

## Erratum

to the Management Board Report on activities of the CIECH Group and CIECH S.A. for 2018, which is a part of the Consolidated Annual Report of the CIECH Group for 2018 and the Annual Report of CIECH S.A. for 2018, published on 26 March 2019.

Clause **7.10 "Corporate bodies of CIECH S.A. and the principles governing their operation"** in the part relating to the principles of functioning of the Audit Committee used to read as follows:

### Audit Committee

The Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution No 57/IV/2005 of 16 February 2005. The Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting of the Company, financial results of the Company, effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board.

The Audit Committee is composed of at least three Members of the Committee, including the Chairman of the Audit Committee. A majority of Members of the Audit Committee, including its Chairman, should meet the independence criteria set forth in Article 129 section 3 of the Act.

According to the Audit Committee By-laws, the tasks of the Audit Committee include in particular:

- monitoring:
  - ✓ the financial reporting process,
  - ✓ effectiveness of the internal control system, as well as risk management and internal audit systems, also with regard to financial reporting,
  - ✓ performance of financial auditing activities, in particular auditing by the audit firm, taking into consideration any applications and determinations of the Audit Oversight Commission resulting from the control carried out in the audit firm,
- control and monitoring of independence of the statutory auditor and the audit firm, especially, if the audit firm provides to the Company services other than auditing,
- informing the Supervisory Board about audit results and explanation of how the audit has contributed to reliability of financial reporting in the Company, as well as the role of the Audit Committee in the audit process,
- assessment of independence of the statutory auditor and expressing consent to his/her provision of permitted services other than audits in the Company,
- preparation of the policy of selecting the audit firm to conduct the audit,
- preparation of the policy of providing permitted services other than auditing by the audit firm conducting the audit, its affiliates and by a member of the audit firm's network,
- determination of the procedure of selecting the audit firm by the Company,
- providing the Supervisory Board with recommendations concerning the appointment of the audit firm, in accordance with the policies referred to in items e) and f) above. In this recommendation, the Audit Committee:
  - ✓ suggests the audit firm to conduct the statutory audit;
  - ✓ states that the recommendation is free of influences of third parties;
  - ✓ states that the audited public interest entity has not concluded any contracts containing the clauses referred to in Article 66(5a) of the Accounting Act;
- in the case when the selection referred to in item 8 not apply to extension of the contract for auditing the financial statements, the recommendation of the Audit Committee contains at least two selection options for selecting the audit firm, along with a substantiation, and indication of reasonable preference of the Audit Committee towards one of them;
- annual review of the internal audit schedule;
- assessment of the results of internal controls, including internal audits, and schedules of elimination of errors detected;
- reviews of material agreements concluded with related parties;
- preliminary assessment of the annual financial plan prepared by the Management Board as well as of the report on its implementation;
- submission of recommendations aimed at ensuring reliability of the financial reporting process in the Company.

The Audit Committee elects its Chairman from among its members in a secret ballot. The Chairman of the Audit Committee manages the Committee's work, supervises the preparation of agenda, organisation of document distribution and preparation of minutes of Audit Committee meetings.

The Audit Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity which is a part of the Report on the activity of the Supervisory Board of CIECH S.A. provided to Shareholders during the Annual General Meeting of CIECH S.A.

As at 1 January 2018, the composition of Audit Committee was as follows:

- Piotr Augustyniak – Chairman of the Committee,
- Mariusz Nowak – Committee Member,
- Artur Olech – Committee Member.

On 24 July 2018, following the appointment of the Supervisory Board of CIECH SA as of 22 June 2018 for a new term of office, the Supervisory Board appointed the Audit Committee in the following composition:

- Piotr Augustyniak – Chairman of the Committee,
- Mariusz Nowak – Committee Member,
- Artur Olech – Committee Member.

On 24 July 2018, the Audit Committee appointed Mr Piotr Augustyniak to perform the duties of the Chairman of the Audit Committee. The composition of the Audit Committee did not change until 31 December 2018.

Following the correction, as a result of supplementing the report with the information pursuant to §70 section 6 (5) item L and §71 section 5 of the *Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and on conditions for deeming equivalent information required by the law of a Non-Member State (Journal of Laws of 2018 item 757)*, clause **7.10 "Corporate bodies of CIECH S.A. and the principles governing their operation"** shall now read as follows:

#### Audit Committee

The Audit Committee of the Supervisory Board of CIECH S.A. was appointed by Resolution No 57/IV/2005 from 16 February 2005. The Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting of the Company, financial results of the Company, effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board.

The Audit Committee is composed of at least three Members of the Committee, including the Chairman of the Audit Committee. A majority of Members of the Audit Committee, including its Chairman, should meet the independence criteria set forth in Article 129 section 3 of the Act.

According to the Audit Committee By-laws, the tasks of the Audit Committee include in particular:

- monitoring:
  - ✓ the financial reporting process;
  - ✓ effectiveness of the internal control system, as well as risk management and internal audit systems, also with regard to financial reporting;
  - ✓ performance of financial auditing activities, in particular auditing by the audit firm, taking into consideration any applications and determinations of the Audit Oversight Commission resulting from the control carried out in the audit firm,
- control and monitoring of independence of the statutory auditor and the audit firm, especially, if the audit firm provides to the Company services other than auditing,
- informing the Supervisory Board about audit results and explanation of how the audit has contributed to reliability of financial reporting in the Company, as well as the role of the Audit Committee in the audit process,
- assessment of independence of the statutory auditor and expressing consent to his/her provision of permitted services other than audits in the Company,
- preparation of the policy of selecting the audit firm to conduct the audit,
- preparation of the policy of providing permitted services other than auditing by the audit firm conducting the audit, its affiliates and by a member of the audit firm's network,
- determination of the procedure of selecting the audit firm by the Company,

- providing the Supervisory Board with recommendations concerning the appointment of the audit firm, in accordance with the policies referred to in items e) and f) above. In this recommendation, the Audit Committee:
  - ✓ suggests the audit firm to conduct the statutory audit;
  - ✓ states that the recommendation is free of influences of third parties;
  - ✓ states that the audited public interest entity has not concluded any contracts containing the clauses referred to in Article 66(5a) of the Accounting Act;
- in the case when the selection referred to in item 8 not apply to extension of the contract for auditing the financial statements, the recommendation of the Audit Committee contains at least two selection options for selecting the audit firm, along with a substantiation, and indication of reasonable preference of the Audit Committee towards one of them;
- annual review of the internal audit schedule;
- assessment of the results of internal controls, including internal audits, and schedules of elimination of errors detected;
- reviews of material agreements concluded with related parties;
- preliminary assessment of the annual financial plan prepared by the Management Board as well as of the report on its implementation;
- submission of recommendations aimed at ensuring reliability of the financial reporting process in the Company.

The Audit Committee elects its Chairman from among its members in a secret ballot. The Chairman of the Audit Committee manages the Committee's work, supervises the preparation of agenda, organisation of document distribution and preparation of minutes of the Audit Committee meetings. In 2018 the Audit Committee of CIECH S.A. held 7 meetings that were recorded in minutes.

The Audit Committee of the Supervisory Board of CIECH S.A. submits an annual report on its activity, which is a part of the Report on the activity of the Supervisory Board of CIECH S.A. provided to Shareholders during the Annual General Meeting of CIECH S.A.

As at 1 January 2018, the composition of Audit Committee was as follows:

- Piotr Augustyniak – Chairman of the Committee,
- Mariusz Nowak – Committee Member,
- Artur Olech – Committee Member.

On 24 July 2018, following the appointment of the Supervisory Board of CIECH SA as of 22 June 2018 for a new term of office, the Supervisory Board appointed the Audit Committee in the following composition:

- Piotr Augustyniak – Chairman of the Committee,
- Mariusz Nowak – Committee Member,
- Artur Olech – Committee Member.

On 24 July 2018, the Audit Committee appointed Mr Piotr Augustyniak to perform the duties of the Chairman of the Audit Committee. The composition of the Audit Committee did not change until 31 December 2018. Members of the Audit Committee who meet the independence criteria are Mr Piotr Augustyniak and Mr Artur Olech.

Members of the Audit Committee who are knowledgeable about and skilled in accounting or auditing of financial statements are Mr Piotr Augustyniak, Mr Mariusz Nowak and Mr Artur Olech. The professional experience of the Audit Committee Members which confirms their knowledge of and skills in the field is presented in table 52 of this report and on the CIECH S.A. website: <https://ciechgroup.com/grupa-ciech/rada-nadzorcza/>.

Members of the Audit Committee who are knowledgeable about and skilled in the filed in which CIECH S.A. operates are Mr Piotr Augustyniak, Mr Mariusz Nowak and Mr Artur Olech. The professional experience of the Audit Committee Members which confirms their knowledge of and skills in the field is presented in table 52 of this report and on the CIECH S.A. website: <https://ciechgroup.com/grupa-ciech/rada-nadzorcza/>.

The following policies on cooperation with the audit firm are in force at CIECH S.A.:

- *"Policy for the provision of permitted non-audit services by the audit firm conducting the audit of the financial statements"*. In accordance with the Policy, the audit firm conducting the audit of the financial statements, its affiliates and a member of the audit firm's network may provide only permitted non-audit services specified in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision that are not prohibited services within the meaning of the Act and Regulation

(EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. The Policy also specifies the catalogue of permitted services.

Ordering a service requires an audit firm to confirm that ordered non-audit services are not prohibited services within the meaning of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision and within the meaning of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and that the audit firm is able to perform the services in an unobstructed manner.

The Audit Committee, having assessed the risks and safeguards of independence, consents to the provision of the permitted non-audit services.

Permitted services other than auditing of financial statements were provided to CIECH S.A. in 2018. In each instance the Audit Committee assessed independence and consented to the provision of such services. The Audit Committee analyses reports on the audit firm's performance of permitted services.

- *"Policy and procedure of selecting the audit firm"*. The Policy defines formal conditions and criteria for the selection of the audit firm, the most important of which are:

- the selection is made by the Supervisory Board on the basis of the Audit Committee's recommendations;
- the selection is made with the rotation rules taken into account:
  - the entity authorised to audit financial statements may not conduct audits of the Company/Group for more than 5 subsequent years;
  - the entity authorised to audit financial statements may conduct the audit in the Company/Group again after at least 3 years from the end of the last audit, unless the duration of the audit order is 5 years, in which case the entity authorised to audit financial statements may conduct the audit in the Company/Group again after at least 4 years from the end of the last audit;
  - a key statutory auditor may not perform financial audit activities in the Company/Group for a period of more than 5 subsequent years;
  - a key statutory auditor may perform financial audit activities in the Company/Group again after at least 3 years from the end of the last audit.
- the first agreement on the audit of financial statements is concluded for a period not shorter than 2 years;
- the selection is made on the basis of documented qualifications and professional experience, taking into consideration the specificity and locations of businesses conducted by companies in the CIECH group, required reporting deadlines and the price offered.

In 2018 the Audit Committee of CIECH S.A. issued a recommendation regarding the selection of an audit firm, in accordance with the Policy and procedure of selecting the audit firm, which fulfilled the binding conditions for renewing the agreement with an audit firm, namely PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyty Sp.k.

Warsaw, 13 May 2019

*(signed on the polish original)*

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**Dawid Jakubowicz — President of the Management Board of CIECH Spółka Akcyjna**

*(signed on the polish original)*

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**Artur Osuchowski — Member of the Management Board of CIECH Spółka Akcyjna**

*(signed on the polish original)*

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**Mirosław Skowron — Member of the Management Board of CIECH Spółka Akcyjna**