



Energa

GRUPA ORLEN

**REPORT OF THE SUPERVISORY BOARD of ENERGA S.A. FOR THE 2020 FINANCIAL
YEAR**

Gdańsk, 17 May 2021

I. MEMBERS OF THE SUPERVISORY BOARD, ROLES SERVED, CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

Between 1 January 2020 and the day of this report the Supervisory Board of ENERGA S.A. had the following members:

- 1) between 1 January 2020 and 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 to 29 June 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) Maciej Żółtkiewicz – Member of the Supervisory Board.
 - f) Trajan Szuladziński – Member of the Supervisory Board.
- 4) in the period from 29 June 2020 to 1 December 2020:
 - a) Paula Ziemiecka-Księżak – Chairwoman of the Supervisory Board,

- b) Jarosław Dybowski – Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński – Secretary of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza – Member of the Supervisory Board,
 - e) Agnieszka Żyro – Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz – Member of the Supervisory Board.
- 5) in the period from 1 December 2020 to 5 May 2021:
- a) Paula Ziemiecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński – Secretary of the Supervisory Board,
 - d) Agnieszka Terlikowska-Kulesza – Member of the Supervisory Board,
 - e) Agnieszka Żyro – Member of the Supervisory Board,
 - f) Sylwia Kobyłkiewicz – Member of the Supervisory Board,
 - g) Marta Marchewicz – Member of the Supervisory Board,
 - h) Michał Róg – Member of the Supervisory Board.
- 6) in the period from 6 May 2021 until the date of the Report:
- a) Paula Ziemiecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Trajan Szuladziński – Secretary of the Supervisory Board,
 - c) Agnieszka Terlikowska-Kulesza – Member of the Supervisory Board,
 - d) Agnieszka Żyro – Member of the Supervisory Board,
 - e) Sylwia Kobyłkiewicz – Member of the Supervisory Board,
 - f) Marta Marchewicz – Member of the Supervisory Board,
 - g) Michał Róg – 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 ENERGA S.A. recalled Mr. Marek Szczepaniec from the Supervisory Board of ENERGA S.A. and appointed one Member, i.e. Mr. Trajan Szuladziński, to the 5th Term Supervisory Board.

On 29 June 2020, the Ordinary General Meeting of ENERGA S.A. recalled all the existing members of the Supervisory Board, determined the number of Supervisory Board members and appointed six Members to the 6th Term Supervisory Board, i.e. Ms. Paula Ziemiecka-Księżak as Member of the Supervisory Board who meets the independence criteria, Ms. Agnieszka Terlikowska-Kulesza as Member of the Supervisory Board who meets the independence criteria, Mr. Trajan Szuladziński as Member of the Supervisory Board who meets the independence criteria, 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., on the basis of Article 385 § 2 of the Commercial Companies Code and § 17.3 of the Company's Articles of Association, submitted statements on the appointment of the following persons to the 6th Joint Term Supervisory Board as of 1 December 2020: Ms. Marta Marchewicz and Mr. Michał Marek Róg.

On 5 May 2021, Mr. Jarosław Dybowski resigned from the Supervisory Board.

Ms. Paula Ziemiecka-Księżak, Ms. Agnieszka Terlikowska-Kulesza and Mr. Trajan Szuladziński meet the independence criteria stipulated for an independent supervisory board member in accordance with the requirements of the Best Practices of WSE Listed Companies, as well as for independent members of the Audit Committee, within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (Journal of Laws of 2017, item 1089).

II. ACTIVITIES OF THE SUPERVISORY BOARD

In 2020, the Supervisory Board of ENERGA S.A. held 12 meetings and adopted 169 resolutions. In 2020, three meetings of the Supervisory Board were held without all members being present and each time the Supervisory Board made a decision in the form of a resolution to excuse the absence of a given Supervisory Board Member based on the reasons for absence provided by the member concerned.

The operating rules of the Supervisory Board are laid down in applicable laws, in particular provisions of the Commercial Companies Code as well as the Company's Articles of Association and the Supervisory Board Regulations. Also the provisions of the Best Practices of WSE Listed Companies apply to the Supervisory Board. The Supervisory Board, as a collective body, exercises continuous oversight over Company operations in all aspects of its business.

In 2020, the Supervisory Board engaged in supervisory activities and carried out its tasks, in particular by:

- 1) initiating and conducting qualification procedures and then appointing Members of the 6th Term Management Board of ENERGA S.A.,
- 2) continuously supervising the economic and financial situation of the Company and the ENERGA Group, and related reporting,
- 3) continuously supervising implementation of ENERGA Group investment projects,
- 4) continuously supervising implementation of corporate governance principles by the Company,
- 5) defining the method of exercising voting rights at general meetings and shareholders meetings of ENERGA Group subsidiaries within the scope arising from provisions of the Company's Articles of Association,
- 6) considering and approving ENERGA S.A.'s and ENERGA Group's 2020 financial plans,
- 7) considering and opining on the 2020 framework sponsoring plan and monitoring its implementation by the Company,
- 8) examining the individual and consolidated financial statements for the 2019 financial year, the Management Board report on the 2019 operations of the ENERGA Group and ENERGA S.A., as well as the Management Board's motion to cover the Company's net loss for the 2019 financial year,
- 9) authorizing the Company to enter into contracts referred to in the Articles of Association, including contracts for legal services, marketing services, public relations and social communication services, as well as management consulting services,
- 10) supervising operations of the Management Board and periodically reviewing its decisions expressed in resolutions,
- 11) opining on matters referred for consideration by the General Meeting,
- 12) determining the consolidating text of the ENERGA S.A. Articles of Association,
- 13) opining on the Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A.,
- 14) approving the Regulations of the Management Board of ENERGA S.A.,
- 15) adopting the Regulations of the Supervisory Board of ENERGA S.A.,
- 16) holding Members of the Company Management Board accountable for implementation of their individual management goals set for 2019,
- 17) adopting the Bonus System Regulations for the Management Board of ENERGA S.A.,
- 18) adopting the Principles for Setting and Accounting for Individual Bonus Targets for Members of the Management Board of ENERGA S.A. for 2020,
- 19) entering into management contracts with Members of the Management Board of ENERGA S.A.,

- 20) approving individual bonus targets and individual goals for eligibility for the 2020 variable remuneration for Members of the Company Management Board,
- 21) authorizing donations to the ENERGA Foundation.

All activities of the Supervisory Board have been documented in adopted resolutions and in minutes of 2020 Supervisory Board meetings.

Moreover, as part of the reporting obligations, the Supervisory Board together with the Management Board of ENERGA S.A. sent quarterly information about the Company to the Ministry of State Assets, complying with the due dates and incorporating the relevant guidelines.

III. COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board of ENERGA S.A. has the following Committees:

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

The Audit Committee

Between 1 January 2020 and the date of this Report, the Audit Committee had the following members:

- 1) between 1 January 2020 and 22 April 2020:
 - a) Marek Szczepaniec – Committee Chairman,
 - b) Zbigniew Wtulich,
 - c) Andrzej Powalowski.
- 2) in the period from 22 April 2020 to 5 May 2020:
 - a) Zbigniew Wtulich,
 - b) Andrzej Powalowski.
- 3) in the period from 5 May 2020 to 25 May 2020:
 - a) Zbigniew Wtulich,
 - b) Andrzej Powalowski,
 - c) Trajan Szuladziński.
- 4) in the period from 25 May 2020 to 29 June 2020:
 - a) Trajan Szuladziński – Committee Chairman,
 - b) Zbigniew Wtulich,
 - c) Andrzej Powalowski.
- 5) in the period from 2 July 2020 until the date of this Report:
 - a) Trajan Szuladziński – Committee Chairman,

- b) Paula Ziemiecka-Księżak,
- c) Sylwia Kobyłkiewicz,
- d) Agnieszka Terlikowska-Kulesza.

The operating rules of the Audit Committee are defined in the applicable provisions as well as in the Company's Articles of Association and Regulations of the Supervisory Board. The Audit Committee is also subject to the provisions of the Best Practices of WSE Listed Companies. The Audit Committee, acting as a collective body, serves in the advisory and opinion-making role for the Supervisory Board as well as makes decisions within the scope of its authority.

In 2020, the Committee held 7 meetings. The Audit Committee carried out its tasks, in particular by:

- 1) monitoring the financial reporting process and issuing an assessment with a recommendation for the Supervisory Board of the Company regarding the individual and consolidated financial statements for the 2019 financial year and the Management Board's report on the 2019 operations of the ENERGA Group and ENERGA S.A.,
- 2) monitoring financial review activities carried out by independent statutory auditors, including discussion, with the statutory auditor, on the results of the audit of the individual and consolidated financial statements for the 2019 financial year,
- 3) monitoring and reviewing independence and objectivity of the statutory auditor and the entity licensed to audit the financial statements,
- 4) monitoring the accuracy of periodical reports and financial information provided by the Company,
- 5) monitoring and assessing internal control, internal audit, compliance and risk management systems in place at the Company,
- 6) adopting the report on the 2019 operations of the Audit Committee,
- 7) approving the ENERGA Group's 2020 internal audit and control plan,
- 8) periodically reviewing of the results of internal audit at the Company,
- 9) periodically analyzing ENERGA S.A.'s contracts along with attributed costs,
- 10) analyzing the register and map of risks having a significant impact on Company operations.

The Audit Committee carried out its duties within the scope of its authorization and the adopted work plan.

During its meetings, the Audit Committee held regular meetings with representatives of the Company's auditor, as well as with the Management Board, managerial staff and employees

of the Company, and received all relevant information and explanations to fully understand the issues at hand.

Any recommendations, observations and comments and findings arising from 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

Between 1 January 2020 and the date of this Report, the Nominations and Remuneration Committee had the following members:

- 1) in the period from 1 January 2020 to 29 June 2020:
 - a) Paula Ziemiecka-Księżak – Committee Chairwoman,
 - b) Agnieszka Terlikowska-Kulesza,
 - c) Zbigniew Wtulich.
- 2) in the period from 2 July 2020 until the date of this Report:
 - a) Agnieszka Żyro – Committee Chairwoman,
 - b) Sylwia Kobyłkiewicz,
 - c) Agnieszka Terlikowska-Kulesza.

The principles of operation of the Nomination and Remuneration Committee are defined in the Regulations of the Supervisory Board. The scope of the Nomination and Compensation Committee's operations covers opinions and analyses supporting the Supervisory Board in the discharge of its duties defined by the Articles of Association in respect of the general remuneration policy for members of the Management Board, senior management and other ENERGA Group companies, and recommendations regarding appointment of Management Board members in the course of qualification procedures announced by the Company.

In 2020, the Committee held 4 meetings. The Nomination and Remuneration Committee carried out its tasks, in particular by:

- 1) conducting activities in connection with qualification procedures members of the Management Board within the scope set by the Supervisory Board,
- 2) monitoring and analyzing the remuneration system,
- 3) opining and adopting recommendations for the Supervisory Board regarding adoption of the Bonus System Regulations for the Management Board of ENERGA S.A.,
- 4) opining and adopting recommendations for the Supervisory Board regarding adoption of the Principles for Setting and Accounting for Individual Bonus Targets for Members of the Management Board of ENERGA S.A. for 2020,

- 5) opining and adopting recommendations for the Supervisory Board regarding entry into management contracts with Members of the Management Board of ENERGA S.A.,
- 6) opining and adopting recommendations for the Supervisory Board regarding approval of individual bonus targets and individual goals for eligibility for the 2020 variable remuneration for Members of the Company Management Board,
- 7) adopting the report on the 2019 operations of the Nomination and Remuneration Committee,
- 8) considering the draft Remuneration Policy for Members of the Management Board and Supervisory Board of ENERGA S.A., and adopting recommendations for the Supervisory Board in that regard.

Any recommendations, observations and objections, as well as conclusions arising from analysis of the matters dealt with by the Nomination and Remuneration Committee were communicated to the Company Supervisory Board and Management Board.

IV. EVALUATION OF THE MANAGEMENT BOARD REPORT ON 2020 OPERATIONS OF THE ENERGA GROUP AND ENERGA S.A.

On the basis of § 16.1 (1) of the Company Articles of Association and Article 382 § 3 of the Commercial Companies Code and § 70.1 (14) and § 71.1 (12) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing as equivalent the information required by the law of a non-member state, and taking into account the reports of the independent statutory auditor for the General Meeting and the Supervisory Board on the audit of the individual financial statements of ENERGA SA and the consolidated financial statements of the ENERGA Group for the financial year ending on 31 December 2020 and the positive opinion of the Audit Committee, the Supervisory Board assessed favorably the report of the Management Board of ENERGA S.A. on the 2020 operations of the ENERGA Group and ENERGA S.A., stating that they are consistent with books and records, as well as with facts.

The Supervisory Board found, concurring with the position of the independent statutory auditor, that the report had been prepared in compliance with Article 49 and Article 55.2a of the Accountancy Act and § 70 and § 71 of the Regulation. The report is also consistent with the information contained in the 2020 individual and consolidated financial statements of ENERGA S.A. and the ENERGA Group.

V. EVALUATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING ON 31 DECEMBER 2020

On the basis of § 16.1 (1) of the Company Articles of Association, Article 382 §2 in conjunction with Article 395 § 2 (1) of the Commercial Companies Code and § 70.1 (14) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing as equivalent the information required by the law of a non-member state, and taking into account the report of the independent statutory auditor for the General Meeting and the Supervisory Board on the audit of the individual financial statements of ENERGA SA for the financial year ending on 31 December 2020 and the positive opinion of the Audit Committee, the Supervisory Board assessed favorably the individual financial statements of ENERGA S.A. complying with the International Financial Reporting Standards approved by the European Union for the year ending 31 December 2020, comprising:

- 1) Individual income statement showing a net loss of PLN 197,000,000 (say zlotys: one hundred ninety seven million),
- 2) Individual statement of comprehensive income showing a negative comprehensive income of PLN 241,000,000 (say zlotys: two hundred forty one million),
- 3) Individual statement of financial position showing a balance-sheet total of PLN 13,198,000,000 (say zlotys: thirteen billion one hundred ninety eight million),
- 4) Individual statement of changes in equity, showing a decrease in equity by PLN 241,000,000 (say zlotys: two hundred forty one million),
- 5) Individual statement of cash flows showing a decrease in net cash and cash equivalents by PLN 737,000,000 (say zlotys: seven hundred thirty seven million),
- 6) Accounting principles (policy) and other explanatory information,

confirming its compliance with books and documents, as well as with the actual state of affairs.

On the basis of § 16.1 (1) of the Company Articles of Association and § 71.1 (12) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the conditions for recognizing as equivalent the information required by the law of a non-member state, and taking into account the report of the independent statutory auditor for the General Meeting and the Supervisory Board on the audit of the consolidated financial statements of the ENERGA Group for the financial year ending on 31 December 2020 and the positive opinion of the Audit Committee, the Supervisory Board assessed favorably the consolidated financial statements of the ENERGA Group complying with the International Financial Reporting Standards approved by the European Union for the year ending 31 December 2020, comprising:

- 1) Consolidated income statement showing a net loss of PLN 444,000,000 (say zlotys: four hundred forty four million),
- 2) Consolidated statement of comprehensive income showing a negative comprehensive income of PLN 521,000,000 (say zlotys: five hundred twenty one million),
- 3) Consolidated statement of financial position showing a balance-sheet total of PLN 19,668,000,000 (say zlotys: nineteen billion six hundred sixty eight million),
- 4) Consolidated statement of changes in equity, showing a decrease in consolidated equity by PLN 521,000,000 PLN (say zlotys: five hundred twenty one million),
- 5) Consolidated statement of cash flows showing a decrease in net cash and cash equivalents by PLN 1,236,000,000 (say zlotys: one billion two hundred thirty six million),
- 6) Accounting principles (policy) and other explanatory information,

confirming its compliance with books and documents, as well as with the actual state of affairs.

When making the assessment, the Supervisory Board took into account the conclusions and opinions contained in the reports of the independent statutory auditor on the individual and consolidated financial statements of ENERGA S.A. and the ENERGA Group for 2020. The audits were conducted by KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw. The independent statutory auditor pointed out that:

- 1) the individual and consolidated financial statements of ENERGA S.A. and the ENERGA Group for 2020 present an accurate and clear picture of the assets and financial situation of the Company and the ENERGA Group as at 31 December 2020, their operating results and cash flows for the financial year ended on that day, in accordance with EU IFRS as well as the adopted accounting principles (policies),
- 2) the above financial statements comply, in all material respects, in terms of form and content, with the applicable provisions of law and provisions of the ENERGA S.A. Articles of Association,
- 3) the individual financial statements of ENERGA S.A. have been prepared, in all material aspects, on the basis of properly kept books of account in compliance with the provisions of the Accountancy Act.

VI. EVALUATION OF THE MOTION OF THE MANAGEMENT BOARD REGARDING COVERAGE OF THE 2020 NET LOSS

Based on § 16.1 (1) of the Company Articles of Association, in conjunction with Article 382 § 3 and 395 § 2 (2) and Article 396 § 5 of the Commercial Companies Code, the Supervisory Board positively assesses the motion of the Management Board for the General Meeting regarding coverage of the Company's net loss of PLN 197,000,000 for the 2020 financial year entirely from the reserve capital.

VII. EVALUATION OF THE COMPANY SITUATION, TAKING INTO ACCOUNT ITS INTERNAL CONTROL, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT

Evaluation of the Company situation

The Supervisory Board assesses the Company situation positively. In the 2020 financial year, there were no events that would threaten continuation of operations or significantly deteriorate the financial situation of the Company. The Company's stable financial position is confirmed by the 2020 Fitch rating of BBB- with a stable outlook.

As a result of settlement of the call of 5 December 2019 to subscribe for all the Company's outstanding shares which in total entitle to 100% votes at the General Meeting of ENERGA S.A., on 30 April 2020, PKN ORLEN S.A. reached the level of 80.01% and 85.20% in the Company share capital and the total number of votes at the General Meeting, respectively, thus becoming a strategic shareholder of the Company. As a result of settlement of the delisting call of 21 September 2020 to subscribe for ENERGA S.A.'s outstanding shares by all the remaining Company shareholders, on 30 April 2020, PKN ORLEN S.A. increased its holdings in the Company share capital and the total number of votes at the General Meeting to 90.92% and 93.28%, respectively.

On 29 October 2020, the Extraordinary General Meeting of ENERGA S.A. (hereinafter: EGM) adopted a resolution to withdraw 269,139,114 Series AA common bearer shares designated in the National Depository for Securities by the ISIN code PLENERG00022 (hereinafter: Shares). As a result, on 30 October 2020 the Company filed an application with the Polish Financial Supervision Authority for withdrawal of the Shares from trading on the regulated market operated by the WSE.

Due to the reduction of ENERGA S.A.'s free floating shares below 10% (after PKN ORLEN's announcement of the delisting notice), the WSE struck off ENERGA S.A.'s shares from all stock indices, incl. WIG, WIG30, mWIG40, WIG-Energia, WIG-Poland and WIG-ESG.

In 2020, due to the coronavirus pandemic, Company communications with analysts and investors took place by phone and online, using the existing tools which eliminate the risks

involved in direct contact. On the other hand, PKN ORLEN S.A.'s announcement of the delisting notice for the Company shares and the EGM's decision to withdraw the Company shares from stock exchange trading were the main reasons why ENERGA Group representatives opted out of participation in investor conferences held online by brokers. In addition, in connection with those events, a decision was made to close the loyalty program for individual investors "Energa w Akcji!" at the end of 2020.

On a cyclical basis the Company published 4 periodic reports and 85 current reports, and organized 2 performance conferences with online transmission.

Evaluation of internal control, risk management, compliance and internal audit

Internal audit is an important element of the internal control system at ENERGA S.A. Its responsibilities at the Company are carried out by the Audit and Internal Control Office (hereinafter: Audit Office). Employees of the Audit Office perform audit, control and advisory tasks in ENERGA Group companies, and supervise and co-ordinate the work of other internal audit and internal control units within the ENERGA Group. The authority and responsibilities of internal audit and internal control in the ENERGA Group cover all the areas of operations subject to relevant applicable laws. The Audit Office also carries out tasks in the risk area.

In 2020, the Audit Office supported operations of the Company by identifying and assessing significant risks, threats and deficiencies in the design and operation of the existing internal control system in the ENERGA Group, including by issuing recommendations the implementation of which helped secure and enhance the organization and its value. The results of completed audit and control tasks were communicated to companies' management and supervisory bodies, including the Audit Committee and the Supervisory Board, providing them with information on audited areas. The auditors pointed out to those areas which they believed required corrective actions or improvements.

Audit and control tasks were performed in accordance with the ENERGA Group's Internal Audit Charter and Internal Audit Policies in the ENERGA Group, as well as based on the International Standards of the Professional Practice of Internal Auditing.

The Audit Committee of the Supervisory Board remained in touch with the Head of the Audit Office, received updates on audit tasks being carried out, reports on completed audits and controls, as well as the annual report on the operations of the Audit Office.

The Audit Office assessed the internal control, risk management and compliance systems for the year 2020 (hereinafter: Assessment). The purpose of the Assessment was to strengthen the system by identifying opportunities to implement current best practices in internal control, risk management and compliance, while identifying the areas where the system should be

reinforced due, among others, to changes taking place in the Company, the ENERGA Group and the external environment.

The Assessment 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.

The 2020 Assessment included analysis of the solutions adopted at ENERGA S.A. in internal control, risk management and compliance with regard to identified risks as well as designed and implemented control mechanisms.

The 2020 Assessment shows that the individual system components were mostly designed, implemented and documented according to best market practices in this area and provide optimum risk mitigation. There is, however, room for improvement and for further implementation of best market practices in internal control, risk management and compliance, and it is partly being utilized in the projects currently underway.

The Company's current activity, initiatives and undertaken projects form an important element impacting the Assessment and strengthening internal control, risk management and compliance. Those include activities undertaken, among other things, by the units responsible for risk management, compliance and internal audit. It should be noted that Company employees, as part of the effort to strengthen the system, did not limit themselves only to continuing the existing practices or implementing recommendations, but came up with their own initiatives and projects in that respect, which were implemented in 2020. Those activities testify to the organisation's maturity in terms of approaching the development of controls to mitigate the risks that, if materialising, could have a negative impact on internal control, risk management and compliance.

Within the Integrated Risk Management System of the ENERGA Group, during 2020, for example:

- 1) synergies were developed between the existing Company registers containing information on risk events, which had a positive effect on the completeness of the ENERGA Group's risk event register,
- 2) the process of reviewing the risk management strategy was improved by adding the status of implemented risk measures, developing a consistent report template and

introducing the requirement for review results to be accepted by a resolution of the Management Board,

- 3) a new risk event registration form was developed, providing more information about risk events and permitting their in-depth analysis,
- 4) Microsoft SharePoint system was upgraded, enabling the archiving and version control of documentation, event reporting, and management of authorizations to ensure better system quality and stability,
- 5) a synthetic list of contacts was made available to employees for reporting events from various areas of operations, and e-learning training materials were prepared for employees and risk owners in the ENERGA Group.

In 2020, the Company continued its intensive compliance management activities. The Compliance team, which operates within the ENERGA S.A. Legal Office, under the leadership of the Management Board Representative for Compliance Management, carried out a project to implement the Compliance Management System. In March 2020, design work was completed, leading to implementation of a uniform and structured approach to compliance management in the ENERGA Group based on regulations (the Compliance Management Policy forming an annex to the Cooperation Agreement in the ENERGA Group), methodology, appropriate mechanisms. and tools for compliance monitoring, assessment and reporting as part of key requirements specific to ENERGA Group entities.

The Compliance System in the ENERGA Group consists of, among others:

- an effectively functioning organizational structure of the System in ENERGA Group entities, with clearly defined scopes of tasks and responsibilities of System participants, with ENERGA S.A.'s supervisory and coordinating role,
- 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 their owners who supervise compliance in individual areas,
- designation of the so-called requirement owners responsible for their implementation (compliance) in ENERGA Group entities,
- implementation of a compliance management process which identifies requirements, assesses and monitors compliance (including planning and implementation of corrective actions, if necessary),
- communication and reporting of compliance management 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.

In January 2021, the ENERGA S.A. Management Board Representative for Compliance Management provided the Company Management Board with the first ENERGA S.A. Compliance Report and the ENERGA Group Compliance Report showing the compliance status of the Company and the Group against identified key requirements. The reports were also provided to the Audit Committee of the Supervisory Board. The next stage of development of the ENERGA Group Compliance System will, among others, implement an advanced work-flow solution supporting compliance management with the involvement of the Group Companies covered by the Compliance System, as well as special efforts to keep key requirements up to date and to assess compliance.

It is worth noting that the implemented solutions in the Compliance System are compliant with the best market practices in this area (ISO 19600), as well as meet the guidelines arising from, among others, the "Best Practices of WSE Listed Companies 2016", according to which listed companies should, among others, maintain an effective legal compliance supervision system appropriate to the company size, and the type and scale of operations. Implementation of the Compliance System in the ENERGA Group was also recognized with the Compliance Award 2020 in the category "Compliance Idea of the Year 2020" by the Compliance Institute (a scientific and training institution of Compliance academics and experts), and in April 2020 and April 2021, respectively, recognized as a model CSR practice in the Responsible Business Reports in Poland in 2019 and 2020, annual publications of the Responsible Business Forum Association describing best practices at Polish companies in the area of corporate social responsibility.

The Supervisory Board positively assesses the internal control, risk management and compliance systems as well as internal audit performance at the Company and the ENERGA Group.

VIII. ASSESSMENT OF THE DISCHARGE OF COMPANY OBLIGATIONS TO COMPLY WITH CORPORATE GOVERNANCE PRINCIPLES

In 2020, the Company and its corporate bodies were subject to corporate governance principles which are described in a collection adopted by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015 as the Best Practices for WSE Listed Companies 2016 (hereinafter: Best Practices), published on the Warsaw Stock Exchange website and the Company's website in the Investor Relations tab.

On 15 April 2021, the Company published the ENERGA S.A. Management Board Report on the 2020 operations of the ENERGA Group and ENERGA S.A., along with statements on the application of corporate governance principles, published under § 70.6 (5) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by

issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state.

According to the statement the Company applies corporate governance principles, with the exception of:

- 1) Principle I.Z.1.10 of Best Practices – the Management Board of ENERGA S.A. has not made the decision to publish financial forecasts in light of the above-mentioned Regulation of the Minister of Finance of 29 March 2018,
- 2) Principle III.Z.3 of Best Practices – the Company does not meet the requirement of Standard 1110-1 only with regard to organisational independence in appointing and recalling the person in charge of internal audit as well as in approving and revising that person's remuneration. The standard referred to above is 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 internal audit at the Company does not functionally report to the Supervisory Board.

Non-compliance with the above principle has been reported by the Company using the EIB system, in accordance with § 29.3 of the Regulations of the Warsaw Stock Exchange S.A. (hereinafter: Stock Exchange Regulations).

On ENERGA S.A.'s investor relations website under the corporate governance tab, there is a set of downloadable documents, including current and periodic reports.

The Supervisory Board of ENERGA S.A. finds that the Company correctly fulfills its disclosure obligations regarding application of the corporate governance principles arising from the Stock Exchange Regulations and provisions on current and periodic information to be disclosed by securities issuers.

IX. EVALUATION OF THE REASONABILITY OF COMPANY'S SPONSORING, CHARITABLE OR OTHER SIMILAR ACTIVITIES

Sponsoring activities

In 2020, ENERGA S.A. engaged in sponsoring activities consistent with its universal promotional and branding character. In its sponsoring activities, ENERGA S.A. followed the 2020 Framework Plan of Sponsoring Activities and was guided by recipients' expectations (clients, investors, shareholders, the general public, company employees) with regard to Company sponsorship.

Sponsoring activities of ENERGA S.A. were meant to distinguish ENERGA's brand image among competition and to highlight its position in the domestic market. The sponsoring

activities carried out in 2020 by ENERGA S.A. were divided into the following activities and projects:

- 1) Professional sports,
- 2) ENERGA Sport,
- 3) ENERGA Patronage,
- 4) ENERGA Education,
- 5) Business relations.

Major sponsoring projects pursued by the Company include:

1. Lechia Gdańsk – ENERGA S.A. has been the main sponsor of Lechia Gdańsk since 2016, but the beginning of the cooperation between the Company and the club dates back to 2007. The co-operation between the Company and the club also involves support for Lechia Gdańsk Academy. Under the Agreement, ENERGA S.A. holds the title of the Lechia Gdańsk's main sponsor on an exclusive basis. The Company name and logo are placed on players' jerseys, training outfits and all other clothes in which team players and trainers represent the club. In addition, there is pronounced branding displayed during the team's games, mainly in the most visible spots within the playing field.
2. Polish Basketball Association – ENERGA S.A. is a strategic sponsor of the Polish national female and male teams. of basketball players. The co-operation was established in 2018 and the common goal since then has been to develop a strong brand of Polish basketball. Also, the Company is a titular sponsor of both the men's league, Energa Basket Liga, and the women's league, Energa Basket Liga Kobiet. ENERGA S.A.'s Agreement with PZKosz stipulates support not only for professional leagues or national teams, but also for 3x3 basketball and wheelchair basketball players.
3. AMP Football – one of the most spectacular and fastest growing sports for the disabled. Worldwide, AMP Football is already present in more than 60 countries with AMP Football leagues and professional clubs. ENERGA S.A., as the main partner, supports the AMP Football team during preparations and starts in prestigious tournaments both in Poland and abroad. The most important event, in which the Company is also involved, is the European Championship to be held in Poland in 2021.
4. Tour de Pologne – the legendary Polish race was the first and one of few cycling events that could be held in 2020 in the world. Hence, despite its great popularity, its media coverage was much broader than before. Cyclists' efforts were being followed in Poland by over 7 million viewers, with over 750,000 brand contacts in the media.

5. Camerimage International Film Festival – ENERGA S.A. is the titular and strategic Sponsor of Camerimage. 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 enhances the prestige of cinematographers. The awards are an expression of recognition for the greatest achievements in cinematography and provide a sense of achievement to their authors. EnergaCAMERIMAGE it is also a great forum not only to present but also to discuss the future of film-making.

ENERGA S.A.'s sponsoring activities have been reviewed by an external auditor to assess its effectiveness and reasonability.

The review is comprised in the annual report on the effectiveness of sponsoring activities carried out by ENERGA S.A. in 2020 and covers:

- 1) evaluation of the effectiveness of sponsorship projects in order to verify their cost-effectiveness understood as the achievement of predefined outcomes at the lowest possible cost,
- 2) A report on the implementation of sponsoring activities meant to analyze the effectiveness and advisability of contracts made by ENERGA S.A. with sponsored entities.

The completed review showed an overall 182% effectiveness of the 76 sponsorship projects carried out by ENERGA S.A. in 2020. Since according to market standards sponsoring activities are considered effective at the minimum 100% level, the result achieved ranks high the effectiveness of ENERGA S.A.'s sponsoring activities.

The Supervisory Board considers the Company's 2020 sponsoring activities as advisable and highly effective.

Charitable or other similar activities

ENERGA S.A., as a socially responsible company, has long been supporting charitable activities. One of the forms of carrying out such activities is the ENERGA Foundation established in 2009 and CSR activities.

The ENERGA Foundation pursues its mission by providing assistance and support in line with its statutory objectives, such as supporting health care facilities, palliative care, 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 past year 2020 was a year of difficult decisions for the ENERGA Foundation due to the Covid-19 pandemic. The Foundation devoted a large part of its activity to supporting

hospitals, senior homes and other institutions in the fight against the pandemic. The ENERGA Foundation supported, among others, medical facilities throughout the country, including:

- Szpitale Pomorskie Sp. z o.o. in Gdańsk as a result of which the F. Ceynowy Hospital in Wejherowo fully equipped its intensive care units with necessary defibrillators, highly- specialized cardiomonitors, general anesthesia devices with a respirator function and other necessary equipment.
- University Clinical Center in Gdańsk by purchasing respirators.
- Regional Medical Center in Białogard by purchasing personal protective equipment and specialist equipment.
- Central Clinical Hospital of the Medical University of Lodz by purchasing medical equipment and reagents with materials necessary to perform diagnostic tests.
- Saint Mother Theresa Hospital in Dębno and the Voivodeship Specialist Complex of Healthcare Institutions for Lung Diseases and Tuberculosis in Wolica near Kalisz by purchasing personal protective equipment.
- Koszalin University of Technology by purchasing plastic for the production of face shields.
- Nicholas Copernicus Voivodeship Hospital in Koszalin with in-kind donations of nitrile gloves and surgical masks.

In addition, the ENERGA Foundation pursues the goals set out in the Articles by supporting natural and legal persons on the basis of donation agreements. In 2020, the ENERGA Foundation became involved in support programs. for ENERGA Group current and former employees and their families. An important area of its charitable activities was support for children suffering from a rare genetic disease, i.e. SMA (spinal muscular atrophy).

A large area of the ENERGA Foundation's 2020 activity consisted of efforts supporting seniors, socially excluded and disadvantaged people. The Foundation is involved in projects such as:

- 3rd Voivodeship LZS Senior Games in Skarszewy – a cyclical event hosting nearly 200 seniors in 7 sports disciplines.
- "Pomoc dla Seniora" (Assistance for Seniors) – a project implemented jointly with the "Ludzie dla ludzi" (People for People) Association from Ostrów Wielkopolski. Under the project, 100 parcels with long shelf life foodstuffs were delivered to seniors in need in the Ostrów District.
- Involvement in a program promoting rehabilitation and exercise for people with Parkinsons. The project was organized by the Warsaw Foundation "Wspieraj Sport"

(Support Sports) and is designed to provide training in the Rock Steady Boxing formula. Such exercise makes it possible to significantly improve mobility, delay the effects of the disease and improve the quality of life of people with Parkinson's disease.

Moreover, the Foundation became involved in the "Bona Fide" scholarship program organized by the "Orlen-Dar Serca" (Orlen Gift from the Heart) Foundation. It is a unique, nationwide scholarship program that funds top Polish students and doctoral students, allowing them to study at one of the world's top 50 universities. Also, the Foundation once again became involved in the Aktywni Charytatywni (Active Charities) Campaign which encourages employees to take part in sports combined with support for entities such as orphanages and senior homes.

In 2020, the ENERGA Foundation also supported emergency services:

- Volunteer Fire Service in Rychnów – support for purchases of a defibrillator and a backboard with belts and a head stabilizer, which are necessary for rescue and firefighting operations.
- Volunteer Fire Service in Grzegorz – assistance in the purchase of a medium size combat vehicle for rescue and firefighting operations, which will improve the safety level in the Chełmża municipality.
- Volunteer Fire Service in Ostrowit – support for the purchase of a specialist vehicle and a fire ladder with a basket for firefighting actions.
- Volunteer Fire Service in Gdańsk – co-financing of the purchase of a light vehicle to transport guides as well as rubble and field dogs for rescue operations.

Charity activities at the ENERGA Company are also carried out through community service.

In 2020, Covid-19 pandemic measures were taken, such as:

- purchase of protective clothing for medical personnel of the Obstetrics and Gynecology Clinic of the Mother and Child Institute in Warsaw,
- support for the Kropelka Energii (Drop of Energy) Foundation which, due to considerable blood shortages in Blood Banks, organized the 2nd National Blood Collection of Power Engineers under the slogan "Kropelka Energii antyCOVID-19" (Drop of antiCOVID-19 Energy),
- support for the hotline services at the Chief Sanitary Inspector; 26 ENERGA employees supported the 24/7 hotline of the National Health Fund launched in connection with the pandemic,
- support for the "Oddech pełen energii" (Breath full of energy) program under which children suffering from cystic fibrosis can receive rehabilitation and dietary prophylaxis.

The beneficiaries are young patients within the territory of operations of the Polish Society for the Fight against Cystic Fibrosis in Gdańsk,

- support for the St. Brother Albert Relief Society in Gdańsk which, under the patronage of Prime Minister Mateusz Morawiecki, the Ministry of Family and Social Policy, and the Material Reserves Agency, launched the Solidarity Support Convoy for Seniors; the initiative was aimed to provide food to the poor, homeless and at risk of social exclusion throughout Poland.
- support for the St. Brother Albert Relief Society Koło Gdańskie as part of a social campaign under the slogan: "You click in virtuality and help in reality. Help us find the homeless"; it was aimed to help people at risk of social exclusion, especially those without a home.

In addition, as part of socially responsible activities during the pandemic, steps were taken to provide technical support for students and teachers, including:

- As a result of the ENERGA Foundation cooperation with Group companies, the Foundation provided school and hospice institutions with computer equipment in the form of: laptops, computer monitors, printers and computer sets. The computers allowed students and proteges of beneficiary institutions to learn and to remotely contact teachers and peers.
- ENERGA co-organized the project "Remote education with energy" addressed to elementary schools. Under the program, nearly 300 online training courses in distance learning were offered, financed in full by the organizer. Over 7,000 school principals and teachers from all over Poland received the training.

The Supervisory Board positively assesses the Company's 2020 charity and other similar activities.

In addition, in 2020, under an agreement made by the Founders, ENERGA S.A. made a donation to the PFN.

X. OPINION ON THE ECONOMIC VIABILITY OF THE COMPANY'S EQUITY INVESTMENTS IN OTHER COMMERCIAL COMPANIES

Based on § 16.1 (4) of the Company's Articles of Association, the Supervisory Board positively assesses the economic viability of the Company's equity investments in other commercial companies during 2020, as described in detail in the Management Board report on the 2020 operations of the ENERGA Group and ENERGA S.A.

XI. ASSESSMENT OF THE SUPERVISORY BOARD PERFORMANCE

The year 2020 was a period of Supervisory Board's intense work and discharge of its obligations arising from law and the Company's Articles of Association as well as "Best Practices of WSE Listed Companies 2016". In 2020, the Supervisory Board held 12 meetings, and the Supervisory Board Committees met 11 times. During the meetings, the Supervisory Board and its Committees adopted a total of 183 resolutions. The detailed scope of work of the Supervisory Board and its Committees in 2020 is described in Parts II and III of this report.

Members of the Supervisory Board represent high professional qualifications in the fields of economics, finance and law, as well as many years of experience in serving on management and supervisory bodies in capital companies, which are required in order to serve as member of a supervisory body. Due diligence and commitment, as well as the extensive expertise and experience of Board Members, guaranteed effective and efficient supervision over the Company's operations, a brief description of which is provided in this report.

As part of its supervisory and monitoring responsibilities, the Supervisory Board acted on the basis and within the limits of law, always for the good and in the interests of the Company.

Members of the Company Management Board and Company employees responsible for the matters discussed provided the Supervisory Board with all the information and explanations required by the Supervisory Board to perform its duties. Given the need for efficient preparation of materials for consideration by its Committees and meetings, and for timely decision making, the Supervisory Board also co-operated with the Management Board on a working basis, through direct daily communications between the two bodies of the Company.

The Supervisory Board finds that its members performed their responsibilities well in 2020. According to the Supervisory Board, its work during meetings and in direct communications with the Management Board was highly efficient, transparent and rational, which ensured professional substantive support and effective supervision.

Report date: 17 May 2021

Signatures of authorized Members of the Supervisory Board of ENERGA S.A.:

Paula Ziemiecka-Księżak

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Agnieszka Terlikowska-Kulesza

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