

# Rules of Procedure for the Supervisory Board of Grupa LOTOS S.A.

consolidated text of November 5th 2019

## I. GENERAL PROVISIONS

### Section 1.

The Supervisory Board of Grupa LOTOS S.A. shall operate pursuant to the Commercial Companies Code and other applicable laws, the Company's Articles of Association and these Rules of Procedure.

### Section 2.

1. The Supervisory Board shall exercise ongoing supervision of the Company's business, across all areas of its operations. The powers and responsibilities of the Supervisory Board shall include in particular:
  - 1) Appointment and dismissal of members of the Company's Management Board following a recruitment procedure;
  - 2) Suspension, for a good reason, of any or all Management Board members from their duties, as well as delegation of Supervisory Board member(s) to temporarily stand in for Management Board members who are unable to perform their duties;
  - 3) Approval of the rules of procedure for the Management Board;
  - 4) Selection and appointment of the auditor to audit the Company's and the Group's financial statements, in compliance with the provisions of the Accounting Act;
  - 5) Assessment of the Company's financial statements in terms of their consistency with the accounting records and documents, as well as with facts; assessment of the Directors' Report on the Company's operations and the Management Board's recommendations as to the allocation of profit or coverage of loss, and submission of written reports on the findings of such assessments to the General Meeting;
  - 6) Giving opinions on any matters to be submitted for consideration by a General Meeting, whether annual or extraordinary;
  - 7) Grant of approval to members of the Management Board to serve, and receive remuneration for serving, on supervisory or management bodies of other entities;
  - 8) Approval of the implementation of an investment project and to the assumption of related liabilities if these involve expenditure or charges exceeding the equivalent of a half of the Company's share capital;
  - 9) Definition of the scope and required level of detail for annual budgets and long-term strategies, as well as dates for their submission by the Management Board;
  - 10) Approval of strategies for Grupa LOTOS S.A. and the LOTOS Group;
  - 11) Giving opinions on annual budgets;
  - 12) Giving opinions on reports on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees, and reports on best practices defined by the Prime Minister on the basis of the Act on State Property Management, for companies in which the State Treasury is a shareholder;

- 13) Representation of the Company in agreements or contracts, and in any disputes, with Management Board members;
  - 14) Adoption of the rules for management of special accounts;
  - 15) Approval of the rules and plan of sponsorship activities and assessment of the results of such activities;
  - 16) Approval of the rules of procedure for the Supervisory Board committees;
  - 17) Making decisions concerning appointment of external experts, as required by the Supervisory Board or its committees;
  - 18) Determination of the dividend payment date in the circumstances described in Art. 7.3 of the Company's Articles of Association.
2. The powers of the Supervisory Board shall also include granting consent to the Management Board for:
- 1) Setting up a foreign establishment within the meaning of double-tax treaties to which the Republic of Poland is a party;
  - 2) Disposal of non-current assets whose market value exceeds 0.1% but does not exceed 5% of total assets within the meaning of the Accounting Act of September 29th 1994, as determined based on the most recent approved financial statements;
  - 3) Assumption of any other liability or disposal of an asset whose value – under a single transaction or a series of related transactions, other than transactions performed in the ordinary course of management – exceeds the equivalent of a half of the Company's share capital, unless the power to approve such transactions has been assigned to the General Meeting;
  - 4) Any foreign equity investments made by the Company if the value of such investments does not exceed PLN 100,000,000 (one hundred million zloty) or 10% of total assets within the meaning of the Accounting Act of September 29th 1994, as determined based on the most recent approved financial statements, as well as any investments in property, plant and equipment;
  - 5) Exercise by the Company of its voting rights at the general meeting of any subsidiary or other company if the value of shares held by the Company, measured at the acquisition or subscription price, exceeds one-fifth of the Company's share capital, where the vote relates to:
    - a) Allocation of profit or coverage of loss,
    - b) Share capital increase or reduction,
    - c) Merger with another company or company transformation,
    - d) Sale or lease of the company's business or its encumbrance with usufruct rights,
    - e) Amendment to the company's articles of association;
  - 6) Formation of commercial-law companies or joining other companies, contributions to be made to pay for shares in companies, and disposals of shares, if the Company's existing equity interest in a given company, or interest to be held by the Company following the acquisition of or subscription for the shares, measured at the acquisition or subscription price, does not exceed PLN 100,000,000 (one hundred million zloty) or 10% of total assets within the meaning of the Accounting Act of September 29th 1994, as determined based on the most recent approved financial statements;
  - 7) Acquisition of real property, right of perpetual usufruct of or interest in real property, with a value of up to PLN 5,000,000 (five million zloty), as determined based on appraiser valuation, as well as disposal of real property, right of perpetual usufruct of

or interest in real property, with a value of up to PLN 200,000 (two hundred thousand złoty), as determined based on appraiser valuation;

- 8) Payment of interim dividend;
- 9) Execution of any contract for the provision of legal services, marketing services, public relations and social communication services, or management consultancy services, if the aggregate amount of fees for the services provided under such contract or any other contract concluded with the same entity exceed PLN 500 000 (five hundred thousand złoty), VAT exclusive, per year;
- 10) Amendment to an agreement for the provision of legal services, marketing services, public relations and social communication services, or management consultancy services whereby the fees under the agreement are increased above the amount referred to in item 9;
- 11) Execution of any agreement for the provision of legal services, marketing services, public relations and social communication services, or management consultancy services, where no maximum fees are specified;
- 12) Execution of a donation agreement, or any other agreement having a similar effect, with a value exceeding PLN 20,000 (twenty thousand złoty) or 0.1% of total assets within the meaning of the Accounting Act of September 29th 1994, as determined based on the most recent approved financial statements;
- 13) Execution of an agreement on release from debt, or any other agreement having a similar effect, with a value exceeding PLN 50,000 (fifty thousand złoty) or 0.1% of total assets within the meaning of the Accounting Act of September 29th 1994, as determined based on the most recent approved financial statements.

### **Section 3.**

1. The Supervisory Board may, without prejudice to the powers of the Company's other governing bodies, express its opinions on any matters related to the Company's operations, which includes submitting motions and proposals to the Management Board; within 21 (twenty-one) days of the submission of a motion or proposal the Management Board shall inform the Chairperson of the Supervisory Board of how the motion or proposal has been used.
2. Every year, the Supervisory Board shall submit to the General Meeting a concise assessment of the Company's standing, early enough for the Company's shareholders to acquaint themselves with its contents before the date of the Annual General Meeting.

### **Section 4.**

1. Members of the Supervisory Board shall keep confidential any information obtained in connection with the exercise of their rights and performance of their duties as Supervisory Board members, and shall not make such information available to third parties unless this is necessary for proper performance of their function as Supervisory Board member.
2. In contacts with the media, the Supervisory Board members shall confine themselves to providing information that is generally accessible; information that is not generally accessible may be disclosed by the Chairperson of the Supervisory Board.

## **II. ORGANISATION OF THE SUPERVISORY BOARD AND PERFORMANCE OF ITS TASKS**

### **Section 5.**

1. The Chairperson of the Supervisory Board shall be appointed by the General Meeting.
2. The Deputy Chairperson and the Secretary shall be elected by the Supervisory Board from among its members and standing committees of the Supervisory Board shall be established at the first meeting of the Supervisory Board of a new term. The first meeting shall be held within 30 (thirty) days of the appointment by the General Meeting of the Supervisory Board for a new term.
3. The Deputy Chairperson and the Secretary may at any time be removed from office by the Supervisory Board.

### **Section 6.**

1. The Chairperson of the Supervisory Board shall coordinate activities of the Supervisory Board and represent it before the Company's other governing bodies and third parties.
2. The powers and responsibilities of the Chairperson of the Supervisory Board shall include, in particular, convening and presiding over meetings of the Supervisory Board.
3. If the Chairperson is absent or otherwise unable to perform the duties assigned to the Chairperson under these Rules of Procedure, the Deputy Chairperson, the Secretary or other member of the Supervisory Board shall be entitled to perform the duties of the Chairperson.

### **Section 7.**

1. The Secretary of the Supervisory Board shall organise the Supervisory Board's activities, shall oversee provision of organisational and technical support to the Supervisory Board, and shall be responsible for documenting the Supervisory Board's activities.
2. With respect to the duties referred to in Section 7.1 above, the Secretary shall report to the Chairperson of the Supervisory Board.

### **Section 8.**

1. The administrative and technical support for the Supervisory Board shall be ensured by the Management Board.
2. The Management Board shall designate persons from among the Company's employees to be responsible for the organisational and technical support and documentation of the Supervisory Board's activities.

### **Section 9.**

1. The Supervisory Board may set up standing or ad hoc committees from among its members to investigate specific issues.
2. Standing committees of the Supervisory Board shall include the Audit Committee, the Organisation and Management Committee, and the Strategy and Development Committee.
3. The committees referred to in Section 9.2 shall consist of three to five members. The Supervisory Board shall appoint the chairperson of each committee from among the committee members.

4. Detailed procedure for the appointment of members of the committees referred to in Section 9.2, the rules of operation of the committees, as well as the range of their powers, tasks and responsibilities shall be provided for in the rules of procedure for the respective committees.
5. The rules of procedure for the committees shall be approved by the Supervisory Board.

#### **Section 10.**

1. The Supervisory Board shall perform its duties collectively. However, it may delegate certain supervisory duties to its individual members.
2. A Supervisory Board member authorised by the Supervisory Board shall enter into management contracts with members of the Management Board in accordance with the rules defined in resolutions of the General Meeting. Any other transactions between the Company and members of the Management Board shall be executed in accordance with the same procedure.
3. The Supervisory Board shall have the right to request that an adviser be employed or expert analyses and opinions be prepared for the Supervisory Board on matters falling within the scope of its powers and responsibilities, at the expense of the Company. Contracts with the advisers or persons preparing such analyses and opinions shall be concluded by the Company's Management Board, which shall determine the financial terms of employing the adviser or preparing the expert analysis or opinion.

#### **Section 11.**

1. Acting on behalf of the Supervisory Board and on the basis of the Supervisory Board's resolution, the Chairperson of the Supervisory Board shall have the right to request that a Management Board meeting be held and that particular matters be placed on its agenda.
2. A Management Board meeting convened on the Supervisory Board's initiative shall be attended by the Chairperson of the Supervisory Board or another Supervisory Board member authorised by the Chairperson (without the right to vote).
3. The Chairperson of the Supervisory Board or another Supervisory Board member authorised by the Chairperson shall have the right to participate in any meeting of the Management Board without a special invitation, provided that the President of the Management Board is notified of such participation beforehand.

#### **Section 12.**

1. In the course of its supervisory duties referred to in Section 2, the Supervisory Board shall review the Company's financial statements and Directors' Reports on the Company's operations.
2. The Management Board shall submit the reports referred to in Section 12.1 to the Supervisory Board, through the Audit Committee, prior to their publication.

#### **Section 13.**

To enable the Supervisory Board to exercise ongoing supervision of the Company's activities, the Management Board shall submit to the Supervisory Board the Company's principal financial documents for successive accounting periods, prepared in accordance with the accounting standards applicable to the Company, as well as summary information on any events that may have a material bearing on the results of the Company's operations or its assets.

#### **Section 14.**

Members of the Supervisory Board shall exercise their rights and perform their duties in

person.

### **III. CONVENING AND CONDUCTING MEETINGS; PASSING RESOLUTIONS**

#### **Section 15.**

1. Meetings of the Supervisory Board shall be convened by the Chairperson of the Supervisory Board on his or her initiative or at the request of entitled persons, when required but no less frequently than once every two months.
2. The Chairperson of the Supervisory Board may authorise another member of the Supervisory Board to convene a meeting.

#### **Section 16.**

1. The Company's Management Board and each member of the Supervisory Board shall be entitled to request convention of a meeting of the Supervisory Board.
2. A request to convene a meeting of the Supervisory Board shall be submitted to the Chairperson, the Deputy Chairperson or the Secretary of the Supervisory Board and shall include a proposed meeting agenda but shall not require stating the reasons for the request.
3. A Supervisory Board meeting shall be convened within two weeks from the date of receiving the request; otherwise, the party submitting the request may proceed to convene such meeting, specifying the meeting's date, venue, and proposed agenda.

#### **Section 17.**

1. Members of the Supervisory Board shall be given notice of a meeting no later than seven days before its scheduled date, in writing, i.e. by letter, or by email, or by any other means of remote communication provided that they ensure effective delivery of such notice. The Chairperson of the Supervisory Board may order that the period referred to above be shortened but to no fewer than two days before the scheduled date of the meeting.
2. The notice shall specify the date, venue and agenda of the meeting.
3. No notice shall be required if all members of the Supervisory Board present at a meeting agree to waive this requirement and set the date of the next meeting.
4. Materials relating to matters included in the meeting agenda shall be delivered with the meeting notice.
5. The Chairperson of the Supervisory Board may specify a special mode or date of delivery of a meeting notice together with materials; in particular where the materials contain any material secret of the Company, the Chairperson may consent to their presentation exclusively at the meeting of the Supervisory Board.

#### **Section 18.**

1. In particularly justified cases, meetings of the Supervisory Board may also be held without being formally convened, provided that all members of the Supervisory Board are present and give their consent to the meeting and its agenda.
2. The Supervisory Board may also adopt resolutions by written ballot or by means of remote communication, in particular by email, telephone or fax, subject to Art. 388.4 of the Commercial Companies Code. For a resolution to be passed in this manner, its draft shall first be presented to all Supervisory Board members, and results of the voting shall be presented at the next meeting of the Supervisory Board.

3. If a resolution is ordered to be voted on in accordance with the procedure referred to in Section 18.2 above, the Management Board's Office, acting in consultation with the Chairperson of the Supervisory Board, shall submit to all Supervisory Board members the proposed text of the resolution (by email or fax), together with supporting documents.
4. Voting by written ballot (by circulation) or by means of remote communication may be requested by any Management Board member if a resolution needs to be adopted as a matter of urgency outside a Management Board meeting.
5. When voting on a resolution in the manner referred to in Section 18.2 above, each member of the Supervisory Board participating in the voting shall clearly state whether he/she votes in favour of the resolution or votes against it, or abstains from voting. In the absence of such indication, the vote shall be deemed not to have been cast. In the event of a vote cast by telephone, an employee of the Management Board's Office (authorised by the Chairperson of the Supervisory Board) shall prepare a report on the voting so carried out. The voting shall be deemed closed and – if a resolution is passed – the resolution shall be deemed passed on the earlier of the expiry of the time limit designated for the casting of votes and the moment when all the Supervisory Board members participating in the voting have cast their votes.
6. The Supervisory Board may also pass resolutions outside of a meeting by means of remote communication that enable all members of the Supervisory Board taking part in the voting to simultaneously communicate in real time and identify one another (e.g. a teleconference, a videoconference). The minutes of any voting carried out in such manner shall be prepared by a person designated by the Chairperson of the Supervisory Board.
7. The Management Board's Office shall notify the Management Board of holding the voting pursuant to Section 18.2 if such manner of voting has been requested by the Management Board.
8. The Management Board's Office, acting on behalf of the Chairperson of the Supervisory Board, shall promptly notify the Management Board of the results of any voting carried out in the manner referred to in Section 18.2, specifying the content of the resolutions so passed.
9. Resolutions adopted pursuant to the procedure referred to in Section 18.2 above, along with the information on how each of the Supervisory Board members voted, shall be presented at the next meeting of the Supervisory Board.

### **Section 19.**

1. Meetings of the Supervisory Board shall be held in Gdańsk or in Warsaw. In particularly justified cases,, the Chairperson may designate a different venue.
2. Means of remote communication may also be used during Supervisory Board meetings, provided that the technical means used for the purpose enable all participants to simultaneously communicate with one another.
3. Members of the Supervisory Board may attend in the Board meetings and vote by the means referred to in Section 19.2 above.
4. Supervisory Board members may vote on resolutions by casting votes in writing 'for' or 'against' a resolution through the agency of another member of the Supervisory Board, provided that draft resolutions were provided to the Supervisory Board members together with the meeting agenda.
5. Resolutions concerning matters referred to in Art. 388.4 of the Commercial Companies Code may not be voted upon in the manner described in Sections 19.3 and 19.4 above.

#### **Section 20.**

1. The Chairperson of the Supervisory Board shall set the meeting agenda, taking into account requests to convene a meeting submitted in accordance with Section 16 hereof.
2. Persons entitled to request convention of a Supervisory Board meeting under Section 16 hereof shall also have the right to request that specific matters be placed on the meeting agenda; such a request shall be binding provided it is submitted to the Chairperson of the Supervisory Board no later than seven days before the scheduled date of the meeting.
3. The meeting agenda set in a meeting notice may be expanded if all members of the Supervisory Board are in attendance at the meeting and consent to such expansion.
4. The Supervisory Board shall only resolve on matters included in the meeting agenda.

#### **Section 21.**

1. The Chairperson of the Supervisory Board shall conduct meetings, give the floor to attendees, order voting and announce voting results.
2. When conducting meetings, the Chairperson should seek to reconcile Supervisory Board members' positions on matters being decided.

#### **Section 22.**

1. No resolutions passed by the Supervisory Board at a meeting shall be effective unless all members of the Supervisory Board have been notified of the meeting and at least half of them have attended it.
2. Supervisory Board resolutions to appoint or remove any or all members of the Management Board shall require that at least two-thirds of Supervisory Board members are present.

#### **Section 23.**

Resolutions of the Supervisory Board shall be passed by an absolute majority of valid votes.

#### **Section 24.**

1. Voting shall be by open ballot. A secret ballot shall be ordered for the election or removal of the Deputy Chairperson of the Supervisory Board, the Secretary of the Supervisory Board and Committee members, as well as for the appointment or removal of Management Board members and suspension from duties, for a good reason, of any or all Management Board members. A secret ballot shall also be ordered at the request of any member of the Supervisory Board attending the meeting.
2. A secret ballot shall be held using ballot papers or other means which guarantee the secrecy of voting.
3. If a secret ballot is held and ballot papers are used, such ballot papers shall be delivered to the Chairperson or another Supervisory Board member appointed by the Chairperson, who shall determine and announce the result of the vote. The ballot papers shall be attached to the meeting minutes.
4. Each member of the Supervisory Board may request the appointment of a ballot counting committee to determine the results of a secret ballot. The person conducting the meeting shall order the appointment of a ballot counting committee. Each member of the Supervisory Board shall be entitled to propose one candidate to the ballot counting committee, including herself or himself. Only members of the Supervisory Board shall be entitled to sit on the ballot counting committee. The ballot counting committee shall consist of three members. Where more than three candidates are proposed to the ballot counting committee, the Chairperson shall order an election of the committee. The election shall be held by secret ballot. Each member of the Supervisory Board may vote for one candidate.



The three persons who receive the highest number of votes shall be elected to the ballot counting committee. Where an equal number of votes is cast for two or more candidates, the number of the committee members shall be increased.

#### **Section 25.**

1. Meetings of the Supervisory Board shall be recorded in the form of minutes. Such minutes shall include the venue of the meeting, the date and time of the meeting, the meeting agenda, full names of the attendees, a record of the meeting, contents of adopted resolutions, voting methods and results, and objections and dissenting opinions of members of the Supervisory Board.
2. The minutes shall also include information to the effect that, since the meeting has been duly convened and is attended by the required number of members, the Supervisory Board has the capacity to adopt resolutions.
3. Minutes of the meeting, once drawn up, shall be submitted to the Supervisory Board for approval. Minutes of Supervisory Board meetings shall be kept at the Company's registered office.
4. A list of persons attending the meeting shall be attached to the minutes.
5. Minutes of Supervisory Board meetings, including resolutions, shall be kept at the registered office of the Company.

#### **Section 26.**

1. Members of the Management Board may be invited to attend meetings of the Supervisory Board. The invitation may apply to specific matters included in the meeting agenda.
2. Company employees responsible for handling matters to be discussed at the meeting, consultants, advisers, a representative of the Company's auditor, and any other persons whose attendance is deemed reasonable by the Chairperson may be invited by the Chairperson, on the Chairperson's own initiative or at the request of the Management Board or members of the Supervisory Board, to attend the meeting.

#### **Section 27.**

1. The Rules of Procedure for the Supervisory Board adopted on July 14th 2017 are hereby repealed.
2. These Rules of Procedure shall come into force upon their approval by the Supervisory Board.