6.6. Agreements that may lead to changes in the structure of shares held by the current shareholders

In 2015, after the reporting date and prior to the date of publication of this report, no agreements were signed that could influence the changes in the proportions of shares held by current shareholders.

6.7. Information concerning the control system of employee share schemes

In 2015, there were no employee share schemes offered in the CIECH Group.

6.8. Ratings

At the end of 2015 ratings awarded by two prominent rating agencies — Standard & Poor's and Moody's — improved. In November 2015, Standard & Poor's Rating Services agency announced the publication of the report in which, due to the improved results of CIECH S.A. and the decreased level of debt, it raised the corporate rating of CIECH S.A. and of the bonds issued by Ciech Group Financing AB from "B+" to "BB-" with a stable prospect.

In 2015, Moody's Investors Service rating agency announced the publication of a report in which it raised the rating awarded at the request of the Company from "B1" to "Ba3", with a positive prospect. Moody's justified the increase in rating by improved results in 2014 and 2015, which were manifested by the improved EBITDA margin, the amount of generated cash flows and the effectively performed refinancing of (i) the debt resulting from, among others, the issue by a subsidiary of CIECH S.A., namely Ciech Group Financing AB (publ), of secured superior bonds in the amount of EUR 245,000 thousand, (ii) the debt resulting from the revolving loan facility agreement up to the amount of PLN 100,000 thousand.

7. CORPORATE GOVERNANCE

7.1. The set of principles of corporate governance which the Company is subject to

This statement is a separate part of the Director's Report of CIECH S.A., constituting a part of the annual report of CIECH S.A. for the financial year 2015.

Pursuant to § 2 of the Resolution of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) No 718/2009 of 16 December 2009 regarding the submission by listed entities of the reports on principles of corporate governance, the submission of this report is equivalent to the submission of the report pursuant to § 29(5) of the Stock Exchange Regulations.

In 2015, CIECH S.A. with its registered office in Warsaw ("Company" or "Issuer") was subject to the principles of corporate governance contained in the document adopted by the Resolution No 17/1249/2010 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 19 May 2010 (as amended). The consolidated text of the "Code of Best Practices of Companies Listed on WSE" binding for CIECH S.A. in 2015 constitutes the appendix to the Resolution of the WSE's Supervisory Board No 19/1307/2012 of 21 November 2012. This set is available at the website of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) at http://www.corp-gov.gpw.pl.

The Management Board of CIECH S.A. states that in the financial year ending as at 31 December 2015, CIECH S.A. and its authorities complied with the corporate governance rules contained in the "Code of Best Practice for WSE Listed Companies" as enacted by the resolution of the WSE Supervisory Board No 19/1307/2012 of 21 November 2012 with exceptions described in item I.7.2.

The Management Board of CIECH S.A. announces that since 1 January 2016 CIECH S.A. and its authorities have complied with the principles of corporate governance of "Code of Best Practice for WSE Listed Companies 2016", apart from the principles presented in EIB Report No 1/2016 of 29 January 2016 concerning specific principles contained in the "Code of Best Practice for WSE Listed Companies 2016" described in item I.7.2 below.

7.2. Principles of corporate governance, which were not applied by the Issuer in 2015

In 2015, the Company reported a deviation from principles and recommendations, regarding:

1) maintaining a website whose scope and method of presentation should be based on the model investor relations web service available at http://naszmodel.gpw.pl/. At the same time, the Company represents that information posted on its website contains most of the information required by the model service. Internet service is a reliable and useful source of information about the Company for the capital market representatives. The contents of the Internet service is prepared in a transparent and diligent manner, to enable investors and analysts to make decisions on the basis of information presented by the Company. The Company provides equal access to the information published on its corporate website to all persons concerned.

2) providing shareholders with the possibility to participate in the General Meeting of Shareholders with the use of means of electronic communication, in the following manner:
   - a real-time broadcast of the General Meeting;

- providing shareholders with the possibility of a bilateral communication by using real-time means of electronic communication, which enable shareholders to speak during the General Meeting, while they are in a different place than the place of the meeting, and
- exercising the voting right during the General Meeting of Shareholders by means of electronic communication in person or through a proxy.

The Company will analyse the possibility of following recommendations in this respect, provided that IT systems available on the market will guarantee safe and efficient conduct of the General Meeting of Shareholders.

3) posting shareholders' questions regarding items on the agenda, asked before and during the General Meeting of Shareholders, together with answers to those questions, on the corporate website. The Company does not maintain a detailed record of the proceedings of general meetings, including all statements and questions. The Chairman decides to include certain issues in the minutes of the general meeting, following provisions of the law and legitimate demands of shareholders.

4) recording of the proceedings of ordinary general meetings in audio or video form. In the future, the Company will analyse the possibilities of conforming to recommendations of corporate governance in this respect and will consider the possibility of recording the proceedings of the general meetings.

5) remuneration policy, due to the fact that provisions of the applicable law confronted with CIECH S.A. Articles of Association and the Supervisory Board Regulations on rules for determining the remuneration of the supervisory and management bodies members are sufficient in the opinion of the Issuer. Principles and the level of remuneration of the Management Board are determined by the Supervisory Board, and the remuneration level of the Supervisory Board members is established by the General Meeting of Shareholders. The remuneration policy is not a separate item on the agenda of the General Meeting of Shareholders and it is not put to the vote. The Company did not post any "declaration on remuneration" on its website. However, the Company made available the information that should be presented in such declaration in other documents.

6) balanced proportion of women and men within management and supervisory function. The Company represents that in the selection process of candidates for members of the management and supervisory bodies, the authorised bodies act in the best interest of the Company and its shareholders taking account of qualifications of the candidates, their expertise and experience. Below we present the list of women and men in supervisory and management bodies of the Company in the period of the last three years, including 2015.

Number of women and men in the Company's Supervisory Board in the last three years:

As at	Number of women	Number of men
31 December 2013	1	7
31 December 2014	-	6
31 December 2015	-	6

Number of women and men in the Company's Management Board in the last three years:

As at	Number of women	Number of men
31 December 2013	-	3
31 December 2014	-	3
31 December 2015	-	3

The Company represents that since 1 January 2016 there will be departures from principles and recommendations concerning:

Information policy and communication with investors

I.Z.1.8. the list of selected financial data of the Company for the last 5 years of operation, in the form enabling the processing of this data by the recipients.

The Company's commentary concerning the manner of applying the above principle.

Currently at CIECH S.A. website there is financial data for the last 5 years of operation in the form of comprehensible tables with figures. At the latest by the end of Q1 2016, the aforementioned data will be posted in the editable .xls file.

I.Z.1.9. information concerning the planned dividend payment and dividends paid by the Company over the last 5 financial years, comprising data on the dividend date, the payment date and amounts of dividends – total and per share.

The Company's commentary concerning the manner of applying the above principle.

In accordance with the law, the aforementioned information about dividends is presented in relevant current reports.

I.Z.1.15. information comprising the description of the Company's diversity policy with regard to Company's authorities and its key managers; the description should take account of the following elements of diversity policy, such as sex, education, age, professional experience as well as it should outline the goals of the diversity policy and the manner of its implementation in a given reporting period; if the Company does not develop and implement the diversity policy, it publishes the explanation for such decision on its website.

The Company does not apply this principle.

CIECH S.A. does not find it necessary to develop and apply the diversity policy with regard to the authorities of the Company and its key managers. The fact that particular persons serve management, supervisory and key functions in the Company's structure depends mainly on their competences and experience. In the opinion of CIECH S.A., these criteria allow to select candidates who guarantee the effective implementation of the strategy and, as a result, the Company's growth and benefits for shareholders.

I.Z.1.16. information on the planned broadcast of the General Meeting of Shareholders – no later than 7 days before the date of the meeting.

The Company does not apply this principle.

CIECH S.A. does not post information on the planned broadcasts of general meetings of shareholders on its website, because such broadcasts are not made by the Company.

I.Z.1.17. grounds for draft resolutions of the General Meeting of Shareholders concerning the vital issues and decisions or issues and decision which may raise doubts of shareholders – on the date enabling the participants of the General Meeting of Shareholders to read them and pass the resolution having sufficient background.

The Company does not apply this principle.

Such grounds will be published, if they are prepared in accordance with provisions of the law.

I.Z.1.20. the record of the proceedings of the general meeting of shareholders, in the form of audio or video,

The Company does not apply this principle.

CIECH S.A. does not publish the minutes of the General Meeting of Shareholders, in audio or video form, on its website, because it does not record the proceedings in such form. The Company prepares and immediately publishes information required by the law on its website, among others, the contents of the resolutions taken at the General Meeting of Shareholders, enabling the investors to read the minutes.

The Management Board and the Supervisory Board

II.Z.2. The Supervisory Board is required to express its consent for the Management Board Members to serve as members of management boards or supervisory boards of companies other than Group companies.

The Company's commentary concerning the manner of applying the above principle.

Internal documents of CIECH S.A. do not require the Management Board Members to obtain the consent from the Supervisory Board to sit on the management boards and supervisory boards of companies, which are not a part of the Capital Group. However, the aforementioned provisions are contained in employment contracts.

II.Z.7. Provisions of Annexe I to the Commission Recommendation, referred to in the principle II.Z.4 shall apply with regard to tasks and operations of committees of the Supervisory Board. If the function of the Audit Committee is performed by the Supervisory Board, the above principles shall apply respectively.

The Company does not apply this principle.

The Supervisory Board comprises, among others, the Remuneration Committee composed of two members who do not meet the independence criterion. Both Members are highly qualified, thus the Remuneration Committee operates effectively. The independence criterion does not have an impact on the reliability of the actions implemented by the Committee.

II.Z.8. The Chairman of the Audit Committee meets the independence criteria indicated in the principle II.Z.4.

The Company does not apply this principle.

The Chairman of the Audit Committee does not meet the independence criterion. Owing to professional qualifications and many years of experience, the Audit Committee operates effectively, and failure to meet the independence criterion does not have an effect on the actions performed by the Committee.

II.Z.10.1. the assessment of the Company's situation taking account of the assessment of the systems of internal control, risk management, compliance and internal audit function; this assessment comprises all material internal controls, including controls concerning financial reporting and operating activities.

The Company does not apply this principle.

The assessment of the Supervisory Board refers to operations of control systems, risk management, compliance (to be implemented in 2016) and operations of the internal audit in CIECH S.A., but not in the company itself. The situation of CIECH S.A. is presented in the financial statements, assessed by the Supervisory Board.

II.Z.10.4. the assessment of rationality of the Company's policy, referred to in the recommendation I.R.2, or information about lack of such policy.

The Company does not apply this principle.

The sponsorship and charity activities performed by CIECH S.A. have no significant effect on the operational and financial situation of the Company. In the Company's opinion, the Supervisory Board does not have to prepare and present the assessment of the rationality of the policy, referred to in the recommendation I.R.2.

Systems and internal functions

III.Z.1. The responsibility for the implementation and maintenance of effective systems of internal control, risk management, compliance and internal audit function rests with the Company's Management Board.

The Company's commentary concerning the manner of applying the above principle.

The compliance system will be implemented in 2016.

III.Z.4. At least once a year, the person responsible for the internal audit (if such function is distinguished in the Company) and the Management Board provide the Supervisory Board with their assessment of the efficiency of operations of systems and functions, referred to in the principle III.Z.1, together with a relevant report.

The Company's commentary concerning the manner of applying the above principle.

Whereas the assessment of the efficiency of operations of systems and functions, referred to in the principle III.Z.1., together with a relevant report are presented to the Audit Committee, i.e. a part of the Supervisory Board.

III.Z.6. If there is no organisationally distinguished function of the internal audit, the Audit Committee (or the Supervisory Board, if it serves the function of the Audit Committee) assesses whether there exists a need to distinguish such function.

Not applicable.

There is the Control and Audit Bureau in CIECH S.A.

General Meeting of Shareholders and relations with shareholders

IV.Z.2. If this is justified by the shareholder structure of the Company, the Company ensures a generally available real-time broadcast of the proceedings of the general meeting of shareholders.

The Company does not apply this principle.

In the opinion of CIECH S.A., the shareholder structure is dispersed, but this does not justify the necessity to ensure the generally available real-time broadcast of the proceedings of the general meeting of shareholders.

IV.Z.7. A break in the general meeting of shareholders may take place only in specific situations, each time indicated in the grounds for the resolution on the break order, prepared on the basis of reasons presented by the shareholder applying for the break.

The Company does not apply this principle.

In accordance with the applicable law, the break in the proceedings is decided by the vote of shareholders and this is their only instruction. Thus CIECH S.A. may not guarantee the application of the above principle each time.

IV.Z.8. The resolution of the general meeting of shareholders on the order of a break explicitly indicates the date of resuming the proceedings, whereas this date may not form an obstacle for most shareholders, including the minority shareholders, to participate in the proceedings.

The Company does not apply this principle.

In accordance with the applicable law, the date of resuming the proceedings of the general meeting of shareholders is decided by vote of shareholders. Thus CIECH S.A. may not guarantee the application of the above principle each time.

IV.Z.9. The Company is committed to assure that draft resolutions of the general meeting of shareholders contained the grounds, if it helps the shareholders to pass the resolution having sufficient background. If a particular item is listed on the agenda of the general meeting of shareholders on demand of the shareholder or shareholders, the Management Board or the chairman of the general meeting of shareholders asks for the grounds of the proposed resolution. In vital cases or in cases which may raise doubts of shareholders, the Company will submit the grounds, unless it will otherwise provide the shareholders with information which allow passing the resolution having sufficient background.

The Company does not apply this principle.

CIECH S.A. is committed to guarantee that in justified cases draft resolutions of the general meeting of shareholders will comprise the grounds. However, this may not be possible, for example, if the item is put on the agenda of the general meeting of shareholders by a shareholder who submitted the draft resolution without grounds, the Management Board of CIECH S.A. may not be able to submit the justification unknown to it. Therefore, the Management Board of CIECH S.A. may not guarantee that this principle will always be applied.

IV.Z.12. The Management Board should provide the participants of the general meeting of shareholders with the financial performance of the Company and other significant information contained in the financial statements to be approved by the general meeting.

The Company does not apply this principle.

Pursuant to the applicable law, CIECH S.A. prepares the financial statements comprising information material in the opinion of the Management Board. Documents are public (available, among others, at ciechgroup.com website) and the participants of the general meeting may read them. Additionally, the concept of "other material information" is too vague to declare the application of this principle.

IV.Z.13. In the case of a demand by the shareholder for information about the Company, the Management Board of the Company is required to reply to the shareholder's demand or inform it about the refusal to give this information no later than within 30 days, if the Management Board took such decision pursuant to Article 428 §2 or §3 of the Code of Commercial Partnerships and Companies.

The Company does not apply this principle.

In accordance with the applicable law, in the course of proceedings of the general meeting of shareholders, the Management Board provides the shareholder, on its demand, with information about the Company, but only if it is justified for the purposes of the assessment of the item on the agenda, pursuant to Article 428 of the Code of Commercial Partnerships and Companies. In the opinion of CIECH S.A., if the Company undertakes to apply the aforementioned principle, it could lead to numerous frauds on the part of shareholders.

IV.Z.18. The resolution of the general meeting of shareholders on the stock split should not determine the nominal value of the shares at the level lower than PLN 0.50, because this could translate to a very low market value of these shares and, consequently, pose a threat to the correctness and credibility of the valuation of a listed company.

The Company's commentary concerning the manner of applying the above principle.

The principle applied when, as the result of determining the new nominal value of shares, the unit market value of shares is very low.

Conflict of interest and transactions with related parties

V.Z.5. Prior to conclusion by the Company of a material agreement with a shareholder holding at least 5% of the total number of votes in the Company or with related party, the Management Board asks the Supervisory Board to express its consent to such transaction. Prior to giving its consent, the Supervisory Board assesses the effect of such transaction on the interest of the Company. The above obligation does not apply to typical transactions concluded on arm's length terms in the course of the Company's day-to-day operations between the Company and its related parties, which are the capital Group companies.

If the decision concerning the conclusion by the Company of a material agreement with a related party is taken by the general meeting, prior to taking such decision, the Company provides all shareholders with the access to information necessary to perform the assessment of the effect of this transaction on the Company's interest.

The Company's commentary concerning the manner of applying the above principle.

Relevant provisions will be introduced to the Regulations of the Supervisory Board.

V.Z.6. In its internal regulations, the Company determines criteria and circumstances, which may lead to the conflict of interest in the Company, and the rules of conduct, if the conflict of interest occurs or is likely to occur. The internal regulations of the Company comprise, among others, the methods of preventing, identifying and solving conflicts of interest, and rules for excluding a member of the Management Board or the Supervisory Board from the participation in solving the issue subject to conflict of interest or at risk of such conflict.

The Company does not apply this principle.

Internal regulations of CIECH S.A. have not governed the above issues before. The Company is analysing the matter with regard to possible introduction of relevant provisions to the Regulations of the Supervisory Board and the Regulations of the Management Board, reflecting the provisions of the Law.

Remunerations

VI.Z.1. Incentive schemes should be constructed in a way ensuring, among others, that the level of remuneration of the Company's Management Board Members and its key managers depends on the long-term financial standing of the Company and the long-term increase in the value for shareholders and the stability of enterprise operations.

Not applicable.

There are no incentive schemes in CIECH S.A., but Management Board Members and key managers are covered by the bonus system based on precisely selected KPIs. In the opinion of CIECH S.A., this a an effective incentive strategy.

VI.Z.2. In order to relate the remuneration of the Management Board Members and key managers with long-term business and financial goals of the Company, the period between vesting of options or other instruments under share-based incentive schemes of the Company and the possibility to exercise them should be at minimum two years.

Not applicable.

CIECH S.A. did not provide for incentive schemes based on share-related instruments under the system of remuneration for the members of Company's bodies and key managers.

VI.Z.4. The Director's Report of the Company comprises the report on the remuneration policy, including, at least:

1) general information about the remuneration system established in the Company,

2) information on the conditions and the remuneration level of each Management Board Member by fixed and variable components of remuneration, indicating key parameters for determining variable components of remuneration and rules for severance payments and other payments related to the termination of the employment contract, commission contract or another relationship of similar nature – separately for the Company and for each entity of the Capital Group,

3) information on non-financial components of remuneration due to particular Management Board members and key managers,

4) indication of significant changes, which were introduced in the remuneration policy in the last financial year, or information about their lack,

5) assessment of operation of the remuneration policy with regard to the implementation of its goals, in particular the long-term increase in the value for shareholders and the stability of enterprise operations.

The Company does not apply this principle.

CIECH S.A. does not have the remuneration policy, thus the principle may not applied. However, in accordance with the applicable law, CIECH S.A. presents information on the remuneration of Management Board members and Supervisory Board members in its Director's Report.

7.3. Internal control and risk management system in the process of developing financial statements and consolidated financial statements

The Management Board of CIECH S.A. is responsible for the internal control system in the Company and its efficiency in the process of preparing financial statements and periodical reports developed and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State.

The Company's effective internal control and risk management system in the financial reporting process operates through:

- preparation of procedures specifying the principles and division of responsibilities for the development of financial statements, including the guarantee of their quality,
- establishment of the scope of reporting based on applicable International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted for implementation in the European Union and related interpretations announced in the form of European Commission Regulations,
- development, implementation and supervision of the use of coherent accounting principles in the CIECH Group's companies,
- semi-annual reviews and annual audits of published financial statements of CIECH S.A. and the CIECH Group by an independent auditor,
- procedures for authorization of financial statements prior to their publication.

The Management Board member responsible for financial matters supervises the process of preparing the Company's financial statements and periodical reports from the subject-matter point of view. The Finance and Accounting Division is responsible for the organization of work related to the preparation of financial statements and reports directly to the Member of Management Board of CIECH S.A. The uniformity of standards applied in the Group guarantees that all companies apply uniform accounting principles of the CIECH Group and uniform consolidation principles in accordance with IAS/IFRS.

The scope of data disclosed in published periodical reports results from the Company's accounting records and additional information submitted by individual organizational units of CIECH S.A. Companies of the Capital Group submit the required data in the form of reporting packages for the purpose of developing consolidated financial statements of the Group. The scope of data disclosed within the Capital Group is defined by the disclosure obligations specified in IAS/IFRS and results from them. Monitoring of changes in IAS/IFRS is conducted on an ongoing basis in order to determine the necessity for updating the scope of reporting.

In accordance with applicable regulations, the Company submits its financial statements to be reviewed and audited by the independent registered auditor.

The Supervisory Board selects the registered auditor from a group of reputable auditing firms, guaranteeing high standard of services and the required independence. So far, agreements for carrying out the audit of financial statements by the registered auditor were concluded by the Supervisory Board with the selected auditor on an annual basis.

On 4 June 2013, the Supervisory Board of CIECH S.A. selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw as the registered auditor to perform the half-year review and to audit the annual separate financial statements of CIECH S.A. and the consolidated financial statements of the CIECH Group for 2013, 2014 and 2015 with the possibility of termination of the contract after each year.
On 26 May 2015, the Supervisory Board of CIECH S.A. changed the registered auditor selected to audit the financial statements for 2015 by:

- the resignation from the services of KPMG Audyt sp. z o.o. sp. k. with its registered office in Warsaw, and
- the selection of PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw to perform the half-year review and the audit of the separate financial statements of CIECH S.A. and the consolidated financial statements of the CIECH Group for 2015,

moreover, it selected PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw to be the registered auditor and perform the half-year review and the audit of separate financial statements of CIECH S.A. and the consolidated financial statements of the CIECH Group for 2016 and 2017.
Procedures for authorization of financial statements prior are specified in the Company. Reports for the Q1, Q3 and Q4 (Q4 – if published) are not verified by the auditor, and prior to their publication, they are analysed by the Audit Committee of the Supervisory Board and approved by the Management Board. Semi-annual and annual periodical reports are submitted to the Supervisory Board and Company Shareholders after the conclusion of the appropriate review or audit by the auditor. Annual reports adopted by the Management Board of the Company, after being opined by the Audit Committee and assessed by the Supervisory Board, are approved by the General Meeting of Shareholders.
Prior to the publication of annual or half-year financial statements, conclusions from the audit of the financial statements are presented to the Audit Committee. Representatives of the Audit Committee analyse the results of the audit and review at closed meetings with the Company auditor. The registered auditor also presents a Letter to the Management Board, which contains recommendations for the Management Boards of Group Companies based on results of the audit or review of the financial statements in a given year. The recommendations from the auditor are discussed by the Audit Committee along with the management of the Finance and Accounting Division for the purpose of their implementation.

Financial data constituting the basis of financial statements and periodical reports comes from the finance and accounting system, where transactions are recorded in accordance with the Company's accounting policy (approved by the Management Board) on the basis of International Accounting Standards. The accounting records of CIECH S.A. are kept in the ERP integrated IT system. The modular structure of the system provides a transparent division of competences, coherence of operation records in ledgers, and inspection of reconciliation of the general ledger and subsidiary ledgers. The capabilities of the system allow it to adapt to changing accounting principles or other legal regulations on an ongoing basis. The system keeps full technical and operational documentation which is updated periodically pursuant to Article 10 of the Accounting Act of 29 September 1994.

The access to the informational resources of the IT system is limited by appropriate authorizations for authorized employees. The employees have access only to those areas of the system that they are concerned with. The access control is present at every stage, starting with the input of source data, through data processing and ending with the generation of output information.

The effects of the application of control and risk management procedures in the preparation of CIECH S.A. and the CIECH Group's financial statements are reflected in the efficiency and high quality reports, as confirmed by the opinions issued by certified auditors after financial statements audit, high scores of report recipients, and high rankings of CIECH S.A. in The Best Annual Report contest, organized by the Institute of Accounting and Taxes under the patronage of the Warsaw Stock Exchange.

The selection of the entity authorized to audit the financial statements of CIECH S.A. and the CIECH Group is the responsibility of the Company's Supervisory Board (after prior recommendation of the Audit Committee to the Supervisory Board), which has specified the following principles of Auditor selection for the purpose of ensuring the independence of the opinion:

- the entity authorized to audit financial statements may not conduct audits of the Company/Group for more than 5 subsequent years;
- the entity authorized to audit financial statements may again carry out audits of the Company/Group after at least 2 years have passed;
- a key registered auditor may not carry out financial revision of the Company/Group for a period of more than 5 subsequent years;
- a key registered auditor may again carry out financial revision of the Company/Group after at least 2 years have passed.

7.4. Shareholders of CIECH S.A. holding significant blocks of shares

Shares of CIECH S.A. are quoted on Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

As at 31 December 2015, the share capital amounted to PLN 263,500,965 and is divided into 52,699,909 shares with a nominal value of PLN 5 each, including:

- 20,816 A-series ordinary bearer shares,
- 19,775,200 B-series ordinary bearer shares,
- 8,203,984 C-series ordinary bearer shares,
- 23,000,000 D-series ordinary bearer shares,
- 1,699,909 E-series ordinary bearer shares.

To the best knowledge of the Company, as at the day of approving this report, entities holding significant blocks of shares (at least 5%) are the entities listed below:

Shareholder	Type of shares	Number of votes at the General Meeting of Shareholders	Share in the total number of votes at General Meeting of Shareholders	Stare in share capital (%)	Number of votes at the General Meeting of Shareholders
KI Chemistry s. à r. l. with its registered office in Luxembourg*	**Ordinary bearer**	**26,952,052**	**26,952,052**	**51.14%**	**51.14%**
ING Otwarty Fundusz Emerytalny**	Ordinary bearer	5,000,000	5,000,000	9.49%	9.49%
Other	Ordinary bearer	20,747,857	20,747,857	39.37%	39.37%

** on the basis of the list of entities holding at least 5% of votes at the Extraordinary Meeting of Shareholders of CIECH S.A. on 7 March 2016, CR 8/2016 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and on Public Companies.*

*** on the basis of the list of entities holding at least 5% of votes at the Extraordinary Meeting of Shareholders of CIECH S.A. on 7 October 2015, CR 35/2015 prepared and published pursuant to Article 70(3) of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and on Public Companies.*

7.5. Shareholders with special control rights with a description of such rights

As at the publication date of the financial statements, all shares of CIECH S.A. are ordinary bearer shares. Articles of Association of CIECH S.A. does not provide for any special control rights for the shareholders.

7.6. Restrictions concerning the exercise of the voting rights

In CIECH S.A. there are no restrictions concerning the exercise of the voting rights, such as the voting rights of holders of a specific part or number of votes, time limits concerning the exercise of voting rights, or regulations, according to which, in the case of company's cooperation, equity rights related to securities are separated from the securities themselves. Restrictions concerning the exercise of voting rights in the Company may result only from generally applicable provisions of the law.

7.7. Restrictions concerning the transfer of ownership rights to the issuer's securities

The Articles of Association of CIECH S.A. do not impose any restrictions concerning the transfer of ownership rights to securities issued by the CIECH S.A.

7.8. Description of rights for making decisions on the issue or redemption of shares

The rights of managers are specified by the provisions of the Code of Commercial Partnerships and Companies and Articles of Association of the Company. Managers do not hold specific rights to take the decision about the issue or redemption of shares.

7.9. Principles of amending the Issuer's Articles of Association

The amendment of Articles of Association of the Company is introduced under the principles specified in the provisions of the Code of Commercial Partnerships and Companies. Articles of Association do not include detailed regulations with regard to the above regulations. The amendment of Articles of Association requires a resolution of the Company's General Meeting of Shareholders and an entry in the Register of Entrepreneurs. The resolution of the General Meeting of Shareholders concerning the amendment of the Company's Articles of Association is passed by a majority of three quarters of votes. After the amendment to Articles of Association is entered into the Register of Entrepreneurs, CIECH S.A. makes a current report on this, subject available to the public. The Company's General Meeting of Shareholders may authorize the Supervisory Board to determine the consolidated text of Articles of Association.

7.10. The operations of the general meeting, its basic rights, and the description of shareholder rights and the manner of their exercise

The operations of the General Meeting of Shareholders of CIECH S.A. and its rights are governed by the Company's Articles of Association and the Regulations of the General Meeting of Shareholders of CIECH S.A. These documents are available on the corporate website of CIECH S.A. www.ciechgroup.com in the sections: "Investor relations/Corporate documents".

The General Meeting of Shareholders of CIECH S.A. is held as ordinary or extraordinary meeting in accordance with the provisions of the Code of Commercial Partnerships and Companies and Articles of Association under the principles specified in the Regulations of the General Meeting of Shareholders. The General Meeting of Shareholders is convened in a manner and under principles specified in the generally applicable provisions. The General Meeting of Shareholders is convened by an announcement uploaded to the Company's website and through the submission of a current report. The announcement is to be made at least twenty six days before the date of the General Meeting of Shareholders. The Annual General Meeting is convened by the Company's Management Board. The Supervisory Board may convene the Annual General Meeting if the Management Board does not convene it by the fixed date. The following are entitled to the right to convene an Extraordinary General Meeting:

1) the Management Board,
2) the Supervisory Board if it deems its convening as necessary,
3) shareholders representing at least half of the share capital or at least half of the total number of votes in the Company.

A shareholder or shareholders representing at least 1/20 of the share capital may demand the convening of an Extraordinary General Meeting and may put specific items on the agenda of this Meeting. The demand should be reported to the Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, along with substantiation. A shareholder or shareholders representing at least 1/20 of the share capital may:

1) demand the inclusion of specific items in the agenda of the next General Meeting – such demand should be reported to the Management Board in writing or in electronic form to the e-mail address indicated on the Company's website, no later than twenty one days before the fixed date of the Meeting and is to contain substantiation or a draft of the resolution concerning the proposed item on the meeting agenda;
2) submit drafts of resolutions concerning the items put on the agenda of the General Meeting or items that are to be included to the meeting agenda to the Company in writing or by means of electronic communication to the e-mail address indicated on the Company website before the date of the General Meeting.

According to the Regulations of the General Meeting, the Meeting may be cancelled if its convening encounters extraordinary obstacles (forces majeure) or if it is apparently aimless. Cancellation of a Meeting, the agenda of which contains specific items included upon the request of authorized entities, or which was convened upon such a request, is only possible with the consent of the requesting parties. Cancellation takes place in the same way as convening, in such a way that shareholders will be subject to the least negative effects. Changing of the date of the Meeting takes place in the same way as its cancellation, even if the proposed meeting agenda is not subject to change.

According to Articles of Association of CIECH S.A., the competences of the General Meeting include in particular:

1) consideration and approval of the Management Board's report on Company's activities, the financial statements for the previous year, the consolidated financial statements and the report on the capital group's activities, in which the parent company is the Company, as long as the Company prepares them, and the annual written statement of the Supervisory Board, as well as acknowledging the fulfilment of duties by Company's bodies;
2) taking resolutions on the distribution of profit or covering the losses;
3) the adoption of Regulations of the General Meeting;
4) the amendment of Articles of Association of the Company;
5) the amendment of the scope of operations of the Company;
6) the sale or lease of the enterprise or of its organized part and establishment of a limited property right on it;
7) the appointment and dismissal of the Supervisory Board members and determination of the amount of remuneration for the Supervisory Board Supervisory Board Members;
8) the increase or reduction in the share capital;
9) passing resolutions concerning the bonds issue, including bonds exchangeable for shares;
10) the merger of the Company with other companies, division and transformation of the Company;
11) dissolution of the Company;
12) expressing the consent for the acquisition of shares by the Company for the purposes of redemption and establishing the conditions of share redemption;
13) passing other resolutions provided for in the provisions of the law or in these Articles of Association.

According to § 21(2)(3) of the Articles of Association of CIECH S.A., the items raised at the General Meeting of CIECH S.A. are considered and opined on by the Supervisory Board of CIECH S.A.

Shareholders may participate in the General Meeting and exercise the voting right in person or through a proxy. The power of attorney should be granted in writing or in electronic form. A shareholder granting or revoking the proxy for participation in the General Meeting in electronic form will inform the Company by e-mail to the address wza@ciechgroup.com.

According to the Regulations of the General Meeting of CIECH S.A., the General Meeting is attended by the participants of the General Meeting and members of the Management Board and the Supervisory Board, in composition which allows them to provide factual answers to questions asked during the Meeting. In addition, the following persons may take part in the Meeting:

1) experts, advisers and Company's employees, the presence of which is deemed purposeful by the Management Board, Supervisory Board or the Chairman,
2) persons servicing the Meeting,
3) representatives of mass media, as long as the Meeting does not object to their presence by way of resolution,
4) persons referred to Article 370 § 3 and Article 395 § 3 sentence 2 of the Code of Commercial Partnerships and Companies.

The Chairman of the Meeting is selected from the participants of the Meeting. The Chairman directs the course of the Meeting in accordance with the adopted meeting agenda, provisions of the law, Articles of Association and Regulations of the General Meeting, ensuring an efficient course of the Meeting with respect to the rights and interests of all Shareholders.

The competences of the Chairman of the General Meeting include in particular:

1) keeping watch over adherence to the regulations, including the Regulations of the General Meeting by participants of the Meeting and if necessary, making of the appropriate order decisions in this respect,
2) opening discussions on individual items on the meeting's agenda, giving the floor,
3) taking the floor in the case of statements:
   - ✓ exceeding the established time limit for statements or replicas, or
   - ✓ on items not included in the meeting's agenda, or
   - ✓ containing insulting content,
4) closing discussions on individual items of the meeting's agenda,
5) closing the lists referred to in § 42 (44) of General Meeting Regulations of CIECH S.A. (list of candidates for members of the Management Board, including the President of the Management Board or Supervisory Board),
6) establishing – on the basis of accepted applications – the contents of draft resolutions of the Meeting,
7) calling for votes, watching over the correct course of voting, signing of all documents containing voting results and announcement of voting results,
8) issuing order dispositions applicable in the meeting place,
9) settling procedural doubts and clarification – if necessary, on the basis of obtained legal opinions – of legal and regulatory matters,
10) stating the conclusion of the meeting's agenda,
11) adjourning the Meeting after the conclusion of the meeting agenda,
12) making other decisions of an order nature.

The Chairman may independently order breaks at the meeting other than the breaks ordered by the Meeting pursuant to Article 408 § 2 of the Code of Commercial Partnerships and Companies. Breaks should be ordered by the Chairman in such a way, that the Meeting can be concluded on the day of its commencement.

The Chairman may introduce the consideration of an application and making of a resolution on appointing an extraordinary general meeting to the meeting agenda, as well as other ordinal matters, including in particular:

1) admission to the meeting place of the persons referred to in § 8 (2) p. 1–3 in General Meeting Regulations of CIECH S.A,
2) application for a change in the order of considering matters contained in the meeting agenda,
3) selection of commissions provided for in the Regulations.

Participants of the Meeting may place substantive applications concerning the matters included in the meeting's agenda, ordinal applications and an application for convening an extraordinary general meeting.

Drafts of resolutions proposed for acceptance by the Meeting are uploaded to the Company website. Resolutions of the CIECH S.A. General Meeting are passed by absolute majority of votes unless the regulations of the Code of Commercial Partnerships and Companies stipulate otherwise.

The Regulations of the General Meeting of Shareholders do not provide for the possibility of voting by correspondence as referred to in Article 411^1 of the Code of Commercial Partnerships and Companies.

The Articles of Association do not provide for the possibility of participating and expressing opinion by means of electronic communication in the course of the Meeting.

Voting is carried out as open voting. Secret ballot is ordered:
1) during elections,
2) for applications for dismissal/appointment of members of Company's bodies,
3) for applications for dismissal of Company liquidators,
4) for applications for holding accountable the persons specified in items 2) and 3),
5) in personnel matters,
6) upon the demand of even one of the participants of the Meeting.

The right to demand secret ballot is not applicable when resolutions are made on order matters. The Meeting may repeal the secret of ballot in matters concerning the selection of the commissions appointed by it.

7.11. Composition and code of conduct of the management and supervisory bodies of the Issuer and their committees The Management Board of CIECH S.A.

According to § 23(1) of the Company's Articles of Association, the Management Board consists of at least two members. The Supervisory Board appoints the Chairman of the Management Board and other Board members. The Supervisory Board determines the number of Board Members. The joint term of the Management Board members lasts three years.

The seat of a Board Member expires at the latest with the day on which a General Meeting is held approving the financial statements for the last full financial year of the Member's function as a Board Member. The expiration of a Member's seat also takes place as a result of death, resignation or dismissal from the Board.
The Management Board's competences include all matters and economic decisions and other decisions not reserved by the regulations of the Code of Commercial Partnerships and Companies or the stipulations of the Company's Articles of Association as belonging solely to the General Meeting or Supervisory Board.
Two Board Members jointly or one Board member together with an proxy are authorized to make declarations of will and to sign them on behalf of the Company.

The current joint term of the Company's Management Board commenced on 22 May 2013. A detailed description of segregation of duties of individual Board Members has been specified in the resolution of the Management Board.
The Management Board of CIECH S.A. operates on the basis of the regulations passed by the Management Board and approved by the Supervisory Board. Resolutions of the Management Board are adopted by an absolute majority of votes cast. In the event of equal split of votes, the vote of the President of the Management Board prevails. In accordance with the principles of best practices, Management Board Regulations state that in the event of a conflict of the Company's interest with the personal interests of a Board Member, his spouse, relatives or kinsman of the second degree or persons with whom he has a personal relationship, he should abstain from participation in the settlement of such matters, and request for this to be noted in the Board's meeting protocol.
According to the Management's Regulations, Management Board's resolutions are required in respect of matters exceeding the scope of ordinary Company's activities including in particular:

1) the approval and amendment of the Management Board's Regulations;
2) the approval and amendment of the Company's Organizational Regulations;
3) the acceptance of applications referred to the Supervisory Board or General Meeting;
4) convening of General Meetings and acceptance of proposed agendas;
5) the acceptance of annual and long-term financial plans and development strategies for the Company;
6) the grant of proxy or general power of attorney;
7) taking out credit and loans;
8) the grant of loans and gifts;
9) the disposal of a right or assumption of a liability exceeding the amount of PLN 500 thousand;
10) the application for bank guarantees, assumption of liabilities under promissory notes, the grant of all types of guarantees and the establishment of other securities.

A Board's resolution is also required in matters not exceeding the scope of ordinary Company's activities if its passing is requested by any of the Management Board's Members.

As of 1 January 2015, the Company's Management Board performed its function in the following composition:

1) Dariusz Krawczyk – President of the Management Board,
2) Artur Osuchowski – Management Board Member,
3) Maciej Tybura – Management Board Member.

On 22 July 2015, the Supervisory Board of the Issuer dismissed Dariusz Krawczyk – the President of the Management Board, determined that the number of Members of the Management Board is 2 (two) persons and entrusted the function of the President of the Management Board of CIECH S.A. with the Management Board Member — Maciej Tybura.
On 26 October 2015, the Supervisory Board of the Issuer determined that the number of Management Board Members is 3 (three) persons, appointed Artur Król and entrusted him with the function of the Management Board Member.
As at 31 December 2015, the Company's Management Board performed its function in the following composition:

1) Maciej Tybura – President of the Management Board,
2) Artur Król – Management Board Member,
3) Artur Osuchowski – Management Board Member.

The body responsible for establishing the principles and level of remuneration for the Management Board members is the CIECH S.A. Supervisory Board.
Detailed information about CIECH S.A.'s Management Board Members is presented below.

Name and surname	Maciej Tybura
Position	**President of the Management Board of CIECH S.A. since 22 July 2015, Management Board Member of CIECH S.A. since 13 October 2014,**
Qualifications	Graduated from Poznan University of Economics with a specialization in Corporate Finance and Accounting. In addition, he is a graduate of postgraduate MBA (University of Economics in Wroclaw) and Cost Management (Wroclaw School of Economics).
Experience	At the beginning of his career, he was associated with the Hoghtief Group and Wrozamet (1997–2002), where he worked on strategic planning, investments and controlling. He served several management functions in companies of KGHM Group, including the position of the Vice President of the Management Board of KGHM Polska Miedź S.A. (2008–2012).

	A member of numerous Supervisory Boards: CIECH S.A., PCC Exol, KGHM International, Telefonia Dialog, Pol-Miedz Trans, Walcowania Metali Nieżelaznych, PIGO. He still serves as the Chairman of the Supervisory Board of KGHM TFI and PHP Mercus, and sits on the Supervisory Board of Tauron Polska Energia.
Scope of responsibilities in the CIECH Group	**Supervision over organisational units:** • Group Management Office • Strategy Department • Human Resources Department • Audit and Control Department • Legal Counsel team • IT Department • Communications Department • Assets Management Department • PURCHASE DIVISION, including: ✓ Raw Materials Purchase Department ✓ Investment and Technical Purchases Department • Finance and Accounting Department, including: ✓ Accounting Department ✓ Finance Management Department ✓ Controlling Department ✓ Inowrocław Branch ✓ Nowa Sarzyna Branch

Name and surname	**Artur Król**
Position	**Management Board Member of CIECH S.A. since 26 October 2015**
Qualifications	He graduated from the Wrocław University of Technology, Faculty of Computer Science and Management, in Management and Marketing. He is also a graduate of post-graduate course at Warsaw School of Economics – "Value Based Management".
Experience	He has been associated with KGHM Polska Miedź S.A. Group from the beginning of his career. He started his work in the Corporate Governance Department, next he was the Head of Implementation Department (later Marketing and Development) in Fundusz Inwestycji Kapitałowych KGHM Metale S.A. In 2006–2008 he worked in Wałbrzyskie Zakłady Koksownicze "Victoria" S.A. where he served as the Investment and Development Director. In 2008–2012, he was the founder and General Manager of the Central Purchase Department at KGHM Polska Miedź S.A. He also served as the President of the Management Board in Przedsiębiorstwo Budowy Pieców Przemysłowych "PIEC-BUD" Wrocław Sp. z o.o. (2013-2014). Recently, the General Manager of the Branch of Huta Miedzi "Głogów" (2014–2015). Artur Król was the member of the following Supervisory Boards: KGHM Ecoren S.A., KGHM Shanghai Copper Trading Co. Ltd, PHP Mercus Sp. z o.o.
Scope of responsibilities in the CIECH Group	**Supervision over organisational units:** • PRODUCTION DIVISION, including: ✓ Production Department ✓ Facilities Maintenance Department ✓ Energy Department • Environmental Department • Investment Management Department • Department of Continuous Improvement of the Group Systems

Name and surname	**Artur Osuchowski**
Position	**Board Member of CIECH S.A. since 2 April 2008**

Name and surname	Artur Osuchowski
Qualifications	Graduate of the Private Higher School of Business and Administration in Warsaw, Faculty of Economics, majored in Finance and Banking. Completed professional courses in management of company value, appraisal of companies on the capital market, restructuring of company's activity. Holder of the scholarship of the "Die Zeit" weekly, American Council of Germany, Dreager Foundation.
Experience	In 1996–1997, the analyst in the Management Accounting Department at Raiffeisen Bank Polska. From 1998 to 2001, senior consultant in the Corporate Finance department at Ernst & Young (responsible for mergers and acquisitions on the capital market and strategic projects related to restructuring and reorganization of companies' operations). In 2001–2003, he was senior consultant at the Corporate Finance Department at Capgemini. Responsible for mergers and acquisitions on the capital market and strategic projects related to restructuring and reorganization of companies' operations. In 2003–2008, he acted as the manager at KPMG Advisory in the Economic Consulting Department. Responsible for the development of services in the scope of strategic projects, reorganization of companies' operations and projects related to the financing of operations, as well as the support of direct investments.
Scope of responsibilities in the CIECH Group	**Supervision over organisational units:** • Project Management and Entities Supervision • Marketing and Communication Department • European Funds Department • SALES DIVISION, including: ✓ Soda Ash Sales Department ✓ Baking Soda Sales Department ✓ Salt Sales Department ✓ Sales Logistics and Administration Department ✓ Sales Analysis Support Department ✓ Business Development Position • Independent positions, including: The Representative of the Management Board of CIECH S.A. for Integrated Quality Management System and Information Security; Coordinator of Integrated Management System in the Group, the Representative of the Management Board of CIECH S.A.; Information Security Administrator of CIECH S.A.

Supervisory Board of CIECH S.A.

Pursuant to § 20(1) the Supervisory Board consists of five to nine Members appointed by the General Meeting. The joint term of the Supervisory Board Members lasts three years.
The Supervisory Board of CIECH S.A. operates on the basis of the regulations passed by the Supervisory Board and approved by the General Meeting. The appointment and dismissal of Supervisory Board members are the competences of the General Meeting. The Supervisory Board appoints the Chairman of the Supervisory Board from among its members and, if necessary, his deputy and secretary. The Supervisory Board supervises the Company's operations.

The competences of the Supervisory Board include in particular:

1) the assessment of the Management Board's report on the Company's activity and financial statements for the previous financial year and the consolidated financial statements and the Board's report on the activity of the Group, in which the Company is a parent company as long as the Company develops them in respect of their compliance with ledgers and documents and the factual state and Management Board's motions, concerning the distribution of profit or covering of losses and the submission to the General Meeting of an annual written report on the results of these assessments;
2) giving opinions on the Company's activity programs developed by the Management Board;
3) considering and giving opinions on matters that are to be the subject of resolutions of the General Meeting;
4) adoption of the Supervisory Board's regulations;
5) approval of the Management Board's regulations;
6) appointment and dismissal of the Management Board Members, including the President of the Management Board;
7) determination of rule for remuneration and their levels for the Management Board Members, including the President of the Management Board;
8) selection of registered auditor to carry out an audit of the Company's financial statements and of the consolidated financial statements of the Capital Group;
9) expression of consent to acquire or sell real estates, perpetual usufruct or share in the real estate;
10) expression of consent for disposal of rights or assuming liabilities exceeding the amount of PLN 20,000,000 (in words: twenty million zlotys) excluding:

a) purchase and sales of raw materials, intermediate goods, and products related to the operations of the Company;

b) assuming liabilities related to the main operations of the Company in the amount not exceeding 10% of the Company's equity;
c) activities requiring the consent of the General Meeting.
11) giving opinions about the candidates for the members of supervisory boards of companies, in which the Company is a partner or a shareholder;
12) approving drafts of annual business plans and budget of the Company, Capital Group and their amendments;
13) expressing the consent to charge assets of the Company with the amount (sum of security) exceeding PLN 10,000,000.00 (in words: ten million zlotys), in the form of one-off transaction or a series of related transactions;
14) expressing the consent to grant sureties and guarantees by the Company to entities other the subsidiaries within the meaning of the Code of Commercial Partnerships and Companies;
15) expressing the consent to make the payment of interim dividend;
16) expressing the consent to exercise by the Company of the ownership rights awarded to it as the partner and shareholder of the subsidiary, to the extent determined in item 10) above.

The Supervisory Board passes resolutions with an absolute majority of votes in the presence of at least half of the members of the Supervisory Board and in the event of a tied vote the Supervisory Board Chairman's vote is decisive. According to the Articles of Association of CIECH S.A., the Supervisory Board may pass resolutions without convening a meeting, by way of written vote or vote by means of direct communication at a distance, however in order for the adoption of a resolution to be effective in such a case, it is necessary to inform all Supervisory Board members of the content of the draft of the resolution. Supervisory Board Members may participate in the adoption of resolutions by the Supervisory Board by casting their vote in writing through another Supervisory Board Member. Casting of a vote in writing may not be concerned with matters introduced to the agenda during a meeting of the Supervisory Board.
Supervisory Board meetings are held as needed, however, no less frequently than once per quarter.
Every year, the Supervisory Board of CIECH S.A. submits a report on the Activity of the Supervisory Board for the given financial year to the Annual General Meeting of the Company. The report contains a detailed discussion on the activity of the Supervisory Board, discussion on the implementation by the Company's Management Board of action plans, the assessment of the Company's Management Board report on the activity of the Company and the CIECH Group, financial statements of the Company and the CIECH Group and the motion of the Company's Management Board concerning division of profits or covering of losses.
Having in mind of the highest standards and best practices and in order to provide the possibility for reliable assessment of the Company by shareholders, the Supervisory Board of CIECH S.A. makes a concise assessment of the situation of CIECH S.A. This assessment is presented annually during the Annual General Meeting of the Company, at a time allowing CIECH S.A.'s shareholders to become acquainted with the document.
As at 1 January 2015 the Supervisory Board performed its function in the following composition:

1) Jan Kulczyk, PhD – Chairman of the Supervisory Board
2) Tomasz Mikołajczak – Vice Chairman of the Supervisory Board
3) Wojciech Stramski – Secretary of the Supervisory Board
4) Piotr Augustyniak
5) Mariusz Nowak
6) Artur Olech.

Owing to the death of Jan Kulczyk, PhD. – the Chairman of the Supervisory Board, the Extraordinary General Meeting of Shareholders appointed Mr Sebastian Kulczyk as a Member of the Supervisory Board as of 26 August 2015.
On 8 October 2015 the Supervisory Board selected Mr Sebastian Kulczyk for the position of the Chairman of the Supervisory Board.
As at 31 January 2015 the Supervisory Board performed its function in the following composition:

1) Sebastian Kulczyk – Chairman of the Supervisory Board
2) Tomasz Mikołajczak – Vice Chairman of the Supervisory Board
3) Wojciech Stramski – Secretary of the Supervisory Board
4) Piotr Augustyniak
5) Mariusz Nowak
6) Artur Olech.

The body responsible for establishing the principles and levels of remuneration for the Supervisory Board members is the General Meeting. Detailed information on the levels of remuneration paid to individual Supervisory Board Members can be found in the section II.43.5.
Detailed information about CIECH S.A. Supervisory Board Members is presented below.

Name and surname	Sebastian Kulczyk
Position	**Chairman of the Supervisory Board of CIECH S.A. since 8 October 2015,** **does not conduct competitive activities towards CIECH S.A.**
Qualifications	A graduate in management and marketing from the Faculty of Law of the Adam Mickiewicz University in Poznań. He studied at the London School of Economics.
Experience	Since 2010 he has been associated with Kulczyk Investments Group, and since December 2013 he has been Chief Executive Officer of Kulczyk Investments S.A.

Name and surname	Tomasz Mikołajczak
Position	**Deputy Chairman of the Supervisory Board of CIECH S.A. since 10 July 2014, Supervisory Board Member since 7 July 2014.** **does not conduct competitive activities towards CIECH S.A.**
Qualifications	A graduate of the Faculty of Law and Administration of the University of Warsaw. Since 1998 he is registered on the list of legal advisor at the Regional Chamber of Legal Advisors in Warsaw.
Experience	Since 1980, a private investor, who has conducted his business activity mainly through a holding company Towarzystwo Inwestycji Kapitałowych S.A., through which short- and medium term investments of the private equity type are made. He mainly invests in the sectors of real estate, telephony and IT, construction and industrial automatics, as well as in companies dealing with infrastructure design and construction. Since the beginning of his activity, Tomasz Mikołajczak has implemented several privatization processes as a strategic investor, he also participated in acquisitions of many companies and in restructuring processes. He privately also invests in the capital market and in financial instruments. He is an academic and advisor of many young entrepreneurs, who effectively operate in many areas of the Polish market. A member of Supervisory Boards of Kulczyk Investments S.A., Kulczyk Holding S.A., Polish Energy Partners S.A. and Polenergia Holding S.à.r.l., as well as the Chairman of the Audit Committee of the Polish Business Round table.

Name and surname	Wojciech Stramski
Position	**Secretary to the Supervisory Board of CIECH S.A. since 10 July 2014, Supervisory Board Member since 7 July 2014.**
Qualifications	He graduated from the Marshall School of Business at the University of Southern California. He is a member of the Association of Chartered Certified Accountants (ACCA Member) and the Association of International Internal Auditors (IIA). He also holds accreditation which allows him to conduct effectiveness verification of the internal audit function according to IIA standards.
Experience	He started his professional career at KPMG within the structure of the team responsible for the conduct of financial audits of companies from various sectors. For two years, as a Manager of the Risk Advisory Services Department at KPMG in Poland, he rendered advisory services in the area of, among other things, logistic processes. For more than 8 years he has focused his activity on issues connected with identification and implementation of solutions, both of an operational and strategic nature, supporting the growth in companies' goodwill. He has worked for large companies, such as Altria Corporate Services in Switzerland (a holding of the Philip Morris Group) and for the Honeywell Group. The scope of his duties included but was not limited to: the conduct of operational effectiveness studies of departments of Philip Morris and Honeywell in the EMEA region for the Audit Committee of the Supervisory Board in the USA, for the purposes of ensuring the of goodwill by both those entities. Before joining the Kulczyk Holding in 2012, he was a Member of the Management Board of Magro International (companies belonging to Kulczyk Holding and Pon Holding) and a manager of the Internal Audit Department at KPI Polska Group. In Kulczyk Holding he serves the function of a Director of the Portfolio Management Department, where he supervises investment undertakings of the KI/KH Group.

Name and surname	Piotr Augustyniak
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014.** **does not conduct competitive activities towards CIECH S.A.**
Qualifications	A graduate from the University of Warsaw, the Faculty of English Philology and the Faculty of Business Administration.

Name and surname	Piotr Augustyniak
Experience	Currently he conducts his own business activity (financial advisory services). In 1994–2011, he was employed at Enterprise Investors (EI), first as an analyst, then investment director, vice president, and in 2006–2011, as a partner. In the period from June to December 2001, he served the role of the President of the Management Board of Energoaparatura S.A. In 1993–1994, he was employed by the Ministry of Ownership Transformation, first as a project manager and then as a manager of the privatization team. In 1992–1993, he was employed as an assistant of the financial officer in the Ownership Transformation Foundation at the Ministry of Ownership Transformation. In 1991–1992, he worked at New York Times (Warsaw) as a translator. As a partner at EI, he was responsible for monitoring, entry of companies in the Warsaw Stock Exchange, transactions of sale of significant blocks of shares in the EI portfolio on the public and private markets. He participated in more than 40 transactions connected with EI companies, in particular sales on the private market of controlling blocks of shares (Bauma, Agros Nova, Opoczno), introduction of companies to the Warsaw Stock Exchange (Comp Rzeszów (currently Asseco Poland), PEP, Opoczno, Teta, Sfinks, AB, Magellan], financial restructuring of Slovak logistic company of STD Donivo (development and supervision of the restructuring plan encompassing negotiations with a group of banks financing the company). Member of supervisory boards of several Polish and foreign companies (such as: Polfa Kutno, Energoaparatura, Elektrobudowa, Wizów, Sfinks, Bauma, Opoczno).

Name and surname	Mariusz Nowak
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014.** **does not conduct competitive activities towards CIECH S.A.**
Qualifications	A graduate from the University of Szczecin, the Faculty of Economy and the Faculty of Cybernetics and Computer Science. He also holds the title of MBA of Ecole Nationale des Ponts et Chaussees in Paris.
Experience	A specialist in the field of finance, accountancy and business administration. In Kulczyk Investments and Kulczyk Holding since 2012. Earlier, starting in March 2010, the Financial Director of Kulczyk Pon Investments and the President of the Management Board of Magro International. In 1991–2010, he worked in various positions for the Wavin group, and in 2007, he assumed the function of the Managing Director of Wavin Ekoplastik. Member of the Supervisory Boards: PEKAES S.A., PEP S.A., Autostrada Wielkopolska S.A., Autostrada Wielkopolska II S.A., Autostrada Eksploatacja S.A. and AWSA Holland II BV.

Name and surname	Artur Olech
Position	**Supervisory Board Member of CIECH S.A. since 7 July 2014,** **does not conduct competitive activities towards CIECH S.A.**
Qualifications	A graduate from the Faculty of Law at the University of Warsaw and from the Faculty of Finance and Banking at the Warsaw School of Economics.
Experience	From October 1998 to February 2014, a member of the Management Board of the Generali Group. In 2010–2014, the President of the Management Board, in 2008–2010, the Vice President of the Management Board, responsible for life and pension insurance. In 2003–2008, Member of the Management Board. In 1997–1998, Director of Volkswagen Bank Polska/Volkswagen Leasing Polska-Warszawa. In 1996–1997, employed as an analyst by the Polish Institute of Managemenet (PIM Sp. z o.o.). In 1994–1997, employed in the position of a Foundation Project Manager by CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) in Warsaw. He attended numerous training sessions for top management, including training at the Harvard Business School, Kellogg School of Management and Chicago GSB. In 2012, he was granted the Personal Award for Top Manager in Insurance Industry (by Wprost magazine). Responsible for the project entitled: "Exit Processes in Transitional Economy" on behalf of the World Bank, implemented within CASE Consulting (Fundacja Centrum Analiz Społeczno-Ekonomicznych) under the supervision of Prof. Leszek Balcerowicz.

Committees of the Supervisory Board of CIECH S.A.

The following Committees function within the framework of the Supervisory Board of CIECH S.A.: Audit Committee of the Supervisory Board of CIECH S.A. and Remuneration Committee of the Supervisory Board of CIECH S.A.

Audit Committee

The Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution No 57/IV/2005 from 16 February 2005.

According to the Audit Committee Regulations the tasks of the Audit Committee include in particular:

1) monitoring of the financial reporting process
2) monitoring of the effectiveness of the internal control system
3) monitoring of the effectiveness of the internal audit system
4) monitoring of the effectiveness of the risk management system
5) monitoring of the performance of financial review activities
6) monitoring of the independence of the auditor and the entity authorised to audit the Company's financial statements.

The Audit Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity which is a part of the Report on the activity of the Supervisory Board of CIECH S.A. provided to Shareholders during the Annual General Meeting of CIECH S.A.

As at 1 January 2015 the Audit Committee was as follows:

1) Wojciech Stramski – Chairman of the Committee
2) Piotr Augustyniak – Committee Member
3) Artur Olech – Committee Member

As at 31 December 2015, the Audit Committee performed its functions in an unchanged composition.

Remuneration Committee of the Supervisory Board of CIECH S.A.

The Remuneration Committee was appointed by Resolution No 66/IV/2005 of the Supervisory Board of CIECH S.A. According to the Remuneration Committee Regulations, the primary task of the Committee is to advise the Supervisory Board on matters related to the establishment of the principles and amounts of remuneration of the CIECH S.A.'s Management Board members.

In particular the Committee's tasks include:

1) presenting the Supervisory Board with proposals of the principles of remuneration of CIECH S.A.'s Management Board members, which should account for all forms of remuneration, in particular as regards: base remuneration, remuneration system based on results, retirement system and severance payments;
2) presenting the Supervisory Board with regarding the amounts of remuneration for each CIECH S.A.'s Management Board member;
3) presenting the Supervisory Board with drafts of agreements, regulating the performance of responsibilities CIECH S.A's Management Board members;
4) discussion (with or without the involvement of the Management Board) of all problems or reservations that may arise in matters related to the remuneration of CIECH S.A.'s Management Board;
5) consideration of all other matters to which the Committee or Supervisory Board has paid attention;
6) informing the Supervisory Board of all significant matters in the general context of the Committee's activity.

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity, which is a part of the Report on the activity of the Supervisory Board of CIECH S.A., provided to Shareholders during the Ordinary General Meeting of CIECH S.A.

As at 1 January 2015 the composition of the Remuneration Committee was as follows:

1) Tomasz Mikołajczak – Chairman of the Committee,
2) Mariusz Nowak – Committee Member

As at 31 December 2015, the Remuneration Committee performed its functions in an unchanged composition.

7.12. Information concerning agreements signed between the issuer and persons in management positions providing for compensation in the event of their resignation or dismissal from their position without substantial reason or when their dismissal takes place as a result of the issuer's merging through a takeover

In the case of dismissal of Board Members from their positions, they are entitled to a one-time cash severance package in the amount of six months remuneration. The non-competition agreement with Board Members after the termination of the employment provides a compensation in the amount of 50% of monthly remuneration for a period that does not exceed 24 months.