

# PKP CARGO Group Corporate governance

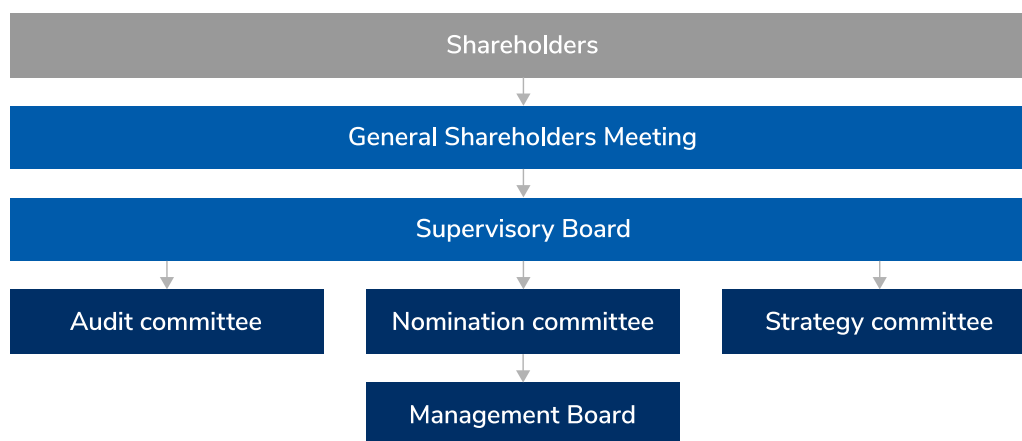
PKP CARGO S.A. as a public company wants to build permanent and trust-based relations with the Company's stakeholders, including investors and financing institutions. Accordingly, the Company has committed to apply transparent corporate governance principles supporting efficient management, professional oversight, respect for shareholder rights and transparent communication with the market. The Company cares for accurate communication with the market in order to guarantee equal access to information that drives its value. PKP CARGO S.A. appreciates the importance of corporate governance principles for building the image of PKP CARGO S.A. as a reliable company that operates effectively and transparently. PKP CARGO S.A. is also aware of the fact that an appropriate design of the system of corporate governance improves the Company's effectiveness in achieving its strategic objectives and reducing the risk of its operations and increases its market valuation.

The main governing bodies of PKP CARGO S.A. are the Shareholder Meeting, the Supervisory Board and the Management Board. The detailed rules governing the operation of these bodies are included in the Company's internal documents, such as:

- Company's Articles of Association;
- PKP CARGO S.A. Shareholder Meeting Bylaws;
- PKP CARGO S.A. Supervisory Board Bylaws;
- PKP CARGO S.A. Management Board Bylaws;
- Bylaws of appointing members of the PKP CARGO S.A. Management Board.

Since PKP CARGO S.A. is listed on a stock exchange, its corporate governance system is significantly influenced by the corporate governance principles developed by the Warsaw Stock Exchange in the document entitled "Best Practice of GPW Listed Companies 2016" which is applied by a large number of companies listed on the Warsaw Stock Exchange. PKP CARGO S.A. has implemented most of the principles set forth in the "Best Practice of GPW Listed Companies 2016", which is shown among others in appropriate provisions of the Articles of Association and bylaws of the Company's governing bodies.

## Corporate governance at PKP CARGO S.A.



## PKP CARGO S.A. shareholders

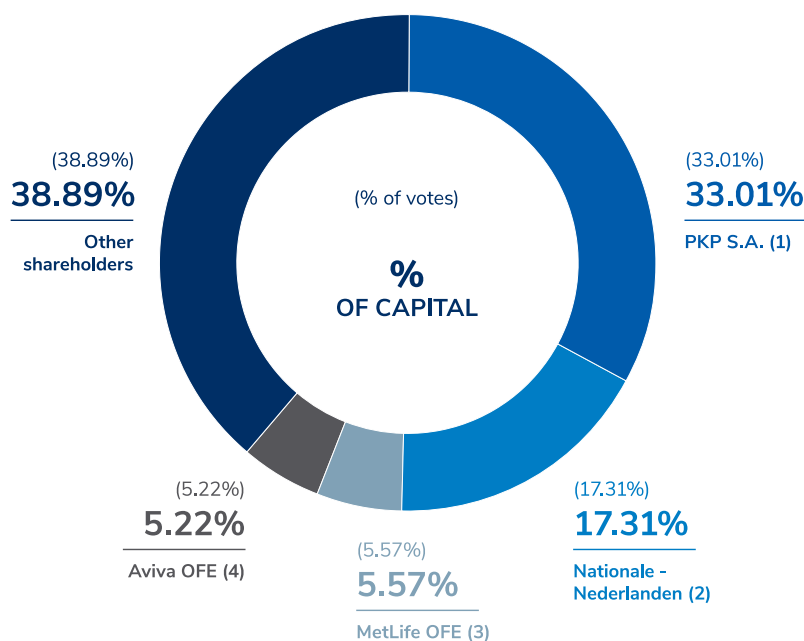
SHAREHOLDER STRUCTURE OF PKP CARGO S.A. AS AT 31 DECEMBER 2018 AND AS AT THE DATE OF SUBMISSION OF THIS REPORT

Akcyonariusz	Liczba akcyj	Udział w kapitale	Liczba głosów	Udział w ogólnej liczbie głosów na WZ
PKP S.A. <sup>(1)</sup>	14 784 194	33,01%	14 784 194	33,01%
Nationale-Nederlanden OFE <sup>(2)</sup>	7 751 187	17,31%	7 751 187	17,31%
MetLife OFE <sup>(3)</sup>	2 494 938	5,57%	2 494 938	5,57%
Aviva OFE <sup>(4)</sup>	2 338 371	5,22%	2 338 371	5,22%
Pozostali akcyonariusze	17 418 227	38,89%	17 418 227	38,89%

Akcjonariusz	Liczba akcji	Udział w kapitale	Liczba głosów	Udział w ogólnej liczbie głosów na WZ
Razem	44 786 917	100,00%	44 786 917	100,00%

Source: Proprietary material

## SHAREHOLDING STRUCTURE



(1) According to a notice sent by the shareholder on 24 June 2014.

(2) According to a notice sent by the shareholder on 21 June 2018.

(3) According to a notice sent by the shareholder on 18 August 2016.

(4) According to a notice sent by the shareholder on 13 August 2014.



### Shareholders

## PKP S.A. – personal rights

In accordance with the provisions of the PKP CARGO S.A. Articles of Association, the company Polskie Koleje Państwowe S.A. and if it is liquidated, the State Treasury, provided that these entities hold shares representing at least 25% of the Company's share capital, are vested with the following personal rights to appoint and dismiss members of the PKP CARGO S.A. Management Board and Supervisory Board:

1. In the event that PKP S.A.'s share in the Company's share capital is 50% or less, PKP S.A. will have the personal power to select candidates for the President of the Management Board on its own. The personal rights referred to in the preceding sentence are exercised by way of delivering a written statement to the Supervisory Board Chairperson (§ 14 sec. 4 of the Company's Articles of Association);
2. PKP S.A. is entitled to appoint and dismiss Supervisory Board members in a number equal to half the composition of the Supervisory Board determined in accordance with § 19 sec. 8 of the Company's Articles of Association (if such number is not an integer, it should be rounded down to the nearest integer) plus one. At least one of the Supervisory Board members appointed by PKP S.A. in the manner set forth in the foregoing sentence should satisfy the conditions of independence within the meaning of Article 86 sec. 5 of the Act on Statutory Auditors and be qualified in accounting or auditing (§ 19 sec. 2 of the Company's Articles of Association);
3. PKP S.A. has the personal right to appoint the Supervisory Board Chairperson from among the Supervisory Board members elected by voting in separate groups in accordance with the procedure prescribed in Article 385 § 3-7 of the Commercial Company Code. In the event of PKP S.A.'s failure to appoint the Supervisory Board Chairperson within thirty days of the election of the Supervisory Board in accordance with the procedure referred to in the preceding sentence, the Supervisory Board elects the Chairperson of the Supervisory Board from among its members (§ 19 sec. 5 of the Company's Articles of Association);
4. The number of Supervisory Board members is set by PKP S.A. and this provision is also applicable to the election of the Supervisory Board by voting in separate groups in accordance with the procedure prescribed in Article 385 of the Commercial Company Code (in which case the Supervisory Board may be composed of between five and thirteen members). The personal rights referred to in the preceding sentence are performed by way of delivering a written statement to the Company (§ 19 sec. 8 of the Company's Articles of Association);

5. In the event of expiration of the mandate of any Supervisory Board member elected by voting in separate groups in accordance with the procedure prescribed in Article 385 § 3-7 of the Commercial Company Code, PKP S.A. will have the personal right to appoint one new Supervisory Board member in his/her place. The other Supervisory Board members is appointed by the Shareholder Meeting (§ 19 sec. 9 of the Company's Articles of Association).

Pursuant to § 27 sec. 3 of the Company's Articles of Association, In the event of an expiry or waiver of the personal rights, provisions of the Company's Articles of Association governing the expired personal rights will be replaced by the relevant provisions of the Commercial Company Code.


## The Code of Best Practice for WSE-Listed Companies

102-17

In the period from the date of admission of the Company's shares to public trading, i.e. from 28 October 2013 to 31 December 2016, the Company was subject to the corporate governance rules described in the Code of Best Practice for WSE-Listed Companies ("Code of Best Practice").

On 13 October 2015, the Supervisory Board of the Warsaw Stock Exchange adopted a resolution on the adoption of a new set of corporate governance rules entitled the "Code of Best Practice for WSE-Listed Companies 2016" (hereinafter referred to as the "Code of Best Practice 2016") which entered into force on 1 January 2016 and replaced the previous set of corporate governance rules adopted by Resolution of the Warsaw Stock Exchange of 4 July 2007, as amended.

The wording of the "Code of Best Practice 2016" to which the Company has been subject in 2018 is available [on the website of the Warsaw Stock Exchange](#) .

In connection with the entry into force on 1 January 2016 of the "Code of Best Practice 2016", on 4 January 2016 the Management Board published a current report in Electronic Information Base format containing "Information on the progress of the Company's application of recommendations and rules laid down in the Code of Best Practice for WSE-Listed Companies 2016, the wording of which is available [on the Company's website](#)  in the section Investor Relations/Corporate Governance/Good Practices.

Detailed information on the extent of application of the Best Practice for GPW Listed Companies 2016 by PKP CARGO S.A. in 2017 is provided in Chapters 9.1 and 9.2 of the [Consolidated Management Board Report](#) on the Activity of the PKP CARGO Group in the financial year 2018.