

# PKP CARGO Supervisory Board

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Another important body of PKP CARGO S.A. is the Supervisory Board, which exercises constant supervision over the Company's operations in all areas of its operations. In order to perform its duties, the Supervisory Board may examine all Company documents, request reports and explanations from the Management Board and employees, and review the Company's assets. When specialist knowledge or qualifications are required, the Board may oblige the Management Board to commission experts to develop an expert opinion. The most essential competence of the Supervisory Board of PKP CARGO S.A. is the appointment of the President and members of the Management Board of PKP CARGO S.A., subject to the personal rights of PKP S.A..

The Statute of the Company grants to PKP S.A. personal rights to appoint and dismiss members of the Company's Supervisory Board in the number equal to half of the composition of the Supervisory Board plus one. On the basis of the provisions of the Company Statute, PKP CARGO S.A. employees are entitled to their representation in the Supervisory Board in the number of 3 members. Because in accordance with the Company's Articles of Association, the Supervisory Board of PKP CARGO S.A. counts from 11 to 13 members, the selection of the remaining 2 to 3 members of the Supervisory Board, including two independent members, is at the discretion of the Shareholders General Meeting. In accordance with the provisions of the Company Statute, the number of members of the Supervisory Board is determined by PKP S.A.. The term of office of members of the Supervisory Board of PKP CARGO S.A. is joint and lasts 3 years.

In accordance with the recommendations contained in the "Code of Best Practices of WSE Listed Companies 2016", two members of the Supervisory Board of PKP CARGO S.A. meets the independence criteria set out by the European Commission in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive directors or members of the Supervisory Board of listed companies and on the (supervisory) board (Official Gazette of the European Union L. 05.52.51) and additional requirements indicated in the Code of Best Practice of WSE Listed Companies 2016, being an attachment to Resolution No. 26/1413/2015 of the Exchange Supervisory Board of October 13, 2015.

Independent members of the Supervisory Board play an important role in the work of the Supervisory Board committees, ie the Audit Committee, Nominations Committee and Strategy Committee, which the Supervisory Board appoints as advisory bodies in order to conduct matters that require in-depth analysis within particular areas of its activity.

## Supervisory Board

The Supervisory Board consists of 11 to 13 members (including the Supervisory Board Chairperson and Deputy Chairperson) appointed for a joint term of office. The term of office of the Supervisory Board is 3 years. The Supervisory Board is appointed and dismissed by the Shareholder Meeting, subject to the provisions of § 19 Sections 2 and 3 of the Articles of Association of PKP CARGO S.A. The Company's employees are entitled to appoint and dismiss three employee representatives to the Supervisory Board.

## Powers of the Supervisory Board

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its activity. Moreover, its powers, in addition to matters reserved by the Commercial Company Code or other statutes in 2018, included selecting and changing the entity authorized to audit the Company's financial statements and to review the Company's accounting records, granting consent for the payment of an interim dividend by the Management Board towards the anticipated end-of-the-year dividend, appointing and dismissing the President and other Members of the Management Board, setting the number of Management Board Members, granting consent for the establishment or liquidation of the Company's branch, issuing opinions on proposals submitted by the Management Board to the Shareholder Meeting.

## Operation of the Supervisory Board

The procedure of the Supervisory Board's operation is described in detail in the Supervisory Board Bylaws adopted by the Supervisory Board. In accordance with the provisions of these Bylaws, the Supervisory Board makes decisions in the form of resolutions. For Supervisory Board resolutions to be valid, all the Supervisory Board members must have been invited and at least half of them must be present, including the Supervisory Board Chairperson. Resolutions of the Supervisory Board are adopted by an absolute majority of votes. If an equal number of votes is cast "for" and "against", the latter including abstentions, the Supervisory Board Chairperson has the casting vote. Supervisory Board resolutions in the matter of suspension of Management Board members or Management Board require the consent of the Supervisory Board Chairperson. Supervisory Board resolutions may also be adopted without holding a meeting, except for resolutions pertaining to the election of the Supervisory Board Chairperson or Deputy Chairperson, the appointment of a Management Board member and the dismissal or suspension of these persons in their duties. The Supervisory Board holds its meetings no less frequently than once every two months.

The Supervisory Board may adopt resolutions by following a written procedure or using means of direct remote communication. The decisions on the written ballot are made by the Supervisory Board Chairperson at his/her own initiative or upon a written motion of the Company's Management Board or Supervisory Board member.

In accordance with the Bylaws of the Supervisory Board, in the event of conflicting interests of the Company and personal interests of a Supervisory Board member, his/her spouse, family or relatives (to the second degree next of kin) and personal relations, the Supervisory Board member should refrain from participating in the discussion and voting on the resolution of such matters and request that this fact be recorded in the minutes of the Supervisory Board meeting.

### Krzysztof Mamiński – Supervisory Board Chairman

Mr. Krzysztof Mamiński has been associated with railways for over 40 years. He is a graduate of the University of Szczecin, where he obtained the degree of Master of Economics. He also completed post-graduate studies in the field of European Management Model in the Kozminski University in Warsaw.

He started working on the railways in 1980, in the IT Center at the Central Regional Directorate of the State Railways (CDOKP) in Warsaw. From 1990, he was a member of the National Committee of the "Solidarity" Trade Union, discharging, among others, the functions of the head of the National Section of Railway Employees of the "Solidarity" Trade Union and the head of the Office of Transport Employees in the union. In 1998–2002 he sat on the Management Board of Polskie Koleje Państwowe, in charge of restructuring and employee relations. From 2001 to 2012, he was President of the Union of Railway Employers, and from 2002 to 2012, he was President of the Management Board of Natura Tour Sp. z o.o., PKP's subsidiary. From 2012 to 2013 he acted as the PKP S.A. Management Board Representative for Social Dialog in the PKP Group and for the following three years, he was the President of the Management Board of "CS Szkolenie i Doradztwo" Sp. z o.o., a company from the PKP Group. Additionally, in 2006 he served as a member of the Supervisory Board of PKP Linia Hutnicza Szerokotorowa Sp. z o.o., and from 2006 to 2013 he was a member of the Supervisory Board of WARS S.A. From April 2016, he was President of the Management Board of Przewozy Regionalne Sp. z o.o., and from March 2017, President of the Management Board of PKP S.A. From 26 October 2017 to 25 March 2018 he served as President of the PKP CARGO S.A. Management Board.

### Mirosław Antonowicz – Supervisory Board Deputy Chairman

Mr. Mirosław Antonowicz has a PhD in economics, specializing in management; he has been associated with the railway sector, including the PKP Group, for many years. Among others, he was a member of the PKP CARGO S.A. Management Board. He also sat on the supervisory boards of several railway companies. From 2006 to 2010, he was the Vice-President of the Office of Rail Transport responsible for market regulation. He is also an academic staff member of the Kozminski University. He was also a Presidium member and expert of the Transport Process and Logistics Team of the Committee on Transport of the Polish Academy of Sciences. He has also completed many post-graduate courses, including Management of Transport Companies at the Warsaw University of Technology and the Post-Graduate Course of European Financial, Economic and Legal Relations at the Warsaw School of Economics. He is an author of numerous publications and papers on management, transport and logistics.

### Krzysztof Czarnota - Supervisory Board Member

Mr. Krzysztof Czarnota completed the Railway Technical School in Skarżysko-Kamienna as a Transportation Technician. Since 1977, he has worked for PKP, including in the Locomotive Depot in Skarżysko-Kamienna, in the Unclassified Station in Skarżysko, in the District Station in Skarżysko, in the Freight Transport Unit in Skarżysko and currently in the Company's Eastern Unit in Lublin as a dispatcher in charge of the shift.

Since 1992, Mr. Krzysztof Czarnota has served as Chairman of the Independent Trade Union of Railway Workers of PKP Cargo S.A. in Skarżysko-Kamienna. Since the establishment of the Freight and Transshipment Industry Board at the Federation of Trade Unions of Railway Workers, he had served as its Chairman and currently is Vice Chairman of the Cargo Industry Board at the Federation of Trade Unions of Railway Workers. He is a member of the Bureau, the Board and the National Council of the Federation of Trade Unions of Railway Workers.

From the incorporation of the Company, i.e. from 2001 until 29 September 2015, he was a member of the PKP Cargo S.A. Supervisory Board and a representative of all employees of PKP Cargo S.A. as a delegate of the Federation of Trade Unions of Railway Workers.

### Zofia Dzik - Supervisory Board Member – independent member

Ms. Zofia Dzik is a graduate of the Kraków University of Economics, University of Illinois in Chicago, University of Social Sciences and Humanities in Warsaw and of the Executive Programs at INSEAD Business School. She holds an MBA title from Manchester Business School and is a certified member of the Association for Project Management (APMP) and a certified member of The John

Maxwell Team, a top international organization associating eminent leadership coaches, trainers and speakers.

In the years 1995–2003, she worked for Andersen Business Consulting as a consultant responsible for the insurance sector (Insurance Division Director). From 2003 she was associated with Intouch Insurance Group (RSA Group), where in the years 2004–2007 she performed the function of the President of Towarzystwo Ubezpieczeń LINK4 S.A., whereas in the years 2007–2009 a function of a management board member of Intouch Insurance B.V. in the Netherlands and the CEO for East-Central Europe of Intouch Insurance Group. In that capacity, she was responsible for developing new markets; she was also the chairwoman of the supervisory boards of: TU Link4 S.A. and Direct Insurance Shared Services Center in Poland, Intouch Strachowanie in Russia (a start-up) and Direct Pojistovna in the Czech Republic (a start-up), as well as the deputy chairwoman of the supervisory board of TU na Życie Link4 Life S.A..

In 2006–2008, she served as a management board member of the Polish Insurance Association. In the years 2007–2010 a supervisory board member of the Insurance Guarantee Fund. She also sat on the supervisory boards of: KOPEX S.A. and Polish Energy Partners S.A (PEP S.A.).

Currently, she is the President of the Humanites – Art of Upbringing Foundation, which has the goal of supporting social transformation in Poland and qualitative growth of the young generation, mentor, author of the "Consistent Leadership" model, an 8-stage growth program for leaders building engaging organizations, director of the Academy for Leaders in Education as well as member of the supervisory boards of BRW S.A., ERBUD S.A., Benefit Systems S.A. and other companies, and in the past she also sat on the supervisory boards of PKO BP S.A., AmRest SE and PEP S.A., among others.

### **Raimondo Eggink - Supervisory Board Member – independent member**

Since 2002, Mr. Raimondo Eggink has been running an independent business as a consultant and trainer for entities operating in the financial market. At the same time, he has been a member of the Supervisory Boards of the following public and private companies: Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. (since 2009), AmRest Holding SE (since 2010), PERŁA – Browary Lubelskie S.A. (2004–2005 and since 2008), Prime Car Management (since 2015), PKP Cargo S.A. (since 2015), Górnospołonne Przedsiębiorstwo Wodociągów S.A. (since 2015) and Suwary S.A. (since 2015).

Prior to that, he was a member of the Supervisory Boards in the following companies: Stomil-Olsztyn S.A. (2002–2003), Giełda Papierów Wartościowych w Warszawie S.A. (2002–2008), Wilbo S.A. (2003–2005), Mostostal Płock S.A. (2003–2006), Swarzędz Meble S.A. (2004–2005), PKN Orlen S.A. (2004–2008), KOFOLA S.A. (2004–2012, previously HOOP S.A.), Zachodni Fundusz Inwestycyjny NFI S.A. (2006), Firma Oponiarska Dębica S.A. (2008–2012), Netia S.A. (2006–2014) and Lubelski Węgiel "Bogdanka" S.A. (2012–2015).

Earlier, he served as Management Board Member, Investment Director, President of the Management Board and, most recently, liquidator of ABN AMRO Asset Management (Polska) S.A., a firm managing the assets of Polish institutional investors and high-net-worth individuals which terminated its business in 2001. He began his professional career in 1995 in the Warsaw branch of ING Bank N.V. where he played a major role in the establishment of Poland's first asset management firm. In 1995–1997, he served as Vice-President of the Council of Brokers and Advisers, and in 2004–2013, he was a member of the Management Board of the CFA Society of Poland. He is the author of a number of articles on the development of the Polish capital market, especially on the protection of minority shareholders.

Mr. Eggink is a graduate of the Jagiellonian University majoring in theoretical mathematics where in 2010 he obtained his Ph.D. degree. He also holds an investment advisor's license and is a CFA (Chartered Financial Analyst) Charterholder.

### **Małgorzata Kryszkiewicz - Supervisory Board Member**

Ms. Małgorzata Kryszkiewicz is a graduate of the Finance and Banking Faculty of the Warsaw School of Economics (SGH). She started her professional career in 1995. In subsequent years, she worked in various positions associated with accounting, tax and financial management. From 2002 to 2014, she headed the Accounting Department and the Finance and Accounting Department at PKP S.A. Currently, she runs a statutory auditor's office providing financial audit, advisory and consulting services. Statutory auditor since 2009.

### **Tadeusz Stachaczyński - Supervisory Board Member**

In 1980, Mr. Tadeusz Stachaczyński completed a Railway Technical School specializing in the operation and repair of traction vehicles. In 2010, he graduated in engineering from the Subcarpathian School of Higher Education in Jasło, majoring in transportation and freight forwarding. In 2011 completed postgraduate studies in marketing and market research.

Since 1974, Mr. Tadeusz Stachaczyński has been employed by PKP CARGO S.A.'s Southern Unit (formerly, PKP's Locomotive Depot in Jasło). In 1995–2014, Mr. Stachaczyński was a councilor of the Town Council of Jasło where he served in the budget, development and audit committees.

Since 2009, he has served as Chairman of the Company Council of the Trade Union of Train Drivers at PKP CARGO S.A.'s Southern Division, and since 2013 has been Chairman of the Freight Sector of the Trade Union of Train Drivers.

Mr. Tadeusz Stachaczyński was a member of the Supervisory Board of PKP CARGO S.A. Centrum Logistyczne Medyka-Żurawica Sp. z o.o. in 2011–2013.

## Władysław Szczepkowski - Supervisory Board Member

Mr. Władysław Szczepkowski graduated in law from the Faculty of Law and Administration in the Department of Theory of the State and Law of the Nicolaus Copernicus University in Toruń in 1992. From 1992 to 2005, he pursued his career in banking where he was involved in financial analysis and corporate restructuring projects; he also worked for legal departments. From 2005 to 2007, he was the President of the PKP CARGO S.A. Management Board. From 2010 to 2016, he worked for companies of the PGNiG Group. From September 2016 to March 2017, he was employed by Przewozy Regionalne sp. z o.o. Since the beginning of March 2017, he has been working for PKP S.A. as the Director – PKP S.A. Management Board Representative for the Strategy and Organization of the PKP Group. Since 2000, he has been entered in the list of legal counsels.

## Jerzy Sośnierz - Supervisory Board

In 1978 Mr. Jerzy Sośnierz graduated from the Technical School of Metallurgy in Dąbrowa Górnica in the field of mining machinery construction. He took a train traffic controller course in 1979. In 2010 he received a master's degree from the Administration and Management Faculty of the Humanitas University in Sosnowiec, majoring in public administration.

Mr. Sośnierz has 40 years of experience in the railway industry. His professional career began in 1978 when he became a train traffic controller in Bukowno, later becoming a dispatcher in Jaworzno-Szczakowa and after the restructuring of PKP CARGO S.A. he became a shift dispatcher in Katowice. He co-founded the Bukowno Chapter of the NSZZ Solidarność trade union. He has been connected to NSZZ Solidarność ever since, acting as the Chairman of the Union at the PKP Cargo S.A. South Unit. During his term in office, he was member of the Executive Committee of the Trade Section in PKP CARGO S.A., member of the Council of the Trade Section in PKP CARGO S.A., member of the National Council of the Railwaymen Section and a Delegate for the General Meeting of the Transport Secretariate.

## Paweł Sosnowski - Supervisory Board

Mr. Paweł Sosnowski graduated from the Faculty of Law and Administration at the University of Warsaw and from the Faculty of Canon Law at the Warsaw Theological Academy. He obtained a Ph.D. degree in administrative law from the Catholic University of Lublin. He is also a licensed legal counsel and a member of the Regional Chamber of Legal Counsels in Warsaw.

In 1992–2006, Mr. Paweł Sosnowski was associated with Totalizator Sportowy Sp. z o.o., and in 1998–2002 he rendered his services to the State Fund for the Rehabilitation of the Disabled. In parallel, he also lectured at the Faculty of Administration and Social Sciences of the Warsaw University of Technology and cooperated with the Department of Administrative Law and Local Self-Government at the Cardinal Stefan Wyszyński University in Warsaw. In 2003–2007, he served as Deputy Mayor of the Wawer District of Warsaw and Chief Specialist in the Legal Department of the Warsaw City Hall. In 2007, he also served as Deputy County Construction Supervision Inspector in the County Construction Supervision Inspectorate for the Capital City of Warsaw. Since 2007, he has worked for the General Counsel to the Republic of Poland.

Mr. Paweł Sosnowski was a member of the Supervisory Board of LIGIA Sp. z o.o. (2000–2002), Chairman of the Supervisory Board of Towarzystwo Budownictwa Społecznego "WOLA" Sp. z o.o. (2003–2006) and a member and secretary of the Supervisory Board of PKP S.A. (2017–2018).

The PKP CARGO S.A. Supervisory Board's Audit Committee is appointed by the PKP CARGO S.A. Supervisory Board. It consists of at least three Supervisory Board members, provided that the majority of the Committee members, including its Chairperson, meet the independence criteria and are appointed in the manner specified in § 20 and § 21 of the Company's Articles of Association and in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017 Item 1089). At least one member of the Audit Committee has qualifications in the area of accounting or audit of financial statements and at least one member of the Audit Committee must have knowledge and skills in the specific industry in which the Company operates. Committee members are appointed for a term corresponding to the Supervisory Board's term of office. Tasks of the Audit Committee include in particular: oversight of the organizational unit responsible for internal audit, monitoring the financial reporting process, monitoring the performance of internal control systems, risk management and internal audit systems, including the area of financial reporting, monitoring financial review activities, monitoring the independence of the statutory auditor and the entity authorized to audit financial statements, also when it provides to the Company other services than financial review, assessing the independence of a statutory auditor and giving consent for it to provide permitted auditing services, recommending an entity authorized to audit financial statements to the Supervisory Board to perform financial review activities for the Company, in compliance with the policies in force in the Company.

**COMPOSITION OF THE AUDIT COMMITTEE OF THE PKP CARGO S.A. SUPERVISORY BOARD FROM 1 JANUARY 2018 TO THE DELIVERY DATE OF THIS REPORT**

| <b>Period in office</b>        |                    |             |               |
|--------------------------------|--------------------|-------------|---------------|
| <b>Name</b>                    | <b>Position</b>    | <b>from</b> | <b>to</b>     |
| <b>Raimondo Eggink</b>         | Committee Member   | 30-Apr-15   | 11 May 2016 * |
|                                | Committee Chairman | 18-Dec-15   | 11 May 2016 * |
|                                | Committee Member   | 20-May-16   | -             |
|                                | Committee Chairman | 31-May-16   | -             |
| <b>Małgorzata Kryszkiewicz</b> | Committee Member   | 18-Dec-15   | 11 May 2016 * |
|                                |                    | 20-May-16   | -             |
| <b>Zofia Dzik</b>              | Committee Member   | 20-May-16   | -             |

Source: Proprietary material

\* expiration date of the 5th term of office of the PKP CARGO

In 2018, the Audit Committee held 10 meetings.

The Audit Committee members who satisfy the statutory independence criteria are:

1. Ms. Zofia Dzik;
2. Mr. Raimondo Eggink.

As required by the provisions of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (Journal of Laws of 2017, Item 1089), in June 2017 the independent members of the Audit Committee signed in August 2017 and signed again in March 2019 the appropriate statements confirming their fulfillment of the criteria listed in Article 129 Section 3 of the said Act.

The Audit Committee members who have the knowledge and skills in the area of accounting or auditing of financial statements are:

1. Ms. Zofia Dzik: 9 years of experience in a Big Four firm providing audit services and financial and business consulting services in 1995-2004. Senior Manager and Director in a business and financial consulting department, MBA, Manchester Business School, member, vice president and chairman of audit committees (since 2011);
2. Mr. Raimondo Eggink: investment advisor's license (1995), CFA certificate (2000), has discharged the function of a member and chairman of a number of audit committees in SPVs (since 2004);
3. Ms. Małgorzata Kryszkiewicz: Postgraduate studies "IFRS in practice" at the Warsaw School of Economics in a joint program with the EY Academy of Business (2017), Postgraduate MBA studies – Gdańsk Manager Training Foundation and the University of Gdańsk, program validated by the IAE Aix-en-Provence Graduate School of Management (2009), Postgraduate studies in Corporate Accounting at the Academy of Engineering and Health in Warsaw and the AGH University of Science and Technology in Kraków (2005), Postgraduate studies in Finance and Corporate Taxation at the Warsaw School of Economics (2002), Master's degree in Finance and Banking from the Warsaw School of Economics (1996), statutory auditor (2009), accounting certificate issued by the Ministry of Finance (2006).

A member of the Audit Committee who has the knowledge and skills in the specific industry in which PKP CARGO operates is:

1. Ms. Małgorzata Kryszkiewicz: 18 years of professional experience (employment) in rail sector companies, including 13 years in managerial positions, since 2001 discharging the function of a member and chairwoman of supervisory boards in rail companies (repair, power supply, transshipment), and since 2012 a member and chairwoman of audit committees.

The PKP CARGO S.A. Supervisory Board's Audit Committee, having assessed the risks and safeguards of independence of the audit firm BDO sp. z o.o. sp.k. with its registered office in Warsaw, adopted Resolution No. 7/2018 of 10 August 2018 expressing the consent for BDO sp. z o.o. sp.k. with its registered office in Warsaw to provide services other than audit services.

In compliance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, the Company's Supervisory Board Audit Committee, by Resolution No. 6/2019 of 19 October 2017, established the policy and procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group as well as the policy for the provision of additional services by PKP CARGO S.A.'s audit firm, its related parties or members of its network.

The policy for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group assumes that:

1. Pursuant to the Articles of Association of PKP CARGO S.A., the selection of an audit firm was made by the PKP CARGO S.A. Supervisory Board. As a result of amendments to the Company's Articles of Association (on 6 and 27 February 2019, changes to the Company's Articles of Association adopted by the Extraordinary General Meeting of PKP CARGO S.A., which took place on January 16, 2019), the election will be made by the General Meeting of PKP CARGO S.A. The selection is made on the basis of a recommendation submitted by the Audit Committee, which contains:
  - at least two options for the selection of an audit firm along with a justification and indication of the candidate for the auditor preferred by the Audit Committee;
  - statement by the Audit Committee that its recommendation is devoid of any third party influence;
  - statement by the Audit Committee confirming that PKP CARGO S.A. has not entered into any agreements containing clauses that would confine selection of an audit firm to certain categories or lists of audit firms.
2. When selecting an audit firm, the Supervisory Board and the Audit Committee are required to pay special attention to:
  - the need to maintain the independence and objectivity of the audit firm and the auditor – the scope of services provided during the most recent financial years by the audit company itself as well as by its related parties and network members to the Company or its parent company or entities controlled by PKP CARGO S.A. is a matter of detailed analysis;
  - experience in auditing standalone and consolidated financial statements of public interest entities of a similar size to that of the Company and the PKP CARGO Group and listed on the Warsaw Stock Exchange;
  - experience in auditing companies with a similar business profile to that of the Company;
  - professional qualifications and experience of persons directly involved in the conduct of the audit/review of the Company and selected subsidiaries of PKP CARGO S.A.;
  - the ability to provide the required range of services within the specified period, including the ability to ensure the stability of the team;
  - the availability of qualified specialists in of specific issues related to financial statements, such as tax analysis, hedge accounting, measurement of derivatives, IT systems;
  - costs of the audit.
3. The selection of an audit firm must be made sufficiently in advance to enable the execution of the audit contract early enough to enable the audit firm to prepare for the interim review.
4. Verification and monitoring of the independence of the statutory auditor and the audit firm are performed at every stage of the procedure to select an audit firm to audit and review the said financial statements.
5. The selection of an audit firm is made in consideration of the principle of rotation of audit firms and key statutory auditors in such a manner that the maximum duration of uninterrupted statutory audits for individual financial years carried out by the same audit firm or by a company related to this audit firm or any member of the network operating in European Union Member States which includes these audit firms does not exceed five years and the key statutory auditor does not perform any statutory audits in the Company for more than five years. The same key statutory auditor may be selected no earlier than three years after the completion of the most recent statutory audit.
6. The first contract for a statutory audit is entered into with an audit firm for a period not shorter than two years with an option to extend the contract by subsequent periods of at least two years, in consideration of the rules of rotation of audit firms and key statutory auditors in compliance with the applicable laws.
7. The audit firm selection process is conducted in accordance with the adopted "Procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the Group".

The procedure for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group assumes that:

1. The selection procedure is initiated by the Audit Committee which lays down detailed guidelines regarding the requirements to be satisfied by the audit firm responsible for conducting audits of standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group as well as the selection criteria. The technical organization of the audit firm selection process is the responsibility of the person appointed by the Audit Committee (Coordinator) in consultation with the PKP CARGO S.A. Management Board Member in charge of Finance.

2. The Coordinator, with the support of the Procurement Department of PKP CARGO S.A., prepares a request for proposals which is sent to at least six selected audit firms. When selecting audit firms, consideration is given to guidelines related to such issues as, for instance, the rotation of statutory auditors, their independence, etc., as described in the "Policy for the selection of an audit firm to audit standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group".
3. The request for proposals to be sent to audit firms in compliance with Article 130 Section 3 Item 2a of the Act should contain at least the following information:
  - presentation of the business of PKP CARGO S.A. and its subsidiaries, the organizational structure of the Company and the PKP CARGO Group, locations of business;
  - list of entities and the scope of their financial statements subject to audit and review, period covered by the request for proposals, additional services (if any) (taking into consideration the requirements of the Policy for the provision of additional services by PKP CARGO S.A.'s audit firm, its related parties or members of its network);
  - selection criteria applied by the Company in the evaluation of proposals submitted by audit firms.
4. The Company evaluates the proposals submitted by audit firms and submits a report containing conclusions from the selection procedure, which are then subject to approval by the Audit Committee.
5. Taking into consideration the conclusions of the annual report of the Audit Oversight Commission referred to in Article 90 Section 5 of the Act, the analysis of proposals submitted by audit firms and the financial statements, the Audit Committee prepares a recommendation for the Supervisory Board in accordance with the provisions of the Policy.
6. Pursuant to the Articles of Association of PKP CARGO S.A., the selection of an audit firm was made by the Supervisory Board. If the Supervisory Board's decision on the selection of an audit firm deviates from the recommendation issued by the Audit Committee, the Supervisory Board was required to present a justification for making a selection different than that recommended by the Audit Committee.
7. Based on the resolution adopted by the Supervisory Board, the Company signed an audit contract with the selected audit firm.<sup>1</sup>
8. After the adoption of a resolution on the selection of an audit firm, the Management Board is required to communicate, in the form of a current report, information about the selection made, in compliance with the applicable laws.

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<sup>1</sup> As a result of amendments to the Company's Articles of Association (on 6 and 27 February 2019, changes to the Company's Articles of Association adopted by the Extraordinary General Meeting of PKP CARGO S.A., which took place on January 16, 2019), the election will be made by the General Meeting of PKP CARGO S.A.

The Audit Committee has adopted the following rules governing the provision of additional services by audit firms, including their related parties or members of their network responsible for auditing standalone financial statements of the Company and consolidated financial statements of the PKP CARGO Group:

1. Besides the audit/review of the financial statements, the audit firm may provide the following services to the Company or PKP CARGO S.A.'s controlled entities:
  - conducting due diligence procedures regarding the economic and financial standing and preparation of comfort letters in connection with the issue prospectus, carried out in accordance with the national standard of related services (agreed procedures);
  - assurance services regarding pro forma financial information, result forecasts or estimates given in the issue prospectus;
  - audits of historical financial information, referred to in the Commission Regulation (EC) No 809/2004 of 29 April 2004;
  - verification of consolidation packages;
  - confirmation of the fulfillment of the terms of loan agreements based on an analysis of the financial information provided in the financial statements;
  - assurance services regarding corporate governance, risk management and corporate social responsibility reporting;
  - auditor's opinion on financial statements or other financial information addressed to supervisory authorities, the supervisory board or another supervisory body of the Company or the shareholders, not covered by the scope of the statutory audit, and intended to support those bodies in the performance of their statutory duties.
2. Provision of the services referred to in point 1 is possible only within a scope not related to the tax policy of the Company, its parent entity or subsidiaries, after the Audit Committee of the Supervisory Board has assessed the threats and warranties regarding the independence of the audit firm.
3. Conclusion of an agreement for the provision of additional services referred to in point 1 by the audit firm requires every time a consent of the Audit Committee, both in the case of the Company, as well as PKP CARGO S.A.'s controlled entities.
4. The Company presents to the Audit Committee of the Supervisory Board, at least annually, a list of all additional services provided by the audit firm to PKP CARGO S.A., its parent entity and the entities controlled by the Company.

## The Nomination Committee

The PKP CARGO S.A. Supervisory Board appoints a Nomination Committee. It consists of three Supervisory Board members, of whom at least one Supervisory Board Member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and 21 of the Company's Articles of Association, to discharge the function of the Committee Chairman. The Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Nomination Committee organizes and exercises ongoing oversight over the recruitment procedure for the positions of the Company's Management Board members and over the process of assessment and appointment of the Company's Management Board members, and supports the attainment of the Company's strategic objectives by presenting opinions and findings to the Supervisory Board pertaining to the employment structure and remuneration for the Company's employees, including in particular the Company's Management Board Members and high-ranking management.

## COMPOSITION OF THE NOMINATION COMMITTEE OF THE PKP CARGO S.A. SUPERVISORY BOARD FROM 1 JANUARY 2018 TO THE SUBMISSION DATE OF THIS REPORT

| Period in office              |             |           |    |
|-------------------------------|-------------|-----------|----|
| Name                          | Position    | from      | to |
| <b>Zofia Dzik</b>             | Chairperson | 20-May-16 | -  |
| <b>Mirosław Antonowicz</b>    | Member      | 27-Jun-17 | -  |
| <b>Władysław Szczepkowski</b> | Member      | 27-Nov-17 | -  |

Source: Proprietary material

\* expiration date of the 5th term of office of the PKP CARGO S.A. Supervisory Board

## The Strategy Committee

The Strategy Committee is appointed by the PKP CARGO S.A. Supervisory Board. It consists of at least three Supervisory Board members, of whom at least one Supervisory Board Member must satisfy the independence criteria and be appointed in the manner provided for in § 20 and § 21 of the Company's Articles of Association. The Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Strategic Committee supports the Supervisory Board in overseeing the development of the strategy, as well as the appropriate implementation of the strategy and annual and long-term activity plans for the Company and the Group.

### COMPOSITION OF THE STRATEGIC COMMITTEE OF THE PKP CARGO S.A. SUPERVISORY BOARD FROM 1 JANUARY 2018 TO THE SUBMISSION DATE OF THIS REPORT

| Period in office              |             |           |    |
|-------------------------------|-------------|-----------|----|
| Name                          | Position    | from      | to |
| <b>Mirosław Antonowicz</b>    | Member      | 27-Jun-17 | -  |
|                               | Chairperson | 28-May-18 | -  |
| <b>Raimondo Eggink</b>        | Member      | 23-Jun-16 | -  |
| <b>Władysław Szczepkowski</b> | Member      | 23-Apr-18 | -  |

Source: Proprietary material