



***Report of the Supervisory Board of Enea SA  
on its operations in 2016.***

Poznań, 20.04.2017

## 1. Information on the term of office of the Supervisory Board and its activity in the following year of its term.

In 2016 the Supervisory Board of Enea SA operated as the Supervisory Board of the 9<sup>th</sup> term.

## 2. Composition of the Supervisory Board, positions held, changes in the Supervisory Board's composition during the financial year.

As at 01.01.2016 the Supervisory Board of the Company of the 9<sup>th</sup> term operated in the following composition:

1. Małgorzata Niezgoda - Chairwoman of the Supervisory Board,
2. Tomasz Gołębiowski\* - Vice-Chairman of the Supervisory Board,
3. Sandra Malinowska - Secretary of the Supervisory Board,
4. Rafał Szymański - Member of the Supervisory Board,
5. Radosław Winiarski - Member of the Supervisory Board,
6. Sławomir Brzeziński - Member of the Supervisory Board,
7. Wojciech Klimowicz - Member of the Supervisory Board,
8. Tadeusz Mikłosz - Member of the Supervisory Board,
9. Wiesław Piosik - Member of the Supervisory Board (in the period of 7 December 2015 – 7 January 2016 temporarily delegated to act as the President of the Management Board of Enea SA).

\* *Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.*

In 2016 the following changes in the composition of the Supervisory Board of Enea SA took place:

- 1) On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding cancellation of the delegation as of 7 January 2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Management Board of Enea SA,
- 2) On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding delegation as of 07.01.2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Member of the Management Board of Enea SA for Commercial Affairs until a new Member of the Management Board for Commercial Affairs is nominated,
- 3) On 07.01.2016 the Company received the resignation of Wiesław Piosik from the position of a Member of Enea SA's Supervisory Board effective as of 07.01.2016. The resignation was filed in connection with the nomination of the above mentioned person into the composition of the Company's Management Board as of 07.01.2016,
- 4) On 15.01.2016 Extraordinary General Meeting of Enea SA recalled the following Members from the composition of the Supervisory Board: Sandra Malinowska, Radosław Winiarski and Tomasz Gołębiowski,
- 5) On 15.01.2016 Extraordinary General Meeting of Enea SA nominated 4 new Members of the Supervisory Board into the composition of the Supervisory Board, namely: Piotr Kossak - an independent member, Rafał Bargiel, Piotr Mirkowski and Roman Stryjski,
- 6) On 05.09.2016 the Company received the statement of the Minister of Energy of the same date on exercising by the Minister of Energy the right to appoint, pursuant to § 24 item 1 of the Company's Statute, a Member of the Supervisory Board of Enea SA, in the person of Paweł Skopiński.

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

1. Małgorzata Niezgoda - Chairwoman of the Supervisory Board,
2. Piotr Kossak \* - Vice-Chairman of the Supervisory Board,
3. Rafał Szymański - Secretary of the Supervisory Board,
4. Rafał Bargiel - Member of the Supervisory Board,
5. Piotr Mirkowski - Member of the Supervisory Board,
6. Roman Stryjski - Member of the Supervisory Board,
7. Paweł Skopiński - Member of the Supervisory Board,
8. Sławomir Brzeziński - Member of the Supervisory Board,
9. Wojciech Klimowicz - Member of the Supervisory Board,
10. Tadeusz Mikłosz - Member of the Supervisory Board.

\*Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.

### 3. Operations of the Supervisory Board of Enea SA

In 2016 the Supervisory Board of the 9<sup>th</sup> term held 13 meetings and adopted 72 Resolutions (including 4 Resolutions through electronic mail voting pursuant to § 6 item 6 of the Rules of the Supervisory Board of Enea SA).

The supervisory and control activities of the Supervisory Board in 2016 financial year related to, among others, the following issues:

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

In 2016 the Supervisory Board did not appoint any certified auditor.

(on 18.12.2014, the Supervisory Board appointed KPMG Audyt Sp. z o.o. Sp. k. as a certified auditor for Enea SA for 2015-2017).

#### 2) Approval the Company's long-term strategic plans:

On 29.09.2016 the Supervisory Board approved the document entitled "Enea Capital Group's Development Strategy until 2030". At the same time, the Supervisory Board decided that the document entitled: "Corporate Strategy of Enea Capital Group for 2014-2020. 2015 Update." approved on 27.08.2015 would expire.

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

In 2016 the Supervisory Board did not approve any strategic material and financial plans.

The Material and financial plan of Enea SA for 2017 and the Material and financial plan of Enea Capital Group for 2017 were approved by the Supervisory Board on 17.01.2017.

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

a) On 17.03.2016 the Supervisory Board issued a positive opinion on:

- Non-consolidated Financial Statements of Enea SA for the financial year ended on 31 December 2015,
- Report of the Management Board on the operations of Enea SA in 2015,
- Consolidated Financial Statements of Enea Capital Group for the financial year ended on 31 December 2015,
- Reports of the Management Board on the operations of Enea Capital Group in 2015,

b) On 17.03.2016 the Supervisory Board:

- issued a negative opinion on the motion of the Management Board concerning the coverage of the net loss of Enea SA for the period from 01.01.2015 to 31.12.2015 in the amount of PLN 1,116,888 thou. (say: one billion one hundred sixteen million eight hundred eighty eight thousand) out of the profit generated in next years,
- recommended to the General Meeting adoption of a resolution relating to the coverage of the net loss of Enea SA for the period from 01.01.2015 to 31.12.2015 in the amount of PLN 1,116,888 thou. (say: one billion one hundred sixteen million eight hundred eighty eight thousand) from the Company's supplementary capital.

c) On 12.05.2016 the Supervisory Board issued a positive opinion and recommended to the Ordinary General Meeting granting:

- the President of the Management Board, Krzysztof Zamasz, a discharge from liability for the performance of his duties for the period of 01.01.2015 to 07.12.2015,
- the Member of the Management Board, Paweł Orlof, a discharge from liability for the performance of his duties for the period of 01.01.2015 to 07.12.2015,
- the Member of the Management Board, Grzegorz Kinelski, a discharge from liability for the performance of his duties for the period of 01.01.2015 to 31.12.2015,
- the Member of the Management Board, Dalida Gepfert, a discharge from liability for the performance of her duties for the period of 01.01.2015 to 31.12.2015,
- the delegated to act as the President of the Management Board of the Company the Member of the Supervisory Board of Enea SA., Wiesław Piosik, a discharge from liability for the performance of her duties for the period of 07.12.2015 to 31.12.2015.

**5) Issuing guidelines to the Management Board regarding the Rules of the Company's Management Board and approving the Rules of the Management Board:**

In 2016 the Supervisory Board did not issue any guidelines to the Management Board regarding the Rules of the Management Board of Enea SA and did not consider any motions regarding approval of amendments to the Rules of the Management Board of Enea SA.

**6) Approval of the Company enterprise's organisational by-laws:**

On 14.04.2016 the Supervisory Board approved the amendments to the *Organisational Rules of Enea SA*.

**7) Granting approvals to the Management Board:**

In 2016 the Supervisory Board granted approvals to the Company's Management Board to conduct the following actions:

- a) conclusion of an agreement on cooperation within wholesale trading with performance agreements to the cooperation agreement between Enea SA and Enea Trading Sp. z o.o.,
- b) increasing the amount of additional payments for Enea Wytwarzanie Sp. z o.o.'s equity planned in the Material and Financial Plan of Enea SA for 2016,
- c) issuing a follow-up approval under Article 17 § 2 of the Commercial Companies Code for acquiring by Enea SA for up to 1,500,000 shares in Bank Ochrony Środowiska SA for PLN 10.00 each [the total transaction value up to PLN 15,000,000.00] as part of the subscription not less than one and not more than 40,000,000 ordinary bearer shares of U series of Bank Ochrony Środowiska SA (BOŚ) of the nominal value PLN 10 each as private subscription, under the condition of obtaining by BOŚ from the subscription of the amount not smaller than PLN 400,000,000.00,

- d) conclusion of an agreement on acquiring by Enea SA of 1,500,000 shares of U series in Bank Ochrony Środowiska SA for the issue price of PLN 10.00 each and payment for the total price for the taken up shares in the amount of PLN 15,000,000.00, pursuant to the Share Subscription Agreement and amendment of the condition of obtaining by Bank Ochrony Środowiska SA from the subscription of the amount not smaller than PLN 400,000,000.00, included in the resolution No. 48/IX/2016 of Enea SA's Supervisory Board dated 21.06.2016, through replacing it with the condition of obtaining by Bank Ochrony Środowiska SA within the subscription for U series shares of the amount not smaller than PLN 395,000,000.00,
- e) co-establishment by Enea SA of "Polish National Foundation" by Enea SA,
- f) drawing by Enea SA of a liability being working capital facilities in the total amount of PLN 450 mln,
- g) conclusion of a contract for a grant,
- h) submitting a Final Offer for the acquisition of 100% of shares in Engie Energia Polska SA and acquisition of 100% of shares in Engie Energia Polska SA,
- i) incorporation of ElectroMobility Poland as a joint stock company for conducting operations related to research and analysis on development, promotion and promoting electromobility in Poland,
- j) implementation of an investment relating to the engagement of Enea SA in the preparation, construction and operation of a new power unit with the capacity of ca. 1,000 MW in Ostrołęka and conclusion of an investment agreement between Enea SA, Energa SA and Elektrownia Ostrołęka SA, and also conclusion of share purchase agreements in Elektrownia Ostrołęka SA,
- k) submission by Enea SA of a Conditional Binding Offer in Merkury Project,
- l) conclusion by Enea SA of a cash donation contract in the amount of PLN 400,000.00 for the account of Enea Foundation,
- m) conclusion of an Annex No. 3 to the Shareholder Agreement concluded on 03.09.2014 between Enea SA, PGE Polska Grupa Energetyczna SA, KGHM Polska Miedź SA and Tauron Polska Energia SA.

**8) Granting approval to Members of the Management Board to sit in the governing bodies of other companies:**

In 2016 the Supervisory Board issued approvals to:

- a) the President of the Board of Enea SA - Mirosław Kowalik, to hold the position of a Member of the Supervisory Board of Lubelski Węgiel "Bogdanka" SA,
- b) the Member of the Management Board for of Enea SA for Corporate Affairs - Wiesław Piosik, to hold the position of a Member of the Supervisory Board of Lubelski Węgiel "Bogdanka" SA and Member of the Supervisory Board of Miejskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.,
- c) the Member of the Management Board of Enea SA for Financial Affairs - Mikołaj Franzkowiak to hold a position of a Member of the Supervisory Board of Enea Operator Sp. z o.o.,
- d) the Member of the Management Board of Enea SA for Commercial Affairs - Piotr Adamczak to hold a position of a Member of the Supervisory Board of Enea Wytwarzanie Sp. z o.o.

**Additionally, the Supervisory Board conducted the following activities:**

1. conducted the qualification procedures for the positions of: Member of the Management Board for Financial Affairs of Enea SA and Member of the Management Board for Commercial Affairs of Enea SA,
2. made a decision concerning the conclusion with Members of the Management Board of Enea SA of Service agreements - managerial contracts and Non-competition agreements and determining the principles of remunerating Members of the Management Board of Enea SA and determining the amount of remuneration,
3. elected the Vice-Chairman and Secretary of the Supervisory Board of Enea SA of the 9<sup>th</sup> term,
4. appointed members of the Audit Committee and Nominations and Remuneration Committee of Enea SA's Supervisory Board,

5. adopted a target scope and strategy of auditing the current operations of Enea Group and acquainted itself with the executive summary including a short description of the major findings of the audit,
6. confirmed the fulfilment of *Enea SA's Members of the Management Board KPIs for 2015 financial year*,
7. adopted the Report of the Supervisory Board of Enea SA for the financial year of 2015 and decided to submit it to the Ordinary General Meeting of Shareholders of the Company,
8. acquainted itself with the Report of the Audit Committee of Enea SA's Supervisory Board on operations in 2015 and H1 2016,
9. issued a positive opinion on the implementation of the promotion plan within sponsoring and CSR activities in Enea Group in 2015,
10. issued a positive opinion on the implementation of Enea Group's Promotion Plan for 2017,
11. approved the Annual Audit Plan for 2017 for Enea Group and Budget of the Audit Management Department for 2017.

**The Supervisory Board received and reviewed the following information from the Management Board, in particular on matters concerning:**

1. expenses for media advertising, sponsorship, cultural activities, social activity and charity operations in Enea Group during 2013-2015,
2. expenditures on PR consulting services and marketing services,
3. current operations of Enea Foundation,
4. assessment of the internal control system in Enea SA,
5. audit activities performed by Control and Audit Office within UPS development in Enea Wytwarzanie Sp. z o.o. after UPS area audit in 2014,
6. changes in the settlement model of management contracts in Enea Capital Group companies,
7. the process of longer-term contract renegotiation for the purchase of RES proprietary interests,
8. reorganisational programmes conducted in Enea Wytwarzanie Sp. z o.o., including the information on the current status of the project concerning the separation of the area relating to the repair operations,
9. current status of a checkdam construction on the Vistula River,
10. investment projects in particular in RES analysed by Enea Capital Group,
11. investment outlays made by Enea Operator Sp. z o.o.,
12. services for Enea Wytwarzanie Sp. z o.o. performed by companies in which Enea Wytwarzanie holds shares/interest,
13. detailed settlement of the legal audit of the current operations of Enea Capital Group,
14. the process of selling Szpital Uzdrowiskowy ENERGETYK Sp. z o.o.,
15. integration of Lubelski Węgiel "Bogdanka" SA under Enea Group,
16. cooperation of Enea CG companies with P.W. Biuro Serwis Sp. z o.o., in 2014 – 2016,
17. works conducted within drafting the document entitled: "Enea Capital Group's Development Strategy until 2030",
18. communication of the society relating to the scheduled change in the organisational structure of Human Resources Management Department,
19. purchase of business cars by Enea CG Companies in the period from January 2013 - to June 2016,
20. fringe benefits granted to Members of the Management Boards of Enea CG companies in the period from January 2013 - June 2016
21. legal service functioning in Enea Group,
22. duties of Members of the Supervisory Board as regards the confidentiality obligation,

23. law firms which received orders from Enea Capital Group companies in the period from January to July 2016 to conduct process cases with information within the scope of costs incurred by companies in relation to the conduct of the above mentioned cases,
24. Shared Service Centre operation.

**At its meetings, the Supervisory Board reviewed up-to-date information concerning:**

- economic and financial results of the Company and Enea Capital Group,
- realisation of the project entitled, "Construction of bituminous coal fired supercritical 1,075 MW<sub>e</sub> gross power unit" realised by Enea Wytwarzanie SA,
- personal composition of the bodies of Enea SA's subsidiaries.

The activities of the Supervisory Board of Enea SA were documented in the minutes of the meetings of the Board in 2016.

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

1. On 30.12.2015 the Supervisory Board of Enea SA adopted resolutions on recalling, as of 07.01.2016, the following people from the composition of the Management Board of Enea SA:
  - Dalida Gepfert - Member of the Management Board for Financial Affairs,
  - Grzegorz Kinelski - Member of the Management Board for Commercial Affairs,
2. On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding cancellation of the delegation as of 07.01.2016 of the Member of the Supervisory Board, Wiesław Piosik, to temporarily act as the President of the Management Board of Enea SA,
3. On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding nomination as of 07.01.2016 Mirosław Kowalik to the position of the President of the Management Board of Enea SA for the subsequent term which commenced on 07.01.2016,
4. On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding nomination as of 07.01.2016 Wiesław Piosik to the position of the Member of the Management Board for Corporate Affairs of Enea SA for the subsequent term which commenced on 07.01.2016,
5. On 30.12.2015 Enea SA's Supervisory Board adopted a resolution regarding delegation as of 07.01.2016 the Member of the Supervisory Board, Sławomir Brzeziński, to temporarily act as the Member of the Management Board of Enea SA for Commercial Affairs until a new Member of the Board for Commercial Affairs is nominated,
6. On 21.01.2016 the Supervisory Board of the Company adopted resolutions relating to the nomination as of 15.02.2016:
  - Piotr Adamczak to the position of the Member of the Management Board for Commercial Affairs,
  - Mikołaj Franzkowiak to the position of the Member of the Management Board for Financial Affairs,in the Management Board of Enea SA for the subsequent term, which commenced its operations on 07.01.2016.

#### **5. Committees of the Supervisory Board of Enea SA**

Activities of the Supervisory Board were supported by Committees acting as collective advisory and opinion-giving bodies of the Supervisory Board, appointed from among members of the Supervisory Board. In 2016, there were two permanent Committees of the Supervisory Board:

- Audit Committee,
- Nominations and Remuneration Committee.

#### **a) Audit Committee of the Supervisory Board of Enea SA**

From the beginning of 2016 the Audit Committee of the Supervisory Board of the Company of the 9<sup>th</sup> term operated in the following composition:

1. Radosław Winiarski - Chairman,
2. Małgorzata Niezgoda - Member,
3. Sławomir Brzeziński - Member,
4. Tomasz Gołębiowski\* - Member,
5. Wojciech Klimowicz - Member.

*\* Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.*

During 2016 the following changes were made to the composition of the Audit Committee:

- on 15.01.2016 Extraordinary General Meeting of Enea SA recalled Members of the Supervisory Board holding at the same time the positions of Members of the Audit Committee: Radosław Winiarski and Tomasz Gołębiowski,
- on 20.01.2016 the Supervisory Board nominated the following members of the Audit Committee: Piotr Kossak (member of the Supervisory Board fulfilling the independence criterion) and Roman Stryjski, nominated to the Supervisory Board with resolutions of Enea SA's Extraordinary General Meeting on 15.01.2016,
- on 27.10.2016 the Supervisory Board of the Company nominated another person, being Paweł Skopiński (nominated into the Supervisory Board of Enea SA on 05.09.2016 based on the Minister of Energy's declaration) into the composition of Audit Committee.

Taking into account the above mentioned changes, the composition of the Audit Committee as at the date of this Report was as follows:

1. Małgorzata Niezgoda - Chairwoman,
2. Sławomir Brzeziński - Member,
3. Wojciech Klimowicz - Member,
4. Piotr Kossak\* - Member,
5. Roman Stryjski - Member,
6. Paweł Skopiński - Member.

*\* Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.*

In 2016 the Audit Committee held 7 meetings and adopted 11 Resolutions regarding, e.g.

1. election of the Chairman of the Audit Committee of the Supervisory Board of Enea SA,
2. auditing the current operations of Enea SA,
3. positive assessment of the methods of auditing the Non-consolidated Financial Statements of Enea SA for the financial year ended on 31.12.2015 and Consolidated Financial Statements of Enea Capital Group for the financial year ended on 31.12.2015,
4. positive assessment of the methods of auditing the Condensed Semi-Annual Non-Consolidated Financial Statements of Enea SA for the period from 01.01.2016 to 30.06.2016 and Condensed Semi-Annual Consolidated Financial Statements of Enea Capital Group for the period from 01.01.2016 to 30.06.2016,
5. adoption of the Report No. 1/2016 on the performed audit of the internal control system assessment in Enea SA and its submission to the Supervisory Board,



6. adoption of the *Report of the Audit Committee of Enea SA's Supervisory Board on operations in 2015 and Report of the Audit Committee of Enea SA's Supervisory Board on operations in H1 2016 and their submission to the Supervisory Board*,
7. positive assessment of the Annual Audit Plan for 2017 for Enea Group and Budget of the Audit Management Department for 2017.

**The Audit Committee reviewed the information from the Management Board relating in particular to:**

1. the report on internal audit operations in Enea Group for 2015 and report on internal audit operations in Enea Group for H1 2016,
2. final report on the audit as regards the performance of connection contracts,
3. final report on risk management area in Enea Group,
4. final report on the audit as regards the procedure of changing the seller,
5. final report on the audit relating to the course of property sales on the Wolin Energy Station,
6. activities undertaken after the legal audit of the current operations of Enea Capital Group,
7. report on the audit in the area of fringe benefits of a member of the Management Board of one of Enea Capital Group companies,
8. report on the audit in the area of ordering legal service to external law firms in Enea Wytwarzanie and status of recommendation after the said audit,
9. final report of the audit of the project - construction of a 1,075 MW power unit,
10. report on the audit relating to the cooperation of Enea CG companies with P.W. Biuro Serwis in the period from January 2014 to May 2016,
11. report on the audit relating to the area of training activity management in Enea CG during 2013 – 2016,
12. report on the audit relating to the acquisition process in the RES area realised in Enea SA and Enea Wytwarzanie Sp. z o.o.

Additionally, in 2016 the Audit Committee held meetings with the representatives of the external auditor - KPMG Audyty Sp. z o.o., within which the methods were discussed of auditing Enea SA's and Enea Capital Group's financial statements for the financial year ended on 31.12.2015 and methods of reviewing Interim financial statements of Enea SA and Enea Capital Group for the period from 01.01.2016 to 30.06.2016.

**b) Nominations and Remuneration Committee of the Supervisory Board of Enea SA**

From the beginning of 2016 the Nominations and Remuneration Committee of the 9<sup>th</sup> term operated in the following composition:

1. Sandra Malinowska - Chairwoman of the Committee,
2. Rafał Szymański - Member of the Committee,
3. Tadeusz Mikłosz - Member of the Committee,
4. Tomasz Gołębiowski\* - Member of the Committee.

\* *Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.*

In 2016 the following changes were made to the composition of the Nominations and Remuneration Committee:

- on 15.01.2016 Extraordinary General Meeting of Enea SA recalled Members of the Supervisory Board holding at the same time the positions of Nominations and Remuneration Committee: Sandra Malinowska and Tomasz Gołębiowski,
- on 20.01.2016 the Supervisory Board additionally appointed the following persons into the composition of the Nominations and Remuneration Committee: Piotr Kossak (member of the Supervisory Board fulfilling the independence criterion), Rafał Bargiel and Piotr Mirkowski, nominated into the Supervisory Board with resolutions of Enea SA's Extraordinary General Meeting on 15.01.2016.

As of 31.12.2016 the Nominations and Remuneration Committee of the Company's Supervisory Board of the 9<sup>th</sup> term was composed of the following members:

1. Rafał Szymański - Chairman of the Committee,
2. Piotr Kossak\* - Member of the Committee,
3. Rafał Bargiel - Member of the Committee,
4. Tadeusz Mikłosz - Member of the Committee,
5. Piotr Mirkowski - Member of the Committee,

\* *Member of the Supervisory Board fulfilling the independence criterion referred to in § 22 item 7 of the Company's Statute.*

In 2016 the the Nominations and Remuneration Committee held 8 meetings and adopted 17 Resolutions. The subject matter of the meetings of the Committee was mainly drafting a recommendation for the Supervisory Board regarding:

- conclusion with Members of the Management Board of service agreements - managerial contracts and non-competition agreements, determination of the remuneration policy and amount of remuneration for Members of the Management Board,
- confirmation of the realisation of Enea SA's Members of the Management Board KPI ratios for 2015 financial year,
- granting consent to the Members of Enea SA's Management Board to hold the position of a Member of the Supervisory Board in Enea Group Companies.

Additionally, the Nominations and Remuneration Committee:

- elected the Chairman of the Nominations and Remuneration Committee of Enea SA's Supervisory Board,
- reviewed the information on the change in the model of management contract settlements concluded with Enea SA and in Enea Capital Group companies,
- recommended a catalogue of general management goals determining the level of supplementary remuneration for members of the Management Board to the Supervisory Board,
- conducted a discussion relating to the determination of remunerations for Members of the Management Board of Enea SA.

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

In the opinion of the Supervisory Board, in 2016 the Company's Supervisory Board fulfilled its statutory obligations concerning permanent supervision over the activity of the Company and the Capital Group in all business aspects in a reliable and efficient way. Members of the Supervisory Board included persons with different expertise and experience, with one Member fulfilling the independence criteria as determined pursuant to the "Best Practices of WSE Listed Companies".

The scope and mode of operation as well as the composition of the Supervisory Board complied with the Commercial Companies Code, the Company's Statute and the Rules of the Supervisory Board.

The scope of issues analysed by the Supervisory Board in 2016 was very broad, with a special focus put on the financial results generated by the Company and by the Capital Group as well as on implementation of the major investment projects.

In view of the foregoing, the Supervisory Board requests that the Company's General Meeting discharge its Members from the fulfilment of their duties in 2016.

**7. Information relating to the assessment of “Non-consolidated financial statements of Enea SA for the financial year ended on 31 December 2016”, “Consolidated financial statements of Enea Capital Group for the financial year ended on 31 December 2016”, “Management Board's report on operations of Enea SA in 2016”, “Management Board's report on operations of Enea Capital Group in 2016”, and the motion of the Board regarding the proposal of distribution of net profit for the period from 01.01.2016 to 31.12.2016.**

Acting pursuant to Article 382 § 3 of the Commercial Companies Code, the Supervisory Board made an assessment of statements and reports referred to in Article 395 § 2 item 1 and § 5, i.e.:

1. Report of the Management Board on the operations of Enea SA and Enea Capital Group in 2016,
2. Non-consolidated financial statements of Enea SA for the financial year ending on 31 December 2016 covering the documents audited by the certified auditor:
  - non-consolidated statement of financial position as at 31 December 2016 showing a balance sheet amount of assets and liabilities equal to PLN 18,217,925 thou. (eighteen billion two hundred seventeen million and nine hundred eighty twenty five thousand Zloty),
  - non-consolidated profit and loss statement and other comprehensive income for the period from 1 January 2016 to 31 December 2016 closing with a net profit in the amount of PLN 620,243 thou. (six hundred twenty million two hundred forty three thousand Zloty) and with the comprehensive income totalling to PLN 652,474 thou. (six hundred fifty two million four hundred seventy four Zloty),
  - non-consolidated statement of changes in equity demonstrating an increase in equity as at 31 December 2016 by PLN 652,474 thou. (six hundred fifty two million four hundred seventy four Zloty),
  - non-consolidated cash flow statement demonstrating an increase in cash by PLN 217,190 thou. (two hundred seventeen million and one hundred ninety thousand Zloty),
  - notes to the non-consolidated financial statements covering a description of key applied rules of accounting and other explanatory notes,
3. Consolidated financial statements of Enea Capital Group for the financial year ended on 31 December 2016 covering the documents audited by the certified auditor:
  - consolidated statement of financial position as at 31 December 2016 demonstrating a balance sheet amount of assets and liabilities totalling to PLN 24,536,519 thou. (twenty four billion five hundred thirty six million five hundred nineteen thousand Zloty),
  - consolidated profit and loss statement and other comprehensive income for the period from 01.01.2016 to 31.12.2016 showing a net profit in the amount of PLN 848,913 thou. (eight hundred forty eight million nine hundred thirteen thousand Zloty) with the comprehensive income totalling to PLN 886,327 thou. (eight hundred eighty six million three hundred twenty seven thousand Zloty),
  - consolidated statement of changes in equity for the financial year from 01.01.2016 to 31.12.2016 demonstrating an increase in equity by PLN 889,126 thou. (eight hundred eighty nine million one hundred twenty six thousand Zloty),

- consolidated cash flow statement showing an increase in cash by PLN 518,123 thou. (five hundred eighteen million and one hundred twenty three thousand Zloty),
- notes to consolidated financial statement covering a description of key applied rules of accounting and other explanatory notes.

After having read the Opinion and Report on the audit conducted by the certified auditor, KPMG Audyt Sp. z o.o. Sp. k., and after a thorough examination of the aforementioned documents, the Supervisory Board concluded that the Non-consolidated financial statements of Enea SA for the financial year ended on 31 December 2016, Report of the Management Board on operations of Enea SA and Enea Capital Group in 2016 and consolidated financial statements of Enea SA and Enea Capital Group for the financial year ended on 31 December 2016 are in conformity with the books of account and accounting records and documents and that they truly reflect the actual situation. The Supervisory Board recommended to the Ordinary General Meeting of Shareholders of Enea SA consideration and approval thereof.

The Supervisory Board issued a positive opinion on the motion of the Management Board relating to the distribution of net profit for the period from 1 January 2016 to 31 December 2016 in the amount of PLN 620,243 thou. in the following way:

- distribution of dividend to shareholders - PLN 110,360,644.50 at around 17.8% of net profit,
- increase of reserve capitals allocated to investment financing – PLN 509,882,355.50.

## **8. Evaluation of the Company's situation including assessment of the internal control system and the risk management system, the compliance and internal audit function.**

Enea SA generated a positive net financial result in 2016 which totalled to PLN 620,243 thou. and was higher than the result generated in the previous year by PLN 1,737,131 thou. The main reason for such a deviation was incurring the net loss in 2015, resulting from a write-down due to a decrease in the value of shares in Enea Wytwarzanie Sp. z o.o. for the amount of PLN 2,089,754 thou. The net profitability ratio in 2016 was 11.4% (in 2015: -20.6%), and return on equity was 5.7% (in 2015: -10.9%).

In 2016 the total sale of energy to retail users amounted to 16.7 TWh. The number of end customers as at 31 December 2016 was approximately 2.4 million and it is on a level comparable to previous years.

In 2016 Enea SA had the financial resources ensuring support for all ongoing expenses associated to the Company's operations. The balance of available funds allowed the flexible implementation of current liabilities.

The activities conducted by the Company in 2016 are reflected in the most important investment projects and initiatives conducted in particular areas, in which the Company operates:

### **Area of Mining:**

- obtaining new licences:
  - acquisition of the right to use the geological information of „Ostrów” deposit,
  - completion of drilling works by research holes of „Ostrów” area,
- maintaining the machinery and equipment - acquisition and assembly of machinery and equipment, e.g. modernisation of container weighs, roadheading machines, Bevox suspended machines and periodic repairs of cars, purchase of ventilation fans and conveyor belt sets,
- other development and replacement investments:
  - execution of 23.8 km of new excavations,
  - central air conditioning of Bogdanka field - completion of the construction of the installation and all the objects of the central air conditioning of Bogdanka field,
  - extension of the mining waste neutralisation facility in Bogdanka - obtaining the permit and plot purchase,

- completion of the power grids extension and modernisation of elements of 110/6 kV objects and stations - 110/6 kV transformer/switching station in Bogdanka, Stefanów and Nadrybie,
- continuation of the power grids extension and modernisation of elements of the switching station and 110/6 station in Nadrybie.

**Area of Generation:**

- continuation of the construction of a supercritical bituminous coal fired 1,075 MW<sub>e</sub> power unit,
- 14.1 MW Baczyna wind farm commissioning,
- obtaining the operating permit and commissioning of the installation of the catalytic denitrogenation of flue gases (SCR) for unit No. 1,
- continuation of the SCR installation for units No. 4-8,
- commencement of the modernisation of cooling water intake - temporary stabilising checkdam on the Vistula River,
- commencement of the SCR installation and modernisation of electrostatic precipitators for units No. 9 and 10 as part of the 2 x 500 MW units modernisation programme,
- construction of industrial waste and rainwater treatment,
- continuation of the construction of flue gas desulphurisation plant on K7 and K8 boilers.

**Area of Distribution:**

- completion of the realisation of a range of investments on medium and high voltage related to the extension, automation and modernisation of the unit and power grids:
  - construction of: GPZ Śmiłowo (switching station) with HV feeding lines,
  - reconstruction of: GPZ Załom, GPZ Tanowska, GPZ Niemierzyn, GPZ Pniewy, GPZ Stargard Wschód and GPZ Chojnice Kościerska,
  - construction of Łobez - Resko HV overhead line, construction of Świnoujście - Warszów HV cable line and construction of Bema - Nadolnik HV cable line,
  - reconstruction of HV overhead lines: Miłosław - Środa, Szamotuły - Wronki, Żnin - Pakość, Stęszew - Kościan, Pniewy - Sieraków, Budziechów - Zakładowa Żary, Kluczewo - Pyrzyce - Barlinek - Mostkowo, Skwierzyna - Międzyrzecz, Jasiniec - Bydgoszcz Wschód,
- improvement of the connection processes and reduction of the negative impact on the environment of the used power equipment,
- development of information tools supporting the grid management.

**Area of Trade:**

**1. Wholesale:**

- development and implementation of the methodology and a tool for construing futures curves for natural gas on the Polish market,
- development of the methods of assessing and estimating the risk of electricity price increases and decreases during the offer-making period and securing the offer on the wholesale market assigning the estimated likelihood of price changes,
- development and implementation of a model of long-term price paths for products listed on wholesale markets,

- completion of the process of hedging electricity market, proprietary interests and CO<sub>2</sub> emission allowances for the needs of wholesale portfolios of Enea CG companies with the concurrent achievement of a positive (in relation to the market benchmark) financial result on the level of PLN 14.7 million,
- adaptation of biomass supply agreements to the amended RES act,
- contractation of fuel supplies for the planned electricity generation in 2017 taking into account the open position resulting from the demand for unit No. 11.

## **2. Retail Trade:**

- launching the Customer Loyalty Programme (Purchase Zone),
- introduction of new products into the product range for households, e.g. ENERGY+ Photovoltaics and ENERGY+ Professional,
- widening of the gas product range and implementation of new products for business Customers: ENERGY+ Index and ENERGY+ Professional,
- conduct of advertising campaigns and periodic promotional campaigns targeted at household and C segments communicating the offer,
- Customer service quality and satisfaction survey,

## **3. Customer Service:**

- completion of a migration process of Customer data to the central billing system - CCSS-T, CCSS-D,
- launching an Electronic Customer Service Centre for all Customers,
- termination of the proceeding for the selection of a mass printout provider (reducing print costs),
- opening a modernised monumental office building with a Customer Service Centre in the centre of Szczecin,
- modernisation of customer service centres according to Enea CG's Brand Identity Book in Inowrocław, Nowa Sól, Piła, Stargard, Szmotuły and Zielona Góra,
- launching new sub-services for all Enea CG Companies on Enea Group's on-line service,
- completion of the purchase process of a new multichannel contact centre platform.

Additionally, the significant activities realised in 2016 supporting Enea Capital Group's Strategy include e.g.:

- drafting a new Enea Capital Group's Development Strategy until 2030,
- execution by the National Centre for Nuclear Research, Warsaw University of Technology, Enea SA, Energa SA, PGE Polska Grupa Energetyczna SA and Tauron Polska Energia SA of a letter of intent relating to the joint actions towards the development, promotion and dissemination of electromobility in Poland and development of the industry connected with this area,
- incorporation by PGE Polska Grupa Energetyczna SA, Energa SA, Enea SA and Tauron Polska Energia SA of ElectroMobility Poland SA,
- submission by Enea SA, PGE Polska Grupa Energetyczna SA, Energa SA and PGNiG Termika SA of an initial, non-binding offer for the purchase of shares in companies owned by EDF in Poland,
- signing by Enea SA, Węglkokoks SA and Towarzystwo Finansowe Silesia Sp. z o.o. of a letter of intent expressing a preliminary interest in the financial engagement in Katowicki Holding Węglowy SA or KHW's assets,
- signing by Enea SA, Energa SA and Elektrownia Ostrołęka SA of an investment agreement relating to the implementation of the project being the preparation, construction and operation of a power unit fired with bituminous coal with 1,000 MW capacity in Ostrołęka (Ostrołęka C),

- signing by Enea SA and ENGIE International Holdings B.V. of a conditional agreement on the purchase of 100% shares in ENGIE Energia Polska, the owner of Polaniec Power Plant,
- extension by the President of ERO for Enea Operator Sp. z o.o. of the expiry date for the licence to distribute electricity until 1 July 2030,
- signing by Enea Wytwarzanie Sp. z o.o. and Mitsubishi Hitachi Power Systems Europe consortium and Polimex-Mostostal SA of a deadline amending annex to the agreement on the construction of 1,000 MW power unit in Kozienice Power Plant, prolonging the date of completing the investment until 19 December 2017.

In the opinion of the Supervisory Board, activities undertaken at Enea SA in 2016 contributed to the strengthening of the internal control and risk management systems.

Compliant with the best market practices in Enea SA the internal control system was assessed. The major objective of the aforesaid evaluation was to review the internal control system at the Company level using the COSO I methodology and based on the generally applicable internal control and risk management standards.

In the Supervisory Board's opinion, the Company implemented mechanisms which represent the best practices in the internal control area.

**In the area of *internal control environment* it is worth mentioning the following activities undertaken in order to implement the following in EG Companies, including in Enea SA: System of Periodic Personnel Rating, implemented as part of "EG HR Policy" Project:**

1. As at 31.12.16 the System of Periodic Personnel Rating in Enea SA is designed, the implementation stage is in progress on the "production environment".
2. Operating changes by the implementation of "Enea CG HR Policy", are being implemented on a continuous basis and as needed, e.g. modification of a business concept for SOOP in December 2016, changes in the composition of the Project team, etc.
3. The Periodic Personnel Rating System implementation schedule is realised on a timely basis:
  - a. Delivery an IT tool supporting the personnel rating process by its Contractor and tests of the tool by HR Team, should end until 30.03.17.
  - b. Another stage will be trainings for employees and a "trial" personnel rating, which should commence in Q2 2017.
  - c. It is anticipated that the full personnel rating cycle on the "production environment" will be conducted in 2018.
4. As part of the Business concept for the System of Periodic Personnel Rating the responsibility was defined for particular process participants (i.e. employee, supervisor, senior supervisor, HR Business Partner, Administrator).
5. SAP control mechanisms were also designed which enable e.g.: rating deadline monitoring automation, servicing individual situations (e.g. employee position change, change of a supervisor), reporting / analysis of personnel rating results.
6. In relation to the monitoring / reporting the value of expenses incurred on the implementation of the project entitled "Enea CG HR Policy" actions will be undertaken in order to improve the control mechanisms.

**In the area of *risk identification and assessment*, attention was paid, among others, to the following issues:**

1. Continuation in 2016 of the works connected to the ERM Process optimisation in Enea Group, including Enea SA. The undertaken actions were related mainly to the update of the internal regulations and modification of the reporting method as regards corporate risks. The above allowed for making the procedure as part of the specific stages of the ERM process more detailed in order to standardise the works among the process participants (an at the same time for performance of internal auditors' orders issued in 2015).
2. Development of a consolidated map of corporate risks.

3. Modification in accordance with the instructions of Enea Group Risk Committee of April 2016 of the reporting model as regards Key Risks in Enea Group, including in Enea SA the Report from the area of managing corporate risk was narrowed to the key information, requiring the acknowledgement or making a decision by the Risk Committee of Enea Group. Such information includes:

- occurrence of significant deviations on the realisation of risk handling plan implementation as specified in the Risk Charter (schedule / budget),
- considerable increase in the probability of materialisation or potential result of the risk materialisation,
- exceeding the acceptable and/or tolerable level of KRI indices specified in the Risk Charter,
- occurrence of significant incidents or materialisation of risks included in the List of Key Risks.

In 2016 a total of 13 aforementioned events were reported.

4. Monitoring Key Risks in 2016 in Enea SA realised based on the rules specified in the ERM Procedure and in ERM Methodology.

5. Undertaking works in order to implement an IT tool supporting the corporate risk management process: tender procedure was conducted, the Contractor was selected, i.e. PBSG Sp. z o.o., the business concept was determined. The implementation of the IT tool on the "production environment" is scheduled for 2017.

6. Lowering within the credit risk management the Significance Threshold qualifying customers to be covered with individual credit risk rating: from 15 to 10 GWh of the offer volume, and also introduction to the electricity and gas sale process of a control mechanism allowing for the identification of potential clients from the range of 1 to 10 GWh being debtors in the KRD (Debtor National Register) base who should be each time also subject to an individual credit risk assessment.

Further actions within this scope are planned for 2017 with the aim of tightening the process also in relation to Enea debtors (revealed in CCSS-T), and also relating to the monitoring of securities and inclusion under the automatic control mechanism of next groups of debtors.

7. Undertaking works over the implementation of an IT tool supporting the credit risk management process: tender procedure was conducted, the Contractor was selected, i.e.: Deloitte Advisory Sp. z o.o. and the business concept was determined. The implementation of the IT tool on the "production environment" is scheduled for H2 2017.

**As far as control mechanisms are concerned, attention was paid, among others, to the following issues:**

1. Designing control mechanisms serving the realisation of tests of the Business Continuity Plan in Enea Group companies, including Enea SA.
2. Implementation of significant control mechanisms, i.e. the schedule for implementing the recommendation from BCM tests commenced at the end of 2016.
3. Ongoing update of "Business Continuity Management Policy in Enea Group", "Business Continuity Management Methods in Enea Group" and Enea SA's Business Continuity Plan - with a reservation relating to the update of the Emergency Procedures of Emergency Teams. The activities commenced at the end of 2016 in order to guarantee a cyclical / quarterly review of the said documentation must be continued.
4. Formal defining of the liability for the realisation of tasks within the area of testing the Business Continuity Plan - detailed division of tasks included in the "Business Continuity Management Methods in Enea Group", approved in December 2016 and coming into force as of January 2017.
5. Identification of weaknesses in the internal control system may have an impact on an efficient flow of information among the participants of the BCM testing process in the Company. They will be eliminated in order to improve the tested area in the future.
6. Introduction into the electricity and gas sales process of automatic control mechanisms allowing for the identification of potential clients from the range of 1 to 10 GWh being debtors in the KRD (Debtor National Register) base who should be each time also subject to an individual credit risk assessment.



7. Designing and application of control mechanisms serving the Compliance system implementation.
8. „Compliance Policy” update. The internal regulations related to the Policy should be updated, mainly as regards the adaptation to the current structure.
9. Formal definition of the liability for the realisation and supervision over the Compliance Policy in Enea SA. The question of defining the liability for the implementation of the process of updating the normative acts in the Company as a result of changes in the commonly binding regulations must be ordered. The liability for the coordination / supervision over the implementation of the Compliance System in the other Enea Group Companies must be also specified.

**In the area of *information and communication*, attention was drawn to, among others:**

1. Designing and application of control mechanisms serving the realisation of stock exchange related disclosure requirements of Enea SA as regards the Confidential Information reporting.
2. „Enea SA’s Disclosure Requirements Charter” update.
3. Formal defining of the liability for the implementation of specific tasks in the process of Confidential Information reporting.
4. The need to order the issues of appointing Coordinators by Enea Group Companies’ Management Boards to cooperate with the Investor Relations Office in Enea SA.

**As far as the last element of the COSO I model is concerned, i.e. monitoring and supervision, the following has been identified:**

1. Operation of the Audit Committee of the Supervisory Board and co-operation with the internal audit function.
2. Audit activities based on the approved audit plan for 2016.
3. Inclusion of the internal audit function in the organisational structure (functional reporting to the Audit Committee of the Supervisory Board), regular meetings with the Control and Audit Office and the Management Board and the Audit Committee.
4. Development of the Principles for information flow within Internal Controls in Enea Group, which describe the procedure in the case of control conducted by the parent in the Companies and constitute the Derivative Act of Enea Group according to Article 26 item 3 of Enea Group Code.

In the opinion of the Supervisory Board, the operation of the Audit Committee is an important element of the internal control system which was responsible, among others, for monitoring of the financial reporting process and of the efficiency of the internal control systems, internal audit and the risk management.

In the reporting period, the Audit Committee, in particular:

- held regular meetings with the external auditor and the Management Board, during which the following issues were discussed: annual and interim financial statements, consistency of the accounting policy followed by the Capital Group and its conformity with the International Financial Reporting Standards,
- held regular meetings with the internal auditor, during which decisions and recommendations made by the internal audit functions were discussed and the response of the Company’s Management Board to those recommendations was monitored,
- participated in the process of developing the annual audit plan,
- issued opinions on the annual audit plan and internal audit budget plan and submitted the said documents for the Supervisory Board’s approval.

In the Supervisory Board’s opinion, the internal audit function, performed by the Audit Management Department is an important element of the internal control system.

Internal audit at Enea SA was functionally reported to the Audit Committee, reporting the audit results concurrently to the Management Board and Audit Committee. In order to ensure the adequate level of

independence of the audit function, the Supervisory Board approved of the annual audit plan, the annual budget of the audit unit and – if necessary – issued an opinion on electing, appointing or recalling the head of the internal audit office. In relation to the decision made in Q4 2015 by the Management Board of Enea SA on widening of Enea Capital Group with Lubelski Węgiel “Bogdanka” SA (LWB) it is necessary to incorporate this Company to the Audit Management Department.

**As far as risk management is concerned, the Supervisory Board issued a positive opinion on the scope of conducted works, including in particular:**

- updating the set of documents regulating the area of managing corporate risk, currency risk and interest rate risk, credit risk, liquidity, commodity risk, and also the Business Continuity Management Policy including the methodology.
- further informatisation of the risk management area (selection and determination of IT tools business concept supporting the process of credit and corporate risk management),
- approval of mitigation strategies for particular key risks along with meters for monitoring changes in exposures to risks,
- monitoring and cyclical reporting as regards corporate risks, in particular as regards the status of mitigation implementation and levels of meters for monitoring the changes in the exposure to risks,
- cyclical reporting within financial risks - leading monitoring of financial meters and limits for exposure to risks and making business decisions based on them,
- further extension of the credit-scoring scope of Enea’s largest contractors (including debtors) allowing for:
  - reduction of credit risk, i.e. probability of the Group incurring financial losses due to counterparties’ failure to fulfil contractual obligations,
  - maintaining the improved consolidated overdue receivables ratio - 18.70% in 2015 and 19.19% in 2016 vs 29.53% in 2014,
- approval of the currency risk management strategy for 2016 in Enea Group and currency risk management strategy relating to: management of the CO<sub>2</sub> emission allowances portfolio and purchase of biomass fuel,
- conducting the BCM planning process in Enea Group (BIA analysis, analysis of the risk of lack of availability of resources indispensable for critical processes, development and approval of Business Continuity Plans in Enea SA, Enea Operator and Enea Trading),
- updating the insurance policy and joining Enea Group Companies to Towarzystwo Ubezpieczeń Wzajemnych Polskiego Zakładu Ubezpieczeń Wzajemnych.

The risk management model implemented in Enea CG assumes a comprehensive coverage of the issue of risk management, specifying detailed rules of identification and assessment of risks, monitoring exposures to risks and preparation and monitoring of plans of procedure with risks key for the Company. Adopted rules are set based on the highest managerial standards and are compliant with best market practices being in force within this area.

In the course of auditing the internal control system, within the corporate risk and business continuity management, the Company identified areas where the existing internal control mechanisms can be further improved.

**The following activities were undertaken in the compliance area:**

Enea SA in 2016 continued the earlier commenced process of developing and implementing *Enea Group’s Compliance Policy* (Compliance Policy). As a public company, Enea SA takes due care for the transparency and clarity of its operations and promoting positive ethical patterns. Taking into account the expectations of its shareholders, and having in mind the needs of the business environment, the company constantly improves the area of a no compliance risk which is a considerable element of a responsible management.

The supreme object of *Enea Group's Compliance Policy*, which took effect as of 1 January 2016, is to achieve and maintain such an organisational level to ensure the maximum degree of elimination of prospective threats that occur in the organisation as a result of failure to adapt the operations to the legal regulations and standards in force.

The Compliance Policy covers all the employees and its scope includes e.g. promoting ethical behaviours, making Enea Group Employees aware of the requirements resulting from the legal regulations and internal by-laws, and also ensuring that the potential conflict or existing conflict of interests will be identified on the possibly earliest stage. Additionally, in the Compliance Policy the standards were defined of the ethical procedure in relations with customers and business partners of the Company.

A significant element building the Compliance Policy is also the implemented earlier Codes of Conduct and Values of Enea Capital Group which constitute a set of formal principles which are important at work and which propagate observance of an ethical conduct and also set patterns of conduct for employees of Enea Group.

A Commission for Enea Capital Group's Code of Conduct was also appointed in the Group which controls the observance of ethical values. The Commission's duties include considering any matters mentioned in the Company's normative acts which relate to ethical issues reported both by employees and contractors.

In 2016, in order to promote the knowledge of the Compliance Policy and also regulations as regards accepting and giving gifts, a programme of obligatory e-learning trainings was launched for the Group's employees. The above was to raise the knowledge and awareness of employees relating to a risk of no compliance and as regards the observance of professional ethics. Each new employee is also covered with the range of these trainings.

The Company's Supervisory Board, assessing the efficiency of tools applied from within this scope, issues a positive opinion on the operations relating to the implementation of comprehensive solutions as regards strengthening of the system of internal control and compliance, paying attention to the fact that their implementation is part of the principles fulfilled by the Company and included in the amended set. "Best Practices of WSE Listed Companies 2016" adopted by the Board of the Warsaw Stock Exchange.

## **9. Evaluation of compliance by the Company with disclosure requirements regarding the application of the corporate governance principles determined pursuant to the Stock Exchange Regulations and legal provisions concerning current and periodic information provided by securities issuers.**

In consideration of the requirement set out in Rule II.Z.10.3 of the "Best Practices of WSE listed Companies 2016" pursuant to which in addition to activities required under the law the Supervisory Board is obligated to draw up and submit to the General Meeting of Shareholders once a year an assessment of the fulfilment by the company of disclosure requirements regarding the application of the corporate governance principles determined in the Stock Exchange Regulations and of the legal provisions concerning current and periodic information published by issuers of securities, the Supervisory Board made an analysis of fulfilment by Enea SA in 2016 (until the date of approval of this Report) of:

- disclosure requirements to the extent of publication of current reports regarding the incidents of violation or waiver of individual corporate governance principles in the Electronic Information Database,
- disclosure requirements within the publication of a statement of compliance with corporate governance within the frame of the annual Management Board report on the Company's operations,
- disclosure requirements within publication of certain information on the corporate website of Enea SA,

Within the frame of the conducted analysis the following documents, information and circumstances were taken into account:

- current report No. 1/2016 dated 2 March 2016 on the scope of application of the "Best Practices of WSE Listed Companies 2016",

- annual reports for 2015 published in 2016 including a statement of compliance with corporate governance principles laid down in the “Best Practices of WSE Listed Companies 2016” as part of the Management Board reports,
- draft annual reports for 2016 including a statement of compliance with corporate governance principles laid down in the “Best Practices of WSE Listed Companies 2016” as part of the Management Board reports,
- information pertaining to corporate governance published on the corporate website of Enea SA,
- the actual status of compliance with the Best Practices of WSE Listed Companies by Enea SA,

After having reviewed the aforementioned documents and information, the Supervisory Board confirmed that the Company had complied with all recommendations and rules, except those mentioned below:

- recommendations IV.R.2., VI.R.1., VI.R.2., VI.R.3., detailed rules II.Z.3., II.Z.5, II.Z.7, II.Z.8, IV.Z.2., V.Z.5 from the set of rules “Best Practices of WSE Listed Companies 2016” in force as of 1 January 2016.

Following a thorough analysis, the Supervisory Board confirmed that information provided in fulfilment of the disclosure requirements regarding compliance with the corporate governance rules reflects the actual status of application of the Best Practices of WSE Listed Companies by Enea SA.

In view of the foregoing, the Supervisory Board of Enea SA issued a positive opinion on the fulfilment by the Company of the disclosure requirements regarding compliance with the corporate governance rules, as determined in the Stock Exchange Regulations and with provisions pertaining to current and periodic information published by issuers of securities. The Supervisory Board shares the Company’s opinion that in line with the adequacy principle, currently there is no justification for complying by the Company with some of the recommendations and detailed rules of BPLC which the Company renounced.

## **10. Evaluation of the expediency of the sponsorship and charity activities carried out by the Company.**

The Supervisory Board monitors the implementation of sponsorship activities in conformity with the “Rules for conducting sponsorship activities in Enea Group” in force at the Company and on the basis of the “Best Practices within sponsorship activities of companies with the State Treasury shareholding” published on 15 June 2016. Consequently, the Supervisory Board issues opinions on the annual sponsorship activity plans and reports on implementation of those activities.

As far as charity activity is concerned, the Supervisory Board is provided with periodic information on the activity of the Enea Foundation as well as it approves grants awarded to Enea Foundation by Enea SA.

## **11. Comments of the Supervisory Board concerning co-operation with the Management Board.**

After having evaluated the work of each of the Management Board Members of Enea SA holding functions in the Management Board of the Company in 2016, the Supervisory Board recommends that the Ordinary General Meeting of Shareholders should discharge the following persons from liability for the performance of their duties in the financial year 2016:

- Mrs. Dalida Gepfert,
- Mr. Grzegorz Kinelski,
- Mr. Wiesław Piosik,
- Mr. Mirosław Kowalik,
- Mr. Sławomir Brzeziński (Member of the Supervisory Board in Enea SA delegated to perform the duties of the Member of the Management Board for Commercial Affairs),
- Mr. Piotr Adamczak,
- Mr. Mikołaj Franzkowiak.

**Signatures of Members of the Supervisory Board of Enea SA:**

Małgorzata Niezgoda - Chairwoman of the Supervisory Board \_\_\_\_\_

Piotr Kossak - Vice-Chairman of the Supervisory Board \_\_\_\_\_

Rafał Szymański - Secretary of the Supervisory Board \_\_\_\_\_

Rafał Bargiel - Member of the Supervisory Board \_\_\_\_\_

Sławomir Brzeziński - Member of the Supervisory Board \_\_\_\_\_

Wojciech Klimowicz - Member of the Supervisory Board \_\_\_\_\_

Tadeusz Mikłosz - Member of the Supervisory Board \_\_\_\_\_

Piotr Mirkowski - Member of the Supervisory Board \_\_\_\_\_

Roman Stryjski - Member of the Supervisory Board \_\_\_\_\_

Paweł Skopiński - Member of the Supervisory Board \_\_\_\_\_

Poznań, dated 20.04.2017