



Energa

**ACTIVITY REPORT OF THE
ENERGA SA SUPERVISORY BOARD
NOMINATION AND COMPENSATION
COMMITTEE**

FOR 2016

Warsaw, May 2017

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1. Operation of the Nomination and Compensation Committee

Rules for the operation of the Nomination and Compensation Committee are defined in the Supervisory Board Bylaws. The scope of the Nomination and Compensation Committee's operation covers giving opinions and conducting analyses to support the Supervisory Board in the performance of its duties defined by the Articles of Association in respect of the overall compensation policy for Management Board members, the Company's upper level management and in the other companies in the ENERGA Group and to articulate recommendations on appointing Management Board members.

The following tasks in particular fall among the powers and duties of the Nomination and Compensation Committee:

- 1) conducting activities to recruit the Company's Management Board members to the extent designated by the Supervisory Board,
- 2) preparing draft versions of contracts and other model documents in connection with serving as the Company's Management Board members and overseeing the performance of the contractual obligations taken by the parties,
- 3) overseeing the implementation of the Management Board's compensation system, in particular preparing billing documents concerning variable and bonus elements of compensation for the purpose of submitting recommendations to the Supervisory Board;
- 4) monitoring and analyzing the compensation system for the Management Boards and management of companies in the ENERGA Group,
- 5) overseeing the correct execution of perks for the Company's Management Board stemming from contracts, among others: personal and medical insurance, usage of company cars, apartment and others.

2. Composition of the Nomination and Compensation Committee and evaluation of its activity

The ENERGA SA Supervisory Board Nomination and Compensation Committee has been operating since 27 February 2015, when the Company's Supervisory Board made a decision to appoint it and approve the ENERGA SA's new Supervisory Board Bylaws in which it framed how it is to operate.

In the 2016 financial year and to this date, the Nomination and Compensation Committee operated in the following composition:

- 1) in the period from 1 January 2016 to 8 September 2016:
 - a) Paula Ziemiecka-Księżak – Committee Chairwoman,
 - b) Bogdan Skalski,
 - c) Zbigniew Wtulich.
- 2) in the period from 8 September 2016 to 20 September 2016:
 - a) Paula Ziemiecka-Księżak – Committee Chairwoman,
 - b) Zbigniew Wtulich.
- 3) in the period from 20 September 2016 till the date of preparing this Report:
 - a) Paula Ziemiecka-Księżak – Committee Chairwoman,
 - b) Agnieszka Terlikowska-Kulesza,
 - c) Zbigniew Wtulich.

Paula Ziemiecka-Księżak graduated from the Leon Koźmiński Entrepreneurship and Management College. Since 1996 she has been employed by the Ministry of the Treasury.

She has worked in the oversight departments for State Treasury-owned companies. She has overseen companies in the following sectors: vehicle transportation, construction, marine transport and the publishing sector as well as companies such as Mennica Polska S.A. and KGHM Polska Miedź S.A. She has been overseeing energy sector companies since 2011. Currently, she works for the newly-established Energy Ministry, where she is Head of the Oversight Department, which performs corporate governance activities in companies in the energy sector and the coal mining sector. Starting in 2002, she gained experience with corporate governance, serving on the supervisory boards of companies such as: SIP-MOT SA in Zamość, PKS Ostrołęka SA, Opakomet SA Cracow and PERN Przyjaźń SA in Płock. She has been acting in the capacity of the Company's Supervisory Board Chairperson since 12 November 2015.

Agnieszka Terlikowska-Kulesza is a graduate of the Agricultural Faculty of the Warsaw University of Life Sciences and post-graduate studies in finance and European economic and legal relations at Warsaw School of Economics. In February 1997 she joined the team of the State Treasury Ministry at the Commercialization and direct Privatisation Department, the Tender Privatisation Team. From September 1997 to June 2002 she worked for the Privatization Agency in the Tender Team as chief specialist and then as Section Manager. During that period, she participated in the organization of tenders for the selection of entities performing pre-privatisation analyses of companies with State Treasury holdings, she oversaw and executed privatization projects, conducted mainly through the invitation to tender procedure, she verified economic and financial analyses and valuations of companies with State Treasury holdings slated for privatisation. From July 2002 to June 2016, she was chief specialist in State Treasury corporate supervision departments at the State Treasury Ministry. She supervised companies from the ceramic, construction and motorized transportation industries. In 2009-2016 she supervised chemical sector companies, including companies such as CIECH S.A., Grupa Azoty S.A., Grupa Azoty Zakłady Azotowe "Puławy" S.A., Grupa Azoty Zakłady Chemiczne "Police" S.A., Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A., Zakłady Azotowe Chorzów S.A. Since July 2016, she has been chief specialist at the Supervision Department at the Energy Ministry, where she is overseeing gas sector companies. She gathered additional experience by serving from 2001 to 2016 on the supervisory bodies of companies with State Treasury holdings, such as: "Chłodnia Szczecińska" Sp. z o.o., Zakłady Ceramiczne "Bolesławiec" w Bolesławcu Sp. z o.o., Przedsiębiorstwo Komunikacji Samochodowej w Białymstoku S.A., Przedsiębiorstwo Robót Drogowych Sp. o.o. in Mielec, Przedsiębiorstwo Elektryfikacji i Robót Instalacyjnych "ELTOR-Warszawa" Sp. z o.o. in Wołomin.

Zbigniew Wtulich graduated from the Faculty of Drainage and Water Engineering at the Warsaw University of Life Sciences. He started his professional career in 1984 as a Designer Assistant in the Water Drainage Design Department. Then he became a construction engineer in the Regional Drainage Projects Enterprise (in October 1984). He held this position until April 1988. From 1988 to 1991 he worked as an engineer in an international company doing business as "Amak" (construction industry) and from 1993 to 1997 he was employed by the State Treasury Agricultural Property Agency. Before appointment to the Company's Supervisory Board, Zbigniew Wtulich served as a chief specialist at the State Treasury Department of Assets Records at the State Treasury Ministry (1997-1998), a chief specialist - team coordinator at the State Treasury Restitution and Compensation

Department at the State Treasury Ministry (1998-2001), sub-department head in the Restitution and Equity Allocation Department at the State Treasury Ministry (2002-2006), sub-department head in the Department of Records, Restitution, Compensation and Equity Allocation (2006-2010) and a sub-department head in the State Treasury's Department of Assets (2010-2017). He is currently employed by the Ministry of the Environment as the Minister's Advisor. He also served as a Supervisory Board member in Zakłady Tworzyw Sztucznych "GAMRAT" SA (2011) and in Przedsiębiorstwo Gospodarki Wodnej i Rekultywacji S.A. (2002-2009).

3. Information on meetings and important matters addressed by the Nomination and Compensation Committee

In 2016, the Committee held 6 meetings with all members in attendance.

The Nomination and Compensation Committee took action and adopted resolutions in the following matters:

- 1) activities associated with recruitment procedures for ENERGA SA Management Board Members,
- 2) model management service agreement for managing the Company with Members of the ENERGA SA Management Board,
- 3) acceptance of the activity report on the Nomination and Compensation Committee for 2015.

Date of the report: 29 May 2017.

Signatures of members of the Nomination and Compensation Committee:

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| CHAIRWOMAN | Paula Ziemiecka-Księżak | |
| MEMBER | Agnieszka Terlikowska-Kulesza | |
| MEMBER | Zbigniew Wtulich | |