

**RULES OF PROCEDURE OF THE MANAGEMENT BOARD**  
**of Lubelski Węgiel Bogdanka**  
**with registered office in Bogdanka**

adopted by the Supervisory Board on 6 December 2008 by virtue of Resolution  
No. 239/VI/2008

**General Provisions**

**Article 1**

The Rules of Procedure specify operational strategy and principles of functioning of the Management Board of Lubelski Węgiel Bogdanka Spółka Akcyjna with registered office in Bogdanka, hereinafter referred to as the Company.

**Article 2**

1. The Company's Management Board shall operate under:
  - (i) the Commercial Companies Code of 15 September 2000;
  - (ii) the Act on Commercialisation and Privatisation of 30 August 1996;
  - (iii) the Accountancy Act of 29 September 1994;
  - (iv) the Act on public offering and conditions governing the introduction of financial instruments to organised trading and public companies of 29 July 2005;
  - (v) the Act on Trading in Financial Instruments of 29 July 2005;
  - (vi) the Company's Articles of Association;
  - (vii) the Resolutions of the General Shareholders Meeting and the Company's Supervisory Board; and
  - (viii) these Rules of Procedure.
2. The activity of the Company's Management Board is also based on the principles of good practice of companies listed at the Warsaw Stock Exchange S.A.

**Members of the Management Board**

**Article 3**

1. The Company's Management Board shall be composed of three to seven members, including the President of the Management Board, appointed for a joint three-year term of office.
2. Subject to Articles 25 -27 of the Company's Articles of Association, individual members of the Management Board or the entire Management Board shall be appointed and removed from office by the Supervisory Board.
3. Pursuant to Article 16 of the Act on Commercialisation and Privatisation, the Management Board includes one member elected by the Company's employees. The Supervisory Board shall adopt detailed rules governing the appointment and removal from office of a Management Board member appointed by employees.

#### **Article 4**

A member of the Management Board shall be loyal towards the Company and evade any actions that might result in achieving this person's own financial gains.

#### **Article 5**

A member of the Management Board can hold a function in management or supervisory bodies of other undertakings exclusively upon prior consent of the Supervisory Board.

#### **Article 6**

Members of the Management Board are obliged to immediately provide the Company with information on any events, with respect to which the Company has to comply with disclosure requirements, pursuant to the provisions applicable to the public companies.

#### **Article 7**

1. The Company shall execute employment contracts with the Management Board members, which provide for serving as a Management Board member. The contract shall be concluded for the term of office in the Management Board, with the proviso that it shall be terminated upon expiry of such person's mandate.
2. The amount of a Management Board member's remuneration shall not exceed the amount specified by the Supervisory Board and the amount prescribed by the laws applicable to the Company.

#### **Article 8**

The Management Board members shall inform the Supervisory Board on any conflict of interest in connection with the function held or on the possibility of arising of such a conflict.

### **Powers and Duties of the Management Board**

#### **Article 9**

The Company's Management Board runs the Company's affairs, manages its assets and represents the Company outside with respect to third parties and before or out of court. During execution of their duties members of the Management Board shall act in accordance with the provisions of the Company's Articles of Association and the principles of good practice, which the Company undertook to apply.

#### **Article 10**

Any matters not reserved for the Supervisory Board or the General Shareholders Meeting by law or by the Company's Articles of Association shall fall within the scope of powers of the Management Board.

### **Article 11**

1. The Management Board, pursuing the Company's interest, specifies the strategy and the main objectives of the Company's activities and presents them to the Supervisory Board in the form of annual business plans (specifying the tasks to be performed and the related budgets, covering technical and business details) as well as long-term strategic plans for assessment by the Supervisory Board. The Management Board pays due attention to transparency and efficiency of the management system of the Company and maintenance of its affairs in compliance with provisions of law and good practice.
2. The Management Board provides the Supervisory Board with regular and exhaustive information on any material matters concerning the Company's activities as well as the risk connected with the Company's activities and the manners of managing such risk.

### **Article 12**

When making decisions concerning the Company's affairs, the Management Board members shall act within the limits of reasonable commercial risk, i.e. having considered all information, analyses and opinions, which, in the Management Board's reasonable opinion, should be taken into account with regard to the Company's interests. While establishing the interest of the Company, the long-term interest of the shareholders, creditors, employees of the Company and other entities as well as persons cooperating with the Company within the scope of its business activities and the interest of local communities shall be taken into consideration.

### **Article 13**

When concluding transactions with shareholders and other persons whose interest may affect the Company's interest, the Management Board shall act with due diligence, so that the transactions are concluded on the market terms.

### **Article 14**

1. Performing actions by the Company's Management Board takes place pursuant to the provisions of the Commercial Companies Code and the Company's Articles of Association.
2. The obligation of the Company's Management Board to adopt a resolution arises in each case specified by the provisions of the Company's Articles of Association and the applicable acts.
3. The obligation to adopt a resolution arises also at a request of any of the members of the Company's Management Board or in the event that any of the members of the Company's Management Board raises objection with respect to performance of a certain action.
4. Performing by the Management Board the actions specified in Article 32.2 of the Company's Articles of Association requires prior consent of the Supervisory Board in the form of a resolution.

### **Article 15**

1. The Annual General Shareholders Meeting shall be convened by the Management Board within six months from the end of each financial year.
2. An Extraordinary General Shareholders Meeting shall be convened by the Management Board at its own initiative or at a written request of the Supervisory Board or the shareholders representing at least one-tenth of the share capital. The Extraordinary General Shareholders Meeting upon a written request of the Supervisory Board or the shareholders representing at least one tenth of the share capital, shall be convened within two weeks from the submission of a relevant request.

### **Article 16**

The Company covers all reasonable costs incurred by the members of the Management Board in connection with performing their obligations of members of the Management Board.

## **Rules and Operational Strategy of the Management Board**

### **Article 17**

Statements of will on behalf of the Company may be made by two members of the Management Board acting jointly, or by a member of the Management Board acting jointly with a proxy.

### **Article 18**

1. Notwithstanding the provisions of Article 17, the Management Board may appoint proxies authorised to perform a certain action or certain actions individually as well as to grant a power of proxy.
2. The appointment of a proxy shall require a resolution of the Management Board, adopted unanimously by its members. The power of proxy may be revoked by any and each of the Management Board members.
3. Power of proxy granted on behalf of the Company shall be signed by at least two members of the Company's Management Board or one member of the Company's Management Board acting jointly with a proxy.
4. Should it be necessary for the protection of the Company's interest that a member of the Management Board or a proxy makes a declaration and thus exceeds principles of representation, such member of the Management Board or proxy shall notify the President of the Management Board of such an event immediately after having made such a declaration in order to obtain a confirmation of the statement of will by another member of the Company's Management Board.

### **Article 19**

1. The Management Board and all Company's employees shall be headed by the President of the Management Board.

2. The Management Board is composed of: (i) President of the Management Board, (ii) Vice-President of the Management Board for Commerce and Logistics, (iii) Vice-President of the Management Board for Technical Affairs, (iv) Vice-President of the Management Board for Economic and Financial Affairs – Chief Accountant, (v) member of the Management Board elected by the employees.
3. Allocation of powers of individual members of the Management Board is specified in the Organisational Rules of the Company, determining the organisation of the Company's enterprise, approved by the Company's Supervisory Board.

#### **Article 20**

1. Meetings of the Management Board are convened by the President of the Management Board at his/her own initiative or at a written request of a member of the Management Board. The meetings of the Management Board are chaired by the President, or failing whom by a member of the Management Board appointed by the President.
2. Participation of the Management Board members in the meetings is obligatory.
3. Justification of absence at a meeting is issued by the President of the Management Board a member of the Management Board appointed by the President.

#### **Article 21**

Resolutions of the Management Board can be adopted, provided that all members of the Management Board have been properly notified about the meeting of the Management Board and at least half of the Management Board members are present at the meeting.

#### **Article 22**

Resolutions of the Management Board are adopted by an absolute majority of votes. If the number of affirmative votes cast on a Management Board's resolution equals the number of negative votes and/or abstaining votes, the President of the Management Board shall have the casting vote.

#### **Article 23**

Resolutions can be adopted by virtue of a written voting without a need to convene a meeting, provided that all members of the Management Board give their consent to this form of voting.

#### **Article 24**

Members of the Management Board may participate in the meetings of the Management Board by virtue of telephone or other means of telecommunication which enable simultaneous mutual communication of all members of the Management Board participating in the meeting.

#### **Article 25**

Meetings of the Company's Management Board are recorded in the minutes.

#### **Article 26**

The minutes of the meeting of the Company's Management Board shall include:

- sequential number,
- date and venue of the meeting
- attendance list of the Management Board members and other persons participating in the meeting of the Management Board,
- acknowledgement that the meeting has been validly convened and it is legally binding,
- the agenda,
- content of resolutions,
- results of the vote on particular resolutions,
- possible dissenting opinions (*votum separatum*) of the Management Board members and their declarations submitted to the minutes.

#### **Article 27**

A resolution included in the minutes may take form of a separate document as an excerpt from the minutes.

Such an excerpt shall be signed by the member of the Management Board heading the meeting as well as the person preparing the minutes.

#### **Article 28**

Documents of the meeting of the Management Board, i.e. original copies of the minutes and the materials subject to consideration by the Board at the relevant meeting as well as the register of minutes and resolutions shall be collected and kept by the Management Board Office.

#### **Article 29**

The following persons hold the right to inspect the documents listed above:

- members of the Company's Management Board,
- members of the Company's Supervisory Board,
- the Company's proxies,
- other persons, entitled to inspect the documents under separate provisions of law, including persons authorised to carry out inspections in the Company.

#### **Article 30**

The Company's Management Board appoints a person responsible for safekeeping the minutes of the Management Board and provides such person with conditions appropriate for their safekeeping.

## **Final Provisions**

### **Article 31**

These Rules of Procedure shall become effective as of the date they are approved by the Company's Supervisory Board.