

Resolution No. 1739/VI/2018
adopted by the PKP CARGO S.A. Supervisory Board
on 23 April 2018

on: **approving the “Activity report of the PKP CARGO S.A. Supervisory Board as the Company’s corporate body in the financial year 2017”.**

Pursuant to Article 19 Sec. 2 Item 1 letter 2b of the PKP CARGO S.A. Supervisory Board Bylaws, the PKP CARGO S.A. Supervisory Board hereby resolves as follows:

§ 1

1. Approve the “Activity report of the PKP CARGO S.A. Supervisory Board as the Company’s corporate body in the financial year 2017”.
2. The activity report of the PKP CARGO S.A. Supervisory Board referred to in Section 1 forms an attachment to this Resolution.

§ 2

It moves to the PKP CARGO S.A. Shareholder Meeting for reviewing the y report of the PKP CARGO S.A. Supervisory Board referred to in § 1.

§3

This resolution shall come into force on the date of its adoption.

The vote was taken by open ballot.

Number of the PKP CARGO S.A. Supervisory Board members who participated in the voting: 8

Number of votes in favor: 8

Number of votes against: 0

Number of votes abstaining: 0

PRZEWODNICZĄCY
Rady Nadzorczej PKP CARGO S.A.

Krzysztof Mamiński

Activity report of the PKP CARGO S.A. Supervisory Board as the Company's corporate body in the financial year 2017.

1. PKP CARGO S.A. was established on 29 June 2001 (Notary Deed Rep. A No. 1287/2001). The Company was registered in the National Court Register on 17 July 2001 under file number KRS 0000027702. The Company's seat is Warsaw.
2. The PKP CARGO S.A. Supervisory Board of the sixth term of office started its activity in the financial year 2017 in the following composition:

Mr. Mirosław Pawłowski	- Chairman of the PKP CARGO S.A. Supervisory Board
Mr. Krzysztof Czarnota	- Member of the PKP CARGO S.A. Supervisory Board
Ms. Zofia Dzik	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Raimondo Eggink	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Jerzy Kleniewski	- Member of the PKP CARGO S.A. Supervisory Board
Ms. Małgorzata Kryszkiewicz	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Marek Podskalny	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Tadeusz Stachaczyński	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Andrzej Wach	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Czesław Warszewicz	- Member of the PKP CARGO S.A. Supervisory Board

On 6 March 2017, Mr. Mirosław Pawłowski submitted his resignation from the function of the Supervisory Board Member, effective as of 6 March 2017.

With effect from 6 March 2017, Polskie Koleje Państwowe S.A. appointed Mr. Krzysztof Mamiński to the PKP CARGO S.A. Supervisory Board of the sixth term of office.

On 14 March 2017, Mr. Jerzy Kleniewski submitted his resignation from the function of the Supervisory Board Member, effective as of 14 March 2017.

With effect from 14 March 2017, Polskie Koleje Państwowe S.A. appointed Mr. Władysław Szczepkowski to the PKP CARGO S.A. Supervisory Board of the sixth term of office.

On 29 May 2017, Mr. Andrzej Wach submitted his resignation from the function of the Supervisory Board Member, effective as of 29 May 2017.

With effect from 1 June 2017, Polskie Koleje Państwowe S.A. appointed Mr. Mirosław Antonowicz to the PKP CARGO S.A. Supervisory Board of the sixth term of office.

On 26 October 2017, the Supervisory Board adopted resolution 1699/VI/2017 to delegate Supervisory Board Member Krzysztof Mamiński to temporarily, i.e. until 26 January 2018, perform the duties of President of the PKP CARGO S.A. Management Board.

The PKP CARGO S.A. Supervisory Board ended 2017 in the following composition:

Mr. Krzysztof Mamiński	- delegated to temporarily perform the duties of President of the Management Board (Chairman of the PKP CARGO S.A. Supervisory Board)
Mr. Mirosław Antonowicz	- Deputy Chairman of the PKP CARGO S.A. Supervisory Board
Mr. Krzysztof Czarnota	- Member of the PKP CARGO S.A. Supervisory Board
Ms. Zofia Dzik	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Raimondo Eggink	- Member of the PKP CARGO S.A. Supervisory Board
Ms. Małgorzata Kryszkiewicz	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Tadeusz Stachaczyński	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Władysław Szczepkowski	- Member of the PKP CARGO S.A. Supervisory Board
Mr. Czesław Warszewicz	- Member of the PKP CARGO S.A. Supervisory Board

Changes in the composition of PKP CARGO S.A. Supervisory Board in the financial year 2017 are presented in the following table:

No.	Name	Position	Period in office	
			from	to
1	Krzysztof Mamiński	Supervisory Board Member, Supervisory Board Chairman (seconded to temporarily perform the duties of President of the Management Board)	6 March 2017 20 March 2017 26 March 2017 26 October 2017	26 October 2017 to date 25 March 2018
2	Mirosław Antonowicz	Supervisory Board Member, Supervisory Board Deputy Chairman	1 June 2017 27 June 2017	to date
3	Krzysztof Czarnota	Supervisory Board Member	20 May 2016	to date
4	Zofia Dzik	Supervisory Board Member	11 May 2016	to date
5	Raimondo Eggink	Supervisory Board Member	13 April 2015*	to date
6	Małgorzata Kryszkiewicz	Supervisory Board Member	17 December 2015*	to date
7	Tadeusz Stachaczyński	Supervisory Board Member	20 May 2016	to date
8	Władysław Szczepkowski	Supervisory Board Member	14 March 2017	to date
9	Czesław Warszewicz	Supervisory Board Member	17 December 2015*	26 March 2018
10	Mirosław Pawłowski	Supervisory Board Member, Supervisory Board Chairman	17 December 2015 18 December 2015*	18 December 2015 6 March 2017
11	Jerzy Kleniewski	Supervisory Board Member	17 December 2015*	14 March 2017
12	Andrzej Wach	Supervisory Board Member, Supervisory Board Deputy Chairman	17 December 2015* 27 April 2016 20 May 2016	27 April 2016 11 May 2016 29 May 2017
13	Marek Podskalny	Supervisory Board Member	20 May 2016	24 November 2017

** the 6th term of office of the PKP CARGO S.A. Supervisory Board began on 11 May 2016, the date of holding the Ordinary Shareholder Meeting of PKP CARGO S.A.*

Source: Proprietary material

- Pursuant to the provisions of § 20 Sec. 1 of the Company's Articles of Association, at least two Supervisory Board members elected by the Shareholder Meeting should satisfy the criteria of independence from the Company and entities with significant ties to the Company. In addition, the aforementioned PKP CARGO S.A. Supervisory Board Members should satisfy the independence criteria for Supervisory Board Members defined by the European Commission in Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (EU OJ L 05.52.51) and additional requirements specified in the "Good Practices of Companies Listed on the WSE"

constituting an attachment to Resolution No. 26/1413/2015 of the WSE Supervisory Board of 13 October 2015.

From 01 January 2017 to 31 December 2017 these were the following PKP CARGO S.A. Supervisory Board Members:

- Mr. Raimondo Eggink – Resolution No. 31/2016 of the Ordinary Shareholder Meeting of PKP CARGO S.A. dated 11 May 2016 on appointing the PKP CARGO S.A. Supervisory Board Member satisfying the independence criteria
- Ms. Zofia Dzik – Resolution No. 32/2016 of the Ordinary Shareholder Meeting of PKP CARGO S.A. dated 11 May 2016 on appointing the PKP CARGO S.A. Supervisory Board Member satisfying the independence criteria

4. In the financial year 2017, the Supervisory Board held 12 meetings, during which it adopted 86 resolutions. In addition to the resolutions adopted during meetings, in 2017 the Supervisory Board adopted 11 resolutions without holding a meeting, using means of remote communication.
5. Absence of Supervisory Board Members was excused at Supervisory Board meetings by way of resolutions.

The dates of Supervisory Board meetings and number of Supervisory Board Members absent from the meetings in 2017 were as follows:

Supervisory Board meetings in 2017		
No.	date	number Supervisory Board members in attendance at the meeting
1.	30.01.2017	not applicable
2.	24.02.2017	two Supervisory Board Members
3.	20.03.2017	not applicable
4.	27.04.2017	not applicable
5.	22.05.2017	one Supervisory Board Member
6.	27.06.2017	not applicable
7.	31.07.2017	one Supervisory Board Member
8.	23.08.2017	one Supervisory Board Member
9.	29.09.2017	not applicable
10.	26.10.2017	not applicable
11.	08.11.2017	not applicable
12.	18.12.2017	not applicable

6. In the financial year 2017 the Supervisory Board concentrated on the most important issues determining the Company's operating activity, current and future financial standing, market position and its capacity to keep up with the increasing domestic and foreign competition in the evolving and liberalizing rail freight transport market. Presently, PKP CARGO S.A. holds safety certificates enabling it to render rail transport services on its own in Slovakia, the Czech Republic, Germany, Austria, Belgium, Hungary, the Netherlands and Lithuania. PKP CARGO S.A. continues to be the rail freight transport leader in Poland both in terms of freight volume and freight turnover.

6.1. In particular, in the financial year 2017, the Supervisory Board dealt with the following issues:

- approving the Business Plan for 2017;
- giving consent to enter into an agreement on performance of train and non-train traction service by PKP CARGO S.A. train drivers for PKP Intercity S.A. in the period from 1 January 2017 to 31 August 2017;

- giving consent to enter into an agreement with PKP S.A. on PKP CARGO S.A.'s participation in the costs of international organization member fees in 2016;
- giving consent to enter into an annex to the investment loan agreement concluded with Bank Gospodarstwa Krajowego; adopting a resolution on giving consent to enter into an agreement on repairs of freight wagons and electric and diesel locomotives on levels P4 and P5 by PKP CARGOTABOR Sp. z o.o. in 2017;
- giving consent to enter into an agreement on performance of traction services by PKP CARGO S.A. for Pomorskie Przedsiębiorstwo Mechaniczno-Torowe Sp. z o.o.;
- giving consent to enter into agreement no. DRT1-01/2015/CARGO/ Lease of Servers;
- giving consent to enter into an agreement on provision of maintenance, lease and emergency repair services for the railway telecommunication and radio communication devices;
- giving consent to enter into a sub-lease agreement with PKP CARGOTABOR Sp. z o.o. and authorizing the PKP CARGO S.A. Management Board to made changes to the agreement;
- giving consent to enter into annexes to diesel fuel supply agreements;
- giving consent to enter into framework agreements and execution agreements to the framework agreements for delivery of cast iron brake inserts for the rolling stock;
- giving consent to enter into agreements on current repairs and periodic inspections of freight wagons by PKP CARGOTABOR Sp. z o.o.;
- adopting a change of the method of settlement of the aggregates transport agreements concluded principally for 2015-2018;
- giving consent to: enter into a current account overdraft agreement with Bank Polska Kasa Opieki S.A. and incur a liability and dispose of property rights through entering into an account group cash management system agreement with Bank Polska Kasa Opieki S.A.;
- giving consent to enter into an agreement with PKP Intercity S.A. on paid-for provision of passenger wagons;
- entering into a framework agreement on provision of services by PKP CARGO S.A. units for CARGOTOR Sp. z o.o.;
- giving consent to enter into locomotive maintenance agreements PKP CARGO S.A. with by PKP CARGOTABOR Sp. z o.o.;
- giving consent to enter into an agreement on performance of repairs of wheel sets for freight wagons by PKP CARGOTABOR Sp. z o.o., between PKP CARGO S.A. and PKP CARGOTABOR Sp. z o.o.;
- giving consent to PKP CARGO S.A. to enter into a bank guarantee limit agreement;
- giving consent to incur a liability for purchase of 70 Samms series platform wagons;
- giving consent to enter into an annex to the locomotive lease agreement concluded with ORLEN KolTrans sp. z o.o.;
- giving consent to enter into a system infrastructure and maintenance agreement with PKP Informatyka Spółka z o.o.;
- giving consent to enter into annex no. 1 to the consulting services agreement of 29 May 2017 concluded between PwC Polska sp. z o.o. and PKP CARGO S.A.;

- giving consent to enter into annexes to the agreements on periodic repairs, periodic inspections and current repairs of freight wagons in 2017 entered into with PKP CARGOTABOR Sp. z o.o.;
- giving consent to enter into an agreement on successive delivery of LL composite brake blocks for freight wagons;
- giving consent to increase the incurred liability in agreement no. TDSU-UU- 10/2016 with CARGOTOR sp. z o.o.;
- giving consent to enter into an agreement with PKP Intercity S.A. on performance of traction service with in the period from 1 October 2017 to 31 December 2017;
- giving consent to enter into an agreement with PKP CARGOTABOR Sp. z o.o. on performance of P5 repairs of ET41 locomotives with modernization;
- giving consent to incur a liability through entering into an agreement to use throughput capacity for cargo transport with PKP Polskie Linie Kolejowe S.A.;
- giving consent to enter into an agreement on supply of traction energy in Germany with DB Energies GmbH;
- giving consent to enter into an agreement on operation of the Electronic Data Exchange with PKP Informatyka Spółka z o.o. with its registered office in Warsaw;
- preparing and issuing opinions on the Management Board motions to the PKP CARGO S.A. Shareholder Meetings pertaining to, among other things:
 - approving the financial statements of PKP CARGO S.A. and the PKP CARGO S.A. Management Board's activity report for 2016, together with the auditor's opinion and report;
 - covering the loss incurred by PKP CARGO S.A. in 2016;
 - reviewing the standalone financial statements of PKP CARGO S.A. and the PKP CARGO S.A. Management Board's activity report for the financial year 2016;
 - evaluating the consolidated financial statements of the PKP CARGO Group for the financial year 2016 and the PKP CARGO S.A. Management Board's report on the activity of the PKP CARGO Group in the financial year 2016;
 - discharging the Members of the Company's Management Board and Supervisory Board on the performance of their duties in the financial year 2016;
 - amending PKP CARGO S.A.'s Articles of Association;
- electing the Chairman of the PKP CARGO S.A. Supervisory Board;
- electing the Deputy Chairman of the PKP CARGO S.A. Supervisory Board;
- supplementing the composition of the Nomination Committee;
- supplementing the composition of the Strategic Committee;
- changes in the composition of the PKP CARGO S.A. Management Board;
- delegating a PKP S.A. Supervisory Board member to temporarily perform the duties of a PKP CARGO S.A. Management Board member pursuant to Article 383 § 1 of the Commercial Company Code;
- selecting the recruitment consultant in the recruitment procedure for the positions of: President of the Management Board, PKP CARGO S.A. Management Board Member in charge of Operations and PKP CARGO S.A. Management Board Member in charge of Finance;

- authorizing the PKP CARGO S.A. Supervisory Board Deputy Chairman to enter into a management contract and non-compete agreement with the PKP CARGO S.A. Management Board Member in charge of Operations on behalf of the PKP CARGO S.A. Supervisory Board;
 - settling the MBO objectives for the PKP CARGO S.A. Management Board adopted for execution in 2016;
 - setting the MBO objectives for the PKP CARGO S.A. Management Board to be executed in 2017;
 - defining the rules for remunerating PKP CARGO S.A. Management Board members;
 - approving the budget of the internal audit unit in PKP CARGO S.A. for 2017;
 - ordering supplementary elections for the candidate for the employee representative to the Supervisory Board;
 - adopting the consolidated version of the PKP CARGO S.A. Articles of Association;
- 6.2. In addition, the Supervisory Board familiarized itself with the information supplied by the PKP CARGO S.A. Management Board and drew up its stance in these matters, which is reflected in the provisions of the minutes from the Supervisory Board meetings. The information supplied by the PKP CARGO S.A. Management Board for the Supervisory Board pertained to, among other things:
- key data of the Business Plan for 2018;
 - transport profitability calculation model;
 - rolling stock situation in 2017 and actions taken to mitigate the risk of shortage of rolling stock for performance of transport activities;
 - key rolling stock investments in 2017-2018;
 - PKP CARGO S.A. rolling stock policy for 2018-2023;
 - situation in the CL Małaszewicze and in the terminal in Kobylany;
 - rail vehicle simulators;
 - disposal of locomotives and wagons;
 - performance of the wagon repair plan in 2017;
 - recognition of P4 inspection repairs as an overhaul component in fixed assets;
 - operations of PKP CARGO CONNECT Sp. z o.o.;
 - operations of PKP CARGOTABOR Sp. z o.o.;
 - AWT, including the level and causes of the increase of AWT's liabilities towards PKP CARGO S.A. for the last year;
 - recommendations of the Company's Management Board as regards further proceeding with the provisions of the agreement concluded with Minezit;
 - NewRosco project;
 - use by the AWT Group companies, in particular Advanced World Transport a.s. (Czech Republic) of PKP CARGO S.A.'s traction resources in Poland;
 - Advanced World Transport B.V. (Netherlands) and AWT Group companies in the context of restructuring of OKD a.s. (Czech Republic).
 - remuneration for the Company's Management Board members after 31 December 2016, the formal aspects of the decision, changes in collection of remuneration/giving up remuneration and the consequences thereof;

- compliance with the provisions of the act on remuneration and state property in subsidiaries;
- adapting the contents of the articles of associated of PKP CARGO S.A.'s subsidiaries to the rules for remunerating members of the subsidiaries management and supervision bodies defined in the Act on the Rules for Setting the Compensation of Persons Managing Certain Companies (Journal of Laws of 2016, Item 1202, as amended);
- Reports of the Management Board Member – Employee Representative on the performance of his duties;
- new requirements and new sanctions for WSE-listed companies, their family members and related parties;
- results of the audit of the use of company payment cards in PKP CARGO S.A and its subsidiaries;
- assumptions of the PKP CARGO S.A. HR policy for 2018-2021, draft PKP CARGO S.A. training policy and changes to the rules for granting the quarterly discretionary bonus for 2018 - incentive system for PKP CARGO S.A. employees;
- employee departures from the Company;
- the budgets allocated to the Units, with special focus on the remuneration fund, including, among others, the monies earmarked for reclassification of intern train drivers, jubilee awards and overtime;
- implementation of the Company's Units of a management by objectives program for managers up to the section deputy manager level;
- adopted solutions regarding employee remuneration - train drivers training intern train drivers;
- introduction of rules of the same flat fee for all employees (instructor and intern train drivers, auditors etc.) on account of business trips;
- execution of the sponsoring and charity policy in PKP CARGO S.A.;
- the Company's economic and transportation results;

The activities of the Supervisory Board were documented in adopted resolutions and minutes from the Supervisory Board meetings in 2017.

7. In pursuance of the powers defined in the Commercial Company Code and Shareholder Meeting resolutions, the Supervisory Board familiarized itself with the information of the PKP CARGO S.A. Management Board on issues of key importance for the Company and its position both in the domestic and international market.
8. In pursuance of the specific obligations following from Article 382 § 3 of the Commercial Companies Code, the PKP CARGO S.A. Supervisory Board:
 - 1) evaluated the financial statements of PKP CARGO S.A. for the financial year 2016 and adopted Resolution No. 1641/V/2017 (27 April 2017),
 - 2) reviewed and issued a positive opinion on the PKP CARGO S.A. Management Board motion to cover the net loss incurred for 2016 stemming from the Standalone Financial Statements of PKP CARGO S.A. for the period from 1 January 2016 to 31 December 2016 from retained earnings and adopted Resolution No. 1643/V/2017 (27 April 2017) to this effect,
9. Changes in the composition of PKP CARGO S.A. Management Board in the financial year 2017 are presented in the following table:

No.	Name	Position	Period in office	
			from	to

1	Krzysztof Mamiński	temporary discharge of the duties of President of the Management Board	26 October 2017 27 January 2018	26 January 2018 (in accordance with Article 383 of the Commercial Company Code) 25 March 2018
2	Witold Bawor	Management Board Member in charge of Operations	26 October 2017	to date
3	Grzegorz Fingas	Management Board Member in charge of Commerce	1 April 2016	to date
4	Zenon Kozendra	Management Board Member – Employee Representative	14 July 2016	to date
5	Jarosław Klasa	Management Board Member in charge of Operations	1 April 2016	31 July 2017
	Maciej Libiszewski	President of the Management Board	19 January 2016	26 October 2017
	Arkadiusz Olewnik	Management Board Member in charge of Finance	1 April 2016	26 October 2017

Source: Proprietary material

On 31 July 2017, the Supervisory Board adopted Resolution No. 1685/VI/2017 to dismiss Jarosław Klasa from the position of the PKP CARGO S.A. Management Board member in charge of Operations.

On 11 September 2017, Supervisory Board adopted Resolution No. 1692/VI/2017 on initiating the recruitment procedure for Management Board Member in charge of Operations. The recruitment procedure was carried out in accordance with § 14 Section 6 of the Articles of Association of PKP CARGO S.A. and the Bylaws for Appointing Management Board Members in PKP CARGO S.A.

On 26 October 2017, the Supervisory Board adopted Resolution No. 1698/VI/2017 appointing Witold Bawor to the position of the PKP CARGO S.A. Management Board Member in charge of Operations for the joint term of office of the Management Board within the meaning of § 27 sec. 5, in connection with § 14 Section 1 of the Articles of Association of PKP CARGO S.A.

On 26 October 2017, Maciej Libiszewski resigned from the position of President of the Management Board of PKP CARGO S.A. and Arkadiusz Olewnik resigned from the function of PKP CARGO S.A. Management Board Member in charge of Finance.

On 26 October 2017, the Supervisory Board adopted resolution 1699/VI/2017 to delegate Supervisory Board Member Krzysztof Mamiński to temporarily, i.e. until 26 January 2018, perform the duties of President of the PKP CARGO S.A. Management Board.

On 5 December 2017, the Supervisory Board adopted Resolution No. 1712/VI/2017 to initiate the recruitment procedure for the position of President of the PKP CARGO S.A. Management Board and PKP CARGO S.A. Management Board Member in charge of Finance. The recruitment procedure was carried out in accordance with § 14 Section 6 of the Articles of Association of PKP CARGO S.A. and the Bylaws for Appointing Management Board Members in PKP CARGO Spółka Akcyjna.

10. PKP CARGO S.A. Supervisory Board Committees:

The activities of the Supervisory Board were supported by the Committees operating as collective advisory and opinion-making bodies of the PKP CARGO S.A. Supervisory Board, appointed from among its members.

In 2017 the following Committees were operating within the framework of the PKP CARGO S.A. Supervisory Board:

- Audit Committee
- Nomination Committee

➤ Strategic Committee

The detailed scope of the work of the Committees in 2017 is documented in the minutes from the meetings of individual committees.

SUPERVISORY BOARD AUDIT COMMITTEE

The PKP CARGO S.A. 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 the chairman, meet the independence criteria and are appointed in the manner specified in § 20 and 21 of the Company's Articles of Association. At least one member of the Audit Committee must have 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.

As at 1 January 2017, the composition of the PKP CARGO S.A. Supervisory Board Audit Committee was as follows:

- Mr. Raimondo Eggink – Chairman of the Supervisory Board Audit Committee
- Ms. Zofia Dzik – Member of the Supervisory Board Audit Committee
- Ms. Małgorzata Kryszkiewicz – Member of the Supervisory Board Audit Committee

Composition of the PKP CARGO S.A. Supervisory Board Audit Committee for the reporting period from 1 January 2017 to 31 December 2017

No.	Name	Position	Period in office	
			from	to
1	Raimondo Eggink	Committee Member	30 April 2015	18 December 2018 11 May 2016* to date
		Committee Chairman	18 December 2015	
		Committee Member	20 May 2016	
		Committee Chairman	31 May 2016	
2	Małgorzata Kryszkiewicz	Committee Member	18 December 2015	11 May 2016* to date
			20 May 2016	
3	Zofia Dzik	Committee Member	20 May 2016	to date

* date of elapse of the fifth term of office of the Company's Supervisory Board

Source: Proprietary material

In 2017 the Audit Committee held 11 meetings and 4 ballots using means of remote communication.

The Audit Committee meetings were attended by its members. During discussions on specific issues the Management Board was represented by a competent Management Board Member or department directors. The Audit Committee and its individual members also met directly with the Company's employees and statutory auditor.

In particular, in 2017, the Audit Committee of the PKP CARGO S.A. Supervisory Board dealt with the following duties:

- 1) monitoring the financial reporting process, including:
 - review of the annual standalone financial statements of PKP CARGO S.A. and consolidated financial statements of the PKP CARGO Group for 2016;
 - analysis of periodic reports in 2017;
 - review of the Management Board's material estimates;
 - review of the transactions with related parties;
 - tax review;
 - review of the accounting systems used in the Group;
 - review of the tools used in financial reporting, including management reporting;
 - monitoring of the implementation of the auditor's recommendations;
 - review of structure of the group;
- 2) monitoring the effective operation of internal control, internal audit and risk management systems, among others with regard to financial reporting, including:
 - results of the audits completed in the Company;
 - discussion of financial risk management;
 - review of the semi-annual report on implementation of the recommendations of internal audits;
 - annual budget of the internal audit unit;
 - implementation of the internal audit plan;
 - assessment of cooperation with the entities providing advisory and consulting services;
 - review of compliance supervision;
- 3) monitoring the performance of financial audit activities;
- 4) monitoring the receivables of the statutory auditor and the audit firm.

In addition, the Audit Committee of the PKP CARGO S.A. Supervisory Board dealt with the following topics:

- review of the capital allocation process, in particular the investment project assessment procedures and dividend policy;
- review of the IT security rules, audits, control, monitoring of implemented recommendations;
- monitoring the legal actions taken by or against by the Company and information about pending court proceedings;
- review of the abuse prevention system;
- review of donations and sponsoring agreements;
- review of the viability and reasonability of taking loans;
- SPEDRAPID sp. z o.o. COSCO Shipping Lines Sp. z o.o. and LEX Logistics Express s.r.o. share sale transactions;
- review of the structure of the financial department, key persons, training plan and succession plan;
- review of the procurement procedures;

- discussion of the progress of work on implementation of the new act on statutory auditors, audit firms and public oversight;
- discussion of the provisions for employee benefits;
- adoption of the activity report of the PKP CARGO S.A. Supervisory Board Audit Committee for H1 2017;
- review of investor relations.

In connection with the adopted act on statutory auditors, audit firms and public oversight of 11 May 2017, in June 2017, the PKP CARGO S.A. Supervisory Board Audit Committee Members determined the methods and scope of the activities aimed at adapting the regulations prevailing in the Company to the provisions of the act. In particular these activities comprised:

- preparing a policy for selection of the audit firm to carry out the audit;
- preparing a policy for provision of permitted non-audit services by the audit firm conducting the audit, by such audit firm's related parties and by a member of the audit firm's network;
- defining the procedure for selection of the audit firm by the Company.

In addition, in connection with the entry of the act into force, the Committee Members signed pertinent representations that they satisfy the criteria specified in Article 129 Section 3 of the aforementioned act.

The duties of the PKP CARGO S.A. Supervisory Board Audit Committee include also submitting recommendations aimed at ensuring reliability of the financial reporting process.

NOMINATION COMMITTEE

The Nomination Committee is appointed by the PKP CARGO S.A. Supervisory Board. 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 Committee Chairman. Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Nomination Committee organizes and exercises ongoing oversight of the recruitment procedure for the positions of the Company's Management Board members and of 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 suggestions to the Supervisory Board pertaining to the employment structure and compensation for the Company's employees, including in particular the Company's Management Board Members and upper level management.

The Nomination Committee of the PKP CARGO S.A. Supervisory Board started 2017 in the following composition:

- Ms. Zofia Dzik - Chairperson of the Nomination Committee
- Mr. Mirosław Pawłowski – Member of the Nomination Committee
- Mr. Andrzej Wach – Member of the Nomination Committee

In connection with the resignation of Mr. Mirosław Pawłowski from the PKP CARGO S.A. Supervisory Board as of 20 March 2017, Mr. Krzysztof Mamiński was appointed to the PKP CARGO S.A. Supervisory Board Nomination Committee by virtue of Resolution no. 1636/VI/2017 of the PKP CARGO S.A. Supervisory Board of 20 March 2017.

In connection with the resignation of Mr. Andrzej Wach from the PKP CARGO S.A. Supervisory Board as of 27 June 2017, Mr. Mirosław Antonowicz was appointed to the PKP CARGO S.A. Supervisory Board Nomination Committee by virtue of Resolution no. 1680/VI/2017 of the PKP CARGO S.A. Supervisory Board of 27 June 2017.

In connection with the delegation of Mr. Krzysztof Mamiński – Chairman of the PKP CARGO S.A. Supervisory Board, to discharge the duties of the President of the PKP CARGO S.A. Management Board, Mr. Czesław Warszewicz was appointed to the PKP CARGO S.A. Supervisory Board Nomination

Committee by virtue of Resolution no. 1700/VI/2017 of the PKP CARGO S.A. Supervisory Board of 26 October 2017.

In connection with the resignation of Mr. Czesław Warszewicz from the PKP CARGO S.A. Supervisory Board Nomination Committee as of 27 November 2017, Mr. Władysław Szczepkowski was appointed to the PKP CARGO S.A. Supervisory Board Nomination Committee by virtue of Resolution no. 1711/VI/2017 of the PKP CARGO S.A. Supervisory Board of 27 November 2017.

The Nomination Committee ended 2017 in the following composition:

- Ms. Zofia Dzik - Chairperson of the Nomination Committee
- Mr. Mr. Mirosław Antonowicz – Member of the Nomination Committee
- Mr. Władysław Szczepkowski – Member of the Nomination Committee

Changes in the composition of PKP CARGO S.A. Supervisory Board Nomination Committee in the financial year 2017 are presented in the following table:

No.	Name	Position	Period in office	
			from	to
1	Zofia Dzik	Committee Chairwoman	20 May 2016	to date
2	Mirosław Antonowicz	Committee Member	27 June 2017	to date
3	Władysław Szczepkowski	Committee Member	27 November 2017	to date
4	Mirosław Pawłowski	Committee Member	18 December 2015 20 May 2016 – 6th term of office	11 May 2016* 6 March 2017
5	Andrzej Wach	Committee Member	18 December 2015 20 May 2016 – 6th term of office	11 May 2016* 29 May 2017
6	Krzysztof Mamiński	Committee Member	20 March 2017	26 October 2017
7	Czesław Warszewicz	Committee Member	26 October 2017	27 November 2017

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

The PKP CARGO S.A. Supervisory Board Nomination Committee in the financial year 2017 held 11 meetings and 8 ballots to adopt resolutions using means of remote communication. The Supervisory Board Nomination Committee adopted 16 resolutions in 2017:

Nomination Committee meetings, in addition to the Committee Members, were attended by other Supervisory Board Members, Management Board Members, department directors and advisors.

As part of its duties set for 2017, the Nomination Committee dealt with, in particular, the following duties:

- Selecting the recruitment consultant in the recruitment procedure for the position of PKP CARGO S.A. Management Board Members;
- The recruitment procedure for the candidates for the position of President and Members of the PKP CARGO S.A. Management Board;
- Definition of the MBO objectives for the PKP CARGO S.A. Management Board for 2017 and settlement of the MBO objectives for 2016;
- The Company's compensation policy;
- The Company's HR policy;
- The Company's training policy;

STRATEGIC COMMITTEE

The Strategic 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. Committee members are appointed for a term corresponding to the Supervisory Board's term of office. The Strategic Committee supports the Supervisory Board in the oversight over the definition of the strategy as well as the appropriate implementation of the strategy and annual and long-term activity plans for the Company and its Group.

Composition of the PKP CARGO S.A. Supervisory Board Strategic Committee for the reporting period from 1 January 2017 to 31 December 2017

No.	Name	Position	Period in office	
			from	to
1	Czesław Warszewicz	Committee Chairman	23 June 2016	to date
2	Raimondo Eggink	Committee Member	23 June 2016	to date
3	Mirosław Antonowicz	Committee Member	27 June 2017	to date
4	Andrzej Wach	Committee Member	23 June 2016	29 May 2017

Source: Proprietary material

In 2017 the Strategic Committee held 5 minuted meetings.

Strategic Committee meetings, in addition to the Committee Members, were attended by other Supervisory Board Members, Management Board Members, department directors and advisors.

As part of their duties set for 2017, the Strategic Committee discussed:

- “Lodołamacz” project;
- “NewRosco” project;
- results of the consultant's work on the valuation of the company subject to the “Lodołamacz” project;
- results of the consultant's work on the project to create a new rolling stock company;
- results of the work of PwC Polska sp. z o.o.