A statement on the application of corporate governance at Orzeł Biały S.A. in 2017
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I. An indication of the set of corporate governance principles, which Orzeł Biały is subject to and the place where the text of the set of rules is publicly available, together with information regarding compliance with corporate governance principles.

In 2017, Orzeł Biały S.A. (hereinafter referred to as: "Orzeł Biały S.A", "the Company", "issuer") has complied with most of the corporate governance principles contained in "Best Practices for WSE Listed Companies 2016" (hereinafter referred to as: DPSN WSE) that are contained in the annex to resolution No. 26/1413/2015 of Giełda Papierów Wartościowych S.A. (Stock Exchange) of 13.10.2015. Full text of the document is posted on the company's website www.orzel-bialy.com.pl in the "IR" tab, in the "corporate governance" panel which contains all the information relating to the collection of DPSN WSE including: Statement of the Board of Orzeł Biały S.A. on the application of corporate governance in 2017, and information on the rule applicable in the company concerning changes to the entity authorised to audit financial statements. The website also contains information about company’s decision to withdraw from application of part of the principles and recommendations of DPSN WSE, diversity policy and the scheme of division of tasks and responsibilities between Members of the Management Board.

The withdrawal from the provisions of the set of principles of corporate governance contained in the "Good Practices for WSE Listed Companies 2016" (hereinafter referred to as: DPSN GPW), and the termination of the state of non-compliance.

During the reporting period and until the publication of this statement, the company has not withdrawn from application of any of the DPSN GPW rules and it has not started to apply any of the principles from which it withdrew in previous years.

II. A description of the main characteristics of internal audit and risk management systems applied in Orzeł Biały S.A. in relation to the process of financial statements preparation and consolidated financial statements.

Orzeł Biały S.A. has an internal audit and risk management system adapted to its needs in the financial reporting process which enables efficient and reliable flow of financial and non-financial information between individual organizational cells of the company.

The company has Information Policy updated by the Executive Director Order of 01.07.2016, compatible with the Directive the European Parliament and of the Council 2014/57/EU of 16.04.2014, on criminal sanctions for market abuse (Market Abuse Directive-MAD) and a regulation of the European Parliament and of the Council (EU) no. 596/2014 of 16.04.2014, on market abuse (Market Abuse Regulation – MAR), the annexes to the abovementioned Information Policy are procedures for the preparation and publication of current and periodic financial reports. These procedures shall specify the principles and scope of reporting and accountability in the preparation of periodic reports and financial
statements, including ensuring their quality and validation, authorization and publication. The annexes to the aforementioned Order are also Rules. The most important are "Rules of circulation of confidential information".

In accordance with the procedures in force, company's Management Board is responsible for the supervision of annual reports and consolidated annual reports. The development of the quarterly, half-yearly and annual periodical reports is based on the data received from the persons responsible for the individual business areas in the Company. Director for HR & Compliance shall be responsible for verification of the scope of the necessary information required by law and the supervision of completing the information for the annual report and passing it to company's Management Board. In turn, Chief Financial Officer shall be responsible for the supervision over the preparation of the financial statements.

Chief Accountant of the Company shall be responsible for the preparation of financial statements. Orzel Biały S.A applies consistent accounting policies presenting financial data in the financial statements and periodic stock market reports. The issuer runs accounts in integrated information systems. Access to system resources is limited with procedures also by authorizing employees only to the extent of tasks assigned to them. The Company shall keep records of people who have access to confidential information.

Half-yearly financial reports of the Group shall be reviewed and consolidated and separate annual financial statements of the Company shall be examined by an independent auditor. In addition, for the proper implementation of internal audit and risk management systems in relation to the process of the preparation of financial statements, the Company runs an internal audit which also aims at checking and supervising proper compliance with all regulations and procedures implemented in the Company.

Objectives and principles of financial risk management are presented in the financial statements of Orzel Biały S.A. for 2017 in section 35.

III. Shareholders who hold, directly or indirectly, substantial blocks of shares together with an indication of the number of stocks held by these entities, their percentage in share capital, the number of votes resulting therefrom and their percentage in the total number of votes at the general meeting.

SHAREHOLDERS IN ORZEŁ BIAŁY S.A. holding at least 5% of the total number of votes on 31 December 2017 and as of the date of publication of this statement

<table>
<thead>
<tr>
<th>Name of the Shareholder</th>
<th>The number of shares</th>
<th>Participation in the share capital (%)</th>
<th>Number of votes at GM</th>
<th>Percentage of total number of votes at GM (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEF Battery Holdings S. a r.l</td>
<td>10,082,388</td>
<td>60.55</td>
<td>10,082,388</td>
<td>60.55</td>
</tr>
<tr>
<td>OFE PZU “Złota Jesień”</td>
<td>1,864,850</td>
<td>11.20</td>
<td>1,864,850</td>
<td>11.20</td>
</tr>
<tr>
<td>ALTUS Towarzystwo Funduszy Inwestycyjnych S.A.</td>
<td>833,502</td>
<td>5.01%</td>
<td>833,502</td>
<td>5.01%</td>
</tr>
</tbody>
</table>
Indication of changes among shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of issuer's shareholders during the reporting period and on the date of publication of this Statement.

On 03/01/2017, with the current report No. 33/2016 (and no 1/2017 K) the Company provided information about the receipt of the notice from QUERCUS TFI S.A. of exceeded by QUERCUS Parasolowy SFIO (hereinafter referred to as: “the Fund”) 5% threshold of the total number of votes in the Company under Article 69 of the law of 29.07.2005 on public offering.

Before the change in the shareholding, the Fund held 780,610 shares in the Company, which represented 4.69% of Company’s share capital. The stocks held gave 780,610 votes at the General Meeting of the Company which was 4.69% of the total number of votes at the General Meeting.

Following the change in shareholding, the Fund holds a total of 916,304 shares which represent 5.50% of Company’s share capital. The stocks held give 916,304 votes at Company’s General Meeting which represent 5.50% of the total number of votes at the General Meeting.

On 12.04.2017, via current report no. 20/2017, the Company provided information about the receipt of the notice from ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. about exceeding by investment funds managed by ALTUS TFI 5% threshold of the total number of votes in the Company under Article 69 of the law of 29.07.2005 on public offering.

Before changing the share, the investment funds held a total of 831,929 shares which represented 4.99% of Company’s share capital. The stocks held gave 831,929 votes at company’s General Meeting which represent 4.99% of the total number of votes at the General Meeting.
Following a change in shareholding, the investment funds held a total of 833,502 shares in the Company which constitute 5.006% of Company's share capital. The stocks held gave 16,650,649 votes at company's General Meeting which represent 5.006% of the total number of votes at the General Meeting.

On 1.12.2017, with the current report no. 33/2017, the company passed the information on a decrease by Quercus Parasolowy SFIO (hereinafter referred to as: the "Fund") by itself its share in the total number of votes in the company below the 5% threshold.

Before the change in shareholding, the Fund held 853,213 shares in the company which represented 5.12% of Company's share capital. The stocks held gave 853,213 votes at Company’s General Meeting which represented 5.12% of the total number of votes at the General Meeting.

Following a change in the shareholding, the Fund holds 712,905 shares in the Company which represent 4.28% of Company’s share capital. The stocks held gave 712,905 votes at Company’s General Meeting representing 4.28% of the total number of votes at the General Meeting.

Since the publication of the report for the third quarter of 2017 of 15.11.2017 until the date of publication of this Statement, according to the knowledge of the Issuer, besides the above indicated, there were no changes in the ownership of major blocks of shares.

IV. An indication of the holders of any securities that give special powers, together with a description of these privileges.

During the reporting period and at the date of publication of this Statement, according to Company's knowledge, there were no holders of securities which give special powers of control in Biały Orzeł S.A.

All the stocks issued by Orzeł Biały S.A. are bearer shares, they are equal and each stock gives the right to one vote at Company's General Meeting.

V. Restrictions on the exercise of voting rights and the transfer of ownership of securities.

As of the date of publication of this statement, Biały Orzeł S.A. knows of no restrictions to transferring ownership of securities issued by Orzeł Biały and in the exercise of the voting rights per company's share.

VI. Rules for the appointment and dismissal of managing persons and their powers, in particular the right to take the decision to issue or buy back shares.

In accordance with the Articles of Association of Orzeł Biały S.A., the Management Board consists of one to seven people appointed for a joint term. The term of office of the Management Board shall be three years. The Supervisory Board shall appoint the Chairman of the Board and at the request of the Chairman of the Board, the remaining Members of the Management Board. The Supervisory Board determines the number of Management Board Members for a given term, it may dismiss the Chairman
of the Management Board, Member of the Management or the whole Management Board before the expiry of the term of office of the Management.

The Management Board carries out all the powers within the management of the Company with the exception of the powers reserved by law or the Articles of Association of other bodies of the company. The mode of Board's operation, as well as the matters that can be assigned to individual Members are set out in detail in the Rules of Procedure of Management Board. Rules of Procedure of the Management Board shall be adopted by the Company's Management Board and approved by the Supervisory Board.

In the case when the Management Board consists of many Members, two of its Members shall be appointed to represent the company on its behalf, or one Member of the Board together with a proxy. In the case when the Management Board consists of the Chairman of the Board, he or she shall be entitled to solely represent the Company and act on its behalf.

Under the Agreement between the Company and a Board Member, as well as in a dispute with him/her, the Company shall be represented the Supervisory Board or a delegate appointed by resolution of the General Meeting. Company’s employees are subject to the Management Board. The Management Board or a person authorised by the Board shall conclude and terminate contracts of employment with employees and shall determine employees’ remuneration, and the authorized person within the meaning of that provision may also be a Member of the Management Board. In the case of changes in the composition of the Management Board, the outgoing Member of the Management is obliged to transfer any of their ongoing cases along with documents that he or she is in possession of and other materials relating to the Company that they produced, collected, developed or received in the course of performance of the function in the Management Board. A person that shall take over the documents and materials is the Chairman of the Management Board or a Member of the Management Board designated by the Chairman.

The Board is a statutory body of Orzel Bialy S.A. with its registered office in Piekary Śląskie which runs Company’s affairs and represents it, acting under provisions of the law, in particular the provisions of the Act of 15.09.2000, Commercial Code (Journal of Laws no. 94, item 1037 as amended), as well as Company’s Articles of Association, resolutions passed by the General Meeting, resolutions of the Supervisory Board, Rules of Procedure Company’ other bodies, as well as under other internal acts of the laws in force in the Company, in so far as they regulate the role, the function or activity of the Management Board. The scope of Management Board’s action includes handling all matters of the Company, except for matters reserved to the competence of the General Meeting and the Supervisory Board. The Management Board, guided by the best interests of the Company, shall determine the strategy and main objectives of the Company and submit them to the Supervisory Board, and it shall be responsible for their implementation and execution.

The powers of the Management Board include granting and revoking powers of attorney. Appointment of a holder of the power of attorney requires the consent of all Members of the Management Board. Any Member of the Management Board may revoke the Power of Attorney. The Management Board shall use their best efforts to receive from Members of the Supervisory Board statements of bindings of Members of the Supervisory Board with the shareholder of shares representing not less than 5% of
the total number of votes at the General Meeting of the Company and the publication of this information in company's website.

Before the Company concludes a significant agreement with a related party, it shall be a rule to turn through the Management Board to the Supervisory Board for acceptance of the transaction/agreement, with the exception of typical transactions, concluded under market conditions within Company’s operations with a subsidiary in which the company holds a majority share. The Management Board shall be responsible for the preparation and organization of the General Meeting. The duties of the Management Board relating to the conventions and holding of the General Meeting include all activities deriving from the relevant provisions of the law and Company’s Articles of Association. The Board also presents the rationale for the draft resolutions of the General Meeting or it shall turn to an applicant for placing the matter on the agenda of the General Meeting of the Company to provide justification for the resolution proposed by the subject.

Cases that require resolutions of the Management Board include in particular:
   a. Requests of the Management Board addressed to the General Meeting of the Company or of the Supervisory Board, concerning in particular:
      1. distribution of profit or way to cover for losses,
      2. change of Company's objects,
      3. change in the amount of the share capital of the Company,
      4. Company's merger with another company or transformation of the Company,
      5. dissolution and liquidation of the Company,
      6. the issuance of bonds,
      7. disposal and lease of Company's business and the establishment of right to use it,
      8. legal actions, which in the light of the company's Articles of Association require the consent of the Supervisory Board,
   b. convening of General Meetings of Shareholders and deciding on their agenda,
   c. determination of plans and programs of Company's business,
   d. determination of the organizational rules, employee handbook and the rules of procedure of the Management Board,
   e. determination of company's remuneration system,
   f. issue of internal regulations,
   g. appointing holders power of attorney at the company and their remuneration,
   h. creating organizational units of the Company, appointment of their directors and deputies
   i. provision of guarantees and sureties for the obligations of other persons,
   j. establishing a lien on Company’s assets,
   k. acquisition and disposal of shares and stocks of other companies,
   l. establishment and closing of companies where Biały Orzeł S.A. is a partner,
   m. determination of accounts plan in a company and the principles and methods of valuation of Company's property,
   n. joining organizations and associations by the Company.

The share capital of the company is PLN 7,159,779.07 (seven million one hundred and fifty nine thousand seven hundred and seventy nine złoty and seven groszy) and it is divided into 16,650,649
ordinary bearer shares with a nominal value of 0.43 PLN (zero zloty and forty-three grosze) each, which consists of:

- 14,759,929 (fourteen million seven hundred and fifty nine thousand nine hundred and twenty-nine) series A shares,
- 1,8 million (one million eight hundred thousand) series B shares,
- 56,700 (fifty-six thousand seven hundred) series E shares,
- 34,020 (thirty-four thousand and twenty) series F shares.

Series A shares have been covered in full before registering the Company. Series B shares have been covered in full before registering an increase of the share capital of the Company by way of issuance of series B shares. Series E shares have been covered in full before registering the capital increase through issuance of E series shares. Series F shares have been paid in full before registering the share capital increase through issuance of shares of series F shares.

All shares are bearer shares. The company may issue subscription warrants and bonds, including convertible bonds.

Shares may be redeemed by the resolution of the General Meeting. Redemption of shares is allowed with the consent of the shareholder whose shares are to be redeemed (voluntary redemption). With the consent of the shareholder redemption can occur without compensation. Remuneration for the redemption of shares shall be paid to the shareholder within (30) thirty days from the date of the resolution to redeem their shares by the General Meeting, subject to the provisions of Art. 8, paragraph 3. of Company's Articles Of Association.

Resolution of the General Meeting to redeem shares shall specify the manner and conditions of redemption of shares, and in particular the amount and manner of payment of remuneration for the shareholder for redemption of their shares, the legal grounds for the redemption and method of share capital decrease.

When the payment of compensation for voluntarily shares redemption is financed from the amount, which, under Art. 348 § 1 of Commercial Code may be distributed, Art. 8, paragraph 1. 7-8 of Company's Articles of Association shall apply. The company can create reserve capital which, under Art. 348 § 1 of CC may be distributed.

The General Meeting shall adopt a resolution in which: (a) it consents to the acquisition of its own shares for redemption by the Board; (b) it allocates, within the limits set by Article 348 § 1 CC, a specific part of Company's profit to the financing of the acquisition of own shares for redemption; (c) it specifies the maximum number and price of Company's own shares to be purchased for redemption; (d) it specifies the maximum period within which the Board is authorized to acquire own shares for redemption. After the acquisition of its own shares for redemption, the Board shall convene a General Meeting without delay in order to pass a resolution on withdrawal and reduction of the share capital.

VII. Rules for the amendment of Company's Articles of Association

Amendments to the Articles of Association shall be made by Company's General Meeting by way of appropriate resolution. Resolutions of the General Meeting shall be taken by a simple majority, if the
Articles of Association or mandatory rules of law do not provide otherwise. A simple majority of votes means that the number of votes cast “for” is greater than the number of votes “against” and abstaining votes are not taken into account.

VIII. Description of the mode of action of the General Meeting and its essential powers and the rights of shareholders and the way they are exercised.

Orzeł Biały S.A. shall take every effort to organize General Meeting of the Company in such a way to best allow all shareholders to exercise their rights. The General Meeting shall be held according to the rules set out the provisions of the Commercial Code, Company’s Articles of Association and the General Meeting of Biały Orzeł S.A.

The General Meeting shall be convened by the Management Board. Ordinary General Meeting shall be held within 6 months after the end of each fiscal year. Extraordinary General Meeting shall be convened by the Management Board on its own initiative, at the written request of the Supervisory Board or at the request of the shareholder, or shareholders representing at least 5% of the share capital.

The Management Board shall convene the Extraordinary General Meeting on the date indicated in the request, and if its compliance encounters obstacles at the earliest date to settle matters submitted for deliberations of General Meeting, but no later than two weeks from the date of filing of the request.

The Supervisory Board shall convene a General Meeting when:

– the Management Board did not convene the Ordinary General Meeting within the period specified by provisions,
– If, despite the request, referred to above, the Management Board did not convene the Extraordinary General Meeting within two weeks from the date of filing of the request or
– it shall deem the convening as advisable.

Shareholders representing at least half of the share capital of the Company or at least half of the total votes of the Company may convene an Extraordinary General Meeting. Shareholders shall appoint a Chairman of this General Meeting.

Request to convene the General Meeting and the placement of particular matters in the order of its proceedings, reported by qualified entities, should be justified. Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to shareholders along with reasons and opinions of the Supervisory Board of the General Meeting, in sufficient time to become acquainted with them and to make their assessment.

The Management Board shall provide the technical and organizational support for the General Meeting.

The agenda of the General Meeting shall be determined by the Management Board in agreement with the Supervisory Board. The agenda of the General Meeting convened pursuant to Art. 22, paragraph 1.
5 of Articles of Association shall be specified by the Supervisory Board. The Supervisory Board and the shareholder or shareholders representing at least 5% of the share capital may request the placement of individual cases on the agenda of the General Assembly. The General Meeting may pass resolutions regardless of the number of shareholders present or represented shares, subject to the mandatory provisions of the law.

Resolution of the General Meeting shall be taken by a simple majority, if the Articles of Association or mandatory rules of law do not provide otherwise. A simple majority of votes means that the number of votes cast "for" is greater than the number of votes "against" and abstaining votes are not taken into account.

The resolutions to remove certain matters from the agenda of the General Meeting to be valid require the ¾ (three-fourths) of majority of the votes cast in the presence of shareholders representing at least 50% of the share capital, subject to Article 23, paragraph 3 of Articles of Association. Removing matters placed on the agenda of the General Meeting on the request submitted under Article 400 CC or 401 CC requires the consent of the shareholder, that made such a request. Voting at the General Meeting shall be public. Ballot shall take place in cases of elections and the requests for dismissal of Board members or liquidators of the Company, or to hold them accountable, as well as in personal matters. Resolutions on a substantial change in the objects of the Company shall be passed by way of public personal voting.

The General Meeting shall be opened by the Chairman of the Supervisory Board or a person designated by him/her and out of those entitled to vote, they shall elect a Chairman of the Meeting.

The General Meeting shall adopt its rules of procedure. The Rules of the General Meeting of Biały Orzeł S.A. shall specify principles and the mode of the General Meeting of Orzeł Biały with its registered office in Piekary Śląskie, regarding both ordinary and extraordinary meetings. The Rules of Procedure of the General Meeting available in Company's website in the "IR" tab and "About the company".

In accordance with the adopted Rules of Procedure of the General Meeting, the request to convene the General Meeting and the placement of particular issues in the agenda of its proceedings shall be reported by qualified entities and it should be justified. Draft resolutions proposed for adoption by the General Meeting and other relevant materials should be presented to shareholders along with reasons and opinions of the Supervisory Board of the General Meeting, in sufficient time to become acquainted with them and to make their assessment.

Biały Orzel S.A. shall ensure shareholders of the Company the possibility to thoroughly familiarize themselves with the agenda of the Meeting, it shall publish draft resolutions proposed for adoption by the General Meeting along with their justification and the opinion of the Supervisory Board and other relevant materials in Company's website, in time sufficient to become acquainted with them and to make their assessment.

The General Meeting can be attended only by persons who were shareholders of the Company 16 (sixteen) days before the date of the General Meeting (the date of recording participation in the General Meeting).
Dematerialised bearer shares give the right to participate in the General Meeting, if they are placed on the list drawn up by a body keeping securities depository in the manner and within the time limits set out in the Commercial Code.

The right to participate, referred to in § 3. 1-2 of the Rules of Procedure of the General Meeting of Orzel Biały S.A., includes the right to vote, making proposals and raising objections.

The General Meeting should be attended by all current Members of the Management Board and Supervisory Board of the Company, and the General Meeting which will discuss company's financial affairs should also be attended by the expert auditor who examines Company's financial statements and the Chief Accountant of the Company.

Members of the Supervisory Board and the Management Board and the expert auditor and the Chief Accountant of the Company should, within the limits of their competence and to the extent necessary for the resolution of the matters discussed by the Meeting provide participants of the Meeting with explanation and information about the Company. The General Meeting may be attended by experts and guests invited by the body convening the General Meeting.

A shareholder may view a list of shareholders entitled to attend the General Meeting and request a copy of the list, they may also require to have the list of shareholders transferred to them free of charge by e-mail, specifying the address to which the list should be sent.

In order to achieve a more predictable course of the General Meeting, the adopted the Rules of Procedure clarifies the provisions regulating the duties of the Chairman of the General Meeting. The Company pursues a policy aimed at a clear distinction between the competence of the bodies while safeguarding the interests of shareholders and complying with both the provisions of law and the regulations adopted for use on under the claims of the Management Board. Hence, the Rules of Procedure includes a provision in accordance with which the cancellation of the General Meeting, whose agenda, at the request of the qualified entities, refers to particular matters or has been convened on such a request, is only possible with the consent of the applicants. This limits the possibility to cancel the General Meeting in particular in the case when holding the General Meeting runs into extraordinary obstacles (force majeure) or its subject is obviously irrelevant. The cancellation of the General Assembly shall take place in the same way as its convening, ensuring the least possible negative effects for the company and the shareholders, so that it does not prevent or restrict shareholders from exercising their right to participate in the General Meeting. Rescheduling of the General Meeting follows the same procedure as its cancellation, even if the proposed agenda does not change.

In addition, under § 14 of the Rules of Procedure upon a request of a shareholder or shareholders representing 1/5 of the share capital, appointment of the Supervisory Board may be made by voting groups.

A detailed description of the activities of the General Meeting and its essential rights and a description of shareholder rights and how to exercise them are contained in the Rules of Procedure of Company’s General Meeting which is available on Company's website in the "IR" and " About The Company" tabs.

IX. The composition of the governing and supervisory bodies of Orzel Biały S.A. and their policies
and committees.

**The governing body of Biały Orzeł S.A. is the Management Board.**

The Management Board (appointed to the 9th term) on 01.01.2017 to the date of publication of this Statement has been operating in a single composition:

Michael Rohde Pedersen - Chairman of the Board

Operating principles, tasks and responsibilities of Company’s Management Board are set out in the Articles of Association, and in detail in the Rules of Procedure of Orzeł Biały S.A. which is available in company’s website in the "IR" and "About the company" tabs.

Pursuant to the provisions contained in the aforementioned documents, the Management Board is a statutory body which manages the Company and acts on behalf of the Company under Commercial Code, Company's Articles of Association, resolutions of the General Meeting, resolutions of the Supervisory Board, Rules of Procedure of the Management Board and the Regulations of other bodies of the Company as well as on the basis of other regulations in the Company, in terms of taking account of the role, function, activities of the Management Board. Company's Management Board is a body managing the Company and representing it outside, in all matters not reserved to the competence of the General Meeting and the Supervisory Board. The Management Board is guided by the interests of the Company, it determines the strategy and main objectives of the Company and submits them to the Supervisory Board, and it is responsible for their implementation and execution. The Board is committed to care of the transparency and efficiency of the management system in the Company and the conduct of its affairs in accordance with the law and good practice. The Management Board shall be obliged to manage Company's assets, manage its affairs and perform duties with the diligence required in the business.

The responsibilities of the Management Board shall in particular include:

a. Convening of the Ordinary General Meeting at least once a year, not later than the end of June each year.

b. Convening of the Extraordinary General Meeting on its own initiative, at the request of the Supervisory Board or at the request of the shareholder or shareholders representing at least 1/20 part of the share capital.

c. Submission to the Supervisory Board a report on Company's activities, proposals for the distribution of the profits, sources and ways to cover potential losses and write-offs for special-purpose funds.

d. Company's bookkeeping in accordance with applicable law including international accounting standards.

When making decisions on the Company's affairs, Board members shall act within the limits of the legitimate economic risk, i.e. upon consideration of all the information, analyses and opinions which in a reasonable assessment of the Management Board should be taken into account in this case due to the interest of the Company. In determining Company's interest, the Management Board shall consider justified in the long-term perspective interests of the shareholders, creditors, employees of the Company and other entities and individuals associated with the company in terms of its economic
activities, as well as the interests of the local community. When concluding a transaction with shareholders and other people whose interests affect the interest of the Company, the Board shall act with special care for the transactions to be made on market terms. Member of the Management Board should treat their shares in the Company and its parent companies and subsidiaries as long-term investment. Method of selection, the number of Board Members and the competence, powers of the Management Board of Biały Orzeł S.A. have been described above. There are no committees operating within the Management Board.

There is a Management Team operating in Orzeł Biały S.A. which reports directly to the Managing Director of the Company (Management Board). As of the date of publication of this Statement, the Team acted in the following composition:

- Director of Operations of a Production Area
- Chief Financial Officer
- Director of HR & Compliance

Functioning of the individual areas is governed by order of the Managing Director No. 1/2018 on updated organizational structure of the Company of 02.01.2018

The Supervisory Authority of Biały Orzeł S.A. is the Supervisory Board.

During the period from 01.01.2017 to 23.05.2017, the composition of the Supervisory Board is as follows:

- Leszek Waliszewski - Chairman of the Supervisory Board
- Marek Bogucki - Deputy Chairman of the Supervisory Board
- Pierre Mellinger - Member of the Supervisory Board
- Geza Szephalmi - Member of the Supervisory Board
- Tomasz Jakub Wojtaszek - Member of the Supervisory Board

On 19.05.2017, the Company with current reports no. 25/2017 and no. 26/2017, the Company announced that it has received notification of the candidates for the Members of the Supervisory Board of Biały Orzeł S.A. on the new 10th term.

On 23.05.2017, with the current report no. 28/2017, the Company announced that the Ordinary General Meeting passed a resolution no. 16 which specified that the Supervisory Board of the Company shall be composed of five Members. In addition, the Ordinary General Meeting passed resolution on numbers from 17 to 21, under which, on 23.05.2017, it appointed the following Members of the Supervisory Board: Mr. Leszek Waliszewski, Mr. Pierre Mellinger, Mr. Geza Szephalmi, Mr. Thomas James Wojtaszek and Mr. Michael Hulbój for the new 10th term.

During the period from 23.05.2017 until 31 December 2017, the Supervisory Board was composed of the following Members:

- Leszek Waliszewski - Chairman of the Supervisory Board
- Pierre Mellinger - Deputy Chairman of the Supervisory Board
Annex to Board’s report on activities of Orzeł Biały S.A. for 2017

Michał Hulbój - Member of the Supervisory Board
Geza Szephalmi - Member of the Supervisory Board
Tomasz Jakub Wojtaszek - Member of the Supervisory Board

On 5.12.2017, with the current report no. 35/2017, the Company announced that it had received the resignation of Mr. Geza Szephalmi from his function as a Member of the Supervisory Board in Orzeł Biały S.A. with effect from 31 December 2017.

In connection with the need to supplement the minimum composition of the Supervisory Board required to its correct operation, the Company convened Extraordinary General Meeting of shareholders on 25.01.2018.

On 11.01.2018, with the current report no. 1/2018 of 11.01.2018, the Company announced that it had received from the representative of the main shareholder, i.e. NEF Battery Holdings a proposal of a candidate, Mr. John Leone for a Member of the Supervisory Board at Biały Orzeł S.A.

On 25.01.2018, in reference to the current report no. 3/2018 of 25.01.2018, the Extraordinary General Meeting of the Company, by way of resolution no. 3 appointed a new Member of the Supervisory Board in the person of John Leone for an ongoing 10th term. After the reporting period, on 14.02.2018. The District Court in Gliwice,10th Commercial Department issued a decision under which the change was registered.

The composition of the Supervisory Board at Biały Orzeł S.A. during the period from 1.01.2018 to the date of publication of this statement was as follows:

- Leszek Waliszewski - Chairman of the Supervisory Board
- Pierre Mellinger - Deputy Chairman of the Supervisory Board
- Michał Hulbój - Member of the Supervisory Board
- John Leone - Member of the Supervisory Board
- Tomasz Jakub Wojtaszek - Member of the Supervisory Board

On 13.09.2017, the Supervisory Board passed a resolution no. 797/X/2017 on the amendment of the Rules of Procedure of the Supervisory Board, in order to adjust records of the Rules of Procedure to amendments introduced in the law on expert auditors, audit companies and public supervision in the field of Audit Committees and to the current situation and needs of the Company.

The Supervisory Board of Biały Orzeł S.A. operates under the Commercial Code, the law on expert auditors, audit firms and public supervision, Company's Articles of Association, Rules of Procedure of the Supervisory Board and the resolutions of the General Meeting of shareholders. The Supervisory Board also acts according to Regulations of other Company's bodies in terms of taking account of the role, function, action or omission of the Supervisory Board, as well as under other regulations in force in the Company.

The Articles of Association of Biały Orzeł S.A. provides that the Supervisory Board consists of not less than five and not more than seven Members. The term of Office of the Supervisory Board shall be three
years and is common for all of its Members. Members of the Supervisory Board shall be appointed and dismissed by the General Meeting. The Supervisory Board shall elect a Chairman from among its Members and one or two Deputy Chairmen.

The Chairman of the Supervisory Board shall convene meetings of the Supervisory Board and shall preside over them. The Chairman or a Member of the outgoing Supervisory Board authorized by the Supervisory Board, shall convene the first meeting of the newly elected Supervisory Board and shall preside over them until the appointment of a new Chairman. If, within one month from the date of the appointment of the new Supervisory Board, the first meeting of the newly elected Supervisory Board does not take place, the meeting of the meeting of the Supervisory Board may be convened and presided over by Chairman of the Management until the appointment of the new Chairman of the Supervisory Board.

The Supervisory Board shall meet at least once every quarter. In the period between meetings of the Supervisory Board, the Supervisory Board is represented towards the Management Board by the Chairman of the Supervisory Board or in his absence by a Member of the Supervisory Board appointed by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board, or in his absence one his/her deputies, shall convene a meeting at the written request of at least one Member of the Supervisory Board. The meeting shall be convened within two weeks from the date of submission of the request. In order for the resolutions of the Supervisory Board to be valid, a written invitation to all Members of the Supervisory Board must be served at least seven days before the date scheduled for the meeting. Resolutions may be passes without a meeting, if all the Members of the Supervisory Board agree in writing on the provision which is to be taken or by a written vote (circulating mode). A Member of the Supervisory Board may participate in decisions of the Board, casting their vote in writing through another Member of the Supervisory Board, subject to the mandatory provisions of the law. The Supervisory Board may adopt resolutions by way of means of direct communication at a distance, subject to the mandatory provisions of the law. The Supervisory Board shall adopt resolutions by an absolute majority of votes cast by Members of the Supervisory Board, in the presence of at least half of the composition of the Board. An absolute majority of votes means more than half of the votes cast.

The Supervisory Board shall perform its activities collectively, however, it can delete its Members to individual performance of individual supervising actions. If the General Meeting appoints the Supervisory Board by voting in separate groups, Members of the Supervisory Board appointed by each of the groups may delegate one Member to the standing performance of individual actions.

The scope of Supervisory Board’s activities includes a permanent supervision and control of Company’s activities in all areas of its activities, above all in view of the best interest of the Company. Member of the Supervisory should have appropriate education, work experience and life experience to represent a high moral level and be able to spend the necessary amount of time to properly perform their functions in the Supervisory Board. A Member of the Supervisory Board should, first and foremost, have regard to the interest of the Company. There is an Audit Committee operating within the Supervisory Board.

The activities of the Supervisory Board are specified in detail in the Rules of Procedure of the Supervisory Board which is available in Company’s website in the "IR" and "About the company" tabs.
The Audit Committee

On 13.09.2017, Company’s Supervisory Board passed a resolution no. 798/X/2017 to set up an Audit Committee of the Company. The following persons were appointed to the Audit Committee: Michael Hulbój, Leszek Waliszewski, and Geza Szephalmi, who meet the criteria of the independence of the Members of the Audit Committee under Article 129 of the law of 11th May 2017, on expert auditors, audit companies and public supervision and Tomasz Jakub Wojtaszek. During the same meeting, the Supervisory Board also passed the resolution No. 799/X/2017 on the adoption of the Rules of Procedure of the Audit Committee.

The composition of the Audit Committee at Orzeł Biały S.A. during the period from 13.09.2017 to 05.12.2017 was as follows:

- Michał Hulbój - Chairman of the Audit Committee
- Leszek Waliszewski - Member of the Audit Committee
- Tomasz Jakub Wojtaszek - Member of the Audit Committee
- Geza Szephalmi - Member of the Audit Committee

On 05.12.2017, in reference to current report No. 35/2017, the Company received the resignation of Mr Geza Szephalmi from his function as a Member of Audit Committee at Biały Orzeł S.A. with effect from 05.12.2017.

The composition of the Audit Committee at Biały Orzeł S.A. during the period from 06.12.2017. to the date of publication of this statement was as follows:

- Michał Hulbój - Chairman of the Audit Committee
- Leszek Waliszewski - Member of the Audit Committee
- Tomasz Jakub Wojtaszek - Member of the Audit Committee

The composition of the Audit Committee complies with the requirements of the law on expert auditors, audit companies and public supervision of 11th May 2017, in respect of the independence, as well as knowledge and skills in accounting or auditing and knowledge and skills in the industry in which the Company operates.

The Audit Committee acts according to the Rules of Procedure of the Audit Committee adopted by resolution of the Supervisory Board no. 799/X/2017, of the Rules of Procedure of the Supervisory Board, Company's Articles of Association and Law on statutory auditors, audit companies and public supervision.

On 13.09.2017 The Supervisory Board passed resolution no. 800/X/2017 by which it adopted prepared by the Audit Committee policies and procedure of selection of the audit company to examine the financial and the consolidated statements of Biały Orzeł S.A.
The Audit Committee is an advisory and opinion forming body working collectively within the structure of Company’s Supervisory. Audit Committee shall perform its consulting and advisory function for the Supervisory Board.

The Audit Committee consists of at least three Members, including the Chairman of the Audit Committee, appointed by the Supervisory Board for a period of the term of Office among the Members of the Supervisory Board in accordance with the internal regulations of the Company.

The basic tasks of the Audit Committee are to advise and support the Supervisory Board in the exercise of its statutory supervisory and auditing obligations within:

a) monitoring financial reporting process in the Company and its Capital Group,

b) monitoring of the effectiveness of internal control systems and risk management systems and internal audit, including financial reporting,

c) monitoring of auditing activities, in particular audit performed by an auditing company,

d) ensuring independence of Auditors,

e) appropriate cooperation with expert auditors.

Meetings of the Audit Committee shall be held not less than twice a year before the publication of financial statements by Orzeł Biały S.A. (half-yearly and annual) THAT are part of the half-yearly report and annual reports of the company.

The work of the Committee shall be headed by the Chairman of the Audit Committee. He/She also supervises the preparation of the agenda, organization of documents distribution and preparation of protocols of the meetings of the Audit Committee.

The Committee meeting shall be convened by the Chairman of the Audit Committee who shall invite the members of the Audit Committee and shall inform all the other Members of the Supervisory Board of the Company of the meetings. All the members of the Supervisory Board have the right to participate in the meetings of the Audit Committee. The Chairman of the Committee may invite to the meetings of the Audit Committee Members of the Management Board of the Company, as well as Members of the Management Team of the company, Members of the Management Boards of related companies and in agreement with the Chairman of the Management Board of the Company, other employees and collaborators of the Company, as well as Members of the public whose participation in the meeting is useful for the performance of the tasks of the Audit Committee.

Resolutions of the Committee shall be passed by an absolute majority of votes of the Members with at least half of the composition of the Audit Committee present. An absolute majority of votes means more than half of the votes cast.

X. A description of the diversity policy applied to the administrative, management and supervisory bodies of the issuer with regard to aspects such as age, sex or education and professional experience, the objectives of this policy of diversity, methods of its implementation and effects during the reporting period

In relation to the authorities of the Company and its key managers, Orzeł Biały applies the policy of diversity and the characteristics of its components are described below.
In relation to supervising authorities, Orzeł Biały applies the policy of diversity and the characteristics of its components are described below.

Figure 2. A diagram of the diversity policy in relation to the authorities of Biały Orzeł S.A. and its key managers as of the date of publication of this statement.

<table>
<thead>
<tr>
<th>Sex</th>
<th>Professional experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>75%</td>
</tr>
<tr>
<td>Men</td>
<td>25%</td>
</tr>
<tr>
<td>less than 15 years</td>
<td>50%</td>
</tr>
<tr>
<td>15-20 years</td>
<td>25%</td>
</tr>
<tr>
<td>more than 25 years</td>
<td>25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 45 years</td>
</tr>
<tr>
<td>more than 45 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
</tr>
<tr>
<td>Technical</td>
</tr>
<tr>
<td>Humanistic</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 - 40 years</td>
</tr>
<tr>
<td>41 - 55 years</td>
</tr>
<tr>
<td>55-70 years</td>
</tr>
</tbody>
</table>

Figure 3. Diagram of diversity policy application with regard to supervising authorities in Orzeł Biały S.A. as of the date of publication of this statement.
The main purpose of diversity policy is to create a real added value which contributes to the success of the Organization and improves the performance of the Company.

**Methods of application of diversity policy:**

Diversity management is an approach that maximises opportunities related to hiring the most talented individuals from different backgrounds, creating a culture with atmosphere of openness, tolerance and teamwork, as well as approach minimizing the risks associated with the loss of valuable employees. The diversity policy in the context of key managers is achieved by varying the staff in terms of age, gender, type of education and professional experience, as well as through compliance with applicable values and good practices in the daily functioning of the Company.

During the reporting period, the application of Company's diversity policies contributed to achievement of most of the assumed business goals.

**XI. Charity or other similar information on company's policy in this area (I.R. 2. principle)**

The company has a sponsorship policy of on the use of Company funds for activities not related to business, non-profit activities, such as sponsorship. Within its sponsorship activities, Orzeł Biały S.A. supports mainly engaging local community, promoting active and healthy lifestyle, sports, both amateur and professional, and strengthening environmental education of children and young people in the vicinity of the plant. To that effect, the policy follows the overall strategy of Company's development and is an integral part of its communication with the market and the local community. Within its sponsorship activities, the Company shall apply the principle of balance, transparency, accessibility and development.

**XII. A report on the remuneration policy in the Company (VI. Of 4. principle)**

Remuneration for Members of the Supervisory Board and the Members of the Audit Committee shall be established by the General Meeting of the Company. Remuneration for Members of the Board Management shall be established by the Supervisory Board. Remuneration for the Directors shall be the Management Board. The main elements of the remuneration system for Board Members, Directors include: permanent monthly base salary and the annual bonus depended on the level of the quantitative and qualitative objectives and results of the Company.

Benefits for Members of the Management Board and Directors may include company car, technical tools and equipment necessary for the performance of duties, to cover the costs of travel and representation in the appropriate scope and amount to the functions assigned to them.

In addition, the Company periodically shall introduce incentive programs for the Board Members whose goal is to provide optimal conditions for the growth of company's financial performance and long-term increase in the value of the Company through sustained involvement of people participating in the Incentive Program with the Company, and relating their pay with the financial results of the Company. Such programmes can be based on the issue of subscription warrants entitling to subscribe for shares.
issued under share capital increase. If such Incentive Program is introduced, its Terms and Conditions shall be drafted.

**Premium policies for key managerial personnel**

The Company runs a premium system for key top executives aimed to relating to the value system in Orzeł Biały S.A., and designed to provide high motivation of managers. This system is based on Company’s strategic objectives adopted for implementation for a given year.

The bonus system involves determining individual goals, tasks, appointed at the beginning of the premium period by the Supervisory Board for the Members of the Management Board and by the Board for Directors and by Directors for key personnel. The bonus system promotes cooperation between employees and motivates to achieving the best results in the Biały Orzeł.

The objectives are of qualitative and quantitative nature and are settled after the end of the year for which they have been designated, under the rules adopted by resolution of the Management Board or other previously established.

In addition, the bonus system gives possibility to distinguish employees who have a significant contribution in results achieved.

In addition, the system of remuneration and reward of Company’s employees is regulated in the Collective Agreement of the Company and in the Rules of Bonus and Reward of Biały Orzeł S.A. Employees. The bonus under these Rules has specific criteria, such as OEE index. The criteria adopted are closely linked to the operational objectives of the Company. Through such a link, the adopted bonus and rewarding system ultimately translates into an increase in the value of the Company. The issuer, in consultation with the Social Partner, shall adjust the Rules for rewarding employees to current needs on an ongoing basis.

**Additional remuneration systems of Company’s employees.**

**Project management in Biały Orzel S.A.**

The Company implemented HR solutions in the field of project management in Orzeł Biały, the order of the Chief Executive, which regulates the remuneration system of employees for participation in the projects implementation. Through the projects, the company effectively achieves its strategic objectives, while employees expand their competencies and professional development.

**The “Clever Eagle” program**

The goal of the “Clever Eagle” program is to involve all employees in Orzeł Biały S.A. in the continuous development and improvement of jobs, products, production processes, etc.. Orzeł Biały S.A. use the program that gathers ideas to promote and to notice workers actively involved in the process of shaping the organizational culture, giving them the opportunity to affect the area of their work, at the same time appreciating the intellectual contribution of these workers. Terms and conditions of the program
define principles of rewarding employees for submitting ideas and their participation in their implementation.

Information on the conditions and remuneration of each of the Members of the Management Board, broken down into fixed and variable components of remuneration, with an indication of key parameters for determining the variable components of remuneration and the principles of severance pays and other payment due to the termination of employment, or other legal relationship of a similar nature, separately for the company and each individual within the Group, have been defined by the Issuer in the Management Board Report 2017 in section 4.2. The value of remuneration, awards or benefits for managers and supervisors at Orzeł Biały S.A.

Within the last financial year and since the date of publication of this statement, in addition to having formal changes in salary scale adjustment to the current market situation, described in the report of Company’s activities for 2017 in point D. HR situation - there were no significant changes to the remuneration policy of the Company.

Michael Rohde Pedersen
Chairman of the Board

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