

CORPORATE GOVERNANCE

COLLECTION OF THE CORPORATE GOVERNANCE PRINCIPLES

As a company listed on Warsaw Stock Exchange, KOGENERACJA S.A. is subject to the **Best Practice for the WSE Listed Companies 2016**, which came into force on 1 January 2016. The following Statement provides details of the Company's compliance with this Code of Best Practice. The documents are available at the dedicated WSE website www.corp-gov.gpw.pl.

APPLICATION OF BEST PRACTICE IN CORPORATE GOVERNANCE AND ELECTION NOT TO USE THE CORPORATE GOVERNANCE PRINCIPLES

The Company published information about its compliance with the recommendations and principles contained in the document Best Practice for the WSE Listed Companies 2016 in the form of EBI 2/2016 report. At present, the Company does not apply the following two recommendations: IV.R.2. and VI.R.3 and seven specific principles: I.Z.1.20., II.Z.2., II.Z.3., II.Z.7., II.Z.8., IV.Z.2., V.Z.5. All the relevant details are available on the Company's corporate website: <http://www.kogeneracja.com.pl/en/invest/lad-korporacyjny/>

An explanation regarding the principles set out in the Best Practice for the WSE Listed Companies 2016 that the Company does not comply with (in accordance with the *comply or explain*).

Principle I.Z.1.20.

Audio or video recording of the General Meeting

The principle is not applied.

The Company decided not to apply the foregoing principle because of the concentrated shareholders structure.

Principle II.Z.2.

A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

The duties concerning the approvals of being a member of supervisory boards in other companies by the Management Board members have been regulated by the Shareholders in the Articles of Association of KOGENERACJA S.A. The will of the Shareholders was to get approvals for the members of the Management Board for being a member of supervisory boards in the Group's companies - such principle has been stated and is obeyed. Currently, 1 member of the Management Board of KOGENERACJA S.A. sit on the Supervisory Boards of three companies other than members of group and 1 member of the Management Board of KOGENERACJA S.A. sit on the Supervisory Boards of one company other than members of group.

Principle II.Z.3.

At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.

The principle is not applied.

The principle cannot be applied at present because only one Member of the Supervisory Board currently meets the criteria of being independent referred to in principle II.Z.4.

Principle II.Z.7.

Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

The principle cannot be applied at present because only one Member of the Supervisory Board currently meets the criteria of being independent referred to in principle II.Z.4., so it is impossible that at least a majority of the Remuneration Committee members is independent.

Principle II.Z.8.

The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is not applied.

The principle cannot be applied at present because the Chair of the Audit Committee does not meet the independence criteria referred to in principle II.Z.4. - he is related to the controlling shareholder.

Principle IV.Z.2.

If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied.

The Company's Management Board decided not to use electronic means of communication during the general meeting due to the costs of such a solution (disproportionate to possible benefits of the shareholders). The present share structure and the past experience of the Company do not support adopting this solution. The Company abides by all the legal regulations related to the organisation of general meetings and makes best efforts to make its information policy complete, transparent, and efficient. The Management Board of the company believes that the foregoing removes the consequences of non-application of the above-mentioned principle.

Principle V.2.5.

Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

The principle is not applied.

The investors' interests are protected by § 7.8 of the Management Board's rules of conduct, according to which, when making a transaction with other persons whose interests affect the Company's interests, the Management Board shall proceed with caution so that transactions are made under the market conditions.

The Company applied the other corporate governance rules contained in the document Best Practice for the WSE Listed Companies 2016.