

**REPORT**

**ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF**

**CIECH S.A.**

*for financial year 2020*

Warsaw, April 2021

The Supervisory Board of CIECH S.A. herewith submits its report on its activities in financial year 2020 containing, among others, report on the results of the evaluation referred to in article 382 § 3 of the Code of Commercial Companies, i.e. on the evaluation of: Separate Financial Statements of CIECH S.A. for 2020, Consolidated Financial Statements of CIECH Group for 2020, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2020, together with the Non-Financial Report for 2020, and the Management Board's proposal regarding distribution of net profit for 2020.

The scope of this report includes:

1. Information on changes in the composition of the Supervisory Board of CIECH S.A. in 2020.
2. Discussion of the activities of the Supervisory Board of CIECH S.A. in the period from 1 January 2020 to 31 December 2020, including information on the issues discussed at the Supervisory Board's meetings.
3. Information on the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2020.
4. Information on the activities of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2020.
5. Assessment of the Separate Financial Statements of CIECH S.A. for the financial year 2020 and the Consolidated Financial Statements of CIECH Group for the financial year 2020 in terms of compliance with the accounting books and documents, as well as the actual state of affairs.
6. Evaluation of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2020 in terms of compliance with the accounting books and documents, as well as the actual state of affairs, and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit of CIECH S.A. for the financial year 2020.
7. Assessment of the situation of CIECH S.A. in 2020, including the assessment of the internal control system and the system to manage any risk which is significant for the company.
8. Recommendations to the Annual General Meeting of CIECH S.A.

## **1. INFORMATION ON CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2020**

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As at 1 January 2020, the composition of the Supervisory Board of CIECH S.A. was as follows:

1. Sebastian Kulczyk - Chairperson of the Supervisory Board,
2. Tomasz Mikołajczak - Deputy Chairperson of the Supervisory,
3. Piotr Augustyniak,
4. Marek Kośnik,
5. Mariusz Nowak,
6. Artur Olech.

Due to the resignation of Mr. Mariusz Nowak as of 22 January 2020 from his membership in the Supervisory Board of CIECH S.A., on 23 January 2020 the Extraordinary General Meeting of CIECH S.A. appointed Mr Łukasz Rędziniak as a member of the Supervisory Board of CIECH S.A.

On 20 May 2020, Mr Tomasz Mikołajczak, previously Deputy Chairperson of the Supervisory Board, tendered his resignation, and on 21 May 2020, the Annual General Meeting of CIECH S.A. appointed Mr Martin Laudenbach as a member of the Supervisory Board of CIECH S.A.

On 16 July 2020, the Supervisory Board elected Mr Marek Kośnik as the Deputy Chairperson of the Supervisory Board.

As at 31 December 2020, the Supervisory Board exercised its functions in the following composition:

1. Sebastian Kulczyk - Chairperson of the Supervisory Board,
2. Marek Kośnik - Deputy Chairperson of the Supervisory,
3. Łukasz Rędziniak,
4. Martin Laudenbach,
5. Piotr Augustyniak,
6. Artur Olech.

In 2020, two committees operated as part of the Supervisory Board of CIECH S.A., i.e.:

- 1) the Audit Committee of the Supervisory Board of CIECH S.A., and
- 2) the Remuneration Committee of the Supervisory Board of CIECH S.A.

Information on the activities of the aforementioned committees is presented in the subsequent parts of this Report.

## **2. DISCUSSION OF THE ACTIVITIES OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2020**

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Acting on the basis of § 21 section 1 of the Articles of Association of CIECH S.A. and § 3 section 1 of the Regulations of the Supervisory Board, the Supervisory Board of CIECH S.A. exercised continuous supervision over the activities of the Company. In 2020, the Supervisory Board held 5 meeting, of all of which minutes were duly taken, and resolutions were adopted both at the meetings and using distant direct communication methods – without holding a meeting.

The following are some of the major issues dealt with by the Supervisory Board in financial year 2020.

### **FINANCIAL PLAN FOR 2021**

The Financial Plan of the CIECH Group for 2021(hereinafter referred to as the “**2021 Plan**”) was approved at a meeting of the Supervisory Board on 14 December 2020. The Management Board of CIECH S.A. presented and then discussed in detail the 2021 Financial Plan with the Supervisory Board. The analysis included, among others, issues such as: impact of external factors (incl. the Covid-19 pandemic), developments in the prices of salt and soda, key development projects (Grain and Golden Eye), incl. the planned production launch by the new evaporated salt plant in Staßfurt, sources of

investment financing, CAPEX, key company and operational indicators, as well as the level of net debt to EBITDA, raw material strategy, inventory optimisation, fixed and variable expenses, emissions of production installation and CO<sub>2</sub> certificate policy.

The 2021 Plan was also discussed in the context of its compliance with the approved CIECH Group Strategy for 2019 – 2021.

The Audit Committee analysed the assumptions for the 2021 Plan in detail on 7 December 2020, and together with the Management Board of CIECH S.A. discussed forecasts of the results of CIECH S.A. and its individual Business Units in terms of assumptions for production, expected increase in EBITDA, gross margin, fixed expenses, planned CAPEX level, ongoing development projects, including the construction of a new evaporated salt plant in Staßfurt coming to its end, soda and salt market environments, personnel costs and sales volumes for each type of activity. The situation of CIECH Soda Romania was also discussed and the impact of the cost of maintaining the company in a “suspended” condition on the planned 2021 results.

### **STRATEGY OF THE CIECH GROUP for 2019 - 2021**

The Strategy of the CIECH Group for 2019 – 2021 was approved at a meeting of the Supervisory Board on 5 December 2018 (the “2019 – 2021 Strategy”).

During 2020, the Supervisory Board discussed in detail the progress in the implementation of the 2019-2021 Strategy, including progress in the implementation of development projects in the soda and salt segments, with particular focus on the investment in the construction of the evaporated salt plant in Staßfurt, the completion and commissioning of which was scheduled for the end of the first quarter of 2021. Discussions included the development projects aimed at developing specialist businesses in other segments, including the agro segment, and building a working environment, as well as strengthening the position of the CIECH Group as a reliable partner for local communities, caring for the natural environment.

### **PREPARATIONS FOR THE ANNUAL GENERAL MEETING OF CIECH S.A. FOR FINANCIAL YEAR 2019**

At its meeting on 31 March 2020, the Supervisory Board assessed the reports and statements presented by the Company for approval at the Annual General Meeting, i.e.:

1. Separate Financial Statements of CIECH S.A. for financial year 2019, which was assessed by the Supervisory Board as prepared in accordance with the accounting books and records as well as the actual status, and meeting the requirements of the Accounting Act of 29 September 1994 (the “Accounting Act” – Journal of Laws of 2019, item 351, as amended).
2. Consolidated Financial Statements of CIECH Group for financial year 2019, which was assessed by the Supervisory Board as prepared in accordance with the accounting books and records as well as the actual status, and meeting the requirements of the Accounting Act of 29 September 1994 (the “Accounting Act” – Journal of Laws of 2019, item 351, as amended).
3. Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2019, together with the Non-Financial Report of CIECH Group for 2019, which was assessed by the Supervisory Board as exhaustively presenting the functioning of the Group and the Company in

2019 and as consistent with the financial data included in the Separate Financial Statements of CIECH S.A. for 2019 and the Consolidated Financial Statements of CIECH Group for 2019, and meeting the requirements provided for in article 49 of the Accounting Act of 29 September 1994.

After the aforementioned assessments and evaluations, the Supervisory Board recommended to the Annual General Meeting of CIECH S.A. that the reports and statements indicated under points 1 to 3 above be approved.

In addition, the Supervisory Board also considered further issues to be discussed at the Annual General Meeting of CIECH S.A., including:

- 1) it considered the motion of the Management Board of CIECH S.A. concerning the proposed distribution of the net profit of CIECH S.A. generated by the Company in 2019, and then, after analysing and discussing the Company's financial situation, decided to recommend to the Annual General Meeting of CIECH S.A. that the net profit for 2019 in the amount of PLN 60,436,467.46 be allocated to the supplementary capital in its entirety;
- 2) it assessed positively its cooperation with the Management Board of the Company in the financial year 2019 and, taking into account the Company's results for the financial year 2019, decided to recommend to the Annual General Meeting of CIECH S.A. that the following individuals holding office of Members of the Management Board of the Company in financial year 2019, be discharged from their duties, i.e.:
  - Mr Dawid Jakubowicz with regard to performance of his duties as the President of the Management Board of CIECH S.A. in the period from 1 January 2019 to 31 December 2019.
  - Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2019 to 31 December 2019.
  - Mr Artur Osuchowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2019 to 25 October 2019.
- 3) it adopted the Report of the Supervisory Board on the activities of the Supervisory Board in 2019 containing reports on the results of the assessment Report on the activities of the CIECH Group and CIECH S.A. for 2019, together with the non-financial report of the CIECH Group for 2019, financial statements of CIECH S.A. and the CIECH Group for the financial year 2019, taking into account the assessment of the internal control system and the significant risk management system, as well as the results of the assessment of the Management Board's motion on the distribution of the net profit of CIECH S.A. for 2019.

### **ONGOING SUPERVISION OVER FINANCIAL SITUATION AND OPERATING ACTIVITIES**

As part of supervision over the current operations of the Company, the financial situation and results of operating activities were the subject of regular analysis of the Supervisory Board.

The basis of analyses carried out by the Supervisory Board was the Financial Plan of CIECH Group for 2020 and the Strategy of the CIECH Group for 2019-2021.

Apart from those described in any other sections hereof, in 2020, the Supervisory Board also dealt with issues such as:

- 1) Acquisition by the Company of additional long-term financing in the form of revolving loans under the adopted 2019-2021 Strategy, enabling flexible use of funds from loans and the adjustment of

- the corporate financing structure to the implemented investments by replacing part of the short-term financing with long-term financing.
- 2) The Energy Strategy of the CIECH Group for 2019-2023, which defines the directions of energy development in the area of CIECH Soda Polska S.A., taking into account capital expenditure (construction of new generation sources powered with gaseous fuel), replacement and modernisation, the object of which is to increase the efficiency and availability of the energy sector, which will translate, among others, into an increased volume of soda production by reducing production losses and obtaining steam production reserves. At the same time, the implementation of the energy mix will contribute to reducing CO2 emissions.
  - 3) The concept of Reorganisation of the CIECH Group, including the transfer of rights and obligations related to the discussed areas of activity.
  - 4) Sureties provided by CIECH S.A. with regard to the liabilities of the CIECH Group companies.
  - 5) Intra-group loans for the companies of the CIECH Group in the scope of extending loan repayment terms and contracting/granting new loans.
  - 6) Amendments to the Regulations of the Audit Committee of the Supervisory Board of CIECH S.A.
  - 7) Selection of the audit firm (Deloitte Audyt Sp. z o.o. Sp. k. was selected) to audit the statutory financial statements of CIECH S.A. and consolidated financial statements of the Ciech Group for 2020-2021.
  - 8) Adoption of the "Procedure for assessing significant transactions concluded by CIECH S.A. with related parties, carried out by the Supervisory Board of CIECH S.A."
  - 9) The transaction involving the sale by CIECH S.A. of 4,677 shares corresponding to 100% of the share capital of the company under the name CIECH Żywiec sp. z o.o., to LERG S.A. with its registered office in Pustków-Osiedle.
  - 10) A reduction of the share capital of CIECH Soda Romania S.A. ("**CSR**") through redemption of shares or changing their value in order to adjust the share capital of CSR to the current scale of the company's operations and cover the balance sheet loss (in September 2019, the Romanian CSR company suspended its production of soda, which was a consequence of the termination of the process steam supply agreement by the combined heat and power plant of CET Govora S.A. - the sole steam supplier. The new steam prices proposed by the supplier, despite numerous months of negotiations, prevented CSR from continuing a profitable business).
  - 11) Construction, renovation and replacement investments implemented within the CIECH Group with values exceeding the limit specified in § 21 section 2 point 10), in conjunction with point 16) of the Articles of Association of CIECH S.A.

## **MARKET RISK HEDGING**

The Supervisory Board updated the Market Risk Hedging Strategy (hereinafter referred to as the "**MRPS**") adopted by Resolution No. 82/IX/2016 of the Supervisory Board of CIECH S.A. of 26.04.2016, as amended, twice in 2020, i.e.:

- On 20.02.2020, by modifying the MRPS in a way that enables the hedging of market risks affecting the sales margin being realised in proportion to the contracted sales volumes,
- On 05.10.2020, by introducing collars to secure the maximum and minimum price levels and by changing the hedging periods from calendar year to monthly periods, to enable an approach to the conclusion of hedging transactions based on rolling forecasts.

## PROJECTS RELATED TO THE GROWTH OF CIECH GROUP'S VALUE

The Supervisory Board analysed in detail and discussed with the Management Board the progress of work on the implementation of development projects listed below in the CIECH Group companies, including budgets of these projects, the current status of implementation, expenses incurred and their impact on the Group's cash flow, revenues, margin and EBITDA.

Development projects discussed:

- Grain (started at CIECH Soda Deutschland GmbH & Co. KG in Germany and continued at CIECH Salz Deutschland GmbH)

The project aims to develop the salt segment of the CIECH Group, understood as increasing the production capacity and sales of salt products by building and commissioning new production capacities with a target capacity of 450 thousand tonnes/year. The production will be dedicated to the segment of salt products such as: salt tablets, electrolysis salt, pharmaceutical grade salt, kitchen salt and granulated salt.

- Golden Eye (at CIECH Soda Deutschland GmbH & Co. KG in Germany)

The project aims to increase the production capacity of sodium bicarbonate with a focus on the production of a high-margin dialysis-quality sodium bicarbonate product. The project is divided into 2 phases - 1) construction of a drying room to enable the production of dialysis grade soda and 2) construction of a new DCB column and crystalliser to increase the efficiency of the system and obtain the highest quality product.

- OP-140 boiler (at CIECH Soda Polska S.A. – Janikowo CHP)

The project aims to restore the basic generation unit of the Janikowo Combined Heat and Power Plant (the oldest - commissioned in 1969), which will translate into improved steam generation efficiency, increased availability of the CHP plant and reduced dust emissions.

- DCB installation (at CIECH Soda Polska S.A. – Inowrocław Plant)

The DCB installation construction project and the expansion of the filtration installation aimed at eliminating bottlenecks (filtration and calcinations) and increasing the level of sodium carbonate production and reducing production expenses.

- BGT (at CIECH R&D Sp. z o.o.)

The project aims to develop an innovative product containing 50% less glyphosate compared to conventional market preparations, while ensuring comparable effectiveness in weed control. Globally, glyphosate is the largest molecule in terms of sales value of all plant protection products.

- Salt licks and granules (at CIECH Soda Polska S.A.)

A project involving the introduction of salt granules and salt licks to the product portfolio of the Salt Business Unit, using salt dust and tablet crumbs - hardly tradable materials (the "waste into product" project).

- Modernisation of the TG-2 turbine set (at CIECH Soda Polska S.A.)

The project implemented as a reconstruction task, consisting in the performance of a major overhaul of the turbine set to maintain its production availability and effective operation.

### **3. INFORMATION ABOUT THE ACTIVITIES OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2020**

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The report of the Audit Committee includes:

- information on the composition and tasks of the Audit Committee of the Supervisory Board of CIECH S.A. in 2020;
- discussion of the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2020, including information on the issues raised at Committee meetings; and
- assessment of reports of CIECH S.A. and the CIECH Group for financial year 2019.

#### **INFORMATION ON THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2020**

As at 1 January 2020, the composition of the Audit Committee was as follows:

- 1) Piotr Augustyniak - Chairman of the Committee
- 2) Mariusz Nowak - Member of the Committee, and
- 3) Artur Olech - Member of the Committee.

Mr Piotr Augustyniak and Mr Artur Olech were members of the Audit Committee meeting the independence criterion.

Member of the Audit Committee Mr Mariusz Nowak resigned from his office in the Supervisory Board of CIECH S.A. with effect on 22 January 2020, and ceased to be a member of the Audit Committee on that day.

On 24 February 2020, the Supervisory Board of CIECH S.A. filled a vacancy in the composition of the Audit Committee by appointing Mr Marek Kośnik as a Member of the Audit Committee.

As at 31 December 2020, the composition of the Audit Committee was as follows:

- 1) Piotr Augustyniak - Chairman of the Committee
- 2) Marek Kośnik - Chairman of the Committee
- 3) Artur Olech - Member of the Committee.

Mr Piotr Augustyniak, Mr Artur Olech and Mr Marek Kośnik were members of the Audit Committee meeting the independence criterion.

The tasks of the Audit Committee were defined in the Regulations of the Audit Committee, which were approved by Resolution No. 21/X/2018 of the Supervisory Board of 5 December 2018, and subsequently amended by Resolution No. 77/X/2020 of 21.02.2020.

In accordance with the Regulations of the Audit Committee, the tasks of the Audit Committee include in particular:

- a) monitoring of:
  - financial reporting process,



- effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,
  - performing auditing activities, in particular conducting an audit by the audit firm, including all proposals and findings of the Audit Oversight Commission resulting from inspections carried out in the audit firm;
- b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when other services than auditing are provided to the Company by the auditor;
  - c) informing the Supervisory Board about the results of the audit and explaining how it contributed to the reliability of financial reporting in the Company and the role of the Audit Committee in the audit process;
  - d) assessing the independence of the auditor and consenting to the provision of permitted services that are not related to the Company's audit;
  - e) developing a policy of selecting an audit firm to conduct the examination;
  - f) developing a policy of providing - by the auditing firm, by entities related to such auditing firm and by a member of the auditing firm's network, permitted non-audit services;
  - g) determining the procedure for the selection of an audit firm by the Company;
  - h) presenting recommendations to the Supervisory Board regarding the appointment of an audit firm in accordance with the policies referred to in points e) and f) above. In the recommendation, the Audit Committee shall:
    - i. identify the auditing company which it proposed to entrust with the statutory audit,
    - ii. declare that the recommendation is free from the influence of third parties,
    - iii. state that the audited entity of public interest did not conclude agreements containing clauses referred to in art. 66 section 5a of the Accounting Act;
  - i) where the choice referred to in section 1 h) does not apply to the extension of the contract for auditing the financial statements, the recommendation of the Audit Committee shall contain at least two options for the selection of the audit firm along with justification and indication of the justified preferences of the Audit Committee as to one of them;
  - j) an annual review of internal audit programmes;
  - k) analysis of the results of internal controls, including internal audits and deadlines for removing identified deficiencies;
  - l) review of significant contracts concluded with related entities;
  - m) preliminary assessment of the annual financial plan prepared by the Management Board and the report on its implementation; and
  - n) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

### **DISCUSSION OF THE ACTIVITIES OF THE AUDIT COMMITTEE IN 2020**

- In 2020, the Audit Committee of the Supervisory Board of CIECH S.A. held four meetings and due minutes were taken of each of them. Resolutions of the Audit Committee were adopted both at meetings and with the use of means of direct remote communication without holding meetings.
- The main issue of work of the Audit Committee in 2020 was the analysis and evaluation of both annual and periodic financial statements of CIECH S.A. and the CIECH Group, as well as the process of selecting an audit firm to audit the statutory financial statements of CIECH S.A. and consolidated statements of the CIECH Group for 2020-2021.

- In addition, in connection with the requirements imposed by the Act of 11 May 2017 on statutory auditors, audit firms and public supervision in connection with Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, the Audit Committee, having assessed the threats and safeguards to the auditor's independence, decided to give its consent to the provision of other permitted non-audit services by the audit firm.
- The Audit Committee approved the provision by the auditor of CIECH S.A. non-audit services based on the Policy of providing - by the auditing firm - permitted non-audit services, adopted by Resolution No. 118/IX/2017 of the Supervisory Board of CIECH S.A. on 19.10.2017.

**The following are some of the major issues dealt with by the Audit Committee in 2020.**

- **Cooperation with a statutory auditor, including commissioning additional services**

In 2020, the Audit Committee held a meeting with the statutory auditor of CIECH S.A. – PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (“PwC”), and after the Supervisory Board of CIECH S.A. appointed of a new statutory auditor to audit the statutory financial statements for 2020-2021, with the statutory auditor – Deloitte Audyt Sp. z o.o. Sp. k., with whom he discussed on an ongoing basis the scope of planned audits and reviews of periodic reports of CIECH S.A. and the CIECH Group, including:

- ✓ separate financial statements of CIECH S.A. for the financial year 2019 and the consolidated financial statements of the CIECH Group for the financial year 2019,
- ✓ the extended consolidated quarterly report of the CIECH Group for the first quarter of 2020,
- ✓ the extended consolidated report of the CIECH Group for the first half of 2020,
- ✓ the extended consolidated quarterly report of the CIECH Group for the three quarters of 2020,
- ✓ with particular emphasis on issues that in the reporting period could have a significant impact on the achieved results.

The Audit Committee also decided on giving its consent for the auditors of the Company, i.e. PwC and Deloitte Audyt Sp. z o.o. Sp. k. and their related parties, to provide other non-audit services to the companies of the CIECH Group.

- **Analysis of the letter of the statutory auditor to the Management Board of the Company**

The Audit Committee reviewed the Letter to the Management Board of CIECH S.A. prepared by PwC - the auditor of CIECH S.A., containing observations on the procedures as well as operating and accounting systems assessed in terms of their importance for the proper functioning of the internal control systems within the Group, which the auditor drew attention to during the audit of the consolidated financial statements of the CIECH Group for the financial year ending 31 December 2019 together with the Company's comments on the observations.

- **CIECH Group's risk hedging strategy**

In 2020, the Audit Committee analysed and discussed periodic reports submitted by the Company, taking into account the manner in which the Company managed financial risks, as described in the Market Risk Hedging Strategy (hereinafter referred to as the "MRPS") for the CIECH Group, adopted by the Supervisory Board of CIECH S.A., and amended and updated on 20.02.2020 and 05.10.2020, which defines, among others, the risks for which hedging instruments are used, the principles of their identification and quantification and the manner of dealing with market risks, including the maximum permissible values of hedging transactions.

- **Financing activities of the CIECH Group**

When analysing and discussing periodic reports of CIECH S.A. and CIECH Group, the Audit Committee became also acquainted in detail with the sources of financing of CIECH Group's activities, including external debt and indebtedness resulting from the use of funds under the intercompany loans programmes, financial leasing and factoring agreements.

- **Financial Plan of the CIECH Group for 2021**

The Audit Committee analysed in detail the assumptions for the Financial Plan of the CIECH Group for 2021 at the meeting on 7 December 2020 and discussed, with the Management Board of CIECH S.A., forecasts of the results of CIECH S.A. and individual Business Units in terms of the expected increase in EBITDA, gross margin, fixed expenses, planned CAPEX, ongoing development projects, external factors (including the Covid-19 pandemic), personnel costs and sales volumes, for each type of activity.

- **Other information**

The Audit Committee also dealt with issues related to the adopted audit plan for 2020. The results of the audits carried out in 2020 were presented by the Internal Audit Department in the form of a report and then discussed at meetings of the Audit Committee.

## **ASSESSMENT OF FINANCIAL STATEMENTS AND REPORTS OF CIECH S.A. AND THE CIECH GROUP FOR THE FINANCIAL YEAR 2020**

At its meeting on 20 April 2021, the Audit Committee discussed reports and statements of CIECH S.A. and the CIECH Group presented by the Management Board of CIECH S.A. with regard to financial year 2020, i.e.:

- 1) Separate Financial Statements of CIECH S.A. for 2020,
- 2) Consolidated Financial Statements of the CIECH Group for 2020,
- 3) Consolidated Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2020, together with the Non-Financial Report for 2020.

The Audit Committee, having met with the statutory auditor of the Group, and having familiarised itself with the abovementioned reports and statements, and the auditor's opinion on the separate and

consolidated financial statements for 2020, as well as the auditor's information on the issues discussed with the Management Board of CIECH S.A. during the audit of the aforementioned reports and statements, did not make any comments to the reports that were submitted to, and for the assessment of, the Supervisory Board of CIECH S.A.

#### **4. INFORMATION ON THE ACTIVITIES OF THE REMUNERATION COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2020**

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The Remuneration Committee of the Supervisory Board of CIECH S.A.:

- information on the composition and tasks of the Remuneration Committee in 2020.
- information the activities of the Remuneration Committee in 2020.

#### **INFORMATION ON THE COMPOSITION AND TASKS OF THE REMUNERATION COMMITTEE**

The First Remuneration Committee of the Supervisory Board was established by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. dated 16 March 2005.

In 2020, the composition of the Remuneration Committee of the Supervisory Board of CIECH S.A. (the “**Remuneration Committee**”) changed due to resignations tendered by:

- Mr Mariusz Nowak, effective as of 22.01.2020, and
- Mr Tomasz Mikołajczak, effective as of 20.05.2020r.

As at 31.12.2020, the composition of the Remuneration Committee was as follows:

- 1) Mr Sebastian Kulczyk – appointed on 16.07.2020, and
- 2) Mr Marek Kośnik – appointed on 24.02.2020.

In accordance with the Regulations of the Remuneration Committee, adopted by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. of 16 March 2005, the main task of the Committee is to advise the Supervisory Board on issues related to the determination of the rules for, and amount of, remuneration of members of the Management Board of CIECH S.A., and in particular:

- 1) presentation of proposals regarding the principles of remunerating members of the Management Board of CIECH S.A. to the Supervisory Board, which should include all forms of remuneration, in particular in relation to: fixed remuneration, performance compensation system, pension system and severance pay,
- 2) presentation of proposals regarding the amount of remuneration of each member of the Management Board of CIECH S.A. to the Supervisory Board,
- 3) presentation of draft agreements governing performance of duties by members of the Management Board of CIECH S.A. to the Supervisory Board,
- 4) discussing (with or without the participation of the Company's Management Board) any problems or reservations that may arise in matters related to the remuneration of members of the Management Board of CIECH S.A.,
- 5) considering any other issues identified and emphasised by the Committee or the Supervisory Board, and

- 6) informing the Supervisory Board of any significant issues in the general context of the Committee's activities.

### **INFORMATION THE ACTIVITIES OF THE REMUNERATION COMMITTEE**

In 2020, meetings of the Remuneration Committee were held, among others, to:

- analyse the documents on the basis of which Members of the Management Board are entitled to the annual and discretionary bonuses and submit recommendations to the Supervisory Board regarding the award of the bonuses,
- establish the principles of remuneration and the amount of remuneration for Mr Jarosław Romanowski - Member of the Management Board of CIECH S.A. appointed as of 20 April 2020 and submit a recommendation to the Supervisory Board in this regard,
- evaluate the Remuneration Policy for Members of the Management Board and Supervisory Board of CIECH S.A. and decide on its content and submit recommendations in this respect.

### **5. & 6. ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS OF CIECH S.A. FOR 2020 AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2020, REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE CIECH GROUP AND CIECH S.A. IN 2020, TOGETHER WITH THE NON-FINANCIAL REPORT FOR 2020 - IN TERMS OF THEIR COMPLIANCE WITH THE ACCOUNTING BOOKS AND RECORDS, AS WELL AS THE ACTUAL STATUS, AND OF THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. REGARDING THE DISTRIBUTION OF THE NET PROFIT OF THE COMPANY FOR 2020**

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Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Separate Financial Statements of CIECH S.A. for 2020 and the Consolidated Financial Statements for 2020, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2020, together with the Non-Financial Report for 2020, in terms of their compliance with the accounting books and records, as well as the actual status, and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit for 2020.

#### **1. ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY FOR 2020**

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Separate Financial Statements of CIECH S.A. for 2020 in terms of its compliance with the books and records, as well as with the actual status.

The audit of the Financial Statement of CIECH S.A. for financial year 2020 was conducted by Deloitte Audyt sp. z o.o. sp.k. (hereinafter also referred to as “**Deloitte**”).

The Supervisory Board familiarised itself with the Separate Financial Statements of CIECH S.A. for 2020 (the “**Financial Statements**”) and the Report of the independent statutory auditor of the audit of the Separate Financial Statements, according to which the Financial Statements:

- presented a reliable and clear picture of the asset and financial situation of CIECH S.A. as at 31 December 2020 and its financial result and cash flows for the financial year ended on that day in accordance with applicable International Financial Reporting Standards approved by the European Union, and the adopted accounting principles (policy);
- complied, in terms of form and content, with the laws applicable to the Company and its Articles of Association;
- were prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 (the “Accounting Act” – Journal of Laws of 2021, item 217).

On 20 March 2021, the Audit Committee of the Supervisory Board of CIECH S.A., having familiarised itself with the Financial Statements and the auditor's report on the audit of the separate Financial Statements, did not submit any comments to the Separate Financial Statements of CIECH S.A. for the tax year 2020.

At its meeting on 22 April 2021, the Supervisory Board, having familiarised itself with the Separate Financial Statements of CIECH S.A. for 2020 and the auditor's report, concluded that the Separate Financial Statements had been prepared in accordance with the books and records as well as the actual status, presented an accurate and clear picture of the asset and financial position of the Company, and met the requirements provided for in the Accounting Act of 29 September 1994.

Upon assessment of the Separate Financial Statements of CIECH S.A. for the tax year 2020, the Supervisory Board of CIECH S.A. recommended to the Annual General Meeting that the Separate Financial Statements be approved.

## **2. ASSESSMENT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP FOR 2020**

According to article 382 § 3, in conjunction with article 395 § 5 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. evaluated the Consolidated Financial Statements of the CIECH Group for 2020 in terms of its compliance with accounting books and records, as well as the actual status.

The Audit of the Consolidated Financial Statements of the CIECH Group for 2020 was carried out by Deloitte Audyt sp. z o.o. sp.k. (hereinafter referred to as “**Delloite**”).

The Supervisory Board familiarised itself the Consolidated Financial Statements of the CIECH Group for 2020 (the “**Financial Statements**”) and the Report of the independent statutory auditor of the audit of the Consolidated Financial Statements, according to which the Financial Statements:

- whose parent entity is CIECH S.A., reflected a reliable and clear picture of the consolidated asset and financial position of CIECH Group as at 31 December 2020 and its consolidated financial result, and the consolidated cash flows for the financial year ended on that day in accordance with applicable International Financial Reporting Standards approved by the European Union, and the adopted accounting principles (policy);
- complied, in terms of form and content, with the laws applicable to CIECH Group and the Articles of Association of the Parent.

On 20 April 2021, the Audit Committee of the Supervisory Board of CIECH S.A., having familiarised itself with the Financial Statements and the auditor's report on the audit of the Consolidated Financial Statements, did not submit any comments to the Consolidated Financial Statements of the CIECH Group for the tax year 2020.

At its meeting on 22 April 2021, having familiarised itself with the Consolidated Financial Statements of the CIECH Group for 2020 and the auditor's opinion, the Supervisory Board concluded that the Consolidated Financial Statements of CIECH Group for 2020 had been prepared in accordance with the accounting books and records, as well as the actual status, and met the requirements provided for in the Accounting Act of 29 September 1994.

Having assessed the Consolidated Financial Statements of CIECH Group for 2020, the Supervisory Board of CIECH S.A. recommended their approval to the Annual General Meeting.

### **3. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CIECH S.A. AND THE CIECH GROUP IN 2020**

According to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. evaluated the Management Board's Report on the Activities of the CIECH Group and CIECH S.A. for 2020, together with the Non-Financial Report of the CIECH Group for 2020, in terms of their compliance with the accounting books and records, as well as the actual status.

The Supervisory Board familiarised itself with the Management Board's Report on the Activities of the CIECH Group and CIECH S.A. for 2020 and the Report of the independent statutory auditor of the audit of the Consolidated Financial Statements of the CIECH Group and the Separate Financial Statements of CIECH S.A., which comprised: an opinion on the Report on the Activities, statement on the application of corporate governance and information on the non-financial information.

With reference to the Management Board's Report on the Activities of CIECH Group and CIECH S.A. for 2020 (hereinafter referred to as the "Report"), the auditor concluded that the Report had been prepared in accordance with the requirements of article 49 of the Accounting Act (Journal of Laws of 2019, item 351) and § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising information required by the laws of a non-member state as equivalent (the "Regulation on current

information” - Journal of Laws of 2018, item 757) and that it was consistent with the information contained in the audited separate and consolidated financial statements.

In addition, the auditor stated that in consideration of the knowledge about the Parent Company and the Group and their environment obtained during the audit, it had not identified any significant distortions in the Joint Activity Report.

On 20 April 2021, having reviewed the Report and the report of the auditor, the Audit Committee of the Supervisory Board of CIECH S.A. did not make any comments to the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2020, including the Non-Financial Report of the CIECH Group for 2020.

At its meeting on 22 April 2021, the Supervisory Board concluded that the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2020 presented in an exhaustive manner the functioning of the Company and CIECH Group in 2020. The Report complied with the financial data contained in the Separate and Consolidated Financial Statements for 2020 and with the requirements provided for in the Accounting Act of 29 September 1994.

Having assessed the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2020, the Supervisory Board recommended its approval to the Annual General Meeting.

#### **4. ASSESSMENT OF THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. ON THE DISTRIBUTION OF NET PROFIT FOR FINANCIAL YEAR 2020**

The Application on the distribution of the net profit generated by the Company in 2020 in the amount of PLN 155 287 361.59 (say: one hundred fifty five million two hundred eighty seven thousand three hundred sixty one PLN 59/100 grosz) Management Board of CIECH S.A. it will be submitted to the Supervisory Board for evaluation at a later date. In connection with the above, the Supervisory Board of CIECH S.A. at the meeting on April 22, 2021, it did not assess the motion of the Management Board of CIECH S.A. on the distribution of net profit for 2020.

#### **7. ASSESSMENT OF THE SITUATION OF CIECH S.A. IN 2020 BY THE SUPERVISORY BOARD OF CIECH S.A., TAKING INTO ACCOUNT THE INTERNAL CONTROL SYSTEM AND THE SYSTEM FOR THE MANAGEMENT OF RISKS SIGNIFICANT TO THE COMPANY**

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The Supervisory Board of CIECH S.A. submits to the Annual General Meeting of CIECH S.A. a concise evaluation of the Company's situation in 2020, including the assessment of the internal control system and the system for the management of risks significant to the company.

#### **1. EVALUATION OF THE SITUATION OF THE COMPANY IN 2020<sup>1</sup>**

In 2020, CIECH S.A. achieved revenues of PLN 1,805,507 thousand (for 2019 - PLN 2,286,065 thousand), operating result amounted to PLN 66,482 thousand (PLN 109,972 thousand in 2019) and a net profit

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<sup>1</sup> The presented information includes financial figures for continued and discontinued operations.



of PLN 155,287 thousand (PLN 60,436 thousand in 2019), the balance sheet total was PLN 4,375,424 thousand (PLN 3,889,932 thousand at the end of 2019), and the cash balance increased by PLN 95,304 thousand, to the level of PLN 265,287 thousand. Both internal and external factors had a significant impact on the Company's results. The key factors having a positive impact on the operating result include higher selling prices, e.g. salt tablets, relocation of soda sales towards higher-margin markets and significant savings on fixed expenses. The operating result was negatively affected by the decrease in the sales volume caused by COVID-19 and the limited production capacity due to failures of production lines. The operating result was also negatively affected by lower sales volumes of raw materials for the production of plant protection products and PUR foams, due to the change in the model of raw materials purchase for the needs of subsidiaries.

The net result achieved in 2020 was mainly influenced by the share in profits (PLN 182 million), the result on exchange differences (PLN 33.5 million), balance sheet valuation of derivative financial instruments (- PLN 20.2 million), the implementation of CIRS and forward contracts (- PLN 47.3 million) and income tax (- PLN 23 million).

In 2020, sales revenues of CIECH S.A. amounted to PLN 1,805,507 thousand, and were lower (by 21%) compared to 2019. The main reason for this decrease was the hibernation of the plant in Romania and the lower volume of soda and salt sold as a result of the decrease in demand due to COVID-19 and the limited availability of sodium carbonate. The lower volume of raw materials sold for the production of PPP and PUR foams also had a negative impact. Among the positive factors influencing revenues, there was a significant increase in prices, among others, of salt tablets.

In 2020, the gross profit on sales amounted to PLN 248,206 thousand, and in the same period of the previous year – to PLN 343,256 thousand, while the operating profit (EBIT) for 2020 was at the level of PLN 66,482 thousand and PLN 109,972 thousand for the comparative period, which resulted in the EBIT profitability for 2020 at the level of 3.7% (4.8% in the previous year). Adjusted EBITDA was PLN 84,305 thousand for 2020 and PLN 119,586 thousand for 2019, which gave the adjusted EBITDA profitability at the level of 4.7% for 2020 and 5.2% for 2019, respectively.

Equity as at 31 December 2020 amounted to PLN 1,593,766 thousand (at the end of 2019, PLN 1,463,204 thousand). Liabilities (long and short-term in total) of CIECH S.A. as at 31 December 2020, amounted to PLN 2,781,658 thousand, which means an increase in liabilities by PLN 344,662 thousand compared to the previous year result. This increase was mainly due to changes in the balance of loan liabilities by PLN 356,101 thousand.

Net debt of CIECH S.A., calculated as the total of long-term and short-term liabilities due to loans, credits and other debt instruments, less cash and cash equivalents, amounted to PLN 1,829,818 thousand as at 31 December 2020, which means an increase compared to the end of December 2019 by PLN 241,433 thousand.

Cash flows from operating activities in 2020 stood at PLN 66,310 thousand, and were by PLN 128,861 thousand higher than the operating cash flows generated in 2019. The lower level of trade receivables,

lower tax paid and lower interest had a positive impact on the change in the value of these cash flows. The level of the deviation from 2019 was negatively affected by the lower operating result.

In 2020, the recognised surplus of investment expenditure over inflows was PLN 333,415 thousand. The loan extended to related entities had the greatest impact on the balance of cash flows from investing activities.

The balance of cash flows from financial activities was positive and amounted to PLN 358,058 thousand. These operations were mainly affected by the funds obtained from cash pooling.

## **2. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM**

The control system in CIECH Group consists of:

- institutional control - exercised by the Internal Audit Department of CIECH S.A., and
- operational and functional control exercised continuously by employees of all organisational units, by following procedures and regulations, and other internal regulations in all phases of activity in the form of initial, ongoing and follow-up inspections (checking).

In 2020, the Internal Audit Department of CIECH S.A., acting on the basis of the Organisational Regulations of CIECH S.A., carried out a series of inspections and audits on the basis of the approved Audit Plan, both at CIECH S.A. and at CIECH Group companies. The Department also carried out ad hoc audits at the request of the Management Board and Supervisory Board of CIECH S.A.

Audit and inspection reports, together with conclusions, are presented on an ongoing basis to the Management Board of CIECH S.A. and relevant organisational units, and their implementation is monitored.

Both the control and audit plan, as well as information on their implementation and results are presented and discussed at meetings of the Audit Committee of the Supervisory Board of CIECH S.A.

CIECH S.A. has an internal control system covering significant areas of activity within the entire CIECH Group, which is adapted to the Group's organisational structure and also includes subsidiaries. However, it requires constant improvement through regular audits and inspections of areas identified as the most susceptible to various types of irregularities.

## **3. ASSESSMENT OF THE SYSTEM FOR THE MANAGEMENT OF RISKS SIGNIFICANT FOR THE COMPANY**

The Risk Management System, operated currently within the CIECH Group, was implemented in 2020 and formally defines the scope, activities, participants and their scope of responsibility for risk management within the CIECH Group. It is an ordered set of general principles and guidelines in the form of a strategy, policy and risk management procedure in the CIECH Group. The system was implemented to enable the CIECH Group to achieve its strategic goals without taking any excessive risk. For this reason, the system:

- identifies threats to the achievement of the objectives of the CIECH Group,
- defines a proposal of actions to minimise such threats and their impact on the goals set by the Group,

- in the case of risks not yet identified, it enables their proper identification and estimate.
- The system is continuously developed and constitutes a comprehensive and corporate solution. It is an important element of supporting the Group's current operations.

The Supervisory Board of CIECH S.A. uses it in monitoring the effectiveness of internal control and internal audit systems.

The objectives of risk management in the CIECH Group are implemented through:

- systematic approach to identifying all risks,
- supporting the allocation of resources by prioritising risks,
- selecting and implementing the best risk management strategy, and
- monitoring, risk analysis and reporting, taking into account all the potential effects of the risks.

Measures taken as part of the risk management process of the CIECH Group are carried out on an ongoing and regular basis. Risk management is carried out in a two-dimensional manner - vertically and horizontally, identifying risks not only occurring within the entity, organisational unit or process concerned, but also those risks whose effects affect various areas of the Group's operations, entities and processes from the point of view of the entire CIECH Group. Only such a comprehensive approach and understanding of risks enables effective and efficient risk management and tangible benefits for the Group.

In terms of responsibility for the risk management process, a special role in the process is played by its key participants, namely the Management Board of CIECH S.A., the Executive Committee, the executives and the Director of the Risk Department.

The correctness and effectiveness of the implemented risk management system is monitored by the Supervisory Board and the Audit Committee, among others, on the basis of information from the Management Board of CIECH S.A. on current risks and methods of their management.

The risk management process within the CIECH Group was defined and implemented in accordance with the "International Standard ISO 31000: 2018 Risk Management".

The goal of the CIECH Group is to ensure that it is perceived by its stakeholders as a transparent organisation with high awareness and understanding of the risks that may affect the achievement of its objectives.

The functioning risk management process, as one of the elements building the Group's value, focuses on the categories of risks presented below, which are of key importance from the point of view of achieving the objectives set for the Group:

- Risks related to loss of human health and life,
- Operational risks that may affect the continuity of production processes,
- Legal risks,
- Compliance risk,
- Regulatory risks,
- Strategic risks related to the impact of the environment on the CIECH Group,
- Risks related to loss of reputation,
- Financial risks,
- Risks related to environmental protection.

The CIECH Group does not limit itself to the aforementioned risk categories. The Group makes every effort to identify and verify the key risk areas on an ongoing basis and effectively reduced them through its developed and implemented risk management process.

## Financial Risk Management

The method of financial risk management is defined in the Market Risk Hedging Strategy adopted by the Supervisory Board (the “MRPS”) for the CIECH Group, and successively updated (with the last update of the MRPS of 5 October 2020), in which the procedures and division of tasks in the area of risk management with regard to currency risk, interest rate risk and the risk of changes in the prices of raw materials (coal, gas, electricity and CO<sub>2</sub> emission certificates) are described and adopted. The document defines the purpose of market risk management, defines the risks for which hedging instruments are applied, defines the principles of identification, quantification and determination of the manner of proceeding with market risks, including the maximum allowable value of hedging transactions. The MRPS specifies the instruments used for particular types of market risks and the rules of operation of the Market Risk Committee. Hedging transactions are concluded based on the recommendation of the Market Risk Committee composed of the Management Board of CIECH S.A. and representatives of the executive staff.

## Compliance System within the CIECH Group

The Compliance System, implemented by the CIECH Group in 2018, is a set of rules, processes, measures as well as formal and organisational activities the purpose of which is to avoid the risk of violating any type of compliance obligations applicable to CIECH Group. The Compliance System has been implemented in the CIECH Group in order to eliminate any risk of non-compliance with external and internal requirements by continuously examining the conduct of CIECH Group in terms of compliance obligations, understood as any laws, internal regulations and ethical standards applicable to all business processes existing within the CIECH Group in connection with its operations.

The Compliance System defines business areas (e.g. Divisions within CIECH S.A. or CIECH Group companies) depending on the scope and specificity of compliance obligations managed by members of their executive staff who are responsible for ensuring compliance of the operations of the CIECH Group with the requirements, among others, of: competition protection, environmental protection, product quality and safety, capital market law, occupational health and safety, counteracting fraud and corruption, preventing conflicts of interest, energy law, personal data protection, protection of company property, infringement of or bypassing accounting and financial reporting rules, preventing and combating discrimination, mobbing and harassment, as well as protection of intellectual and industrial property rights.

The following tools are used within the CIECH Group in order to ensure efficiency of the Compliance System:

1. The Code of Conduct of the CIECH Group, i.e. a document which identifies the rules of conduct adopted within the CIECH Group and the need for employees to comply with laws and regulations applicable to the operations of the CIECH Group;
2. Policies and procedures, i.e. any documents that specify in detail the rules governed by the Code of Conduct of the CIECH Group;
3. Training system. Training programmes are adapted to the risk profile of individual areas and positions. Due to the epidemics, the training is carried out using e-learning or remote communication methods.

4. A fully anonymous system for reporting questions and violations using a third-party platform, i.e. <https://ciech.liniaetyki.com/>. The anonymous reporting system enables contact with the whistleblower without disregard for the principle of anonymity. The procedure for reporting irregularities defines situations in which the supervision over the clarification of selected notification, e.g. in relation to Members of the Management Board of CIECH S.A.), is performed by the Supervisory Board of CIECH S.A.
5. With regard to anti-corruption, the CIECH Group maintains a register of offered and accepted gifts. [Gifts may be offered as part of the advertising or promotional activities of the CIECH Group. Gifts may only be accepted as part of advertising or promotional activities carried out by the CIECH Group's counterparties. The Compliance Officer of the CIECH Group registers all offered and accepted gifts with a value exceeding PLN 200 gross. Offering or accepting a gift with a value exceeding PLN 200 gross requires the consent of the direct supervisor of the employee and the Compliance Officer of the CIECH Group].

Explanatory proceedings in cases of violations of regulations are carried out by the Compliance Officer of the CIECH Group, in cases of violations of ethical principles and conflicts of interest – by the Ethics Committee of the CIECH Group, and in cases of mobbing/discriminatory behaviour – by the Committee for Counteracting Unlawful Behaviour.

In 2020, there were 4 reported violations. There were no reports of anti-corruption violations.

## **8. RECOMMENDATIONS OF THE SUPERVISORY BOARD OF CIECH S.A. TO THE ANNUAL GENERAL MEETING OF CIECH S.A.**

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The assessment of the Separate Financial Statements of CIECH S.A. for 2020 and the Consolidated Financial Statements of CIECH Group for 2020, the Report of the Management Board on the activities of the CIECH Group and CIECH S.A. for 2020, together with the CIECH Group's Non-Financial Report for 2020, made it possible to conclude that the information contained therein was consistent with the accounting books and records, as well as with the actual status, and that their content was consistent.

***The Supervisory Board of CIECH S.A., having regard to the above assessment, recommends that the Annual General Meeting of CIECH S.A. approve:***

- 1) the Separate Financial Statements of CIECH S.A. for 2020,
- 2) the Consolidated Financial Statements of the CIECH Group for 2020, and
- 3) the Report of the Management Board on the activities of the CIECH Group and CIECH S.A. for 2020, together with the CIECH Group's Non-Financial Report for 2020.

***In addition, the Supervisory Board of CIECH S.A. recommends to the Annual General Meeting of CIECH S.A. that the following individuals holding office of Members of the Management Board of CIECH S.A. in financial year 2020, be discharged from their duties:***

1. Mr Dawid Jakubowicz with regard to performance of his duties as the President of the Management Board of CIECH S.A. in the period from 1 January 2020 to 31 December 2020.
2. Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2020 to 31 December 2020.
3. Mr Jarosław Romanowski with regard to performance of his duties as a Member of the Management Board in the period from 20 April 2020 to 31 December 2020.

**Signatures of Members of the Supervisory Board of CIECH S.A.:**

1. **Sebastian Kulczyk - Chairperson of the Supervisory Board** .....
2. **Marek Kośnik - Deputy Chairperson of the Supervisory Board** .....
3. **Łukasz Rędziniak** .....
4. **Martin Laudенbach** .....
5. **Artur Olech** .....