information on how the provisions of the General Meeting's resolution presenting its opinion on the Supervisory Board's remuneration report have been reflected in this Remuneration Policy.

## Section 3 Remuneration system at the Company

This Remuneration Policy is based on the Management-by-Objectives (MBO) system in place at the Company, covering its Senior Management personnel (i.e. Directors and Deputy Directors). As part of the system, objectives are set annually for each management position at the Company and then variable remuneration is paid depending on the assessment of a given manager's performance against the objectives set for the relevant year. The minimum level of performance against the objectives triggering the right to receive variable remuneration is 80%. The variable remuneration amount is capped at three times the base salary for the positions of Directors (representing 25% of their annual remuneration) and twice the base salary for the positions of Deputy Directors (representing 16.7% of their annual remuneration).

## Part II – Remuneration of Management Board members

### Section 4 Remuneration rules

1. Total remuneration of a member of the Management Board shall consist of a fixed component in the form of monthly base pay (**Fixed Remuneration**) and a variable

component representing additional remuneration payable for PGNiG's financial year (**Variable Remuneration**).

2. The Supervisory Board may determine and grant a cash amount to a Management Board member to be spent on training.
3. Management Board members shall not be granted remuneration in the form of financial instruments.
4. The Company shall not award any benefits to its Management Board members (such as bonuses or awards) other than those specified in this Section.

#### Section 5 Fixed Remuneration

The monthly amount shall be determined by the Company's Supervisory Board, with the proviso that the Fixed Remuneration of the President and other members of the Management Board shall be an amount within the range of 7 to 15 times the reference salary within the meaning of Art. 1.3.11 of the Remuneration Act.

#### Section 6 Variable Remuneration

1. Variable Remuneration shall depend on the level of performance against the Management Objectives and shall not exceed 100% of the Fixed Remuneration. The general set of Management Objectives relates to:
  - 1) delivery of positive consolidated EBITDA by the PGNiG Group,
  - 2) number of new customer accounts,
  - 3) delivery of the PGNiG Group's strategy,
  - 4) timely completion of investment projects,
  - 5) annual replacement of domestic oil and gas reserves,
  - 6) environmental and CSR initiatives,and other objectives relevant to the PGNiG Group in a given financial year.
2. Variable Remuneration is intended to ensure that the PGNiG Group's strategic objectives are aligned with management tasks. The strategic objectives are linked to an incentive opportunity, i.e. a specific remuneration amount to be received if performance against the objectives comes in at a particular level, as assessed based on a predetermined scale.
3. The Company's Supervisory Board is authorised to define in detail and assign weights to the Management Objectives, and to determine objective and measurable performance indicators and assessment criteria. The Supervisory Board's power referred to above was exercised by passing the resolution referred to in Section 1.1.
4. The Supervisory Board approves the Management Objectives for Management Board members by the end of the first quarter of a financial year.
5. A Management Board member shall be entitled to receive Variable Remuneration once the General Meeting approves the Directors' Report on the Company's operations in, and the financial statements for, the previous financial year, and once it grants liability discharge to the Management Board member. The remuneration

shall be paid on the dates and in accordance with the terms specified in the contract concluded with a Management Board member.

6. Payment of a portion of Variable Remuneration may be deferred for up to 36 months, depending on whether the relevant conditions set out under the Management Objectives are met within a prescribed time period. In such case, that portion of the Variable Remuneration may be paid in full or in part at the end of an accounting period.
7. Variable Remuneration shall be calculated in proportion to the number of days on which the Management Board members provided services in a given financial year.
8. The Supervisory Board shall assess the satisfaction of conditions for payment of Variable Remuneration to individual Management Board members for whom Management Objectives were set and who served on the Management Board during the relevant financial year, and shall determine the amount payable, on the basis of the audited financial statements and other documents, as appropriate given the specific Management Objectives.
9. The Company shall be entitled to claim back the Variable Remuneration paid if, after its payment, it is demonstrated that it was awarded to a Management Board member based on data that proved incorrect.
10. If a Management Board member's mandate expires after the financial year for which performance against the Management Objectives is assessed, the member shall retain the right to Variable Remuneration in accordance with the terms set out above. If a member's mandate expires during the financial year for which performance against the Management Objectives is assessed, the member shall retain the right to a portion of Variable Remuneration on the terms set out above, provided however that the member's length of service during the financial year was more than six months.

#### Section 7 Retirement and disability pension plans

The Company shall not provide members of its Management Board with any additional retirement/disability pension plans or early retirement plans in respect of their service on the Management Board.

#### Section 8 Position-specific packages

In the contract with a Management Board member, the Supervisory Board shall specify what technical facilities and resources owned by the Company and required to perform the position-specific duties will be made available to the Management Board member, and may define relevant limits or the manner of making such items available to the Management Board member by specifying costs to be incurred by the Company in connection with making such items available to the Management Board member and their use in the performance of that member's professional duties.

#### Section 9 Management service contract

1. The Company shall enter into a management service contract with a member of the Management Board for the period of their appointment, as specified in the Company's Articles of Association.
2. In the event of expiry of a Management Board member's mandate, especially as a result of the member's death, removal from office or resignation, the contract with the Management Board member shall terminate on the last day on which that member holds the position, with no further steps required.
3. Each party to a management service contract shall have the right to terminate it with immediate effect in the event of a material breach of its provisions by the other party.
4. The Company shall have the right to terminate the contract concluded with a Management Board member in cases other than those specified in Section 9.3 with a maximum notice period of 3 (three) months, subject to the next sentence. If during the notice period any of the events referred to in Section 9.2 occurs triggering the termination of the contract due to the member's ceasing to hold the position, the contract with the Management Board member shall terminate on the last day of their holding the position, with no further steps required.
5. If the Company terminates or rescinds a contract for reasons other than those specified in Section 9.3, a severance payment may be granted to the Management Board member:
  - 1) up to 1x (one time) the Fixed Remuneration, provided that the member has held the position for at least 6 (six) months and up to 12 (twelve) months prior to the termination;
  - 2) up to 3x (three times) the Fixed Remuneration, provided that the member has held the position for more than 12 (twelve) months prior to the termination.
6. A Management Board member shall not be entitled to receive the severance payment referred to in Section 9.5 if:
  - 1) the contract is terminated, rescinded or amended due to a change in the position held by that member on the Management Board;
  - 2) the contract is terminated, rescinded or amended following the member's appointment for another term of office;
  - 3) the member is appointed to the management board of a Group company; or
  - 4) the member resigns their position.

#### Section 10 Non-compete agreement

1. The Supervisory Board may conclude a non-compete agreement with a Management Board member, which will be binding on the member after they no longer hold their position. However, such agreement may only be concluded if the member has served on the Management Board for at least 3 (three) months.
2. A non-compete agreement may not be concluded after the termination or rescission of a management service contract.
3. The non-compete period may not be longer than 6 (six) months from the time when the Management Board member ceases to hold their position on the Management

Board. The monthly non-compete compensation shall not be higher than 50% of the Fixed Remuneration paid to the Management Board member during their service.

4. If a Management Board member fails to perform or improperly performs their obligations under the non-compete agreement, the member shall pay the Company a contractual penalty equal to or higher than the compensation due for the entire non-compete period.
5. In a non-compete agreement, the Supervisory Board shall define at least the scope of activities competing with the Company's business, the amount of non-compete compensation and dates of its payment, the member's notification obligations, and circumstances where the non-compete provisions cease to apply. The Supervisory Board may also include the Company's right to waive the non-compete agreement or the parties' right to terminate the agreement.

### **Part III – Remuneration of Supervisory Board members**

#### Section 11 Remuneration rules

1. The Supervisory Board members shall receive monthly remuneration. The remuneration shall be calculated as the product of the reference salary within the meaning of Art. 1.3.11 of the Act on Rules of Remunerating Persons Who Direct Certain Companies dated June 9th 2016, and a factor set in a separate General Meeting resolution.
2. By way of a resolution, the General Meeting may also award additional remuneration to Supervisory Board members for their serving on the Supervisory Board and/or committees appointed by the Supervisory Board.
3. Remuneration of the Supervisory Board members shall be paid by the 10th day of the month following the month for which such remuneration is due.
4. No variable remuneration or remuneration in the form of financial instruments shall be awarded by the Company to Supervisory Board members.
5. The Company shall not award any benefits to its Supervisory Board members (such as bonuses or awards) other than those specified in this section.
6. The Company shall not provide members of its Supervisory Board with any additional retirement/disability pension plans or early retirement plans in respect of their service on the Supervisory Board.

#### Section 12 Legal relationship between the Company and a Supervisory Board member

1. The Company shall not enter into separate contracts with the Supervisory Board members.

2. The legal relationship between Supervisory Board members and the Company shall remain in place for the period of their appointment, as specified in the Company's Articles of Association.
3. A Supervisory Board member may be removed from office at any time.
4. A member of the Supervisory Board shall submit their resignation to the Company, represented by a member of the Management Board or a registered attorney, with a copy to the Chairman of the Supervisory Board and the minister competent for state assets. Such resignation must be submitted in writing, or shall otherwise be ineffective towards the Company. The provisions of the Civil Code governing the termination of a mandate by the party accepting the mandate shall apply accordingly to such resignation.

#### Section 13 Reporting obligations

1. The Supervisory Board shall prepare annual remuneration reports in accordance with Art. 90g of the Public Offering Act, not later than within three months of the reporting date.
2. The first remuneration report shall be prepared by the Supervisory Board jointly for the years 2019 and 2020.
3. The Supervisory Board shall submit a remuneration report to the General Meeting for its opinion. The General Meeting will adopt a resolution providing an opinion on the remuneration report. Such resolution will be advisory in nature.

### **Part 4 – Conflicts of interests**

#### Section 14 Managing the risk of conflicts of interest

1. Given the shareholding structure of PGNiG S.A., the rules of remunerating members of the Management Board and Supervisory Board are laid down in the Remuneration Act. In addition, the Management Board and Supervisory Board members are subject to statutory provisions laying down specific requirements for the avoidance of conflicts of interest, including, without limitation, the Act of December 16th 2016 on State Property Management and the Act of August 21st 1997 on Restrictions on the Conduct of Business Activities by Persons Performing Public Functions.
2. To avoid conflicts of interest, additional mechanisms, including a ban on competing activities during the service relationship and after its termination, are included in management service contracts concluded with members of the Company's Management Board.
3. The contracts concluded with members of the Company's Management Board oblige them to notify their intention to serve on the governing bodies of other commercial-law companies or acquire shares in such companies. The contracts may also prohibit Management Board members from serving on the governing bodies of any other commercial-law companies and may impose further restrictions on the members' other activities outside the Company.

4. A Management Board member shall not be entitled to receive remuneration for holding positions on the governing bodies of PGNiG subsidiaries included in its group within the meaning of Art. 4.14 of the Competition and Consumer Protection Act of February 16th 2007.
5. The Supervisory Board is authorised to define the prohibitions and restrictions referred to above, obligations to report compliance with such prohibitions and restrictions and relevant sanctions for non-compliance.
6. Also, the Company mitigates the risk of conflicts of interest involving members of its Management Board particularly through:
  - 1) obligation to refrain from engaging in any activity that gives rise to a conflict of interest, including from obtaining any information relevant to decision making in a case, while taking steps necessary to ensure the Company's uninterrupted operation;
  - 2) information obligations towards the Company, including making relevant declarations before and during the service relationship;
  - 3) publication of relevant information on the Company's website.

## **Part 5 – Final provisions**

### Section 15

Description of the decision-making process for establishing, implementing and reviewing this Remuneration Policy

1. A draft Remuneration Policy was prepared by the Company's Management Board, with the participation of the Supervisory Board as an advisory body.
2. The Remuneration Policy shall be adopted by way of a General Meeting resolution.
3. The Remuneration Policy shall be implemented and supervised on an ongoing basis by the Company's Management Board.
4. In accordance with the Company's Articles of Association, the Supervisory Board shall be monitoring overall compliance with the Remuneration Policy. In preparing a remuneration report, the Supervisory Board shall also conduct a comprehensive review of the Remuneration Policy.

### Section 16

Description of any material changes relative to the remuneration policy previously in place and information on how the provisions of the General Meeting's resolution presenting its opinion on the Supervisory Board's remuneration report have been reflected in this Remuneration Policy

This Remuneration Policy is the first remuneration policy adopted by the General Meeting after the relevant provisions of the Public Offering Act came into force. This section shall therefore apply in the preparation and adoption of an amended Remuneration Policy. Pursuant to Art. 90e.4 of the Public Offering Act, a remuneration policy resolution shall be adopted at least every four years."

## Section 2

This Resolution has been passed by secret ballot and shall come into force as of its date.

### **GROUNDS**

On November 30th 2019, the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies was amended.

The amendment requires the General Meeting to adopt a remuneration policy for members of the Management Board and Supervisory Board at least every four years.