



Energa

GRUPA ORLEN

**REPORT OF THE SUPERVISORY BOARD of ENERGA S.A. FOR THE 2021 FINANCIAL
YEAR**

Gdańsk, 21 April 2022

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

Between 1 January 2021 and the day of this Report the Supervisory Board of ENERGA S.A. had the following members:

1) in the period from 1 January 2021 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.

2) in the period from 5 May 2021 to 1 June 2021:

- 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.

3) during the period from 1 June 2021 until 14 November 2021:

- 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.
 - h) Agata Piotrowska - Member of the Supervisory Board.
- 4) during the period from 14 November 2021 until 22 November 2021:
- 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) Michał Róg - Member of the Supervisory Board.
 - g) Agata Piotrowska - Member of the Supervisory Board.
- 5) during the period from 22 November 2021 until 1 February 2022:
- a) Paula Ziemiecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Trajan Szuladziński - Member 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) Michał Róg - Member of the Supervisory Board,
 - g) Agata Piotrowska - Secretary of the Supervisory Board.
- 6) during the period from 1 February 2022 until 28 February 2022:
- a) Paula Ziemiecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Jarosław Dybowski - Member of the Supervisory Board,
 - c) Trajan Szuladziński - Member 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) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.
- 7) during the period from 28 February 2022 until 1 March 2022:

- a) Paula Ziemecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński - Member 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) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.
- 8) during the period from 1 March 2022 until 27 March 2022:
- a) Paula Ziemecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński - Member 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) Michał Róg - Member of the Supervisory Board,
 - h) Barbara Hajdas - Member of the Supervisory Board,
 - i) Agata Piotrowska - Secretary of the Supervisory Board.
- 9) from 28 March 2022 until the date of these financial statements:
- a) Paula Ziemecka-Księżak – Chairwoman of the Supervisory Board,
 - b) Jarosław Dybowski – Vice-Chairman of the Supervisory Board,
 - c) Trajan Szuladziński - Member 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) Michał Róg - Member of the Supervisory Board,
 - h) Agata Piotrowska - Secretary of the Supervisory Board.

Mr Jarosław Dybowski tendered his resignation from the Supervisory Board as of 5 May 2021.

On 28 May 2021, the majority shareholder of the Company, PKN ORLEN SA, submitted a statement on appointment of Ms Agata Piotrowska to the Supervisory Board of the Company of 6th joint term of office, pursuant to art. 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association starting from 1 June 2021.

Ms Marta Marchewicz tendered her resignation from the Supervisory Board as of 14 November 2021.

On 20 January 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Mr Jarosław Dybowski to the Supervisory Board of the Company of 6th joint term of office, pursuant to art. 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association starting from 1 February 2022.

On 24 February 2022, the majority shareholder of the Company, PKN ORLEN, submitted a statement on appointment of Ms Barbara Hajdas to the Supervisory Board of the Company of 6th joint term of office, pursuant to art. 385 § 2 of the Code of Commercial Companies and § 17.3 of the Company's Articles of Association starting from 1 March 2022.

Ms Barbara Hajdas tendered her resignation from the Supervisory Board as of 27 March 2022.

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 2021, the Supervisory Board of ENERGA S.A. held 13 meetings and adopted 132 resolutions. In 2021, seven 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 2021, the Supervisory Board engaged in supervisory activities and carried out its tasks, in particular by:

- 1) initiating and conducting qualification procedures and then appointing Member 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 2021 financial plans,
- 7) considering and opining on the 2021 framework sponsoring plan and monitoring its implementation by the Company,
- 8) examining the individual and consolidated financial statements for the 2020 financial year, the Management Board report on the 2020 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 2020 financial year,
- 9) authorising 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) holding Members of the Company Management Board accountable for implementation of their individual management goals set for 2020,
- 13) entering into management contracts with Members of the Management Board of ENERGA S.A.,
- 14) approving individual bonus targets and individual goals for eligibility for the 2021 variable remuneration for Members of the Company Management Board,
- 15) adoption of the Long-Term Financial Model for the ENERGA Group for 2021-2030,
- 16) adoption of the Multi-Annual Plan of Strategic Investments of the ENERGA Group for 2021-2030,
- 17) approval of the Strategic Development Plan of the ENERGA Group for 2021-2030,
- 18) authorising donations to the ENERGA Foundation.

All activities of the Supervisory Board have been documented in adopted resolutions and in minutes of 2021 Supervisory Board meetings.

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 2021 and the date of this Report, the Audit Committee had the following members:

- 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 2021, the Committee held 6 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 2020 financial year and the Management Board's report on the 2020 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 2020 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 2020 operations of the Audit Committee,
- 7) approving the ENERGA Group's 2021 internal audit and control plan,
- 8) periodically reviewing of the results of internal audit at the Company,
- 9) periodically analysing ENERGA S.A.'s contracts along with attributed costs,
- 10) analysing 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 authorisation 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 2021 and the date of this Report, the Nominations and Remuneration Committee had the following members:

- 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 2021, the Committee held 3 meetings. The Nomination and Remuneration Committee carried out its tasks, in particular by:

- 1) conducting activities in connection with qualification procedures for the Vice-President of the Management Board for Corporate Matters, within the scope set by the Supervisory Board,

- 2) monitoring and analysing the remuneration system,
- 3) opining and adopting recommendations for the Supervisory Board regarding conclusion of Annexes to management contracts with Members of the Management Board of ENERGA S.A.,
- 4) opining and adopting recommendations for the Supervisory Board regarding approval of Individual Bonus Targets and individual goals for eligibility for the Variable Remuneration set in 2021 Objective Sheets for Members of the Management Board of ENERGA S.A.,
- 5) adopting the report on the 2020 operations of the Nomination and Remuneration Committee,
- 6) opining and adopting recommendations for the Supervisory Board regarding approval of the Report on remuneration of Members of the Management Board and Supervisory Board of ENERGA S.A. from 2019 to 2020,
- 7) adoption and presentation to the Supervisory Board of draft Target Sheets for Members of the Management Board of ENERGA S.A. that specify the degree of performance of individual Bonus Tasks and individual targets which condition award of the Variable Remuneration for 2020.

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 ENERGA SA'S MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ENERGA CAPITAL GROUP AND ENERGA SA IN 2021.

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 recognising 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 2021 and the positive opinion of the Audit Committee, the Supervisory Board assessed favourably the ENERGA SA's Management Board Report on the activities of the ENERGA Capital Group and ENERGA SA in 2021, 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 2021 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 2021

On the basis of § 16.1 (1) of the Company Articles of Association, Article 382 §3 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 recognising 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 2021 and the positive opinion of the Audit Committee, the Supervisory Board assessed favourably 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 2021, comprising:

- 1) A standalone income statement showing a profit after tax of PLN 210,000,000 (say zlotys: two hundred and ten million),
- 2) A consolidated statement of comprehensive income showing comprehensive income of PLN 393,000,000 PLN (say zlotys: three hundred ninety three million),
- 3) A standalone statement of financial position showing a balance-sheet total of PLN 12,962,000,000 (say zlotys: twelve billion nine hundred sixty two million),
- 4) A standalone statement of changes in equity showing an increase in equity by PLN 393,000,000 (say zlotys: three hundred ninety three million),
- 5) A standalone statement of cash flows not showing any change in net cash and cash equivalents,
- 6) Accounting principles (policies) 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 recognising 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 2021 and the positive opinion of the Audit Committee, the Supervisory Board assessed favourably 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 2021, comprising:

- 1) Consolidated income statement showing a profit after tax of PLN 937,000,000 (say zlotys: nine hundred thirty seven million),
- 2) A consolidated statement of comprehensive income showing a comprehensive income of PLN 1,190,000,000 (say zlotys: one billion one hundred ninety million),
- 3) A consolidated statement of financial position showing a balance-sheet total of PLN 21,238,000,000 (say zlotys: twenty one billion two hundred thirty eight million),
- 4) A consolidated statement of changes in equity showing an increase in equity by PLN 1,190,000,000 (say zlotys: one billion one hundred ninety million),
- 5) A consolidated statement of cash flows showing an increase in net cash and cash equivalents by PLN 120,000,000 (say zlotys: one hundred twenty million),
- 6) Accounting principles (policies) 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 2021. 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 2021 present an accurate and clear picture of the assets and financial situation of the Company and the ENERGA Group as at 31 December 2021, 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 DISTRIBUTION OF PROFIT AFTER TAX FOR 2021

Based on § 16.1 (1) of the Company's Articles of Association, in conjunction with Article 382 § 3 and 395 § 2 (2) and Article 396 § 1, 4 and 5 of the Commercial Companies Code, the

Supervisory Board positively assesses the motion of the Management Board for the General Meeting regarding distribution of the Company's profit after tax of PLN 210,000,000 for the 2021 financial year entirely to the reserve capital.

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

Assessment of the situation of the Company and its group

The Supervisory Board positively assesses situation of the Company and of the ENERGA Group ("ENERGA Group", "Group"). In the 2021 financial year, there were no events that would threaten continuation of operations or deteriorate the financial situation of the Company and of the Group. Both ENERGA S.A. and the ENERGA Group achieved very good financial results in 2021. The stable financial position of the Company is confirmed by the long-term ratings the Company has received:

- Moody's Baa2 with a stable outlook (in September 2021),
- Fitch BBB- with Rating Watch Positive (in January 2022).

In the opinion of the Supervisory Board, the actions taken by the Company in 2021 had a positive impact on the increase in the financial results of the Company and of the Group and created solid foundations for further development. In order to carry out this assessment, the Supervisory Board read the analyses of the results achieved by the Company and by the Group in various periods of 2021.

The Supervisory Board positively assesses the business strategy and targets that were included in the documents adopted by the Company in 2021: "Strategic Development Plan of the ENERGA Group for 2021-2030" and "Multi-Annual Plan of Strategic Investments of the ENERGA Group for 2021-2030". The Supervisory Board approved these documents by adopting appropriate resolutions.

In 2021, due to the coronavirus pandemic, Company communications with equity market participants took place by phone and online, using the existing tools which eliminate the risks involved in direct contact. The decision of the Extraordinary General Meeting of the Company of 29 October 2020 on withdrawal of the Company's shares from stock trading was the main reason for resignation from holding the performance conference and the reason why ENERGA Group representatives opted out of participation in investor conferences held online by brokers.

On a cyclical basis the Company published 5 periodic stock reports and 42 current stock reports.

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. Employees of the Audit and Internal Control Office perform audit and control tasks (scheduled and ad hoc) and advisory tasks in ENERGA Group companies, and supervise and co-ordinate the work of internal audit 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 and Internal Control Office also carries out tasks in the risk area.

In 2021, the Audit and Internal Control 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 organisation 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, Internal Audit Policies in the ENERGA Group, Internal Control 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 and Internal Control Office, received updates on audit and control tasks being carried out, reports on completed audits and controls, as well as the annual report on the operations of the Audit and Internal Control Office.

The Audit and Internal Control Office assessed the internal control, risk management and compliance systems for the year 2021 (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 2021 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 2021 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. Despite the high assessment of individual components, there is still room for improvement and for further implementation of best market practices in internal control, risk management and compliance. Therefore, recommendations were formulated as part of this year's Assessment, which will contribute to improvement of the internal control system of ENERGA S.A.

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. When taking measures to strengthen the system, the employees of ENERGA S.A. not only continued the existing practices or recommendations. They came up with their own initiatives and projects in that respect, which were implemented in 2021. This testifies to the organisation's maturity in terms of the development of controls to mitigate the risks that, if materialising, could have a negative impact on performance of the internal control, risk management and compliance system. In 2021 employees of the Company also performed the tasks related to the Business Integration and Transformation Programme of the ENERGA Group and PKN Orlen.

As part of the development of the Integrated Risk Management System in the ENERGA Group, an e-learning training course was held in 2021, familiarising the employees with the topic of risk management. The course also includes a module dedicated to Risk Owners, which deals in greater detail with methodological issues in the description and assessment of risks. A poster campaign was also held reminding the employees of the obligation to report risk events, which translated into a substantial increase (by over 230% y/y) in the number of events registered under the Integrated Risk Management System. Additionally, intensive work is underway to migrate the ENERGA Group Register of Events to the new IT system and possibilities are being analysed for transferring the entire risk management process, which should enable automation of a large scope of activities currently performed manually by Risk Units and facilitate supervision over risk changes and ongoing risk updates.

In 2021, 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, supervises and coordinates work as part of the Compliance Management System deployed in the ENERGA Group companies in 2020. Uniform and structured approach to monitoring and management of compliance with selected key provisions of the law and provisions of internal regulations is based on relevant regulations (Compliance Management Policy, attached as an appendix to the Agreement of Co-operation within the ENERGA Group), methodology and organisational structure in the Group companies.

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

- an effectively functioning organisational 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 2021, through co-operation of the Compliance Team with experts of ENERGA Informatyka i Technologie Sp. z o.o., advanced IT solutions which support the compliance management process were developed and deployed (Odys Compliance Platform and Compliance Reporting Platform). In February 2022, the ENERGA S.A. Management Board Representative for Compliance Management provided the Company Management Board with the ENERGA S.A. Compliance Report and the ENERGA Group Compliance Report showing the compliance status of the Company and the Group against key requirements identified in 2021. Both Reports were also provided to the Audit Committee of the Supervisory Board.

At the next stage of development of the Compliance System in the ENERGA Group, in 2022 the Compliance System is planned to cover the companies which joined the structures of the

ENERGA Group (i.e. CCGT Ostrołęka Sp. z o.o., Energa Green Development Sp. z o.o., CCGT Gdańsk Sp. z o.o. and CCGT Grudziądz Sp. z o.o.), and special effort will be made to keep key requirements and compliance assessments performed by the companies up-to-date.

It is worth noting that the implemented solutions in the Compliance System are compliant with the best market practices in this area, as well as meet the guidelines arising from, among others, the "Best Practices of WSE Listed Companies 2021", 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 recognised 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, recognised 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 2021, the Company and its corporate bodies followed two sets of corporate governance principles:

- until 30 June 2021, the document titled Best Practices for WSE Listed Companies in 2016 (hereinafter: DPSN 2016) adopted by way of Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 13 October 2015 was in force,
- starting from 1 July 2021, the document titled Best Practices for WSE Listed Companies in 2021 (hereinafter: DPSN 2021) adopted by way of Resolution No. 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 29 March 2021 is in force.

Both aforementioned documents have been published on WSE's website.

On 31 March 2022, the Company published the ENERGA SA's Management Board Report on the activities of the ENERGA Capital Group and ENERGA SA in 2021, 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 recognising as equivalent information required by the law of a non-member state.

The statement provides that:

- 1) During the term of Best Practices 2016, in 2021 the Company failed to apply Rule III.Z.3 – the Company did not comply with the requirement of Standard 1110-1, only with regard to the organisational independence of appointing and dismissing the Internal Audit Manager (IAM) and approval and changes of the remuneration of IAM.

The standard referred to above has been defined in the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors. Moreover, IAM does not functionally report to the Supervisory Board. In the absence of a decision on the publication of forecasts and considering the provisions of the Regulation of the Minister of Finance on Current and Interim Information of 29 March 2018, the Specific Principle I.Z.1.10 did not apply, either.

- 2) Following the start of application of Best Practices 2021, on 29 July 2021 the Company published the relevant current report in the EBI system, pursuant to § 29.3 of the Regulations of the Warsaw Stock Exchange (“Stock Regulations”), reporting on its failure to apply 10 rules (current report no. 1/2021, available on the Company’s website in the Best Practices for WSE Listed Companies tab).

As at 31 December 2021, the Company, analogically to the situation described in the aforesaid current report, failed to apply 10 rules, namely:

- 1.4.2. - as part of the ongoing integration of the ENERGA Group with the Orlen Group, the process of unification of the methodology for calculating remuneration-related ratios is under way; therefore, the ratio mentioned in this rule is not published on the corporate website. The Company complies with the applicable national laws and regulations, including the Labour Code; moreover, the Company has taken measures and implemented good practices by applying internal policies to ensure the application of the principles of equality, respect and prevention, among others: Policy Against Mobbing and Discrimination in the Energa Group, Code of Ethics of the ORLEN Group, Policy for Compliance Management in the Energa Group, Policy for the Management of Employee Potential of the ORLEN Group. Furthermore, regular audits and improvement and remedial actions are carried out at the Company,
- 1.5. - the non-application of the rule stems from the fact that the Company classifies the data indicated as sensitive information constituting trade secrets and does not publish separate statements in this respect,

- 1.6. - in connection with: (i) resolution of the Extraordinary Meeting of ENERGA S.A. of 29 October 2020 to withdraw the Company's shares from trading on the regulated market operated by the WSE, (ii) reduction on 30 November 2020 of the number of the Company's freely floated shares below 10% and (iii) WSE's decision to remove the Company's shares from all stock indices, effective after the session held on 3 December 2020, the decision was made to renounce from organisation of a conference for the investors,
- 2.1., 2.2 and 2.11.6. - the Company's employee diversity policy is presented in several internal documents. However, it has not been adopted in a document form by the Supervisory Board or the General Meeting. Despite that, gender diversity has been ensured at an appropriate level in the Company's bodies: as at 31 December 2021, there were two women and three men on the Management Board, and five women and two men on the Supervisory Board. The Company seeks to ensure diversity on its bodies through the selection of diverse and professional managerial and supervisory team. Moreover, the Company respects the dignity of every person regardless of race, nationality, religion, gender, age, education, professional position, sexual orientation, degree of disability or political affiliation, and does not accept any form of discrimination,
- 2.11.5. - an assessment of reasonableness of the expenditure referred to in Rule 1.5. is carried out by the Company's Supervisory Board. However, due to the non-application by the Company of Rule 1.5. (as explained above), the annual report of the Company's Supervisory Board, presented to the Company's Ordinary General Meeting, does not contain the above assessment.
- 4.9.2. - as provided for in the Company's Articles of Association, a candidate member of the Supervisory Board intending to perform a function on the Audit Committee submits to the Company, before their appointment to the Supervisory Board, a written declaration of fulfilment of the statutory conditions listed in that rule. A candidate is not required to submit a declaration as to the existence of any actual and significant relationship of the candidate with a shareholder holding at least 5% of the total number of votes in the Company,
- 4.11. - Members of the Company's Management Board take part in General Meetings and provide expert answers to the questions asked at the General Meeting.

At an Ordinary General Meeting (hereinafter: OGM), the Company's Management Board answers questions concerning the financial results and other significant information contained in the financial statements and the report on activities for the past financial year, which is subject to approval by the OGM. The Company's Management Board does not present financial or non-financial data at the OGM,

- 6.4 - The guideline rules of remuneration of the Supervisory Board members are laid down in the Remuneration Policy for Members of the Management Board and Supervisory Board of Energa SA adopted by the Company's Ordinary General Meeting. The remuneration of the Members of the Company's Supervisory Board does not depend on the number of meetings held. The remuneration is fixed and paid on a monthly basis. Whereas the Members of the Supervisory Board Committees are not paid any additional remuneration.

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

The Supervisory Board of ENERGA S.A. read the results of the analysis of the Company's application of the rules of Best Practices 2021 carried out by organisational units of the Company and conclusions from the EBI current report No 1/2021.

The Supervisory Board finds that the Company correctly fulfils 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. 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 2021, as described in detail in the Consolidated Financial Statements for the year ended on 31 December 2021.

X. EVALUATION OF WORK OF THE SUPERVISORY BOARD OF THE COMPANY

The year 2021 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 2021, the Supervisory Board held 13 meetings, and the Committees of the Supervisory Board held 9 meetings. During its meetings, the Supervisory Board and its Committees adopted a total of 145 resolutions. The detailed scope of work of the Supervisory Board and its Committees in 2021 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 2021. 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: 21 April 2022

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

Paula Ziemiecka-Książak */illegible signature/*

Agnieszka Terlikowska-Kulesza */illegible signature/*