

RESOLUTION No 82/V/2020 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 1 June 2020

on: adoption of the report by the Supervisory Board of ENERGA SA for the financial year of 2019

Acting pursuant to Article 382 § 3 of the Code of Commercial Companies and § 17 (1) points 2, 4 and 5 of the Company's Articles of Association, in connection with Rule II.Z.10 of Good Practices for Companies Listed on the Warsaw Stock Exchange 2016, the Supervisory Board resolves as follows:

§1

1. Accept and present to the Ordinary General Meeting of Shareholders of ENERGA SA the Report by the Supervisory Board of ENERGA SA for the financial year of 2019 (hereinafter: Report by the Supervisory Board), comprising in particular:
 - 1) results of the review of standalone financial statements of ENERGA SA for the year ended on 31 December 2019,
 - 2) results of review of consolidated financial statements of the ENERGA Group for the year ended on 31 December 2019,
 - 3) results of review of the report by the Management Board of the Company on the activities of the ENERGA Group and ENERGA SA for the year 2019,
 - 4) the results of the review of the motion by the Management Board of the Company on coverage of the net loss for the financial year 2019,
 - 5) report on the activities of the Supervisory Board including the work of its Committees and self-assessment of the work of the Supervisory Board for 2019,
 - 6) review of the manner in which the Company fulfils its disclosure obligations related to the corporate governance rules,
 - 7) review of reasonableness of the sponsorship, charitable or other similar activities conducted by the Company,
 - 8) review of the Company's situation, including review of internal control, risk management and compliance systems and functioning of internal audit,
 - 9) opinion on the economic appropriateness of the Company's involvement in other commercial companies and partnerships.
2. The report of the Supervisory Board referred to in paragraph 1 above is attached as an Appendix to this Resolution.

§2

The Resolution comes into effect upon its adoption.

Number of attendees: 6.

This resolution was adopted in an open voting, with the following number of votes:

6 in favour,

0 against,

0 abstaining

Signatures of Members of the Supervisory Board present:

Paula Ziemiecka-Księżak

/illegible signature/

Zbigniew Wtulich

/illegible signature/

Agnieszka Terlikowska-Kulesza

/illegible signature/

Andrzej Powalowski

/illegible signature/

Trajan Szuladziński

/illegible signature/

Maciej Żótkiewicz

/illegible signature/



Energa

REPORT BY THE SUPERVISORY BOARD OF ENERGA SA FOR THE FINANCIAL YEAR OF 2019

Gdańsk, 1 June 2020

I. MEMBERS OF THE SUPERVISORY BOARD, FUNCTIONS PERFORMED, CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

In the period from 1 January 2019 until the date of preparation of this report, the Supervisory Board of ENERGA SA consisted of:

1) in the period from 1 January 2019 to 19 March 2020:

- | | |
|----------------------------------|---|
| a) Paula Ziemiecka-Księżak | - Chairwoman of the Supervisory Board, |
| b) Zbigniew Wtulich | - Vice-Chairman of the Supervisory Board, |
| c) Agnieszka Terlikowska-Kulesza | - Secretary of the Supervisory Board, |
| d) Andrzej Powalowski | - Member of the Supervisory Board, |
| e) Marek Szczepaniec | - Member of the Supervisory Board, |
| f) Maciej Żółtkiewicz | - Member of the Supervisory Board. |

2) in the period from 19 March 2020 to 21 April 2020:

- | | |
|----------------------------------|---|
| a) Paula Ziemiecka-Księżak | - Chairwoman of the Supervisory Board, |
| b) Zbigniew Wtulich | - Vice-Chairman of the Supervisory Board, |
| c) Agnieszka Terlikowska-Kulesza | - Secretary of the Supervisory Board, |
| d) Andrzej Powalowski | - Member of the Supervisory Board, |
| e) Marek Szczepaniec | - Member of the Supervisory Board, |
| f) Maciej Żółtkiewicz | - Member of the Supervisory Board. |
| g) Trajan Szuladziński | - Member of the Supervisory Board. |

3) in the period from 22 April 2020 until the date of preparation of this report:

- | | |
|----------------------------------|---|
| a) Paula Ziemiecka-Księżak | - Chairwoman of the Supervisory Board, |
| b) Zbigniew Wtulich | - Vice-Chairman of the Supervisory Board, |
| c) Agnieszka Terlikowska-Kulesza | - Secretary of the Supervisory Board, |
| d) Andrzej Powalowski | - Member of the Supervisory Board, |
| e) Maciej Żółtkiewicz | - Member of the Supervisory Board. |
| f) Trajan Szuladziński | - Member of the Supervisory Board. |

On 19 March 2020 the Minister of State Assets issued a declaration appointing Mr Trajan Szuladziński as a member of the Supervisory Board.

On 21 April 2020 the Minister of State Assets issued a declaration dismissing Mr Trajan Szuladziński as a member of the Supervisory Board.

On 22 April 2020, the Extraordinary General Meeting of Shareholders of ENERGA SA recalled Mr Marek Szczepaniec from the Supervisory Board of ENERGA SA and appointed one Member of the Supervisory Board for the 5th Term of Office, Mr Trajan Szuladziński.

Mr Trajan Szuladziński and Mr Andrzej Powalowski meet the independence criteria for an independent member of the supervisory board, in accordance with requirements of the Good Practices for Warsaw Stock Exchange Listed Companies and in accordance with § 23b.2 of the Company's Articles of Association.

II. ACTIVITIES OF THE SUPERVISORY BOARD

In 2019, the Supervisory Board of ENERGA SA held 11 meetings and adopted 159 resolutions. In 2019, all meetings of the Supervisory Board were held with all members in attendance.

The operating rules of the Supervisory Board are set out in applicable laws, in particular provisions of the Code of Commercial Companies, as well as the Company's Articles of Association and Rules of the Supervisory Board. The Supervisory Board is also subject to the provisions of the Good Practices for Warsaw Stock

Exchange Listed Companies. The Supervisory Board, as a collective body, exercises continuous oversight over the operations of the Company in all aspects of its business.

In 2019, the Supervisory Board conducted supervisory activities and carried out its tasks, in particular by:

- 1) initiation and conduct of recruitment procedures and appointment of Members of the Management Board of ENERGA SA for the 6th Term of Office,
- 2) representing the Company in contracts with Members of the Management Board in terms of their terms and conditions of employment,
- 3) review and approval of the ENERGA Spółka Akcyjna Organisation Policy,
- 4) regular supervision over the economic and financial situation of the Company and of the ENERGA Group and related reporting,
- 5) regular supervision over implementation of investments of the ENERGA Group,
- 6) regular supervision over implementation of corporate governance principles by the Company,
- 7) defining the way of exercising the right to vote at general meetings of subsidiaries of the ENERGA Group, to the extent arising out of provisions of the Company's Articles of Association,
- 8) reviewing and approving material and financial plans of ENERGA SA and the ENERGA Group for 2019,
- 9) reviewing and adopting the framework action plan of sponsorship activities for 2019 and monitoring its implementation by the Company,
- 10) reviewing standalone and consolidated financial statements as well as reports by the Management Board on the activities of the Company and of the ENERGA Group for the financial year 2018 with a motion of the Management Board regarding distribution of profit for 2018,
- 11) expressing consent for the Company to conclude contracts specified in the Articles of Association, including contracts for the provision of legal, marketing and consulting services.
- 12) supervising the work of the Management Board and periodically reviewing its decisions expressed in resolutions,
- 13) giving opinions on matters referred for consideration by the General Meeting of Shareholders of the Company,
- 14) adopting the consolidated version of the Articles of Association of ENERGA SA,
- 15) accounting of fulfilment of management goals set for 2017 and 2018 by Members of the Management Board of the Company and granting variable remuneration,
- 16) adopting management goals for members of the Management Board of the Company for 2019,
- 17) granting consent for making a donation to the ENERGA Foundation.

All activities of the Supervisory Board were documented in the resolutions adopted and minutes of the meetings of the Supervisory Board in 2019.

In addition, as part of its reporting duties, the Supervisory Board, jointly with the ENERGA SA Management Board, sent quarterly information about the Company to the Ministry of Energy and then the Ministry of State Assets, within the prescribed time limits and in compliance with the applicable guidelines.

III. COMMITTEES OF THE SUPERVISORY BOARD

The following Committees operate within the framework of the ENERGA SA Supervisory Board:

- 1) the Audit Committee,
- 2) the Nomination and Remuneration Committee.

The Audit Committee

In the period from 1 January 2019 until the date of preparation of this report, the Audit Committee consisted of:

- 1) in the period from 1 January 2019 to 22 April 2020:
 - a) Marek Szczepaniec - Chairman of the Committee,
 - b) Zbigniew Wtulich,
 - c) Andrzej Powalowski.
- 2) in the period from 22 April 2020 to 5 May 2020:
 - a) Zbigniew Wtulich,

- b) Andrzej Powałowski.
- 3) in the period from 5 May 2020 to 24 May 2020:
 - a) Zbigniew Wtulich,
 - b) Andrzej Powałowski,
 - c) Trajan Szuladziński.
- 4) from 25 May 2020 to the date of these financial statements:
 - a) Trajan Szuladziński - Chairman of the Committee,
 - b) Zbigniew Wtulich,
 - c) Andrzej Powałowski.

Mr Trajan Szuladziński and Mr Andrzej Powałowski meet the independence criteria prescribed for independent members of the Audit Committee within the meaning of the Act of 11 May 2017 on Registered Auditors, Audit Firms and Public Supervision.

The principles of operation of the Audit Committee are defined in the applicable regulations as well as in the Company's Articles of Association and Rules of the Supervisory Board. The Audit Committee is also subject to the provisions of the Good Practices for Warsaw Stock Exchange Listed Companies. The Audit Committee operates as a body and provides advice and opinion to the Supervisory Board.

In 2019, the Committee held 4 meetings. The Audit Committee carried out its tasks, in particular by:

- 1) monitoring the financial reporting process and performing a review with a recommendation for the Supervisory Board of the Company with regard to the Company's standalone financial statements, Management Board's report on the Company's activity, consolidated financial statements of the ENERGA Group and Management Board's report on the activity of the ENERGA Group for the financial year 2018,
- 2) monitoring performance of financial auditing activities by independent statutory auditors, including discussion, with participation of the statutory auditor, of the results of audit of the financial statements of the Company and of the ENERGA Group for the financial year 2018,
- 3) monitoring and reviewing the independence and objectivity of the statutory auditor and the entity authorised to audit the financial statements,
- 4) monitoring the reliability of periodical reports and financial information presented by the Company,
- 5) monitoring and reviewing the effective operation of internal control, internal audit, compliance and risk management systems in place at the Company,
- 6) acceptance of the Report on Activities of the Audit Committee in 2018,
- 7) passing an opinion on the Compliance Management Policy in the ENERGA Group,
- 8) approving the Audit and Internal Control Plan of the ENERGA Group for 2019,
- 9) periodic review of the results of operation of internal audits in the Company,
- 10) regular analyses of agreements entered into by ENERGA SA, together with their attributed costs,
- 11) analysing the register and map of risks having considerable impact on the Company's operations.

The Audit Committee performed its duties in accordance with the scope of the powers entrusted to it and the adopted work plan.

At its meetings, the Audit Committee regularly met with representatives of the Company's auditor, and the Company's management staff and employees, and obtained all material information and explanations to fully understand the issues raised.

Any recommendations, observations and comments and findings following from an analysis of the matters dealt with by the Audit Committee were communicated to the Company's Supervisory Board and Management Board.

The Nomination and Remuneration Committee

In the period from 1 January 2019 until the date of preparation of this report, the Nomination and Remuneration Committee consisted of:

- 1) Paula Ziemiecka-Księżak – Chairwoman of the Committee,

- 2) Agnieszka Terlikowska-Kulesza,
- 3) Zbigniew Wtulich.

The principles of operation of the Nomination and Remuneration Committee are defined in the Rules of Procedure of the Supervisory Board. The scope of the Nomination and Compensation Committee's operations covers expressing 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 ENERGA Group, and to articulate recommendations on appointing Management Board members as part of qualification procedures announced by the Company.

In 2019, the Committee held 3 meetings. The Nomination and Remuneration Committee carried out its tasks, in particular by:

- 1) conducting activities related to qualifying members of the Management Board of the Company for their positions, within the scope indicated by the Supervisory Board,
- 2) monitoring and analysing the remuneration system for the Management Boards and management teams of the Companies of ENERGA Group,
- 3) performing supervisory activities and preparing a report on the rules governing the manner of using the Company's assets, in the period from 1 January 2018 to 30 June 2019,
- 4) acceptance of the Report on Activities of the Nomination and Remuneration Committee in 2018.

Any recommendations, observations and comments and findings following from an analysis of the matters dealt with by the Nomination and Remuneration Committee were communicated to the Company's Supervisory Board and Management Board.

IV. REVIEW OF THE REPORT BY THE MANAGEMENT BOARD OF THE COMPANY ON THE ACTIVITIES OF THE ENERGA GROUP AND ENERGA SA FOR 2019

Pursuant to § 17 (1) (1) of the Company's Articles of Association in connection with Article 382 § 3 and Article 395 § 5 of the Code of Commercial Companies and Article 55 (2a) of the Accounting Act and § 70 (1) (14) and § 71 (1) (12) of Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by the issuers of securities and conditions for recognizing information required by the laws of a non-Member State as equivalent (hereinafter: Regulation), and having regard to the report prepared by the independent statutory auditor for the General Meeting of Shareholders and the Supervisory Board on the audit of the annual standalone financial statements of ENERGA SA and the annual consolidated financial statements of the ENERGA Group for the financial year ending on 31 December 2019 and the positive opinion from the Audit Committee, the Supervisory Board passed a positive opinion on the report of the Management Board of ENERGA SA on the activities of the ENERGA Group and ENERGA SA for 2019 confirming its compliance with books and documents, as well as with the actual state of affairs.

The Supervisory Board found that the said report had been prepared in accordance with Article 49 and Article 55 (2a) of the Accounting Act and § 70 and § 71 of the Regulation, and those findings were consistent with the view taken by the independent statutory auditor. The said statements are also consistent with the information contained in the standalone financial statements of ENERGA SA and the consolidated financial statements of the ENERGA Group for 2019.

V. REVIEW OF FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2019

Pursuant to § 17 (1) (1) of the Company's Articles of Association, Article 382 § 3 in conjunction with Article 395 § 2 (1) of the Code of Commercial Companies and Article 53 (1) of the Accounting Act and § 70 (1) (14) of Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by the issuers of securities and conditions for recognizing information required by the laws of a non-Member State as equivalent, and having regard to the report prepared by the independent statutory auditor for the General Meeting of Shareholders and the Supervisory Board on the audit of the annual standalone financial statements of ENERGA SA for the financial year ending on 31 December 2019 and the positive opinion from the Audit Committee, the Supervisory Board expressed a positive opinion on standalone financial statements of ENERGA SA in accordance with the International Financial Reporting Standards as approved by the European Union for the year ended on 31 December 2019, comprising:

- 1) A standalone statement of profit or loss showing the loss after tax of PLN 374,000,000 (say zlotys: three hundred seventy four million),
- 2) A standalone statement of comprehensive income showing a negative comprehensive income of PLN 392,000,000 PLN (say zlotys: three hundred ninety two million),
- 3) A standalone statement of financial position showing balance-sheet total of PLN 13,573,000,000 (say zlotys: thirteen billion five hundred seventy three million),
- 4) A standalone statement of changes in equity showing a decrease in equity by PLN 392,000,000 (say zlotys: three hundred ninety two million),
- 5) A standalone statement of cash flows showing a decrease in net cash by PLN 1,239,000,000 (say zlotys: one billion two hundred thirty nine million),
- 6) Accounting principles (policy) and additional explanatory notes, confirming its compliance with books and documents, as well as with the actual state of affairs.

Pursuant to § 17 (1) (1) of the Company's Articles of Association in connection with Article 395 § 5 of the Code of Commercial Companies and Article 63c (4) of the Accounting Act and § 71 (1) (12) of Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by the issuers of securities and conditions for recognizing information required by the laws of a non-Member State as equivalent, having regard to the report prepared by the independent statutory auditor for the General Meeting of Shareholders and the Supervisory Board on the audit of the annual consolidated financial statements of the ENERGA Group for the financial year ending on 31 December 2019 and the positive opinion from the Audit Committee, the Supervisory Board expressed a positive opinion on consolidated financial statements of the ENERGA Group in accordance with the International Financial Reporting Standards as approved by the European Union for the year ended on 31 December 2019, comprising:

- 1) A consolidated statement of profit or loss showing the loss after tax of PLN 1,001,000,000 (say zlotys: one billion one million),
- 2) A consolidated statement of comprehensive income showing a negative comprehensive income of PLN 1,092,000,000 (say zlotys: one billion ninety two million),
- 3) A consolidated statement of financial position showing balance-sheet total of PLN 20,967,000,000 (say zlotys: twenty billion nine hundred sixty seven million),
- 4) A consolidated statement of changes in equity showing a decrease in consolidated equity by PLN 1,092,000,000 (say zlotys: one billion ninety two million),
- 5) A consolidated statement of cash flows showing a decrease in net cash by PLN 1,269,000,000 PLN (say zlotys: one billion two hundred sixty nine million),
- 6) Accounting principles (policy) and additional explanatory notes, confirming its compliance with books and documents, as well as with the actual state of affairs.

In performing the review, the Board accounted for conclusions and opinions presented in the reports prepared by an independent statutory auditor on the audit of standalone and consolidated financial statements of ENERGA SA and of the ENERGA Group. The audits were conducted by KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. The independent statutory auditor concluded that:

- 1) the standalone financial statements of ENERGA SA and the consolidated financial statements of the ENERGA Group give a true and fair view of the material and financial situation of the Company and of the ENERGA Group as at 31 December 2019, operating profit or loss and cash flows for the financial year ended on that day, in accordance with EU IFRS, as well as the adopted accounting principles (policy),
- 2) the above financial statements comply, as to the form and content, with governing provisions of the law and provisions of the Articles of Association of ENERGA SA,
- 3) the standalone financial statements of ENERGA SA were properly prepared, in all major aspects, on the basis of accounting books correctly kept, in accordance with provisions of the Accounting Act.

VI. REVIEW OF THE MOTION BY THE MANAGEMENT BOARD TO COVER THE LOSS AFTER TAX FOR 2019

Acting pursuant to Article § 17 (1) (1) of the Company's Articles of Association and Article 382 § 3 of the Code of Commercial Companies in connection with Article 395 § 2 (2) and Article 396 § 1 and § 5 of the Code of Commercial Companies, the Supervisory Board positively reviewed the motion by the Management Board of the Company directed to the General Meeting of Shareholders on coverage of the Company's loss after tax for the financial year of 2019 at PLN 374,000,000 entirely from the share premium of the Company.

VII. REVIEW OF THE COMPANY'S SITUATION, INCLUDING REVIEW OF INTERNAL CONTROL, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT SYSTEMS

Review of the Company's situation

The Supervisory Board has a good opinion of the position of the Company. No events which could pose a risk to the Company's ability to continue as a going concern or have a major negative impact on its financial position occurred in 2019.

As at 31 December 2019, ENERGA SA was part of the WIG, WIG30, mWIG40, WIG-Energia, WIG-Poland stock market indices as well as the international CEEplus, FTSE4Good Emerging Index and MSCI Global Sustainability Indexes. Once again ENERGA SA proved to be a socially responsible business managed in compliance with the highest standards. For the sixth time, ENERGA SA was included in the RESPECT Index, which groups listed companies that are socially responsible and managed to the highest standards. The index had been published until the end of 2019. Energa SA is also part of the WIG-ESG index published since 3 September 2019 which includes the companies from WIG20 and mWIG40 indices which are deemed socially responsible, i.e. observing the socially responsible business rules, in particular with respect to environmental, social, economic and corporate governance issues. The Company is also a part of the FTSE4Good Emerging Index. This index represents companies from more than twenty emerging economies, which are selected based on compliance of their operations with environmental, CSR and corporate governance criteria.

In 2019, the Company focused its efforts on active communication with investors. As part of its regular initiatives, it published four periodic and 39 current reports, organized three conferences presenting its performance, which were also transmitted online, and published the 2018 annual report online. The Company's representatives held around 90 face-to-face meetings with Polish and international institutional investors (as part of investor conferences or non-deal roadshows). Furthermore, two thematic workshops focusing on the Group's business were organised for brokerage house analysts and one investor chat for private investors. ENERGA SA also took part in the Wall Street Convention in Karpacz organised by the Association of Private Investors. On 15 October 2019, ENERGA SA organised the Individual Investor Day.

In September 2019, "Energa w Akcji!" [Energa in Action!] loyalty scheme for individual investors was launched. The scheme is an original project of the Company and the first undertaking of this kind among the domestic WSE-listed energy companies.

Review of internal control, risk management, compliance and internal audit systems

The internal audit function is a particularly important component of the internal control system at ENERGA SA. Its task is fulfilled in the Company by the Audit and Internal Control Office (hereinafter: the Audit Office). Employees of the Audit Office perform audit, control and advisory tasks in the ENERGA Group companies, and exercise supervision and co-ordinate the tasks of other audit and internal control units within the ENERGA Group. The roles and responsibilities of audit and internal control in the ENERGA Group affect all the areas of the entity's operations in compliance with the applicable laws.

In 2019, the Audit Office supported the Company's operations through identification and assessment of material risks, threats and deficiencies in the design and effectiveness of the internal controls in place within the Group, also by means of formulating recommendations the implementation of which contributed to securing and improving the organization, in addition to increasing its value. The findings of completed audit and control activities were presented to the management and supervisory bodies of the companies, including the Audit Committee and the Supervisory Board, to provide them with insights on the audited areas. The auditors placed a special emphasis on those areas which they believed required corrective action and/or improvement.

Audit and control tasks were fulfilled in accordance with the Audit Charter of the ENERGA Group, the ENERGA Group's Internal Audit Policy as well as International Standards for the Professional Practice of Internal Auditing.

The Audit Committee worked in close liaison with the Head of the Audit Office, was provided with up-to-date information concerning the audit tasks in progress as well as reports on audits and inspections, as well as the annual report on the activities of the Audit Office.

The Audit Office reviewed the internal control, risk management and compliance system for 2019 (hereinafter: Review). The purpose of the Review was to strengthen the system by identifying the possibilities of

implementing the existing best practices in internal control, risk management and compliance as well as identifying the areas in which the said system should be reinforced due to the changes in the Company, ENERGA Group and the outside environment, among others.

The Review was based on the COSO 2013 Internal Control – Integrated Framework standard, which defines 5 components of internal control:

- 1) control environment,
- 2) risk assessment,
- 3) control,
- 4) information and communication,
- 5) monitoring.

This year's Review featured an analysis of solutions adopted within the internal control, risk management and compliance system of ENERGA SA with regard to identified risks and control mechanisms that were designed and implemented. The results of the Review for 2019 show that the majority of the individual system components have been designed, implemented and documented in line with the best market practices in that area and that they mitigate the risk in an optimal manner. There is, however, potential to improve and further implement best market practices relating to internal control, risk management and compliance and it is partly leveraged through the projects that are currently being implemented.

The ongoing activities, as well as the initiatives and projects carried out by the Company are a material element that have an impact on the Review results and that strengthen the internal control, risk management and compliance system. Those include activities undertaken, among other things, by the units responsible for the risk management function and for the compliance and internal audit. It is worth noting that, when taking measures to strengthen the system, the employees of ENERGA SA not only continued the existing practices or recommendations but also showed their own initiatives and projects within that area that were implemented in 2019. Those activities are testament to the organisation's maturity in terms of approaching the development of controls mitigating the risks that, should they materialise, could have a negative impact on the internal control, risk management and compliance system.

In 2019, the Company continued intensive actions in the compliance area. The Compliance Team within the Legal Office of ENERGA SA headed by the Management Board Proxy for Compliance took actions to define the inter-line Compliance Management System implementation project. The project works completed in March 2020 resulted in the implementation of a uniform and structured approach to compliance management in the ENERGA Group based on regulations (Compliance Management Policy attached as an Appendix to the Co-operation Agreement in the ENERGA Group), well-thought methodology, appropriate mechanisms and monitoring tools, reviews and compliance reports within key requirements applicable to entities of the Group.

The Compliance System in the ENERGA Group means, among others:

- an effective organisational structure of the System in entities of the ENERGA Group, with clearly defined scopes of tasks and responsibilities of System participants, with the supervisory and co-ordinating role of ENERGA SA,
- identification of the so-called compliance areas (updated sets of key requirements resulting from external and internal regulations, grouped into thematic areas) and assignment of owners to them to supervise compliance in individual areas,
- definition of the so-called requirement owners responsible for their performance (compliance) in entities of the ENERGA Group,
- implementation of the compliance management process consisting in identification of requirements, assessment and monitoring of compliance (with planning and implementation of corrective actions if necessary),
- communication and reporting of compliance management process results (at the level of Group entities, owners of compliance areas and the entire ENERGA Group),
- a wide range of training and communication activities to raise employee awareness in the area of compliance.

Ultimately, the Compliance System provides a comprehensive view of the Group's compliance with material requirements (also at the level of individual entities), to the benefit of stakeholders of the ENERGA Group. It should be noted that the implemented solutions remain, also in the opinion of external auditors, in accordance

with the best practices in this area (ISO 19600) and thus, among others address provisions of the Good Practices for Warsaw Stock Exchange Listed Companies 2016, based on which listed companies should maintain, among others, an effective compliance supervision system, adequate to the size of the company and the type and scale of its operations. Implementation of the Compliance System in the ENERGA Group in 2019 was named one of the model CSR practices in the “CSR in Poland 2019 Report”, which describes the best practices of Polish companies in the area of corporate social responsibility.

The Supervisory Board has positively reviewed the internal control, risk management and compliance systems as well as performance of the internal audit function in the Company and the ENERGA Group.

VIII. REVIEW OF THE MANNER IN WHICH THE COMPANY FULFILS ITS DISCLOSURE OBLIGATIONS RELATED TO THE CORPORATE GOVERNANCE RULES

In 2019, the Company and its bodies were subject to the corporate governance rules described in the set of documents accepted by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 as the Good Practices for WSE Listed Companies for 2016 (hereinafter: Good Practices), published on the website of the Warsaw Stock Exchange and in the Investor Relations section of the Company's website.

On 28 May 2020 the Company announced the Report of the Management Board on the activities of the ENERGA Group and ENERGA SA for 2019 with the statement on application of rules of corporate governance, issued in accordance with § 70 (6) (5) of Regulation of the Minister of Finance of 29 March 2018 on ongoing and periodic provision of information by issuers of securities and the conditions under which information required pursuant to legislation of countries other than Member States is recognised as equivalent.

Based on this statement, the Company applies rules of corporate governance, with the exclusion of:

- 1) Rule I.Z.1.10 of Good Practices – the Management Board of ENERGA SA did not take a decision on the publication of financial forecasts in light of provisions of the aforementioned Regulation of the Minister of Finance of 29 March 2018,
- 2) Rule III.Z.3 of Good Practices – the Company does not comply with the requirement of Standard 1110-1 only with regard to the organisational independence of appointing and dismissing the person in charge of the internal audit and approval and changes of remuneration of that person. The standard referred to above has been defined in the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors. In addition, the person in charge of the internal audit in the Company does not report functionally to the Supervisory Board.

Non-compliance with these rules was reported by the Company via the EBI system, in accordance with § 29.3 of the Rules of the Warsaw Stock Exchange (hereinafter: Rules of the Stock Exchange).

A set of downloadable documents can be found on the website of investor relations of ENERGA SA, in the corporate governance bookmark, including periodic and current reports.

The Supervisory Board of ENERGA SA has concluded that the Company correctly fulfils the disclosure obligations regarding the application of the rules of corporate governance arising from the Rules of the Stock Exchange and the provisions regarding current and periodic information provided by issuers of securities.

IX. REVIEW OF REASONABLENESS OF THE SPONSORSHIP, CHARITABLE OR OTHER SIMILAR ACTIVITIES CONDUCTED BY THE COMPANY

Sponsoring activities

In 2019 ENERGA SA conducted sponsorship activities, in line with its universal promotional and image-building nature. When conducting sponsorship activities, the Company followed the Master Plan of Sponsorship Activities for 2019 and was oriented on fulfilment of expectations of the recipients (customers, investors, shareholders, public opinion, employees of ENERGA Group member companies), related to the Company in the sponsorship area.

The sponsorship activities of ENERGA SA aimed at differentiating the image of the ENERGA brand from activities of the competition and emphasising the leading position among Polish public utility companies. The

sponsorship activities performed in 2019 by the Company were conducted with a breakdown into the following activities and ventures:

- 1) Professional sports,
- 2) ENERGA Sport,
- 3) ENERGA Patronage,
- 4) ENERGA Education,
- 5) ENERGA for Nature, and
- 6) Business Relations.

The most important sponsorship projects in which the Company was involved include:

1. Lechia Gdańsk - ENERGA SA has sponsored Lechia Gdańsk since 2016. Co-operation between the Company and the club involves support for Lechia Gdańsk Academy. Under the agreement, ENERGA SA is the main sponsor of Lechia Gdańsk on the exclusive basis. The company name and logo are placed on players' jerseys, training outfits and all others sport clothing of team players and the training staff.
2. Polish Basketball Association - ENERGA SA is the strategic sponsor of the Polish men and women national basketball teams. Co-operation was established in 2018 to develop strong brand of Polish basketball. In addition, the Company is a titular sponsor of men league, Energa Basket Liga, and women league, Energa Basket Liga Women. ENERGA has supported professional basketball since 2005, and youth basketball since 2009, when the first Energa Basket Cup matches took place. The agreement between ENERGA SA and the Association provides for support not only to professional basketball players or basketball academies, but also 3x3 basketball players and wheelchair basketball.
3. AMP Football - one of the most spectacular and the most dynamically developing sports for the disabled. Amp Football is present in more than 60 countries around the world, with Amp Football leagues and professional clubs. As the main partner, ENERGA SA has supported the Amp Football team during preparations and matches at prestigious competitions in Poland and abroad. The European Championships, which will take place in Poland, will be the most important event in which the Company will be also involved.
4. Camerimage International Film Festival - ENERGA SA is the Camerimage titular and strategic sponsor. ENERGACAMERIMAGE International Film Festival of the Art of Cinematography is the world's largest and best known festival devoted to the art of cinematography. ENERGACAMERIMAGE significantly contributes to the prestige of cinematographers. The awards are an expression of recognition for the greatest achievements in the field of film photography and give a sense of fulfilment to their authors. ENERGACAMERIMAGE it is also a great forum not only for presentations but also discussions about the future of film art.
5. Rock Legends Festival - the only major event of this kind in Poland and abroad that takes place on the central coast. Every year, it attracts not only tens of thousands of rock music fans to the Charlotta Valley, but most of all, it attracts the biggest music stars recognized around the world.

The sponsorship activities of the Company were examined by an external auditor to evaluate their effectiveness and purposefulness, in accordance with the recommendations contained in the regulation published on 15 June 2016, entitled: "Good Practices in Conducting Sponsorship Activities by Companies with State Treasury Holdings".

Verification of the conducted activities is contained in the annual report on effectiveness of the sponsorship activities conducted by ENERGA SA in 2019 and includes:

- 1) an evaluation of effectiveness of sponsorship projects, to verify their cost-effectiveness understood as achievement of the predefined results at the lowest possible cost,
- 2) a summary of the evaluation of effectiveness of sponsorship projects,
- 3) analysis of the purposefulness of sponsorship activities, which means verification of the legitimacy of the existing sponsorship activities or continuation of such activities.

The completed verification demonstrated an average 239% effectiveness of 143 sponsorship projects implemented by the Company in 2019. The evaluated cost of reaching 1,000 off-takers due to the services provided, which is defined by the net CPT value in relation to the ENERGA brand was PLN 64.09. As in accordance with the market standards sponsorship activities are considered effective at the minimum level of 100%, the result obtained positions highly the effectiveness of the sponsorship activities of the Company.

The Supervisory Board considers the sponsorship activities conducted by the Company in 2019 to be purposeful

and highly effective.

Charity or other activities of a similar nature

Being a socially responsible company, ENERGA SA has been supporting efforts for those in need for years. These activities are also pursued through the ENERGA Foundation, established in 2009.

The ENERGA Foundation carries out its mission by providing assistance and support in line with its statutory objectives, such as supporting health care facilities, palliative care, supporting the development of organizational units of the State Fire Service, the Police or other emergency services, and disseminating historical knowledge and popularising patriotic attitudes. The ENERGA Foundation pursues the goals set out in its statute by supporting individuals and legal persons by way of donation agreements. The ENERGA Foundation is also involved in helping ENERGA Group employee and their families on a priority basis. Among the programmes implemented by the ENERGA Foundation, the most important include: Vita Memoriae ENERGA Foundation to support patriotic attitudes and historical events, ENERGA Foundation for socially excluded, and ENERGA Foundation for the employees, their families and former employees.

The Supervisory Board positively assesses the Company's charity and other similar activities conducted in 2019.

In addition, in accordance with the agreement concluded by the Founders, in 2019 ENERGA SA made a donation to the Polish National Foundation.

X. OPINION ON THE ECONOMIC APPROPRIATENESS OF THE COMPANY'S CAPITAL INVOLVEMENT IN OTHER COMMERCIAL COMPANIES AND PARTNERSHIPS

Pursuant to § 17.1.4 of the Company's Articles of Association, the Supervisory Board expresses a positive opinion on the economic appropriateness of the Company's capital involvement in other commercial companies and partnerships in 2019, which was described in detail in the report by the Management Board of the Company on the activities of the ENERGA Group and ENERGA SA in 2019.

XI. REVIEW OF WORK OF THE SUPERVISORY BOARD

In 2019 the Supervisory Board performed intensive work and fulfilled obligations arising from the legislation, the Company's Articles of Association and Good Practices for Warsaw Stock Exchange Listed Companies 2016. In 2019, the Supervisory Board held 11 meetings, and the Committees of the Supervisory Board held 7 meetings. During its meetings, the Supervisory Board and its Committees adopted a total of 171 resolutions. The detailed scope of work of the Supervisory Board and its Committees in 2019 is described in parts II and III of this report.

Members of the Board have a high level of professional competence in the field of economics, finance and law as well as many years of experience in performing functions in management and supervisory bodies in companies, which is necessary to perform the function of a member of the supervisory body. Due diligence and commitment, as well as the extensive knowledge and experience of the Board Members, guaranteed effective and efficient supervision over the Company's operations, a brief description of which is presented in this report.

As part of its supervisory and auditing responsibilities, the Supervisory Board acted on the basis and within the limits of the law, always guided by the good and interest of the Company.

Members of the Company Management Board and the Company's employees technically responsible for the matters addressed by the Supervisory Board provided to the Supervisory Board all information and explanations required by the Supervisory Board to perform its duties. Given the need for efficient preparation of materials that were the subject of its committees and meetings, as well as timely decision making, the Supervisory Board also co-operated with the Management Board in the workshop mode, as part of direct, ongoing relations between the two bodies of the Company.

The Supervisory Board confirms that its members performed their duties properly in 2019. In the opinion of the Supervisory Board, its work during meetings, committees and as part of direct relations with the Management Board of the Company was characterized by high efficiency, transparency and rationality of operations, which provided professional substantive support and effective supervision.

Report date: 1 June 2020

Signatures of Members of the Supervisory Board:

CHAIRWOMAN	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
VICE-CHAIRMAN	Zbigniew Wtulich	<i>/illegible signature/</i>
SECRETARY	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Andrzej Powałowski	<i>/illegible signature/</i>
MEMBER	Trajan Szuladziński	<i>/illegible signature/</i>
MEMBER	Maciej Żółtkiewicz	<i>/illegible signature/</i>