



***Report of the Supervisory Board of ENEA S.A.  
on its activity in 2019.***

Poznań, 4 June 2020

## **1. Information on the term of office of the Supervisory Board and its activity during the year.**

In 2019, the Supervisory Board of ENEA S.A. operated as the Supervisory Board of the 9th and 10th terms of office.

The 9th term of office of the Supervisory Board Members expired on 20 May 2019 during the Ordinary General Meeting of ENEA S.A.

On the same date, the Company's Ordinary General Meeting appointed Supervisory Board Members to the Company's Supervisory Board for the new 10th term of office, effective as of 21 May 2019. On that date, the new 10th term of the Supervisory Board of ENEA S.A. began.

## **2. Composition of the Supervisory Board, functions served, changes in the Supervisory Board's composition during the financial year.**

As at 1 January 2019, the Company's Supervisory Board of the 9th term operated in the following composition:

- |                        |                                      |
|------------------------|--------------------------------------|
| 1. Stanisław Hebda     | – Supervisory Board Chairman,        |
| 2. Paweł Jabłoński     | – Supervisory Board Deputy Chairman, |
| 3. Piotr Mirkowski     | – Supervisory Board Secretary,       |
| 4. Paweł Korobłowski   | – Supervisory Board Member,          |
| 5. Ireneusz Kulka      | – Supervisory Board Member,          |
| 6. Wojciech Klimowicz  | – Supervisory Board Member,          |
| 7. Sławomir Brzeziński | – Supervisory Board Member,          |
| 8. Tadeusz Mikłosz     | – Supervisory Board Member,          |
| 9. Roman Stryjski      | – Supervisory Board Member.          |

In 2019, the composition of the Supervisory Board of ENEA S.A. changed as follows:

- 1) on 20 May 2019, the Ordinary General Meeting of ENEA S.A. appointed, effective as of 21 May 2019, the following Supervisory Board Members for the joint 10th term: Mr. Stanisław Kazimierz Hebda (who was also appointed Supervisory Board Chairman), Mr. Paweł Jabłoński, Mr. Michał Dominik Jaciubek, Mr. Maciej Mazur, Mr. Paweł Andrzej Korobłowski, Mr. Ireneusz Kulka, Mr. Piotr Mirkowski, Mr. Mariusz Pliszka, Mr. Roman Stryjski,
- 2) on 2 December 2019, the Company received a letter of 27 November 2019 from Mr. Paweł Jabłoński, stating his resignation as Supervisory Board Member of ENEA S.A. and as Supervisory Board Deputy Chairman of ENEA S.A. and also as the Chairman of the Nominations and Remuneration Committee,
- 3) on 12 December 2019, the ENEA S.A. Supervisory Board elected Mariusz Pliszka to become the Supervisory Board Deputy Chairman.

In 2020, the composition of the Supervisory Board of ENEA S.A. changed in the following way:

- 1) on 3 February 2020, the Company received a statement of the same date from the Minister of State Assets that the Minister of State Assets exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was appointed to the Company's Supervisory Board as of 3 February 2020,
- 2) on 6 February 2020:
  - a) On that date, Mr. Mariusz Pliszka tendered his resignation as Deputy Chairman of the ENEA S.A. Supervisory Board,
  - b) The Supervisory Board elected Mr. Bartosz Nieścior to become the Deputy Chairman of the ENEA S.A. Supervisory Board,

- c) Mr. Stanisław Hebda tendered his resignation as a Member of the ENEA S.A. Supervisory Board, effective as of the same date,
- 3) on 19 March 2020, the Extraordinary General Meeting of the Company appointed, effective as of 19 March 2020, Ms. Izabela Felczak-Poturnicka, who was appointed Chairwoman of the Supervisory Board, and Mr. Mariusz Fistek,
- 4) on 27 May 2020, the Company received a statement of the same date from the Minister of State Assets that the Minister of State Assets exercised its powers to dismiss a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Bartosz Nieścior was dismissed from the ENEA S.A. Supervisory Board as of 27 May 2020.
- 5) on 27 May 2020, the Company received a statement from the Minister of State Assets of the same date that the Minister of State Assets exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association. Based on the aforementioned powers, Mr. Paweł Szczeszek was appointed to the Company's Supervisory Board as of 27 May 2020.

As of the date of publication of this Report, the Company's Supervisory Board is composed of 10 members and operates in the following composition:

1. Izabela Felczak-Poturnicka – Supervisory Board Chairwoman,
2. Michał Jaciubek – Supervisory Board Secretary,
3. Ireneusz Kulka – Supervisory Board Member,
4. Mariusz Fistek – Supervisory Board Member,
5. Maciej Mazur – Supervisory Board Member,
6. Mariusz Pliszka – Supervisory Board Member,
7. Piotr Mirkowski – Supervisory Board Member,
8. Roman Stryjski – Supervisory Board Member,
9. Paweł Korobłowski – Supervisory Board Member,
10. Paweł Szczeszek – Supervisory Board Member.

### 3. Activity of the Supervisory Board of ENEA S.A.

In 2019, the Supervisory Board of the 9th and 10th term held 12 meetings and adopted a total of 132 resolutions (including 8 resolutions adopted after voting by email, pursuant to § 6, sec. 6 of the Rules and Regulations of the ENEA S.A. Supervisory Board).

The supervisory and oversight activities of the Supervisory Board in the 2019 financial year covered, among others, the following issues:

#### 1) Appointment of a certified auditor to audit the financial statements:

In 2019, the Supervisory Board did not appoint a certified auditor.

(On 19 December 2017, the Supervisory Board appointed PricewaterhouseCoopers Sp. z o.o. as the audit firm for ENEA S.A. for 2018-2020.)

#### 2) Approval of annual material and financial plans:

The Provisional Material and Financial Plan of ENEA S.A. for 2019 and the Provisional Material and Financial Plan of ENEA Group for 2019 were approved by the Supervisory Board on 14 February 2019.

The Material and Financial Plan of ENEA S.A. for 2019 and the Material and Financial Plan of ENEA Group for 2019 were approved by the Supervisory Board on 30 May 2019.

#### 3) Issuing opinions on all matters submitted by the Management Board to the General Meeting for consideration:

- a) On 20 March 2019, the Supervisory Board issued a positive opinion on:

- Standalone Financial Statements of ENEA S.A. for the financial year ended 31 December 2018,
  - Management Board Report on the Activity of ENEA S.A. and ENEA Group in 2018,
  - Consolidated Financial Statements of the ENEA Group for the financial year ended 31 December 2018,
- b) On 11 April 2019, the Supervisory Board issued a positive opinion on and recommended to the Ordinary General Meeting, to:
- grant a discharge to Mr. Mirosław Kowalik, President of the ENEA S.A. Management Board, on the performance of his duties in the period from 1 January 2018 to 31 December 2018,
  - grant a discharge to Mr. Piotr Adamczak, Member of the ENEA S.A. Management Board, on the performance of his duties in the period from 1 January 2018 to 31 December 2018,
  - grant a discharge to Mr. Piotr Olejniczak, Member of the ENEA S.A. Management Board, on the performance of his duties in the period from 1 January 2018 to 31 December 2018,
  - grant a discharge to Mr. Zbigniew Piętka, Member of the ENEA S.A. Management Board, on the performance of his duties in the period from 1 January 2018 to 31 December 2018.
- c) On 11 April 2019, the Supervisory Board issued a positive opinion on the Company's report submitted to the General Meeting of ENEA S.A. with the opinion of the ENEA S.A. Supervisory Board on representation expenditures, expenses on legal services, marketing services, public relation services and social communication services and on management consultancy services for the year ended on 31 December 2018.
- d) On 11 April 2019, the Supervisory Board issued a positive opinion on the motion of the Company's Management Board to distribute the net profit of ENEA S.A. for the period from 1 January 2018 to 31 December 2018 in the amount of PLN 727,136 thousand (seven hundred twenty seven million one hundred thirty six thousand Polish zloty) in the following way: 100% of the net profit, i.e. PLN 727,136 thousand, to be allocated to increase reserve capitals designated for investment financing.

#### **4) Approval of the Company's Organizational Rules and Regulations:**

On 20 November 2019 and on 12 December 2019, the Supervisory Board of ENEA S.A. approved the amendments to the Organizational Rules and Regulations of ENEA S.A. and adopted its consolidated version.

#### **5) Granting approvals to the Management Board:**

In 2019, the Supervisory Board gave consent for the Company's Management Board to perform other activities defined in § 20 sec. 3 of the Company's Articles of Association, including those regarding execution of sponsorship agreements with institutions conducting sports activity as well as agreements with companies providing consultancy services.

#### **6) Granting consent to Management Board Members to sit in the governing bodies of other companies, associations and foundations:**

In 2019, the Supervisory Board granted consent:

- for the President of the ENEA S.A. Management Board to be appointed President of the Management Board of the Polish Chamber of Power Industry and Environmental Protection,
- for the ENEA S.A. Management Board Member for Corporate Matters to be appointed a Supervisory Board Member of ENEA Ciepło Sp. z o.o.,
- for the ENEA S.A. Management Board Member for Corporate Matters to be appointed a Supervisory Board Member of ENEA Operator Sp. z o.o.,
- for the ENEA S.A. Management Board Member for Corporate Matters to be appointed President of the Management Board of the Association of ENEA Group Employers,

- for the ENEA S.A. Management Board Member for Corporate Matters to be appointed Management Board Member/President of the Management Board of the Association of Employers of the Polish Energy Industry.

**Additionally, the Supervisory Board carried out the following activities:**

- adopted amendments to the document entitled “Rules for election and dismissal of Members of the ENEA S.A. Supervisory Board elected by employees” and adopted its consolidated text,
- ordered to hold election of Supervisory Board Members of ENEA S.A. chosen by employees for another term, appointed the Main Election Committee and authorized it to appoint election committees; finally, it set the date of the elections,
- conducted the qualification procedure for the positions of Management Board Members of ENEA S.A.,
- approved Management KPIs for Management Board Member of ENEA S.A. in 2019,
- approved Representations required for the publication of ENEA S.A.’s annual reports prepared in accordance with requirements of the Finance Minister’s Regulation of 29 March 2018 on current and periodic information disclosed by issuers of securities and conditions for considering the information required by laws of a non-member state as equivalent,
- issued an opinion on the Report on implementation of the promotion plan for sponsorship activities in the ENEA Group in 2018,
- issued a positive opinion on ENEA S.A.’s report on representation expenditures, expenses on legal services, marketing services, public relation services and social communication services and on management consultancy services for the year ended on 31 December 2018,
- took note of the Reports of the Audit Committee of the ENEA S.A. Supervisory Board on its activity in 2018 and in H1 2019,
- adopted the Report of the Supervisory Board of ENEA S.A. on its activity in 2018 and decided to submit it to the Ordinary General Meeting,
- adopted the consolidated text of the ENEA S.A. Articles of Association acting pursuant to Resolutions nos. 36 through 44 adopted by the Ordinary General Meeting of ENEA S.A. on 20 May 2019 regarding amendments to the Company’s Articles of Association and in view of the fact that the resolutions authorized the Supervisory Board to adopt the consolidated text of the amended Articles of Association,
- elected Deputy Chairman and Secretary of the ENEA S.A. Supervisory Board of the 10th term,
- appointed Members of the Audit Committee of the ENEA S.A. Supervisory Board and the Nominations and Remuneration Committee of the ENEA S.A. Supervisory Board of the 10th term,
- adopted a resolution on defining remuneration of Management Board Members of ENEA S.A.,
- adopted resolutions on the conclusion of Agreements for the provision of management services as well as Annexes to the Agreements for the provision of management services with Members of the Management Board of ENEA S.A.,
- adopted a resolution on the achievement of Management Objectives in 2018 and set the amount of the due Variable Remuneration to be paid out to the Management Board of ENEA S.A.,
- approved the amended Internal Audit Policy of the ENEA Group (edition 2),
- approved the terms and conditions of third party liability insurance for Members of Governing Bodies of ENEA Group Companies for 2020-2021,
- approved the document entitled “ENEA Group Development Strategy until 2030 with an outlook to 2035”,
- approved the Annual Audit Plan for 2020 for the ENEA Group and the Budget of the Audit Management Department in the ENEA Group for 2020,

- approved ENEA Group's Promotion Plan for 2020.

**The Supervisory Board reviewed the information received from the Management Board, relating in particular to:**

- economic and financial results of the Company and ENEA Group,
- composition of the governing bodies of ENEA S.A.'s subsidiaries,
- the renegotiation procedure for long-term contracts for the purchase of RES property rights,
- costs of the Management Board and Supervisory Board of ENEA S.A. and of consulting in the Company,
- costs of Management Boards, Supervisory Boards and consulting in ENEA Group Companies,
- social situation in the ENEA Group companies in 2019.

The activities of the Supervisory Board of ENEA S.A. were documented in the minutes of the meetings of the Supervisory Board in 2019.

**4. Appointments, dismissals and suspensions of Members of the Management Board Members by the Supervisory Board and delegating members of the Supervisory Board to perform functions of Management Board members.**

On 16 May 2019, the Supervisory Board of ENEA S.A. adopted resolutions on:

1. appointment of Mirosław Kowalik to the position of President of the Management Board in the ENEA S.A. Management Board to the joint term of office as of the date of holding the Company's Ordinary General Meeting approving the financial statements for 2018,
2. appointment of Piotr Adamczak to the position of Management Board Member for Commercial Matters in the ENEA S.A. Management Board to the joint term of office as of the date of holding the Company's Ordinary General Meeting approving the financial statements for 2018,
3. appointment of Jarosław Ołowski to the position of Management Board Member for Financial Matters in the ENEA S.A. Management Board to the joint term of office as of the date of holding the Company's Ordinary General Meeting approving the financial statements for 2018,
4. appointment of Zbigniew Piętka to the position of Management Board Member for Corporate Matters in the ENEA S.A. Management Board to the joint term of office as of the date of holding the Company's Ordinary General Meeting approving the financial statements for 2018.

**5. Committees of the Supervisory Board of ENEA S.A.**

In its activities, the Supervisory Board was assisted by Committees acting as collective advisory and opinion-giving bodies of the Supervisory Board, appointed from among members of the Supervisory Board. In 2019, there were two permanent Committees of the Supervisory Board:

- The Audit Committee,
- The Nominations and Remuneration Committee.

**a) Audit Committee of the ENEA S.A. Supervisory Board**

As of 1 January 2019, the Company's Supervisory Board's Audit Committee of the 9th term operated in the following composition:

1. Ireneusz Kulka<sup>1)</sup> - *Committee Chairman,*
2. Sławomir Brzeziński - *Committee Member,*

3. Wojciech Klimowicz - *Committee Member,*
4. Piotr Mirkowski<sup>1)</sup> - *Committee Member,*
5. Roman Stryjski<sup>1)</sup> - *Committee Member.*

<sup>1)</sup> *An independent member within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, auditing firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016.*

In 2019, the following changes were made to the composition of the Audit Committee:

- on 30 May 2019, in connection with the expiry of the 9th term of the Supervisory Board of ENEA S.A. and appointment of ENEA S.A. Supervisory Board members by the Ordinary General Meeting of ENEA S.A. on 20 May 2019 for the next, 10th joint term, the Supervisory Board of ENEA S.A. appointed the following Members of the ENEA S.A. Supervisory Board's Audit Committee for the 10th joint term: Mr. Ireneusz Kulka, Mr. Maciej Mazur, Mr. Piotr Mirkowski, Mr. Mariusz Pliszka and Mr. Roman Stryjski,
- on 28 August 2019, the Members of the Audit Committee of the ENEA S.A. Supervisory Board elected Mr. Ireneusz Kulka as the Chair of the Committee for the 10th term.

The election of the Audit Committee Members was preceded by the verification of their knowledge and skills in the area of accounting or auditing financial statements as well as knowledge and skills in the industry in which the issuer operates and also their compliance with the independence criteria specified in the Act on certified auditors, auditing firms and public supervision as well as in the Best Practice for WSE Listed Companies 2016.

As of 31 December 2019, the Company's Supervisory Board's Audit Committee of the 10th term operated in the following composition:

1. Ireneusz Kulka<sup>1) 2) 3)</sup> - *Committee Chairman,*
2. Maciej Mazur - *Committee Member,*
3. Piotr Mirkowski<sup>1) 3)</sup> - *Committee Member,*
4. Mariusz Pliszka<sup>3)</sup> - *Committee Member,*
5. Roman Stryjski<sup>1)</sup> - *Committee Member.*

<sup>1)</sup> *An independent member within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, auditing firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016,*

<sup>2)</sup> *A member having knowledge and skills in the area of accounting or auditing financial statements,*

<sup>3)</sup> *A member having knowledge and skills in the industry in which the issuer operates.*

As of the date of preparing this Report, the composition of the Company's Supervisory Board's Audit Committee has not changed.

In 2019, the Audit Committee held 9 meetings and adopted 14 resolutions (including two resolutions adopted by means of direct remote communication, i.e. through electronic mail voting) which related to:

- approval of information for the Supervisory Board on the results of the audit of financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2018,
- adoption of the final report No. 1/2019 on the audit, entitled "General assessment of the internal control system at ENEA S.A." and provision of management information on the general assessment of the internal control system at ENEA S.A. to the Supervisory Board of ENEA S.A.,
- adoption of the Report of the ENEA S.A. Supervisory Board Audit Committee on its activities in 2018,
- election of the Chair of the ENEA S.A. Supervisory Board Audit Committee,
- adoption of the Report of the ENEA S.A. Supervisory Board Audit Committee on its activities in H1 2019,
- assessment of the methods of auditing the Condensed Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January 2019 to 30 June 2019 and the Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January 2019 to 30 June 2019,
- granting consent to the provision of an acceptable service other than audit by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.) at Lubelski Węgiel "Bogdanka" S.A.,

- giving an opinion by the ENEA S.A. Supervisory Board’s Audit Committee on the amended Internal Audit Policy of the ENEA Group and submission of the above document to the Supervisory Board of ENEA S.A. for approval,
- issuing an opinion to the Annual Audit and Internal Control Plan for 2020 for the ENEA Group and the Budget of the Audit Management Department in the ENEA Group for 2020 and submission of the above documents together with the opinion to the Supervisory Board of ENEA S.A. for approval as well as taking note of the Training Plan for the Audit/Control team for 2020.

In 2019, the Audit Committee reviewed the information received from the Management Board, relating in particular to cases concerning final reports on completed audit and control.

In 2019, the Audit Committee held meetings with:

1. representatives of the external auditor PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k., which were devoted to:
  - discussion of the key issues and a summary of the audit of the 2018 financial statements of ENEA S.A. and the ENEA Group,
  - discussion of auditing methodology applied to the Condensed Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January 2019 to 30 June 2019 and the Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January 2019 to 30 June 2019 as well as discussion of the conclusions from the initial audit of the 2018 financial statements.
2. Director of the Audit Department of ENEA S.A., which included discussions of the findings and recommendations resulting from the conducted inspections and audits.

In addition, in 2020, the Audit Committee:

- held a meeting with representatives of the external auditor PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. to discuss the key issues and summarize the audit of the 2019 financial statements of ENEA S.A. and the ENEA Group,
- on 3 June 2020, the Audit Committee adopted a resolution to approve information for the Supervisory Board on findings of the audit of financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2019, in which it reported the results of the audit, explained how the audit contributed to the reliability of financial reporting in the Company and specified the role of the Audit Committee in the audit process.

Pursuant to § 8, sec. 8 of the Rules and Regulations of the ENEA S.A. Supervisory Board, after each Committee meeting the Audit Committee submitted minutes of the meetings to the Supervisory Board for review.

## **b) Nominations and Remuneration Committee of the ENEA S.A. Supervisory Board**

As of 1 January 2019, the Company’s Supervisory Board’s Nominations and Remuneration Committee of the 9th term operated in the following composition:

- |                                  |                       |
|----------------------------------|-----------------------|
| 1. Paweł Jabłoński               | - Committee Chairman, |
| 2. Stanisław Hebda               | - Committee Member,   |
| 3. Paweł Korobłowski             | - Committee Member,   |
| 4. Tadeusz Mikłosz               | - Committee Member,   |
| 5. Piotr Mirkowski <sup>1)</sup> | - Committee Member.   |

<sup>1)</sup> An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016.

In 2019, the following changes were made to the composition of the Nominations and Remuneration Committee:

- on 30 May 2019, in connection with the expiry of the 9th term of the Supervisory Board of ENEA S.A. and appointment of ENEA S.A. Supervisory Board Members by the Ordinary General Meeting of ENEA S.A. on 20 May 2019 for the next, 10th joint term, the Supervisory Board of ENEA S.A. appointed the following Members of the ENEA S.A. Supervisory Board's Nominations and Remuneration Committee for the 10th joint term: Stanisław Hebda, Paweł Jabłoński, Michał Jaciubek, Paweł Korobłowski and Piotr Mirkowski,
- on 30 May 2019, the Members of the Nominations and Remuneration Committee of the ENEA S.A. Supervisory Board elected Mr. Paweł Jabłoński as the Chair of the Company's Supervisory Board's Nominations and Remuneration Committee for the 10th term,
- on 2 December 2019, the Company received a letter of 27 November 2019 from Mr. Paweł Jabłoński, stating his resignation as Supervisory Board Member of ENEA S.A. Supervisory Board Deputy Chairman of ENEA S.A. and also as the Chair of the Nominations and Remuneration Committee of the ENEA S.A. Supervisory Board.

Therefore, as of 31 December 2019, the Company's Supervisory Board's Nominations and Remuneration Committee of the 10th term was composed of the following members:

1. Stanisław Hebda - Committee Member,
2. Piotr Mirkowski<sup>1)</sup> - Committee Member,
3. Michał Jaciubek - Committee Member,
4. Paweł Korobłowski - Committee Member.

<sup>1)</sup> An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016.

In 2020, the following changes were made to the composition of the Nominations and Remuneration Committee:

- on 6 February 2020, Mr. Stanisław Hebda tendered his resignation as of that date as a Member of the ENEA S.A. Supervisory Board, and consequently as a Member of the Nominations and Remuneration Committee,
- on 6 February 2020, in connection with the appointment of Mr. Bartosz Nieścior to the Supervisory Board on 3 February 2020 (in connection with the statement from the Minister of State Assets that the Minister of State Assets exercised its powers to appoint a member of the ENEA S.A. Supervisory Board pursuant to § 24 sec. 1 of the Company's Articles of Association), the ENEA S.A. Supervisory Board appointed Mr. Bartosz Nieścior as a Member of the Nominations and Remuneration Committee for the 10th joint term,
- in connection with the statement from the Minister of State Assets of 27 May 2020 on dismissing Mr. Bartosz Nieścior, a Supervisory Board Member of ENEA S.A., as of 27 May 2020, Mr. Bartosz Nieścior ceased to be the Chairman and Member of the Nominations and Remuneration Committee.

Therefore, as of the date of preparing this Report, the Nominations and Remuneration Committee of the Company's Supervisory Board was composed of the following members:

1. Izabela Felczak-Poturnicka - Committee Member,
2. Michał Jaciubek - Committee Member,
3. Paweł Korobłowski - Committee Member,
4. Piotr Mirkowski<sup>1)</sup> - Committee Member.

<sup>1)</sup> An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016.

In 2019, the Nominations and Remuneration Committee held 6 meetings and adopted 28 resolutions. The Committee's meetings focused mainly on drafting recommendations for the Supervisory Board regarding for example:

- providing an opinion on the proposed Management Objectives for Members of the ENEA S.A. Management Board for 2019,

- on the conclusion of Agreements for the provision of management services with the Management Board Members of ENEA S.A.,
- election of the Chair of the Nominations and Remuneration Committee,
- the achievement of Management Objectives in 2018 and setting the amount of the due Variable Remuneration to be paid out to the Management Board of ENEA S.A.,
- adoption of a resolution on defining remuneration of Management Board Members of ENEA S.A.,
- the conclusion of Agreements for the provision of management services with the Management Board Members of ENEA S.A.

## **6. Self-assessment of Supervisory Board's activities.**

In the opinion of the Supervisory Board, in 2019, the Company's Supervisory Board fulfilled its statutory obligations concerning permanent supervision of the activity of the Company and the Group in all business areas in a reliable and efficient way. The Supervisory Board was composed of people with various competences and experience. Compliance with the requirement that at least one Supervisory Board Member should be an independent member was ensured within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016 and within the meaning of Article 129 sec. 3 of the Act of 11 May 2017 on certified auditors, auditing firms and public supervision.

The scope and procedure of operation as well as the composition of the Supervisory Board were compliant with the Commercial Company Code, the Company's Articles of Association and the Supervisory Board Rules and Regulations. The scope of issues handled by the Supervisory Board in 2019 was very broad, with a special emphasis placed on the financial results earned by the Company and the Group as well as the implementation of the critical investment projects.

In view of the above, the Supervisory Board hereby moves to the Company's General Meeting to grant a discharge to its Members on the performance of their duties in 2019.

## **7. Information on assessment of the "Standalone Financial Statements of ENEA S.A. for the financial year ended 31 December 2019", "Consolidated Financial Statements of ENEA Group for the financial year ended 31 December 2019", "Management Board Report on the Activity of ENEA S.A. and ENEA Group in 2019", and the motion of the Management Board on the proposed distribution of the net profit for the period from 1 January 2019 to 31 December 2019.**

Acting under Article 382 § 3 of the Commercial Company Code, the Supervisory Board evaluated the statements referred to in Article 395 § 2 item 1 and § 5 of the Commercial Company Code, i.e.:

1. Management Board Report on the Activity of ENEA S.A. and ENEA Group in 2019;
2. Standalone Financial Statements of ENEA S.A. for the financial year ended 31 December 2019, including the following statements reviewed by the certified auditor:
  - standalone statement of financial position as of 31 December 2019 showing a balance of assets and liabilities in the amount of PLN 24,696,633 thousand (twenty four billion six hundred ninety six million six hundred thirty three thousand Polish zloty);
  - standalone statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 showing a net profit of PLN 288,331 thousand (two hundred eighty eight million three hundred thirty one thousand Polish zloty) and the comprehensive income in the amount of PLN 278,333 thousand (two hundred seventy eight million three hundred thirty three thousand Polish zloty);
  - standalone statement of changes in equity showing an increase in equity as at 31 December 2019 by PLN 278,333 thousand (two hundred seventy eight million three hundred thirty three thousand Polish zloty);

- standalone statement of cash flows showing an increase in cash by PLN 1,716,418 thousand (one billion seven hundred sixteen million four hundred eighteen thousand Polish zloty);
  - notes to the standalone financial statements including a description of key accounting policies applied and other explanations;
3. Consolidated Financial Statements of the ENEA Group for the financial year ended 31 December 2019, including the following statements reviewed by the certified auditor:
- consolidated statement of financial position as at 31 December 2019 showing a balance of assets and liabilities in the amount of PLN 32,843,854 thousand (thirty two billion eight hundred forty three million eight hundred fifty four thousand Polish zloty);
  - consolidated statement of comprehensive income for the period from 1 January 2019 to 31 December 2019 showing a net profit of PLN 540,697 thousand (five hundred forty million six hundred ninety seven thousand Polish zloty) and the comprehensive income in the amount of PLN 470,287 thousand (four hundred seventy million two hundred eighty seven thousand Polish zloty);
  - consolidated statement of changes in equity for the financial year from 1 January 2019 to 31 December 2019 showing an increase in equity by PLN 430,609 thousand (four hundred thirty million six hundred nine thousand Polish zloty);
  - consolidated statement of cash flows showing an increase in cash by PLN 1,111,109 thousand (one billion one hundred eleven million one hundred nine thousand Polish zloty);
  - notes to the consolidated financial statements including a description of key accounting policies applied and other explanations;

After having read the certified auditor's Audit Report drawn up by PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp.k., and having thoroughly examined the above documents, the Supervisory Board concludes that the Standalone Financial Statements of ENEA S.A. for the financial year ended 31 December 2019, the Management Board Report on the Activity of ENEA S.A. and ENEA Group in 2019 and the Consolidated Financial Statements of the ENEA Group the financial year ended 31 December 2019 are in conformity with the books of account and accounting records and documents of the Company and the facts and therefore it hereby issues a positive assessment of the Reports and recommends that the Ordinary General Meeting of ENEA S.A. should examine and approve them.

The Supervisory Board of ENEA S.A. issued a positive opinion on the Management Board's motion on distribution of the ENEA S.A.'s net profit of the reporting period from 1 January 2019 to 31 December 2019 in the amount of PLN 283,331 (two hundred eighty three million three hundred thirty one thousand Polish zloty) as follows:

- allocate 100% of the net profit for the reporting period, i.e. PLN 283,331 (two hundred eighty three million three hundred thirty one thousand Polish zloty) to increase the reserve capital, designated for investment financing.

## **8. Evaluation of the Company's standing and evaluation of the internal control system and the risk management, compliance system and internal audit functions.**

In 2019 ENEA S.A. generated a positive net result of PLN 283,331 thousand and was PLN 443,805 thousand lower than the result achieved last year. This difference was affected primarily by changes in impairment losses recognized on the value of shares and financial assets at amortized cost (year-on-year difference of PLN 560,254 thousand) associated mainly with the impairment loss on the value of shares of Elektrownia Ostrołęka.

The Company's 2019 operating result (loss) was PLN -113,831 thousand. The operating loss decreased as compared to the previous year by PLN 30,746 thousand. Also in 2019, ENEA S.A. received PLN 136,214 thousand more dividend income from its subsidiaries.

In 2019, the Company's return on sales (ROS) was 5.0% (15.5% in 2018) and return on equity was 2.1% (5.5% in 2018).

In 2019, total sales of electricity to retail end users was 19.3 TWh and was 5.9% lower than total sales in the previous year. As at 31 December 2019, the number of end users was about 2.5 million and remained relatively flat when compared to the previous years.

In 2019, ENEA S.A. had the financial resources to cover all of its current expenditures related to the Company's operations.

The activities conducted by the Company in 2019 are reflected in the key investment projects and initiatives carried out in the respective business areas:

**Mining:**

- obtaining new concessions – a concession has been obtained for bituminous coal productions in zones K-6 and K-7,
- maintaining the machinery – purchase of finished product, assembly of machines and equipment,
- operating investments – execution of more than 29.1 km of excavations,
- development investments – design work performed on the Ostrów Field.

**Generation:**

- ENEA Wytwarzanie:
  - completion of modernization work in the project entitled "Modernization of Unit 9" as part of the modernization program for 2x500MW units; currently the unit is in operation,
  - completion of work in the project entitled "Modernization of Unit 7"; the unit after modernization was started up on 15 April 2019; commissioned for operation on 4 July 2019,
  - completion of work in the project entitled "Modernization of Unit 2"; the unit after modernization was started up on 31 July 2019, on schedule,
  - continuation of the SCR installation and modernization of electrostatic precipitators for Units 9 and 10 as part of the modernization program for 2x500MW units,
  - modernization of the System Power Plants Segment in ENEA Wytwarzanie sp. z o.o. to the BAT conclusions, through:
    - modernization of electrostatic precipitators in units 1, 2, 4, 5 and 7,
    - installation of a heavy metal reduction system for FGD wastewater,
    - Modernization of the flue-gas desulphurization system FGD I,
    - formal and legal adaptation of ENEA Wytwarzanie Sp. z o.o. to the requirements of BAT Conclusions,
    - continuing monitoring of NH<sub>3</sub>, HCl, HF and Hg levels on the smoke stack.
- ENEA Elektrownia Połaniec S.A.:
  - Adaptation of ENEA Elektrownia Połaniec S.A. to the BAT conclusions,
  - modernization of Unit 5 - the "Phoenix" project.
- ENEA Ciepło sp. z o.o.:
  - revitalization of boiler K6,
  - revitalization of boiler K8,
  - restoration of the TZ3 turboset,
  - upgrade of the Experion PKS system (a DCS-class system controlling the power units and auxiliary systems),
  - restoration of the TZ4 fan cooler,
  - Modernization of the electronic precipitator for boiler K8,
  - conversion of boiler K-1 to gaseous fuel.

**Distribution:**

- completion of a number of investments focused on expansion, automation and modernization of substations and power grids, including network connections and modernization of substations,

- continuation of existing investment projects and launching of new ones to be carried out in 2020 and later,
- further improvement of the processes of connecting customers to the power grid,
- further development of IT tools supporting grid management and grid automation,
- implementation of statutory obligations of ENEA Operator Sp. z o.o. with respect to electromobility. The purpose of the project is for ENEA Operator Sp. z o.o. to implement the solutions and products that meet the requirements for DSOs under the Act on Electromobility and Alternative Fuels.

### **Trading:**

#### **1. Wholesale trading:**

- implementation of the project entitled "Creation of a logistical support system for biomass deliveries through seaports to ENEA Elektrownia Połaniec Spółka Akcyjna",
- implementation of the project entitled "Main capacity auction 2024 and secondary market", whose main goal was to prepare ENEA Group's assets for general certification and to develop and implement the strategy for participating in the main capacity auction for 2024, additional auctions for 2021 and operations on the secondary market.

#### **2. Retail trading:**

- The key project was the project adapting the ENEA Group to new legal regulations included in the Act of 28 December 2018 amending the Excise Duty Act and certain other acts. The project covers business processes as well as IT tools and systems. Within the framework of the project:
  - the 2019 Tariffs and Price Lists have been adapted to meet the requirements of the Act,
  - "statutory" prices for customers were set that were applicable to the 2019 settlements,
  - terms and conditions of contracts with customers were formally amended in line with the provisions of the Act,
  - appropriate corrections of settlements with customers have been made,
  - appropriate requests for the payments constituting compensation for the application of statutory pricing mechanisms for 2019 have been prepared and submitted to the Settlements Authority. ENEA S.A. has received the requested amounts,
  - the billing system and other IT systems have been modified in connection with the need to adapt them to the requirements of the Act.

#### **3. Customer Service:**

- completion of the main part of the new design project for Customer Service Offices. Visualizations have been prepared for all 32 offices.
- continuation of work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes,
- launch of a modernized Electronic Customer Service Office (eBOK), which is more user-friendly and offers simpler operation,
- introduction of a new option for making electronic payments in the eBOK through a second PayU Payment Operator,
- implementation of electronic pens in all Customer Service Offices to sign contracts in the offices to simplify the service process and minimize the number of documents printed in hard copies,
- implementation of customer satisfaction surveys for Customer Service Offices (satisfaction surveys),
- implementation of a system supporting customer information management, i.e. the Central Customer Database (CBK),
- upgrade of the IVR system at the 611 111 111 hotline to make it simpler and clearer for customers and launch of a new self-service system named "power outage in the property",
- launch of self-service systems after the Hotline working hours (after 10pm and on holidays),

- implementation of new e-mail response templates and customer chats to improve customer service quality.

Other significant activities carried out/completed in 2019 included:

- approval of the document entitled “ENEA Group Development Strategy until 2030 with an outlook to 2035”;
- construction of a photovoltaic power plant including power connections (total rated capacity of 420 kW) at the West Pomeranian Oncology Center in Szczecin.

In accordance with the “Corporate Governance Principles for Supervised Institutions”<sup>1</sup> and “Best Practice for WSE Listed Companies 2016”<sup>2</sup>, ENEA S.A. carried out the annual review of internal control, risk management and compliance systems and the internal audit function. The goal was to verify adequacy and effectiveness of these systems and internal audit functions implemented at the Company level. The review was carried out based on the key elements of the internal control system defined in the COSO I model.

In the opinion of the Supervisory Board, the actions undertaken in 2019 in ENEA S.A. contributed to the strengthening of the internal control, risk management and compliance systems and the internal audit function.

In the area of **internal control environment**, the activities worth mentioning include: continuation of efforts to adapt the anti-corruption system constituting part of the Company’s compliance system.

In 2019, ENEA S.A. undertaken a number of tasks designed to adapt the anti-corruption system to the WSE Standards (“Recommended standards for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange”). According to plans, the work on the last task, enabling complementary adaptation of the anti-corruption system in the Company, should be completed by the end of 2021.

A Compliance Officer function has been assigned in the “Rules and Regulations of ENEA S.A. Organizational Units”, which meets the requirements of the WSE Standards with respect to establishment of the compliance management function in the Company.

A positive opinion has been given on the activities aimed at spreading knowledge on the anti-corruption area among employees, e.g. through e-learning courses, updating the content of tabs on corruption prevention issues in the ENEA Group Intranet and development of the brochure entitled “ENEA Group Code of Ethics”.

In order to ensure improvements of the above system, further work is needed to implement the Detailed implementation schedule for anti-corruption WSE Standards and the Rules of monitoring of the above document.

In the **enterprise risk management** area, the Supervisory board has given a positive opinion about the fact that in 2019 the process was carried out in accordance with the assumptions of the dedicated Policy and Methodology, including:

- the risks have been monitored on an ongoing basis in respect to the occurrence of operating events and the assessment of the risks has been updated regularly.
- The Risk Manager reported on enterprise risks to the Company’s Management Board and to the ENEA Group Risk Committee, which facilitated management decisions, in particular with respect to key risks.

In this area, we should also note the changes in the organization of the enterprise risk management process, which were designed and formally implemented in the Policy and Methodology in 2019, they included in particular:

- update of the enterprise risk valuation methodology;
- introduction of principles for managing risks shared between ENEA S.A.’s organizational units and between ENEA Group companies,
- allocation of the Risk Owner roles directly to senior managers (reporting directly to the Company’s Management Board).

---

<sup>1</sup> Published by the Polish Financial Supervision Authority – Chapter 8 Key internal systems and functions.

<sup>2</sup> Published by the Warsaw Stock Exchange – Chapter III Internal systems and functions.

Moreover, the vendor assessment process has been prepared for ENEA S.A. and formalized through adoption of the document entitled *Contractor Review Procedure in the ENEA Group* by the Risk Committee. According to the assumptions, activities carried out under this procedure include a review process for vendors of goods and services to ENEA S.A. These activities will contribute to the mitigation of the risk of corruption and abuse in ENEA S.A. in relations with suppliers of goods and services.

The operational implementation of these changes in 2020 will have a positive impact on the enterprise risk management process.

At the same time, it is important to continue the work on improvements in the communication process, in particular as regards the transmission of information on specific risks in order to use it for identifying and assessing enterprise risks.

With respect to **control mechanisms**, we should note that, in June 2019, the Procurement Unit responsible for the monitoring of the ENEA S.A. Procurement Plan introduced the principles of monitoring the overrun Procurement Plan items and additionally runs an ongoing monitoring of overruns of individual procurement categories.

The work on monitoring the Procurement Plan items is important in order to mitigate risks related to overruns of statutory limits in individual procurement categories, which could trigger the obligation to apply the Public Procurement Act.

Effective monitoring of this kind would require the strengthening of efforts to mobilize the relevant units to take immediate corrective measures whenever a Procurement Plan item is overrun.

In the **information and communication** area, we should note that the non-financial reporting process, including reporting on environmental (climate) issues in 2019, is carried out in accordance with the requirements of the Accounting Act.

In recent years, the issues associated with prevention of climate threats have become increasingly important and have contributed to increasing requirements for stock market companies in this respect. For example, in 2019, the European Commission issued detailed guidelines specifying the type of information that is recommended for disclosure regarding climate protection measures planned and undertaken. The European Commission guidelines are not currently mandatory, but they are being implemented in recommendations of supervisory authorities and included in activities of internal stakeholders.

The continuation of work performed in the Company in relation to environmental protection, including the planning of goals and activities in the long term, will allow the Company to adapt its climate disclosures to international guidelines.

In the **monitoring and supervision** area, it is worth noting that the companies reporting and preparing their financial statements under IAS/IFRS are obligated to apply the International Financial Reporting Standard 16 "Leases" (hereinafter: IFRS 16).

In connection with the above, the Supervisory Board paid special attention to the designed and implemented control mechanisms that enable identification of lease, rental and leasing contracts as important for the application of IFRS 16, both at the contract signing stage and after the contract signing stage.

For the avoidance of the possible irregularities in the process of identifying and accounting for lease contracts, the activities should be continued to strengthen control mechanisms to recognize all the contracts that are of importance for the IFRS 16 standard and to register new contracts in IT systems on a timely basis.

The Supervisory Board believes that an important element of the internal control system in the Company in the **monitoring and supervision** area is also the function performed by:

- The Audit Committee;
- Internal Audit.

In 2019 the Audit Committee implemented in particular the following tasks:

1. monitored the financial reporting process,

2. monitored effectiveness of the internal control, risk management and compliance systems and the internal audit function,
3. held meetings with the certified auditor and monitored the certified auditor's independence,
4. monitored reliability of the financial information presented by the Company, in particular by reviewing consistency of the accounting policies applied in the Group and its conformity to the International Financial Reporting Standards,
5. notified the Supervisory Board of the results of the audit of financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2019, explaining how the audit contributed to the reliability of financial reporting in the Company and the role of the Audit Committee in the auditing process,
6. participated in the process of developing the Annual Audit and Internal Control Plan by issuing opinions on it and submitting it to the Supervisory Board for approval,
7. issued opinions on and submitted the annual budget of the internal audit unit to the Supervisory Board for approval,
8. held regular meetings with the internal auditor, during which it discussed decisions, including recommendations and suggestions, made by the internal audit function, and monitored the response of the Company's Management Board to the above.

In 2019, the internal audit function:

1. functionally reported to the Audit Committee, formally to the President of the Management Board, reporting audit and internal control results concurrently to the Audit Committee and the Management Board – the above ensured independence of the internal audit function,
2. contributed to the improvement of operational activities of ENEA Group Companies, including ENEA S.A., by:
  - performance of audit and inspection tasks and *ad hoc* advisory activities;
  - monitoring the status and effectiveness of implementation of post-audit / post-inspection recommendations.The above tasks were performed within the ENEA Group Audit Management Division, which encompassed auditors and internal control inspectors at ENEA S.A., ENEA Operator Sp. z o.o. and ENEA Wytwarzanie Sp. z o.o.,
3. coordinated the course of three external inspections in ENEA S.A. conducted by the Supreme Audit Office.

2019 was the second year of operation of the Audit Department at ENEA S.A., which was established following the transformation of the Control and Audit Office. The activities of the offices separated within the Audit Department (i.e. the Audit Office, the Control Office and the Internal Control System Support Office) were conducted concurrently and were complementary, which supported the effectiveness of the internal control, risk management and compliance systems in the organization.

The activities planned for 2020 include knowledge and skills transfer (through e-learning courses) and monitoring of compliance with economic transparency and openness standards.

The **Compliance** area is responsible for ensuring compliance of activities carried out by the ENEA Group with the applicable standards set forth in the provisions of law and internal regulations as well as ethical norms.

In 2019, the main challenge for the organizational unit responsible for the development and maintenance of the Compliance system in the Company was to fulfill the obligations resulting from the accepted schedule to adapt the ENEA Group's existing anti-corruption system to the *Recommended standards for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange*, which were adopted on 8 October 2018 by the Warsaw Stock Exchange (WSE). The Standards were addressed to companies listed on markets organized by the WSE and recommend implementation of standardized internal anti-corruption solutions in more than ten areas, including, among others: adoption of an anti-corruption code, implementation of a whistleblowing system or establishment of a Compliance Officer function in companies.

Having the above in mind, on 26 June 2019, the ENEA Group Risk Committee approved the schedule of activities designed to adapt the ENEA Group's current anti-corruption system to the *Recommended standards for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange* (WSE Standards) and approved the rules of monitoring the above schedule. Implementation of the WSE Standards in the anti-corruption area became the main challenge of the unit responsible for the Company's Compliance area in 2019.

The implementation of the WSE Standards was achieved in particular through:

- development of the definition of corruption to be added to the ENEA Group Compliance Policy and in the Rules of Offering and Receiving Gifts in the ENEA Group,
- introduction of anti-corruption clauses to individual internal acts of the company (e.g. to the Work Rules and Regulations, Rules and regulations for execution and performance of agreements in ENEA S.A.),
- commencement of work on a procedure to regulate the reporting of violations and protection of whistleblowers in the ENEA Group,
- development of a form facilitating the reporting of violations, to be placed on the Company's website,
- development of the ENEA S.A. contractor review procedure (PWK) and imposing an obligation on contractors to sign the representation constituting Attachment 2 (Contractor Review Questionnaire) to the regulation, whereby the contractors undertake to observe its provisions,
- building awareness of compliance, developing new training materials and conducting e-learning courses and on-site workshops on corruption and its prevention, preparation of training material on the employee conduct in case of inspections by law enforcement agencies,
- monitoring of legal environment to detect legal acts that may have a significant impact on the operation of the compliance system in the Company,
- identification of potential compliance risks in the ENEA Group and responses to corruption events.

Concurrently in 2019 ENEA S.A. strengthened the structure of its existing compliance system encompassing the entire ENEA Group; this will allow for quicker identification of potential compliance risks and detection of potential violations, including improvement of existing standards in the ENEA Group.

The ENEA S.A. Organization and Compliance Unit operating in the above structure within the Legal and Organizational Department carried out numerous activities to increase efficiency of the compliance system in ENEA Group companies, while placing emphasis on the ethical side of organizational culture. These activities were conducted together with the persons dedicated to the compliance area in individual ENEA Group companies, which additionally facilitated competence-building and exchange of experiences on the functioning of the system.

The Supervisory Board has recognized the process of adjusting internal regulations and general group regulations to the evolving law and market standards conducted at ENEA S.A. as effective. The Supervisory Board of ENEA S.A. has also given a positive opinion on the activities undertaken to implement the WSE Standards recommended for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange.

In the opinion of the ENEA S.A. Supervisory Board, the system of propagating anti-corruption knowledge among employees, among others through e-learning courses and by posting anti-corruption content in the ENEA Group's Intranet has been operating correctly.

The Supervisory Board of ENEA S.A. believes that the current compliance risk management system implemented by the ENEA S.A. Organization and Compliance Unit addresses both internal and external expectations, while constituting an important element of responsible governance. ENEA S.A. has shown due care for transparency and clarity of its activities, functioning in compliance with the law and promoting positive ethical standards.

## **9. Assessment of the fulfillment by the Company of the disclosure requirements concerning the application of corporate governance principles specified in the Stock Exchange Rules and Regulations pertaining to current and periodic information provided by securities issuers.**

Considering the requirement set forth in Rule II.Z.10.3 of the “Best Practice for WSE Listed Companies 2016”, under which, in addition to activities resulting from the provisions of law, once a year the supervisory board should prepare and submit to the general meeting of shareholders an assessment of the company’s compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, in 2019 and in 2020 (by the date of approving this report) the Supervisory Board analyzed the performance of the following obligations by ENEA S.A.:

- disclosure requirements to publish, in the Electronic Information Database, current reports concerning incidental violations of or resignation from application of individual corporate governance principles,
- disclosure requirements to publish, in the annual Management Board Activity reports, a representation on the application of corporate governance principles,
- disclosure requirements to publish specific information on ENEA S.A.’s corporate website.

The above analysis covered, among others, the following documents, information and circumstances:

- Current Report No. 1/2016 of 2 March 2016 on the scope of application of the “Best Practice for WSE Listed Companies 2016”,
- Current Report No. 1/2019 of 26 February 2019 on the scope of application of the “Best Practice for WSE Listed Companies 2016”,
- annual reports for 2018 published in 2019, which included, in the Management Board Report, a representation of the ENEA S.A. Management Board on the application of corporate governance principles as laid down in the “Best Practice for WSE Listed Companies 2016”,
- annual reports for 2019, which included, in the Management Board Report, a representation of the ENEA S.A. Management Board on the application of corporate governance principles as laid down in the “Best Practice for WSE Listed Companies 2016”,
- corporate governance information published on ENEA S.A.’s corporate website,
- the actual status of application of the “Best Practice for WSE Listed Companies” in ENEA S.A.

Having read the above documents and information, the Supervisory Board concluded that in 2019 there had been no events affecting the scope of application of the “Best Practice for WSE Listed Companies 2016” previously communicated by the Company. However, following the amendments made to individual corporate documents in effect at ENEA S.A., such as the Company’s Articles of Association or Rules and Regulations of the ENEA S.A. Supervisory Board, some of the Company’s explanations of the reasons for departing from some of the corporate governance principles laid down in the “Best Practice for WSE Listed Companies 2016” required an update. The Company made the necessary updates by publishing the relevant information in the representation of the ENEA S.A. Management Board on the application of corporate governance principles contained in the “Best Practice for WSE Listed Companies 2016” published as part of its annual reports, and also by publishing Current Report No. 1/2019 in the Electronic Information Database.

Please note that, according to the October 2019 amendment to the Act on public offering and terms of introducing financial instruments into organized trading system and on public companies introduced, a general meeting of a company, at least one share of which is admitted into trading on a regulated market, should adopt a resolution introducing a compensation policy for members of its management and supervisory boards. The general meeting of the company should adopt a resolution on the compensation policy for members of its management and supervisory boards by 30 June 2020. Accordingly, the Company took the necessary steps, which will affect the scope of application of the “Best Practice for WSE Listed Companies 2016” in the compensation area in such a way that Recommendation VI.R.1, i.e. “*The remuneration of members of the company’s governing bodies and key managers should follow the approved remuneration policy*” will be applied by ENEA S.A.

Accordingly, in 2019 the Company observed all the recommendations and detailed principles, except for those listed below:

- recommendations IV.R.2., VI.R.1., VI.R.2., VI.R.3., detailed principles II.Z.3., II.Z.5, II.Z.7, II.Z.8, IV.Z.2., V.Z.5 of the collection of “Best Practice for WSE Listed Companies 2016” in effect as of 1 January 2016.

Following the analysis, the Supervisory Board has concluded that information provided in fulfillment of disclosure requirements related to the application of corporate governance principles correspond to the actual status of application of the Best Practice for WSE Listed Companies 2016 in ENEA S.A.

In view of the foregoing, the Supervisory Board of ENEA S.A. has issued a positive opinion on the fulfillment by the Company of the disclosure requirements concerning the application of corporate governance principles specified in the Stock Exchange Rules and Regulations pertaining to current and periodic information provided by securities issuers. The Supervisory Board shares the Company's opinion that in line with the adequacy principle, at present it is no longer justified to follow some of the recommendations and detailed rules included in the Best Practice which the Company renounced.

## **10. Assessment of rationality of the company's sponsorship and charitable activities.**

The Supervisory Board has been monitoring the sponsorship activities pursuant to the "Rules for conducting sponsorship activities in the ENEA Group" in effect in the Company (3rd edition, in effect since 12 September 2017), and pursuant to the "Best Practices for conducting sponsorship activities in State Treasury-owned companies" published on 15 June 2016. The Supervisory Board thus approves the plans for annual sponsorship activities and issues opinions on reports of such activities.

In 2020, a secondary regulation entitled the "ENEA Group Communication Policy" was adopted, which supplements the internal regulations in line with the "Recommended standards for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange" in the sponsorship area.

With respect to the charitable activity, the Supervisory Board receives regular reports on the operation of the ENEA Foundation and also approves the donations made to the ENEA Foundation by ENEA S.A.

The Supervisory Board believes that the sponsorship and charitable activity serves the interests of the Company and its shareholders.

## **11. Comments of the Supervisory Board concerning cooperation with the Management Board.**

After having evaluated the work of each of the Management Board Members serving on the Company's Management Board in 2019, the Supervisory Board of ENEA S.A. hereby recommends that the Ordinary General Meeting grant a discharge on the performance of duties in the 2019 financial year to the following Management Board members:

- Mr. Mirosław Kowalik,
- Mr. Piotr Adamczak,
- Mr. Jarosław Ołowski,
- Mr. Zbigniew Piętka,
- Mr. Piotr Olejniczak.

### **Signatures of Members of the ENEA S.A. Supervisory Board :**

Izabela Felczak-Poturnicka – Supervisory Board Chairwoman \_\_\_\_\_

Michał Jaciubek – Supervisory Board Secretary \_\_\_\_\_

Mariusz Fistek – Supervisory Board Member \_\_\_\_\_

Ireneusz Kulka – Supervisory Board Member \_\_\_\_\_

Paweł Korobłowski	– Supervisory Board Member	_____
Maciej Mazur	– Supervisory Board Member	_____
Piotr Mirkowski	– Supervisory Board Member	_____
Mariusz Pliszka	– Supervisory Board Member	_____
Roman Stryjski	– Supervisory Board Member	_____
Paweł Szczeszek	– Supervisory Board Member	_____

Poznań, 4 June 2020