

**REPORT ON REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND
SUPERVISORY BOARD OF ENERGA S.A. FOR YEARS 2019-2020**

Supervisory Board of ENERGA S.A.

Gdańsk, 17 May 2021

2019

MODULE I

2019

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2019

Introduction

This module presents a comprehensive overview of remuneration of Members of the Management Board and Members of the Supervisory Board of ENERGA S.A. (hereinafter also referred to as the “Company”) for 2019 regarding remuneration of members of management and supervisory bodies in accordance with provisions of the Act on the Rules of Determining Remuneration for Persons in Charge of Certain Companies (“Act on the Rules of Determining Remuneration”), and the existing best practice of the Company in the field of the remuneration policy.

In 2019 the Management Board of ENERGA S.A. was composed of:

Name	Position	How long the function was performed in the reporting year
Alicja Barbara Klimiuk	Vice-President for Operations, Acting until 30 May 2019 President of the Management Board*	
Grzegorz Ksepko	Vice-President for Corporate Affairs, Acting President of the Management Board**	entire 2019
Jacek Kościelniak	Vice-President for Financial Matters	entire 2019
Dominik Wadecki	Vice-President for Operations	from 31 May 2019
Jacek Goliński	President of the Management Board	from 17 Dec 2019
Adrianna Sikorska	Vice-President for Communication	from 17 Dec 2019

*In 2019 Ms. Alicja Barbara Klimiuk was the acting President of the Management Board from 1 January 2019 to 30 May 2019.

*In 2019 Mr. Grzegorz Ksepko was the acting President of the Management Board from 3 June 2019 to 16 December 2019.

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Introduction

Key changes in the composition of the Management Board of ENERGA S.A. in 2019:

On 30 March 2019, the Supervisory Board of the Company passed a resolution to recall Ms. Alicja Barbara Klimiuk from the position of the Vice-President for Operations, Mr. Jacek Kościelniak from the position of the Vice-President of the Management Board for Finance, and Mr. Grzegorz Ksepko from the position of the Vice-President of the Management Board for Corporate Matters.

As a result of the conducted qualification procedures, the Supervisory Board of ENERGA S.A. identified the following persons as the best candidates and subsequently appointed them on 31 May 2019 to the Management Board of ENERGA S.A. of the 6th Term of Office:

Vice-President of the Management Board for Financial Matters – Mr. Jacek Kościelniak,

Vice-President of the Management Board for Operations – Mr. Dominik Wadecki,

Vice-President of the Management Board for Corporate Matters – Mr. Grzegorz Ksepko.

The proceedings to appoint President of the Management Board were completed without choosing the best candidate.

On 31 May 2019 the Management Board of ENERGA S.A. passed a resolution entrusting obligations of the President of the Management Board of the Company to Mr. Grzegorz Ksepko, Vice-President of the Management Board for Corporate Matters, which the Supervisory Board of the Company agreed to on 3 June 2019.

On 27 November 2019, the Supervisory Board of ENERGA S.A. initiated the qualification procedures to appoint the President of the Management Board and the Vice-President of the Management Board for Communication that were completed on 13 December 2019.

As a result of the conducted qualification procedures, the Supervisory Board of ENERGA S.A. identified the following persons as the best candidates and subsequently appointed them on 17 December 2019 to the Management Board of the 6th Term of Office:

President of the Management Board – Mr. Jacek Goliński,

Vice-President of the Management Board for Communication – Ms. Adrianna Sikorska.

2019

Introduction

In 2019 the Supervisory Board of ENERGA S.A. was composed of:

Name	Position	How long the function was performed in the reporting year
Paula Ziemiecka-Księżak	Chairwoman of the Supervisory Board	entire 2019
Zbigniew Wtulich	Vice-Chairman of the Supervisory Board	entire 2019
Agnieszka Terlikowska-Kulesza	Secretary of the Supervisory Board	entire 2019
Maciej Żółtkiewicz	Member of the Supervisory Board	entire 2019
Marek Szczepaniec	Member of the Supervisory Board, Independent Member of the Supervisory Board	entire 2019
Andrzej Powalowski	Member of the Supervisory Board, Independent Member of the Supervisory Board	entire 2019

Rules of remuneration in ENERGA S.A. supported performance of the Company's targets, in particular the long-term increase in the value for shareholders and operating stability of the enterprise. One of the key assumptions prevailing in ENERGA S.A. with regard to remuneration of members of key corporate bodies was to support implementation of the long-term strategic goals of the Company and the entire ENERGA Group while ensuring that the Company would achieve satisfactory financial results and while securing stability of the Company.

Fulfilment of these assumptions was possible because of the Management by Objectives system implemented in the Company, which assumed that a major part of remuneration of individual Members of the Management Board depended on fulfilment of set management objectives, based on fulfilment criteria set by the Supervisory Board of the Company.

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Review of remuneration components

Remuneration of Members of the Management Board of the Company was determined by the Supervisory Board based on Resolution No 27 of the Extraordinary General Meeting of Shareholders of the Company of 15 December 2016 on the principles of determining remuneration of members of the Management Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk, amended with Resolution No 30 of the Ordinary General Meeting of Shareholders of the Company of 26 June 2017.

Remuneration of Members of the Management Board of the Company was also determined in accordance with the Act on the Rules of Determining Remuneration and recommendations from the Nominations and Remuneration Committee of the Supervisory Board of ENERGA S.A.

All elements of remuneration of each of the Members of the Management Board of the Company are regulated in the Management Contract ("Contract") concluded between a Member of the Management Board/ President of the Management Board ("Member of the Management Board") and the Company.

2019 Review of remuneration components

For performance of the Contract, a Member of the Management Board was entitled to the total remuneration, which consisted of the fixed part that was a monthly remuneration (“Fixed Remuneration”) and the variable part which was the supplementary remuneration for the financial year of the Company (“Variable Remuneration”), and an option to receive additional benefits (under the terms specified in the Contract and the Act on the Rules of Determining Remuneration).



	Structure of the total remuneration of Members of the Management Board of ENERGA S.A.
	Total remuneration of Members of the Management Board
	Fixed Remuneration
	Variable Remuneration
	Additional benefits*
	* Regardless of Fixed and Variable Remuneration, Members of the Management Board were entitled to additional benefits.

2019

Review of remuneration components

FIXED REMUNERATION OF MEMBERS OF MANAGEMENT BOARD

Fixed Remuneration of Members of the Management Board in 2019 was the monthly basic remuneration paid for the function performed in the Company and the assigned scope of duties, taking into account market conditions:

- Members of the Management Board received remuneration under the Contract concluded for the period of performing the function of a Member of the Management Board of the Company;
- The amount of the monthly Fixed Remuneration of Members of the Management Board was determined by the Supervisory Board, by means of a resolution, taking into account provisions of the Act on the Rules of Determining Remuneration and a resolution of the General Meeting of Shareholders on the principles of shaping the remuneration of Members of the Management Board;
- The amount of Fixed Remuneration of Members of the Management Board corresponded to the actual possibilities of acquiring and maintaining key competencies in the Company, and was also consistent with the level and market practice applicable to remuneration in companies with a similar scale of operations.

When determining Fixed Remuneration of Members of the Management Board, the Supervisory Board took into account the following criteria:

- Qualifications, professional experience and years of service;
- The profile of the function performed, size of the area supervised, scope and nature of tasks performed in this area;
- The level of remuneration of managerial staff in companies with a similar profile and scale of operations (taking into account the operating scale of the entire ENERGA Group).

2019

Review of remuneration components

The General Meeting of Shareholders of the Company determined the fixed part of remuneration of Members of the Management Board in accordance with provisions of art. 4 of the Act on the Rules of Determining Remuneration, taking into account the scale of the Company's operations, in particular the sum of its assets, annual net turnover achieved and the size of employment, in the range from 7 to 15 times the average remuneration in the enterprise sector without payment of awards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.

For the performance of the Contract, the Supervisory Board of the Company determined Fixed Remuneration of the President of the Management Board and other Members of the Management Board as the equivalent of 15 times (President of the Management Board) and 14 times (other Member of the Management Board) of the average monthly remuneration in the sector of enterprises without payment of awards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.

VARIABLE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board of ENERGA S.A. were entitled to Variable Remuneration under the rules laid down in the Contract.

Variable Remuneration of Members of the Management Board in 2019 was supplementary remuneration for the financial year of the Company and depended on fulfilment of management objectives set by the Supervisory Board of ENERGA S.A. ("Management Objectives").

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Review of remuneration components

Key rules taken into account when awarding Variable Remuneration to Members of the Management Board in 2019:

- The value of Variable Remuneration could not exceed 51.38% of the value of Fixed Remuneration in the financial year of 2019, for which the amount of due Variable Remuneration was calculated;
- Variable Remuneration of Members of the Management Board depended on fulfilment of Management Objectives set by the Supervisory Board for individual Members of the Management Board based on the general directory of objectives approved in Resolution No 27 of the Extraordinary General Meeting of Shareholders of the Company of 15 December 2016 on the principles of shaping the remuneration of members of the Management Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk, amended with Resolution No 30 of the Ordinary General Meeting of Shareholders of the Company of 26 June 2017;
- The Supervisory Board also determined goals that condition receipt of Variable Remuneration for that year;
- Specification of the said Management Objectives, as well as indication of the weights and criteria for their fulfilment for individual Members of the Management Board was defined in a resolution of the Supervisory Board;
- The Supervisory Board evaluated performance of Management Objectives by a given Member of the Management Board and conditioning goals on the basis of the report submitted by Members of the Management Board, financial statements and other documents, which Supervisory Board deemed necessary to audit;
- Variable Remuneration of a Member of the Management Board was granted when the General Meeting of Shareholders of ENERGA S.A. approved the report of the Management Board on the activities of the Company and the financial statements of the Company for the previous financial year and after the Member of the Management Board was granted the vote of acceptance to confirm the discharge of their duties.

Review of remuneration components

Pursuant to Resolution No 27 of the Extraordinary General Meeting of Shareholders of the Company of 15 December 2016 on the principles of determining the remuneration of members of the Management Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk, amended with Resolution No 30 of the Ordinary General Meeting of Shareholders of the Company of 26 June 2017, a directory of the general management objectives for Members of the Management Board of the Company was approved in the form of:

- punctual performance of key stages of construction of the power unit with capacity of approx. 1,000 MW in Ostrołęka (Ostrołęka C), in accordance with the approved schedule,
- achievement of consolidated EBITDA for the Group at the level specified in the approved Schedule of Expenditures for the given financial year,
- achievement of Net Debt/EBITDA at the level specified in the approved Schedule of Expenditures for the given financial year,
- achievement of SAIDI quality index for supplies of electricity at the level specified in the approved Schedule of Expenditures for the given financial year,
- improvement of quality indicators relating to customer service (e.g. customers invoiced/not invoiced ratio), effective customer experience management, continuous growth of sales of new products (sales of energy products and synergy products for gas and electricity),
- adjustment to the gist of structural changes in the sector (introduction of process-task structure, correspondence system for technical support),
- development of a structural approach to marketing, product and process innovation, financing of research and development work, pilot runs and implementations, and development of an ecosystem for innovations within the ENERGA Group that accounts for effective use of funds appropriated for this purpose,
- creating a structural approach to brand building, product marketing, sponsorship of culture, sports and social activities.

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Review of remuneration components

- **Based on the directory of general management objectives set by the General Meeting of Shareholders of ENERGA S.A. for 2019, the Supervisory Board set detailed Management Objectives related to key challenges facing ENERGA S.A and the ENERGA Group for all Members of the Management Board.**
- **In addition, the Supervisory Board – in accordance with a resolution of the General Meeting of Shareholders of ENERGA S.A. – set separate goals that condition receipt of Variable Remuneration for 2019:**
 - shaping and applying the principles of remunerating members of management and supervisory bodies of subsidiaries, corresponding to the principles set out in the Act,
 - fulfilment of obligations referred to in art. 17-20, art. 22 and art. 23 subject to art. 18a and 23a of the Act of 16 December 2016 on the Rules of Managing State Assets.

In accordance with the Contract, the resolution of the Supervisory Board was the basis for payment of Variable Remuneration after the General Meeting of Shareholders of the Company approved the report of the Management Board on the activities of the Company and the financial statements of the Company for the previous financial year and after the Member of the Management Board was granted the vote of acceptance to confirm the discharge of their duties.

Review of remuneration components

ADDITIONAL BENEFITS OF MEMBERS OF THE MANAGEMENT BOARD

Regardless of Fixed Remuneration and Variable Remuneration, in 2019 Members of the Management Board were entitled to additional benefits. Granting of a specific additional benefit was based on the interest of the Company and resulted from the need to provide services personally by a specific Member of the Management Board. The value of additional benefits granted constituted the income of a Member of the Management Board and was not included in the Fixed Remuneration.

The Contract provided for the following types of benefits (added to the income of the Member of the Management Board):

- Coverage of costs of medical care of the Member of the Management Board and their immediate family;
- Coverage of costs related to accommodation if the place of residence is more than 100 km from the registered office of the Company;
- Financing or reimbursement of individual training relating to the scope of activities performed for the Company;
- severance pay for termination of the Contract;
- compensation due to non-competition clause effective after termination of the function.

The benefits were granted on the terms and within the limits described in the Contract and other regulations in force in the Company.

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2019 Review of remuneration components

Members of the Supervisory Board were entitled to a fixed monthly remuneration, which was based on the corporate relationship resulting from appointment of Members of the Supervisory Board for the duration of their mandate within the Company and reimbursement of expenses related to the performance of the function.

Struktura całkowitego wynagrodzenia Członków Rady Nadzorczej ENERGA S.A.



	Structure of total remuneration of Members of the Supervisory Board of ENERGA S.A.
	Total remuneration of Members of the Supervisory Board
	Fixed Remuneration
	Reimbursement of expenses

FIXED REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

Rules of remuneration for Members of the Supervisory Board:

- Remuneration was determined by the General Meeting by way of a resolution, on the basis of and within the limits specified in provisions of the Act on the Rules of Determining Remuneration;
- Remuneration of a Member of the Supervisory Board was varied depending on the function performed;
- If the mandate of a Member of the Supervisory Board lasted less than a month for which the remuneration is paid, it was calculated in proportion to the number of days during which the function is performed;
- Remuneration was not due for the month in which a Member of the Supervisory Board was not present at the meeting without excuse (the Supervisory Board voted on excusing the absence of a Member of the Supervisory Board, in the form of a resolution);

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Review of remuneration components

The monthly remuneration of Members of the Supervisory Board was determined on the basis of resolutions of the General Meeting of Shareholders of ENERGA S.A. In this scope, Resolution No 28 of the Extraordinary General Meeting of Shareholders of the Company of 15 December 2016 on the principles of shaping the remuneration of members of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk was effective until 24 June 2019. Starting from 25 June 2019, the monthly remuneration of Members of the Supervisory Board was determined in Resolution No 21 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 25 June 2019 on the adoption of the rules for determining the remuneration of Members of the Supervisory Board and repealing Resolution 28 of the Ordinary General Meeting of Shareholders of the Company of 15 December 2016.

In accordance with these resolutions of the General Meeting of Shareholders of ENERGA S.A. the monthly remuneration of Members of the Supervisory Board was fixed as the product of the monthly remuneration in the sector of enterprises without payment of awards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office and the multiplier of:

- for the Chairperson of the Supervisory Board: -1.7
- for other Members of the Supervisory Board -1.5

Members of the Supervisory Board were also entitled to reimbursement of the costs related to participation in works of the Supervisory Board of in accordance with art. 392 of the Commercial Companies Code.

Review of remuneration components

Table 1. **Total remuneration of Members of the Management Board in 2019 (PLN gross)**

Name Function	How long the function was performed in the reporting period	Fixed remuneration	Variable remuneration for 2019	Additional benefits*	Total remuneration	Proportion of variable remuneration to fixed remuneration (%)	Proportion of additional benefits to fixed remuneration (%)
Alicja Barbara Klimiuk Vice- President for Operational Matters	1 Jan 2019 – 30 May 2019	308,264.60	87,112.49	14,193.90	409,570.99	28.26	4.60
Jacek Kościelniak Vice-President for Financial Matters	entire 2019	739,835.04	209,069.98	32,602.50	981,507.52	28.26	4.41
Grzegorz Ksepko Vice-President for Corporate Affairs	entire 2019	739,835.04	209,069.98	6,000.00	954,905.02	28.26	0.81
Dominik Wadecki – Vice-President for Operations	31.05.2019- 31.12.2019	433,625.54	122,538.24	20,097.00	576,260.78	28.26	4.63
Jacek Goliński, President of the Management Board	17 Dec 2019 – 31 Dec 2019	33,028.35	0	200.00	33,228.35	0	0.61
Adrianna Sikorska Vice-President for Communication	17 Dec 2019 – 31 Dec 2019	30,826.46	0	542.62	31,369.08	0	1.76
	2019 total	2,285,415.03	627,790.69	73,636.02	2,986,841.74		

* “Additional benefits” may include cash-free benefits added to the income (medical services, accommodation, training) and cash benefits added to the income.

** Variable remuneration for 2019 was paid to Members of the Management Board in 2020, thus there are no provisions set up in this scope.

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Review of remuneration components

Table 2. **Total remuneration of Members of the Supervisory Board in 2019 (PLN gross)**

Name Function	How long the function was performed in the reporting year	Fixed remuneration	Other*	Total remuneration
Paula Ziemiecka-Księżak, Chairwoman of the Supervisory Board	entire 2019	89,837.16	0	89,837.16
Zbigniew Wtulich Vice-Chairman of the Supervisory Board	entire 2019	79,268.04	0	79,268.04
Agnieszka Terlikowska-Kulesza Secretary of the Supervisory Board	entire 2019	79,268.04	0	79,268.04
Marek Szczepaniec Member of the Supervisory Board	entire 2019	79,268.04	0	79,268.04
Andrzej Powalowski Member of the Supervisory Board	entire 2019	79,268.04	0	79,268.04
Maciej Żółtkiewicz Member of the Supervisory Board	entire 2019	79,268.04	0	79,268.04
	2019 total	486,177.36	0	486,177.36

* The "Other" item may include reimbursement of expenses related to performance of functions and the ECP.

2019

Compliance of total remuneration with the Remuneration Policy 2019 and explanation how it contributes to achievement of the long-term results of the Company

In 2019 the Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A within the meaning of the Act on Public Offering and on the Terms of Introducing Financial Instruments into Organized Trading and on Public Companies (“Act on Public Offering”) was not in effect. Rules of remunerating Members of the Management Board and Supervisory Board were shaped in accordance with the principles referred to in the Act on the Rules of Determining Remuneration and the current best practice of the Company in the field of remuneration principles.

The amount of Fixed Remuneration of Members of the Management Board corresponded to the actual possibilities of acquiring and maintaining competencies in the Company, and was also consistent with the level and market practice applicable to remuneration in companies with a similar scale of operations.

Remuneration systems complied with values of ENERGA S.A., promoted mutual co-operation and motivated staff to achieve the best results on the scale of the ENERGA Group. The set management objectives were accounted for after the end of the year for which they were set.

The rules of remunerating members of the Supervisory Board were set out in a resolution adopted by the General Meeting of the Company, taking into account the principles resulting from provisions the Commercial Companies Code and the Articles of Association, as well as on the basis and within the limits specified in the provisions of the Act on the Rules of Determining Remuneration. Remuneration of Members of the Supervisory Board who meet the criterion of independence was conducive to maintaining the status of independence from the majority shareholder and the Company’s decision-makers.

2019

Compliance of total remuneration with the Remuneration Policy 2019 and explanation how it contributes to achievement of the long-term results of the Company

One of the key assumptions prevailing in ENERGA S.A. with regard to remuneration of members of corporate bodies was to support implementation of long-term strategic goals of the Company and the ENERGA Group while ensuring that the Company would achieve high financial results and while securing stability of the Company. Fulfilment of these assumptions was possible because of the Management by Objectives system implemented in practice in the Company, which assumed that a major part of remuneration of individual Members of the Management Board depended on fulfilment of set Management Objectives, based on fulfilment criteria set by the Supervisory Board of the Company.

The compensation plan for the members of the Management Board of ENERGA S.A. was based on the system of management by objectives. Objectives were set on the basis of the current ENERGA Group Strategy, the Multi-Annual Plan of Strategic Investments and the internal and external challenges faced by the ENERGA Group.

The payment of variable pay components to members of the Management Board of ENERGA S.A. depended on the degree and level of achievement of objectives.

The absolute condition for the Members of the Management Board to receive the variable part of remuneration for 2019 was:

- 1) shaping and applying the principles of remunerating members of management and supervisory bodies of subsidiaries, corresponding to the principles set out in the Act of 9 June 2016 on the Rules of Structuring Remunerations of Persons Managing Certain Companies,
- 2) fulfilment of obligations referred to in art. 17-20, art. 22 and art. 23 subject to art. 18a and art. 23a of the Act of 16 December 2016 on the Rules of Managing State Assets.

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Compliance of total remuneration with the Remuneration Policy 2019 and explanation how it contributes to achievement of the long-term results of the Company

In 2019, Management Objectives were assigned to the Members of the Management Board in the scope of:

- performance of investment projects of key importance to the ENERGA Group,
- Consolidated EBITDA of the ENERGA Group,
- Safe structure of the balance sheet of the ENERGA Group,
- SAIDI index,
- Improving the quality of customer service,
- The Effectiveness Improvement Programme
- NPS (Net Promoter Score)

In addition, co-operation of the Management Board with the Supervisory Board of ENERGA S.A. was evaluated.

Determination of appropriate Management Objectives for 2019 meant that a considerable part of remuneration of the Management Board of the Company (Variable Remuneration) depended not only on the achievement of set financial and operating ratios but also performance of actions in the field of implementation of specific initiatives of long-term, strategic importance for the ENERGA Group.

The long-term business plans of the Company corresponded to the interests of all groups of shareholders, with respect for the legitimate rights of its stakeholders (employees, customers, external environment, etc.), identified in the long-term horizon.

The rules of remuneration, including the structure of remuneration for Members of the Management Board and Supervisory Board, accounted for the current financial situation of the Company – in accordance with the principles adopted in the Act on the Rules of Determining Remuneration and the Resolution of the General Meeting on the principles of shaping the remuneration of Members of the Management Board.

The tasks and goals set for implementation in 2019 ensured the implementation of the business strategy, long-term growth of the Company's value and its stability.

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Applied criteria regarding performance of 2019 management objectives (including results)

The maximum amount of the Variable Remuneration of Members of the Management Board of the Company was 51.38% of the Fixed Remuneration during the financial year of 2019, determined in accordance with the rules laid down in the Contract of Management Services. The sum of percentage points awarded by the Supervisory Board was also the awarded per cent of the maximum possible Variable Remuneration. Selection of Management Objectives, as well as the criteria set for their fulfilment as established by the Supervisory Board, have contributed to the implementation of the business strategy, long-term interests and stability of the Company. Achievement of these objectives was dependent on the achievement of specific results by the Company.

Criteria for assessing performance of Management Objectives

The basic sources of data used in the process of settling performance of Management Objectives were:

- regular reports for the Supervisory Board on the performance of the Schedule of Expenditures,
- audited financial statements of the Company and of the ENERGA Group for 2019,
- report on the activities of the Company and of the ENERGA Group for 2019,
- report of the Management Board of the Company on the performance of Management Objectives for 2019,
- opinion on performance of goals that condition earning the Variable Remuneration by Members of the Management Board.
- reporting system, including among others: SAP, planning HFM, statutory HFM,
- accounting entries and supporting documents,
- public stock exchange data.

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Changes in remuneration of Members of the Management Board and Supervisory Board in relation to Company results and employee remuneration

Through the appropriate shaping of the remuneration structure, Members of the Management Board were additionally motivated to act in such a way so as to achieve effects and seek synergies in the long term and to implement the adopted strategic initiatives, which contributed to the stronger position and financial stability of the entire ENERGA Group.

As a parent company to 21 subsidiaries, ENERGA S.A. earned revenues from dividends and performance of corporate functions, also in the field of joint marketing activities, provision of IT systems and financial support.

The role of ENERGA S.A. is, among others, to define development directions for the ENERGA Group, pursue joint financial policy, which translates to performance of targets of the ENERGA Group, expressed mainly with EBITDA of the ENERGA Group.

In 2019 EBITDA of the ENERGA Group was PLN 2,039 million compared to PLN 1,877 million in 2018, a year on year increase by 9%.

The Distribution Business Line was the greatest contributor to the ENERGA Group's EBITDA in 2019 (81%), while the contributions of the Generation Business Line and Sales Business Line were at 13% and 9% respectively.

The ENERGA Group achieves a stable EBITDA level of approx. 2 billion PLN a year, with the main share of Distribution Business Line.

Figure 1. Revenues of Energa S.A. from 2015 to 2019 (PLN millions)

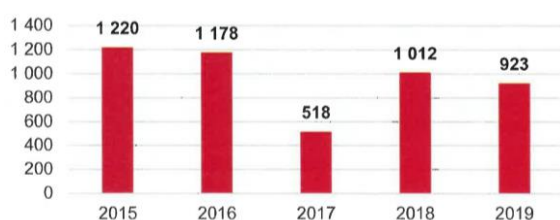
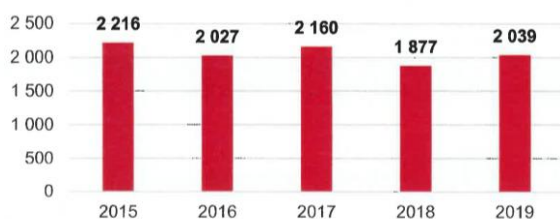


Figure 2. EBITDA of the Energa Group from 2015 to 2019 (PLN millions)



EBITDA (operating profit plus depreciation and impairment of non-financial non-current assets).

Changes in remuneration of Members of the Management Board and Supervisory Board in relation to Company results and employee remuneration

AVERAGE REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND EMPLOYEES OF THE COMPANY WHO ARE NOT MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD

Figure 3. Changes in average remuneration (fixed and variable part) of the Management Board* of the Company compared to 2013 level



Figure 4. Changes in average fixed remuneration of the Supervisory Board** of the Company compared to 2013 level



	Change in average remuneration of the Management Board
	Change in average remuneration of the Supervisory Board

Starting from 2015 the average remuneration of the Management Board of ENERGA S.A. is considerably below average remuneration of 2013.

* To calculate average remuneration, remuneration paid for a given financial year was adopted.

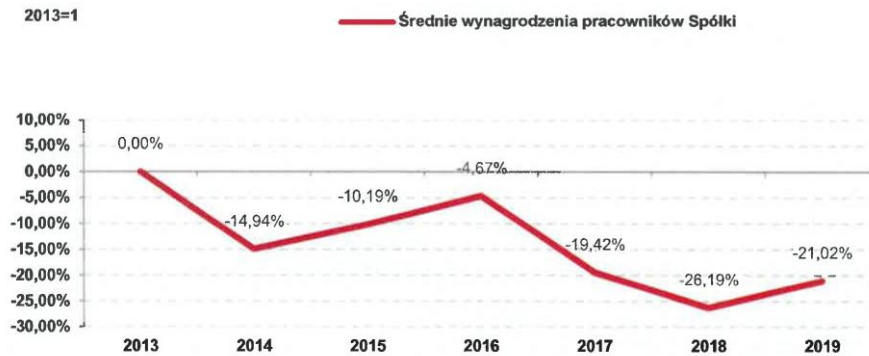
Starting from December 2016, remuneration of the Supervisory Board of ENERGA S.A. has been adapted to the Act on the Rules of Determining Remuneration.

** To calculate average remuneration, remuneration paid for a given financial year was adopted.

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Changes in remuneration of Members of the Management Board and Supervisory Board in relation to Company results and employee remuneration

Figure 5. Changes in average remuneration of employees of ENERGA S.A. compared to 2013 level*



Average remuneration of the Company's employees

* Remuneration of the Management Board, Supervisory Board, contracts of mandate (including manager contracts), contracts for specific work and severance pays are not included.

The drop in average remuneration of employees in 2017 and 2018 is the result of the management personnel of the Company moving to manager contracts (not included in the average).

Rules of remuneration for employees of the Company are governed in the Rules of Remuneration for Employees of ENERGA S.A. The key component of the remuneration is basic pay determined on the basis of Table of pay grades and rates of monthly basic pay for employees at ENERGA S.A. and the quarterly bonus.

In 2019 the average remuneration of ENERGA S.A. employees increased.

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MODULE II

2020

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2020

Introduction

This module contains information which presents a comprehensive overview of remuneration of Members of the Management Board and Members of the Supervisory Board of ENERGA S.A. for 2020 with regard to application of rules of the Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A.

In 2020 the Management Board of ENERGA S.A. was composed of:

Name	Position	How long the function was performed in the reporting year
Grzegorz Ksepko	Vice-President for Corporate Affairs	until 14 March 2020
Jacek Kościelniak	Vice-President for Financial Matters	until 16 January 2020
Dominik Wadecki	Vice-President for Operations	entire 2020
Jacek Goliński	President of the Management Board	entire 2020
Adrianna Sikorska	Vice-President for Communication	entire 2020
Marek Kasicki	Vice-President for Financial Matters	from 10 February 2020
Iwona Waksmundzka-Olejniczak	Vice-President for Corporate Affairs	from 7 May 2020

On 16 January 2020, the Company's Supervisory Board passed a resolution to recall Jacek Kościelniak from the position of the Vice-President of the Management Board for Finance.

On 29 January 2020, the Company's Supervisory Board once again initiated the qualification procedure to appoint the Vice-President of the Management Board for Finance that was completed on 10 February 2020 with appointment of Mr. Marek Kasicki.

On 14 March 2020, the Company's Supervisory Board passed a resolution to recall Grzegorz Ksepko from the position of the Vice-President of the Management Board for Corporate Matters.

On 23 April 2020, the Company's Supervisory Board once again initiated the qualification procedure to appoint the Vice-President of the Management Board for Corporate Matters that was completed on 7 May 2020 with appointment of Ms. Iwona Waksmundzka-Olejniczak.

2020

Introduction

In 2020 the Supervisory Board of ENERGA S.A. was composed of:

Name	Position	How long the function was performed in the reporting year
Paula Ziemiecka-Księżak	Chairwoman of the Supervisory Board, Independent Member of the Supervisory Board	entire 2020
Zbigniew Wtulich	Vice-Chairman of the Supervisory Board	until 29 June 2020
Andrzej Powalowski	Member of the Supervisory Board, Independent Member of the Supervisory Board	until 29 June 2020
Maciej Żółtkiewicz	Member of the Supervisory Board	until 29 June 2020
Marek Szczepaniec	Member of the Supervisory Board, Independent Member of the Supervisory Board	until 22 April 2020
Agnieszka Terlikowska-Kulesza	Member of the Supervisory Board, Secretary of the Supervisory Board, Independent Member of the Supervisory Board	entire 2020
Trajan Szuladziński	Member of the Supervisory Board, Secretary of the Supervisory Board, Independent Member of the Supervisory Board	from 19 March 2020
Jarosław Dybowski	Vice-Chairman of the Supervisory Board	from 29 June 2020
Agnieszka Żyro	Member of the Supervisory Board	from 29 June 2020
Sylwia Kobyłkiewicz	Member of the Supervisory Board	from 29 June 2020
Marta Marchewicz	Member of the Supervisory Board	from 1 December 2020
Michał Róg	Member of the Supervisory Board	from 1 December 2020

2020

Introduction

Changes in composition of the Supervisory Board of ENERGA S.A. in 2020:

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 S.A. recalled Mr. Marek Szczepaniec from the Supervisory Board appointed Mr. Trajan Szuladziński.

In connection with expiry of the Supervisory Board's 5th Term of Office, on 29 June 2020 the Ordinary General Meeting Shareholders of ENERGA S.A. appointed six members of the Supervisory Board for the 6th Term of Office, namely Ms. Paula Ziemiecka-Księżak as a Member of the Supervisory Board meeting criteria of independence, Ms. Agnieszka Terlikowska-Kulesza as a Member of the Supervisory Board meeting criteria of independence, Mr. Trajan Szuladziński as a Member of the Supervisory Board meeting criteria of independence, Mr. Jarosław Piotr Dybowski, Ms. Agnieszka Żyro and Ms. Sylwia Kobyłkiewicz.

On 1 December 2020, the authorized shareholder of the Company, PKN ORLEN S.A., submitted statements on appointment of Ms. Marta Marchewicz and Mr. Michał Róg to the Supervisory Board of the Company as of 1 December 2020.

2020

Introduction

On 29 June 2020 the Ordinary General Meeting of Shareholders of ENERGA S.A. approved the Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A. (“Remuneration Policy”) that determines the structure and directional rules for remuneration of members of authorities of the Company.

The purpose of the Remuneration Policy is to support the achievement of the Company’s goals, in particular, long-term growth of value for shareholders and stability of the company’s operations. One of the key assumptions of the applicable Remuneration Policy with regard to remuneration of members of corporate bodies is to support implementation of long-term strategic goals while ensuring that the Company would achieve high financial results and while securing stability of the Company.

Fulfilment of these assumptions was possible because of the Management by Objectives system implemented in practice in the Company, which assumes that a major part of remuneration of individual Members of the Management Board depends on fulfilment of set management objectives, based on fulfilment criteria set by the Supervisory Board of the Company.

2020

Review of remuneration components

In 2020, the remuneration of Members of the Management Board of the Company was determined by the Supervisory Board based on:

- **Resolution No 20 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 25 June 2019 on the adoption of the rules for determining the remuneration of Members of the Management Board and repealing Resolution No 27 of the Extraordinary General Meeting of Shareholders of the Company of 15 December 2016 and Resolution No 30 of the Ordinary General Meeting of Shareholders of the Company of 26 June 2017,**

and then

- **Resolution No 33 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 29 June 2020 on the adoption of the rules for determining the remuneration of Members of the Management Board of ENERGA Spółka Akcyjna and repealing resolution 20 of the Ordinary General Meeting of Shareholders of the Company of 25 June 2019.**

Remuneration of Members of the Management Board of the Company was also determined in accordance with the Act on the Rules of Determining Remuneration and recommendations from the Nominations and Remuneration Committee of the Supervisory Board of ENERGA S.A. Since the adoption of the Remuneration Policy by the Ordinary General Meeting of Shareholders of the Company on 29 June 2020, the principles resulting therefrom have been also applied when determining the remuneration of Members of the Management Board.

All elements of remuneration of Members of the Management Board of the Company in 2020 were regulated by the Management Contract ("Contract") concluded between a Member of the Management Board and the Company.

Review of remuneration components

For performance of the Contract, a Member of the Management Board was entitled to the total remuneration, which consisted of the fixed part that was a monthly remuneration (“Fixed Remuneration”) and the variable part which was the supplementary remuneration for the financial year of the Company (“Variable Remuneration”), and an option to receive additional benefits (under the terms specified in the Contract and the Act on the Rules of Determining Remuneration).

Struktura całkowitego wynagrodzenia Członków Zarządu ENERGA S.A.



	Structure of the total remuneration of Members of the Management Board of ENERGA S.A.
	Total remuneration of Members of the Management Board
	Fixed Remuneration
	Variable Remuneration
	Additional benefits*
	* In accordance with the adopted Remuneration Policy, regardless of Fixed and Variable Remuneration, Members of the Management Board were entitled to additional benefits.

2020

Review of remuneration components

FIXED REMUNERATION OF MEMBERS OF MANAGEMENT BOARD

Fixed Remuneration of Members of the Management Board in 2020 was the monthly basic remuneration paid for the function performed in the Company and the assigned scope of duties, taking into account market conditions:

- Members of the Management Board received remuneration under the Contract concluded for the period of performing the function of a Member of the Management Board of the Company;
- The amount of the monthly Fixed Remuneration of Members of the Management Board was determined by the Supervisory Board, by means of a resolution, taking into account provisions of the Act on the Rules of Determining Remuneration and resolutions of the General Meeting of Shareholders on the principles of shaping the remuneration of Members of the Management Board;
- The amount of Fixed Remuneration of Members of the Management Board corresponded to the actual possibilities of acquiring and maintaining key competencies in the Company, and was also consistent with the level and market practice applicable to remuneration in companies with a similar scale of operations.

When determining Fixed Remuneration of Members of the Management Board, the Supervisory Board took into account the following criteria:

- Qualifications, professional experience and years of service;
- The profile of the function performed, size of the area supervised, scope and nature of tasks performed in this area;
- The level of remuneration of managerial staff in companies with a similar profile and scale of operations (taking into account the operating scale of the entire ENERGA Group).

2020

Review of remuneration components

The General Meeting of Shareholders of the Company determined the fixed part of remuneration of Members of the Management Board in accordance with provisions of art. 4 of the Act on the Rules of Determining Remuneration, taking into account the scale of the Company's operations, in particular the sum of its assets, annual net turnover achieved and the size of employment, in the range from 7 to 15 times the average remuneration in the enterprise sector without payment of awards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.

For the performance of the Contract, the Supervisory Board of the Company determined Fixed Remuneration of the President of the Management Board and other Members of the Management Board as the equivalent of 15 times (President of the Management Board) and 14 times (other Member of the Management Board) of the average monthly remuneration in the sector of enterprises without payment of awards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.

VARIABLE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Members of the Management Board of ENERGA S.A. were entitled to Variable Remuneration under the rules laid down in the Contract, to which the Rules of the Bonus System for the Management Board are attached as an integral part.

Variable Remuneration of Members of the Management Board in 2020 was supplementary remuneration for the financial year of the Company and depended on fulfilment of management objectives set by the Supervisory Board of ENERGA S.A. ("Management Objectives").

Review of remuneration components

Key rules taken into account when awarding Variable Remuneration to Members of the Management Board in 2020:

- The value of the Variable Remuneration for a given financial year cannot exceed 60% of the value of Fixed Remuneration due in the financial year of 2020;
- Variable Remuneration of Members of the Management Board depends on performance of individual qualitative and quantitative tasks set by the Supervisory Board for individual Members of the Management Board;
- Based on the general directory of Management Objectives set by the General Meeting of Shareholders of ENERGA S.A., the Supervisory Board set individual bonus task, which were entered into the Objective Sheet of the given Member of the Management Board;
- The Supervisory Board also determined goals that condition receipt of Variable Remuneration for that year;
- Specification of the said Management Objectives, as well as indication of the weights and criteria for their fulfilment for individual Members of the Management Board was defined in a resolution of the Supervisory Board;
- Performance of individual bonus tasks (quantitative and qualitative tasks) by a Member of the Management Board and goals that condition the award will be evaluated by the Supervisory Board on the basis of a recommendation from the President of the Management Board, containing assessment of performance of individual bonus tasks of all Members of the Management Board, recommendation of the Management Board regarding performance of conditioning goals, reports on performance of individual bonus goals by the given Member of the Management Board, financial statements of ENERGA S.A. and other documents which the Supervisory Board finds advisable to assess;
- The performance of quantitative individual bonus tasks will be assessed by awarding percentage points, and the performance of qualitative individual bonus tasks will be assessed by awarding the level of performance of the qualitative target in accordance with the rules contained in the Rules of the Bonus System for the Management Board of the Company. Performance of individual bonus tasks will be expressed as a weighted sum of percentage points granted by the Supervisory Board for each of the bonus tasks.
- Variable Remuneration of a Member of the Management Board will be granted when the General Meeting of Shareholders of PKN ORLEN S.A. approves the consolidated financial statements and when the General Meeting of Shareholders of ENERGA S.A. approves the report of the Management Board on the activities of the Company and the financial statements of the Company for the previous financial year and after the Member of the Management Board is granted the vote of acceptance to confirm the discharge of their duties.

2020

Review of remuneration components

Pursuant to Resolution No 33 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 29 June 2020, a directory of the general management objectives for Members of the Management Board of the Company was determined, in particular:

- Implementation of projects to translate into an increase in the efficiency of the ORLEN Group ratios,
- Improvement of cost effectiveness in the ENERGA Group,
- Implementation of strategic projects in accordance with the adopted budget and schedule of investments in the ENERGA Group,
- Implementation of a long-term strategy in the field of security of supply, energy supply and storage, and diversification of the purchasing portfolio,
- Increasing the TSR (Total Shareholder Return) ratio in relation to the market,
- Decreasing the TRR (Total Recordable Rate) in the ENERGA Group,
- Developing a portfolio of projects and increasing expenditure on research, development and innovation,
- Improvement of quality indicators for customer and product service.

Based on the directory of general management objectives set by the General Meeting of Shareholders of ENERGA S.A., the Supervisory Board set detailed Management Objectives of qualitative and quantitative nature that were related to key challenges faced by the ENERGA Group in 2020 for all Members of the Management Board, and assigned relevant performance levels to such objectives.

2020

Review of remuneration components

In 2020, Management Objectives were assigned to the Members of the Management Board in the scope of:

- Consolidated EBITDA of the ENERGA Group,
- Net debt of the ENERGA Group / EBITDA of the ENERGA Group,
- performance of investment and corporate projects of key importance to the ENERGA Group,
- TSR stock exchange measure,
- performance of the capital expenditure plan in accordance with the adopted financial plan,
- The Effectiveness Improvement Programme and achievement certain ratios in this field,
- SAIDI index,
- improvement of quality indicators for customer and product service,
- the TRR accident rate.

In addition, the Supervisory Board – in accordance with a resolution of the General Meeting of Shareholders of ENERGA S.A. – set the following separate goals that condition receipt of Variable Remuneration for 2020:

- applying the rules of remuneration for members of management and supervisory bodies in accordance with the Act in all companies of the ENERGA Group,
- fulfilment of obligations referred to in art. 17-20, art. 22 and art. 23 of the Act of 16 December 2016 on the Rules of Managing State Assets (Journal of Laws of 2018, item 1182, as amended), in the subsidiaries of the Company within the meaning of art. 4 (3) of the Act of 16 February 2007 on Competition and Consumer Protection (Journal of Laws of 2017, item 229, as amended).

In accordance with the Contract, the resolution of the Supervisory Board will constitute the grounds for payment of the Variable Remuneration when the General Meeting of Shareholders of PKN ORLEN S.A. approves the consolidated financial statements and when the General Meeting of Shareholders of ENERGA S.A. approves the report of the Management Board on the activities of the Company and the financial statements of the Company for the previous financial year and after the Member of the Management Board is granted the vote of acceptance to confirm the discharge of their duties.

2020

Review of remuneration components

ADDITIONAL BENEFITS OF MEMBERS OF THE MANAGEMENT BOARD

Regardless of Fixed Remuneration and Variable Remuneration, in 2020 Members of the Management Board were entitled to additional benefits. Granting of a specific additional benefit was based on the interest of the Company and resulted from the need to provide services personally by a specific Member of the Management Board. The value of the additional benefits granted constituted the income of a Member of the Management Board and was not included in the Fixed Remuneration.

The Contract provides for the following types of benefits (added to the income of the Member of the Management Board):

- Coverage of costs of medical care of the Member of the Management Board and their immediate family;
- Coverage of costs related to accommodation if the place of residence is more than 100 km from the registered office of the Company;
- Financing or reimbursement of individual training relating to the scope of activities performed for the Company;
- severance pay for termination of the Contract;
- compensation due to non-competition clause effective after termination of the function.

In addition:

- To facilitate regular accumulation of savings, the Company has set up the Employee Capital Plan (ECP) in accordance with the provisions of the Act on Employee Capital Plans. Members of the Management Board may participate in the ECP;
- A Member of the Management Board may use a Company car for private purposes, in accordance with the rules in force in the Company.

The benefits were granted on the terms and within the limits described in the Contract and other regulations in force in the Company.

Review of remuneration components

Members of the Supervisory Board were entitled to a fixed monthly remuneration, which was based on the corporate relationship resulting from appointment of Members of the Supervisory Board for the duration of their mandate within the Company and reimbursement of expenses related to the performance of the function.



	Structure of the total remuneration of Members of the Management Board of ENERGA S.A.
	Total remuneration of Members of the Supervisory Board
	Fixed Remuneration
	Reimbursement of expenses

FIXED REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

Rules of remuneration for Members of the Supervisory Board:

- Remuneration was determined by the General Meeting by way of a resolution, on the basis of and within the limits specified in provisions of the Act on the Rules of Determining Remuneration;
- Remuneration of a Member of the Supervisory Board was varied depending on the function performed;
- If the mandate of a Member of the Supervisory Board lasted less than a month for which the remuneration is paid, it was calculated in proportion to the number of days during which the function is performed;
- Remuneration was not due for the month in which a Member of the Supervisory Board was not present at the meeting without excuse (the Supervisory Board voted on excusing the absence of a Member of the Supervisory Board, in the form of a resolution);

2020

Review of remuneration components

Pursuant to resolution No 34 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 29 June 2020 the monthly remuneration of Members of the Supervisory Board was determined as the product of the assessment basis referred to in art. 1 (3) (11) of the Act of 9 June 2016 on the Rules of Determining Remuneration for Persons Managing Certain Companies and a multiplier of 1.5 for all Members of the Supervisory Board of the Company.

In addition, to facilitate regular accumulation of savings, the Company has set up the Employee Capital Plan (ECP) in accordance with the provisions of the Act on Employee Capital Plans. Members of the Supervisory Board may participate in the ECP.

Members of the Supervisory Board are also entitled to reimbursement of the costs related to participation in works of the Supervisory Board in accordance with art. 392 of the Commercial Companies Code.

Review of remuneration components

Table 3. **Total remuneration of Members of the Management Board in 2020 (PLN gross)**

Name Function	How long the function was performed in the reporting period	Fixed remuneration	Additional benefits*	Total remuneration	Proportion of additional benefits to fixed remuneration (%)	Provision for variable remuneration for 2020 ***
Jacek Goliński, President of the Management Board	entire 2020	792,680.40	37,200.00	829,880.40	4.69	441,260.02
Marek Kasicki Vice-President for Financial Matters	10 Feb 2020 – 31 Dec 2020	657,631.15	11,082.58	668,713.73	1.69	369,605.33
Jacek Kościelniak Vice-President for Financial Matters	1 Jan 2020 – 16 Jan 2020	32,881.56	369,917.52	402,799.08	1125	0
Grzegorz Ksepko Vice-President for Corporate Affairs	1 Jan 2020 – 14 Mar 2020	152,077.20	372,445.12	524,522.32	244.91	0
Adrianna Sikorska Vice-President for Communication	entire 2020	739,835.04	48,624.21	788,459.25	6.57	411,842.69
Dominik Wadecki – Vice-President for Operations	entire 2020	739,835.04	67,440.12**	807,275.16	9.12	411,842.69
Iwona Waksmundzka-Olejniczak Vice-President for Corporate Affairs	7 May 2020 – 31 Dec 2020	241,473.94	25,557.41	267,031.35	10.58	139,927.05
2020 total		3,356,414.33	932,266.96	4,288,681.29		1,774,477.78

* Additional benefits may include cash-free benefits added to the income (medical services, accommodation, training, ECP, use of cars) and cash benefits added to the income (severance pay, non-competition compensation).

** The amount stated includes the value of medical benefits provided to relatives, which are covered by the Company in the total amount of PLN 500, in accordance with the Contract.

*** The amount of possible variable remuneration for 2020 depends on the degree of performance of management objectives by Members of the Management Board as well as the total fulfilment of all conditioning objectives and other payment conditions mentioned on page 38. The provision is not included in the total remuneration of Members of the Management Board.

Review of remuneration components

Table 4. **Total remuneration of Members of the Supervisory Board in 2020 (PLN gross)**

Name Function	How long the function was performed in the reporting year	Fixed remuneration	Other*	Total remuneration
Paula Ziemiańska-Książak** Chairwoman of the Supervisory Board	entire 2020	87,771.24	0	87,771.24
Jarosław Dybowski Vice-Chairman of the Supervisory Board	29 Jun 2020 – 31 Dec 2020	40,074.4	0	40,074.4
Trajan Szuladziński Secretary of the Supervisory Board	19 Mar 2020 – 31 Dec 2020	62,313.49	0	62,313.49
Sylwia Kobyłkiewicz Member of the Supervisory Board	29 Jun 2020 – 31 Dec 2020	40,074.4	0	40,074.4
Marta Marchewicz Member of the Supervisory Board	1 Dec 2020 – 31 Dec 2020	6,605.67	0	6,605.67
Andrzej Powalowski Member of the Supervisory Board	1 Jan 2020 – 29 Jun 2020	39,634.02	0	39,634.02
Michał Róg Member of the Supervisory Board	1 Dec 2020 – 31 Dec 2020	0	0	0
Marek Szczepaniec** Member of the Supervisory Board	1 Jan 2020 – 22 Apr 2020	27,552.97	0	27,552.97
Agnieszka Terlikowska-Kulesza** Member of the Supervisory Board	entire 2020	82,159.84	0	82,159.84
Zbigniew Wtulich Vice-Chairman of the Supervisory Board	1 Jan 2020 – 29 Jun 2020	39,634.02	0	39,634.02
Maciej Żółtkiewicz Member of the Supervisory Board	1 Jan 2020 – 29 Jun 2020	39,634.02	0	39,634.02
Agnieszka Żyro Member of the Supervisory Board	29 Jun 2020 – 31 Dec 2020	40,074.4	198.18	40,272.58
	2020 total	505,528.47	198.18	505,726.7

* The “Other” item may include reimbursement of expenses related to performance of functions and the ECP.

** In addition, in 2020 the compensation for 2018 and 2019 was paid to: Ms. Paula Ziemiańska-Książak in the total amount of PLN 13,430.14 gross, Ms. Agnieszka Terlikowska-Kulesza in the total amount of PLN 11,850.22 gross, Mr. Marek Szczepaniec in the total amount of PLN 12,250.70 gross.

2020

Compliance of total remuneration with the Remuneration Policy 2020 and explanation how it contributes to achievement of the long-term results of the Company

Rules of remuneration for Members of the Management Board and Supervisory Board were determined in accordance with the Act on the Rules of Determining Remuneration and provisions of the Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A. adopted in Resolution No 32 of the Ordinary General Meeting of Shareholders of ENERGA S.A. of 29 June 2020.

Remuneration Policy in effect in ENERGA S.A. supports performance of the goals of the Company and the entire ENERGA Group, in particular long-term increase in the value for shareholders and operating stability of the enterprise.

The amount of Fixed Remuneration of Members of the Management Board corresponded to the actual possibilities of acquiring and maintaining competencies in the Company, and was also consistent with the level and market practice applicable to remuneration in companies with a similar scale of operations.

Remuneration systems complied with values of ENERGA S.A., promoted mutual co-operation and motivated staff to achieve the best results on the scale of the entire ENERGA Group. The set Management Objectives were accounted for after the end of the year for which they were set.

The rules of remunerating members of the Supervisory Board were set out in a resolution adopted by the General Meeting of the Company, taking into account the principles resulting from provisions the Commercial Companies Code and the Articles of Association, as well as on the basis and within the limits specified in the provisions of the Act on the Rules of Determining Remuneration. Remuneration of Members of the Supervisory Board who meet the criterion of independence was conducive to maintaining the status of independence from the majority shareholder and the Company's decision-makers.

2020

Compliance of total remuneration with the Remuneration Policy 2020 and explanation how it contributes to achievement of the long-term results of the Company

The purpose of the Remuneration Policy, which was to set guidelines for remuneration of Members of the Management Board and Members of the Supervisory Board, was achieved in 2020.

Based on the rules of the Remuneration Policy, determination of appropriate Management Objectives for 2020 meant that a considerable part of remuneration of the Management Board of the Company (Variable Remuneration) depended not only on the achievement of set financial and operating ratios but also performance of actions in the field of implementation of specific initiatives of long-term, strategic importance for the Company and the entire ENERGA Group.

The long-term business plans of the Company corresponded to the interests of all groups of shareholders, with respect for the legitimate rights of its stakeholders (employees, customers, external environment, etc.), identified in the long-term horizon.

The rules of remuneration, including the structure of remuneration for Members of the Management Board and Supervisory Board, accounted for the current financial situation of the Company – in accordance with the principles adopted in the Act on the Rules of Determining Remuneration and the Resolution of the General Meeting of the Company on the principles of determining the remuneration of Members of the Management Board.

The tasks and goals set for implementation in 2020 ensured the implementation of the business strategy of ENERGA S.A., and contributed to continued long-term growth of the value of the Company and the entire ENERGA Group.

2020

Applied criteria regarding performance of management objectives (including results)

The maximum amount of the Variable Remuneration was 60% of the Fixed Remuneration in 2020, determined in accordance with the rules laid down in the Contract of Management Services.

The level of Variable Remuneration depends on all of the following factors:

- performance of Management Objectives (individual qualitative and quantitative tasks) set by the Supervisory Board of the Company for individual Members of the Management Board and
- performance of separate goals which condition receipt of the Variable Remuneration for 2020, set in accordance with the Rules of the Bonus System for the Management Board of ENERGA S.A.

The weighted sum of percentage points awarded by the Supervisory Board is also the awarded per cent of the maximum possible Variable Remuneration stated in the Contract of Management Services. In accordance with the Rules of the Bonus System for the Management Board of ENERGA S.A., it was prescribed that if the weighted sum of percentage points is higher than 100%, it will be reduced to 100%.

Evaluation criteria for quantitative objectives

When setting quantitative Management Objectives for Members of the Management Board for 2020, expected fulfilment thresholds were defined.

The main sources of data for evaluation of fulfilment of quantitative objectives were materials provided to the Supervisory Board, including materials relating to performance of the schedule of expenditures for 2020, audited financial statements of the Company, reporting systems i.e. SAP, planning HFM, statutory HFM, accounting entries and source documents, and public stock exchange data.

Performance of quantitative objectives was evaluated by the Supervisory Board by awarding percentage points, based on the principles laid out in the Rules of the Bonus System for the Management Board of ENERGA S.A.

2020

Applied criteria regarding performance of management objectives

Evaluation criteria for qualitative objectives

Qualitative Management Objectives set for Members of the Management Board in 2020 were evaluated based on the following elements:

- Rules of the Bonus System for the Management Board of ENERGA S.A.:
 - individual reports of the Members of the Management Board on the implementation of quality objectives,
 - recommendation of the Management Board of ENERGA S.A. regarding performance of goals that determine award of the variable remuneration for 2020.
- Fulfilment of assumptions related to the performance of strategic programmes and projects, including:
 - effectiveness of actions taken as part of the indicated projects,
 - the impact of the activities undertaken on the implementation of projects for which the objectives were set,
 - the level of involvement of Members of the Management Board in achieving the objectives,
- Additional factors and reports:
 - macroeconomic as well as legal and administrative conditions that support or condition performance of the objectives,
 - market trends,
 - information for the Supervisory Board regarding performance of provisions of the ENERGA Group Strategy for years 2016-2025,
 - information about performance of current tasks by a Member of the Management Board of ENERGA S.A., regularly submitted to the Supervisory Board.
- The scale of evaluation levels applied to performance of qualitative objectives, based on the Rules of the Bonus System for the Management Board of ENERGA S.A.

Evaluation criteria for goals that determine possible award of the Variable Remuneration

Evaluation of goals that determine award of the Variable Remuneration for 2020 by Members of the Management Board of ENERGA S.A. was based on the recommendation of the Management Board of ENERGA S.A. regarding performance of goals that determine award of the Variable Remuneration for 2020, based on an opinion issued by a third party which performed the necessary verification.

2020

Changes in remuneration of Members of the Management Board and Supervisory Board 2020 in relation to Company results and employee remuneration

Figure 6. Revenues of Energa S.A. from 2016 to 2020 (PLN millions)

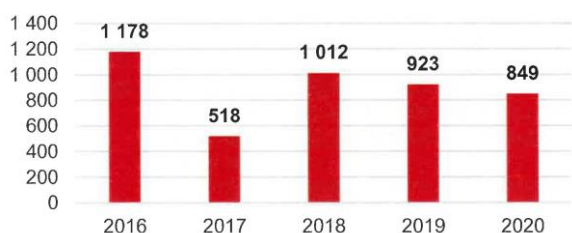
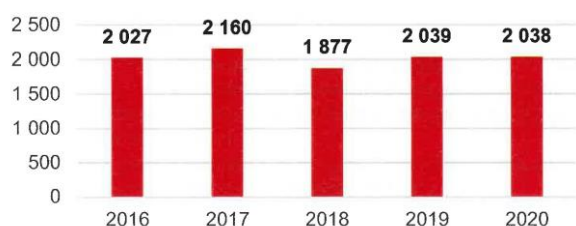


Figure 7. EBITDA of the Energa Group from 2016 to 2020 (PLN millions)



* EBITDA (operating profit plus depreciation and impairment of non-financial non-current assets).

Through the appropriate shaping of the remuneration structure, Members of the Management Board were additionally motivated to act in such a way so as to achieve effects and seek synergies in the long term and to implement the adopted strategic initiatives, which contributed to the stronger position and financial stability of the entire ENERGA Group.

As a parent company to 22 subsidiaries, ENERGA S.A. earned revenues from dividends and performance of corporate functions, also in the field of joint marketing activities, provision of IT systems and financial support.

The role of ENERGA S.A. is, among others, to define development directions for the ENERGA Group and to pursue joint financial policy, which translates to performance of targets of the ENERGA Group, expressed mainly with EBITDA of the ENERGA Group.

The Group's EBITDA in 2020 was PLN 2,038 m vs. PLN 2,039 m in 2019.

The Distribution Business Line was the greatest contributor to the ENERGA Group's EBITDA in 2020 (88%), while the contributions of the Generation Business Line and Sales Business Line were at 8%.

The ENERGA Group achieves a stable EBITDA level of approx. 2 billion PLN a year, with the main share of Distribution Business Line.

Changes in remuneration of Members of the Management Board and Supervisory Board in relation to Company results and employee remuneration

AVERAGE REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND EMPLOYEES OF THE COMPANY WHO ARE NOT MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD

Figure 8. Changes in average remuneration (fixed and variable part) of the Management Board* of the Company compared to 2013 level



Figure 9. Changes in average fixed remuneration of the Supervisory Board** of the Company compared to 2013 level



	Change in average remuneration of the Management Board
	Change in average remuneration of the Supervisory Board

Starting from 2015 the average remuneration of the Management Board of ENERGA S.A. is considerably below average remuneration of 2013.

* To calculate average remuneration, remuneration paid for a given financial year was adopted (for 2020 – without a provision for variable remuneration (p. 42) that may be awarded in 2021).

Starting from December 2016, remuneration of the Supervisory Board of ENERGA S.A. has been adapted to the Act on the Rules of Determining Remuneration.

** To calculate average remuneration, remuneration paid for a given financial year was adopted.

2020

Changes in remuneration of Members of the Management Board and Supervisory Board in relation to Company results and employee remuneration

Figure 10. **Changes in average remuneration of employees of ENERGA S.A. compared to 2013 level***



Average remuneration of the Company's employees

* Remuneration of the Management Board, Supervisory Board, contracts of mandate (including manager contracts), contracts for specific work and severance pays are not included.

The drop in average remuneration of employees in 2017 and 2018 is the result of the management personnel of the Company moving to manager contracts (not included in the average).

Rules of remuneration for employees of the Company are governed in the Rules of Remuneration for Employees of ENERGA S.A. The key component of the remuneration is basic pay determined on the basis of Table of pay grades and rates of monthly basic pay for employees at ENERGA S.A. and the quarterly bonus.

Since 2018 the average remuneration of ENERGA S.A. employees has been growing.

Other information

- The report on remuneration of Members of the Management Board and Supervisory Board of ENERGA S.A. for 2019 and 2020 was prepared in accordance with requirements of the Act of 29 July 2005 on Public Offering and on the Terms of Introducing Financial Instruments into Organized Trading and on Public Companies. The report covers financial years of 2019 and 2020 and provides an overview of remuneration awarded to Members of authorities of the Company in accordance with applicable internal regulations, including Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A. adopted with resolution No 32 of the Ordinary General Meeting of Shareholders of 29 June 2020.
- The amount of remuneration from entities which belong to the same group within the meaning of the Accounting Act of 29 September 1994 (the ENERGA Group): **Not applicable to Members of the Management Board and of the Supervisory Board of ENERGA S.A. in 2019 and 2020**
- Number of awarded or offered financial instruments and the main conditions for the exercise of rights from these instruments, including the price and exercise date and their changes: **Not applicable to Members of the Management Board and of the Supervisory Board of ENERGA S.A. in 2019 and 2020**
- Information on deviations from the procedure for implementing the Remuneration Policy and exceptions applied pursuant to Art. 90f of the Act of 29 July 2005 on Public Offering and on the Terms of Introducing Financial Instruments into Organized Trading and on Public Companies, including the premises and procedure, and an indication of the elements covered by exceptions: **Not applicable to ENERGA S.A. in 2019-2020**
- Information on the exercise of the option to request a refund of variable remuneration components: **There were no circumstances justifying the demand for return of variable remuneration components.**
- Due to the fact that this Report is the first one drawn up pursuant to Art. 90 g (1) of the Act on Public Offering, it is not possible to refer to previous resolutions in this regard.

Other information

Rules of remuneration for Members of the Management Board of ENERGA S.A. are governed by:

- 1) the Act on the Rules of Determining Remuneration,
- 2) Resolutions of the General Meeting on the principles of determining the remuneration of Members of the Management Board,
- 3) The Remuneration Policy adopted by the General Meeting of the Company, effective from 29 June 2020,
- 4) Resolutions of the Supervisory Board establishing individual conditions for the provision of services based on the documentation referred to in subparagraphs 1 and 2 above, and, from 2020, also based on the Remuneration Policy,
- 5) The Contract of Management Services,
- 6) Rules of the Bonus System for the Management Board of ENERGA S.A.

Rules of remuneration for Members of the Supervisory Board at ENERGA S.A. are governed by:

- the Act on the Rules of Determining Remuneration,
- Resolutions of the General Meeting on adoption of the principles of determining the remuneration of Members of the Supervisory Board,
- Provisions of the Commercial Companies Code – art. 392.

On behalf of the Supervisory Board of ENERGA S.A.:

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Paula Ziemecka-Księżak

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Chairwoman of the Supervisory Board of ENERGA S.A.

Agnieszka Terlikowska-Kulesza Member of the Supervisory Board of ENERGA S.A.