

**Substantiation of the Management Board of CIECH S.A.
to the agenda of the Annual General Meeting of CIECH S.A.
on May 25, 2023**

I. Justification to item no. 16 of the agenda

Adoption of a resolution on updating and adopting of the new the Remuneration Policy for Members of the Management Board and Supervisory Board.

The Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws of 2022, item 2554, as amended) (hereinafter: the 'Act') provides for a public company, the requirement to adopt a resolution on the remuneration policy at least every four years. A significant change in the remuneration policy requires its adoption by resolution by the general meeting.

According to the provisions of § 7 Section 7 of the Remuneration Policy for Members of the Management Board and Supervisory Board of CIECH S.A. with its registered office in Warsaw (hereinafter: the 'Remuneration Policy'), the General Meeting of the Company is obliged to adopt a resolution on updating the Remuneration Policy or leaving the Remuneration Policy unchanged at least once every three years.

Carrying out an update of the provisions of the Remuneration Policy is dictated by the need to clarify the description of the variable components of remuneration that may be granted to Board Members, in particular by: (i) the possibility of introducing, as part of the Long-Term Incentive Plan, a criterion for taking into account social interests, the Company's contribution to environmental protection and taking actions aimed at preventing the negative social effects of the Company's activities (ESG Objectives), and (ii) specifying the conditions for granting an annual bonus.

The submitted draft of the Remuneration Policy complies with the requirements set out in the Article 90d of the Act and covers the matters required by the Act.

II. Justification to item no. 17 of the agenda

Amendments to the Articles of Association resulting from the amendments to the Commercial Companies Code of October 13, 2022.

On October 13, 2022, the largest amendment to the Commercial Companies Code in many years came into force, significantly changing, among others, the duties and powers of supervisory boards, as well as



regulating the role of the chairman of this body and its other members, as well as formal issues of convening and holding meetings, or the issue of adoption of resolutions, both in and outside of a meeting, by supervisory boards and management boards of limited companies.

The proposed amendments to the Articles of Association are justified by the need to update and adapt selected provisions of the Articles of Association to recent amendments to the Commercial Companies Code. The introduction of the proposed amendments to the Articles of Association is expected to contribute primarily to streamlining the functioning of the Company's bodies, particularly with regard to the organization of work, holding of meetings and adoption of resolutions by the Supervisory Board. In addition, the amendments serve to clarify and better formulate a number of provisions.

The key changes include clarification of the rules for calculating the terms of office of the Company's bodies, a detailed definition of the role of the Chairman of the Supervisory Board and the rules for adopting Supervisory Board resolutions and convening and holding its meetings, as well as taking minutes of them.

The current provisions of the Articles of Association were adopted in a different legal state, and it is necessary to modernize them in order to ensure full compliance of the Company's activities with the current law. The proposed amendments faithfully reflect the provisions of the Commercial Companies Code and, where necessary, specify universally applicable provisions in a manner that does not raise doubts.

Limitation of information obligations of the Management Board referred to in Article 380¹ § 1 items. 4 and 5 of the Commercial Companies Code.

The primary objective of the proposed amendment to the Company's Articles of Association is to adjust and streamline the functioning of the Management Board and the Supervisory Board as part of the additional duties assigned to the Supervisory Board, by reducing the frequency of providing the Supervisory Board with certain information.

Pursuant to the amendment to the Commercial Companies Code, which entered into force on October 13, 2022, the management board of a joint-stock company is obliged to inform the supervisory board of:

- 1) resolutions of the management board and their subject matter;
- 2) the situation of the company, including its assets, as well as significant circumstances related to the conduct of the company's affairs, in particular in the area of operations, investment and HR;
- 3) progress in the implementation of the designated directions of development of the company's operations;
- 4) transactions and other events or circumstances that significantly affect or may affect the financial position of the company, including its profitability or liquidity;
- 5) changes to the information previously provided to the supervisory board, if these changes significantly affect or may affect the situation of the company.

The above also applies to information held by the management board regarding subsidiaries.



Some of this information (points 1 - 3) should be provided at the meeting of the Supervisory Board, however, the information listed in point 4 and 5 should be provided immediately after the occurrence of specific events or circumstances. Such transfer will have to be made in documentary form (in writing or electronically).

Given the size of the CIECH Group and the number of transactions, and events that should be reported in accordance with Article 380¹ of the Commercial Companies Code, the necessity for the Management Board to immediately to report in writing to the Supervisory Board on each transaction that is significant from the point of view of the Company's assets (made by the Company and its subsidiaries) and other such events or circumstances and on information on changes to information previously provided to the supervisory board, in the Management Board's opinion, constitute an excessive burden and unnecessary formalism. Particularly in relation to such events in subsidiaries of CIECH S.A., the need to prepare written information and immediately submit it to the Supervisory Board could be updated every few days, which would not only significantly reduce the time that Management Board Members can devote to their key responsibilities, but could also lead to overwhelming the Supervisory Board of CIECH S.A. by an excessive amount of information, making it difficult for it to focus on the most important issues.

It should be noted that the Supervisory Board has far-reaching control powers by law, and in the current state circulation of information between the Management Board and the Supervisory Board functions efficiently and unhindered at the Company, and the transmission of information referred to in Article 380¹ § 1 item. 4 and 5 of the Commercial Companies Code at each meeting of the Supervisory Board will not in any way limit the existing powers of the Supervisory Board, particularly those set out in Articles 382 § 4 - 6 of the Code of Commercial Companies, and it is therefore unnecessary to maintain the requirement to immediately provide the Supervisory Board with certain information that may be provided to the Supervisory Board at its meeting.

Considering the above, the proposed amendments don't deprive the Supervisory Board of the powers referred to in Article 380¹ of the Commercial Companies Code, but will only improve cooperation between the Management Board and the Supervisory Board, allowing the former to limit the frequency of information provided exclusively to meetings of the Supervisory Board.

In the Management Board's opinion, the proposed changes will improve the functioning of the Company's bodies without harm the requirements of Article 380¹ of the Commercial Companies Code.

Amendment of the Articles of Association with regard to the financial thresholds of activities for which the approval of the Supervisory Board or a resolution of the Company's Management Board is required

The need to amend the Articles of Association of CIECH S.A. in the subject area is justified by the need to adapt the functioning the Supervisory Board and the Management Board to the changed macroeconomic environment by increasing the thresholds (the value of legal transactions, in particular contracts resulting in incurring a liabilities or disposing of rights) the exceeding of which requires obtaining the consent of the company's authorities to perform such an action. The increasing number of activities whose value exceeds the current thresholds results in particular from the increase in the prices of goods and services (inflation), which has accelerated in particular in the recent period. It should be noted that the current

amounts were set several years ago and the key threshold of PLN 20,000,000, exceeding of which requires the consent of the Supervisory Board of the Company to perform the action, was set in 2015. The need to adopt the resolution of the Management Board when disposing of a right or incurring a liability exceeding PLN 500,000 was set even earlier, in 2009.

In view of the above, in the opinion of the Management Board, raising the thresholds in question is a natural and logical response to the conditions of the dynamically changing global economy. This change will relieve Company's bodies by adapting the number of current cases to the changed conditions of conducting business, resolved by these bodies.

III. Justification to item no. 19 of the agenda

Adoption of a resolution on the dissolution of capitals and the creation of a capital reserve for the payment of dividends or future dividend advances in the future.

The funds – “Development Fund”, “Soda Companies Purchase Fund” and “Commercial Risk Fund” – were created in the 1990s. Due to the passage of time and the change of socio-economic conditions, maintaining such Funds is currently not justified.

In addition, the two-year authorisation of the Management Board to buy back own shares granted by Resolution No. 20 of the Annual General Meeting of the Company of 21 May 2020 on authorising the Management Board to buy back own shares has expired. Accordingly, spending the funds accumulated in the reserve capital created for the buyback of own shares is not possible (see § 1 of Resolution No. 21 of the Annual General Meeting of the Company on the creation of the reserve capital for the redemption of shares in order to buy back own shares). In addition, under the authorisation granted, the Management Board did not purchase any of the Company's own shares. Thus, the said capital accumulates funds in the amount of 346,500,000 zlotys (in words: three hundred and forty-six million five hundred thousand zlotys 00/100), which cannot be used in accordance with their intended purpose.

Due to the fact that maintaining the Company's reserve capitals: “Development Fund”, “Soda Companies Purchase Fund” and “Commercial Risk Fund” and the reserve capital for the purchase of own shares is not justified, the capitals in question should be released and all funds accumulated in them should be transferred to the new reserve capital, the purpose of which is the payment of dividends or interim dividends in the future.

At the same time, the Company's reserve capital includes the amount of PLN 413,506,952.98 transferred to it from profit. Therefore, the Company can allocate this amount to a new reserve capital, the purpose of which is the payment of dividends or interim dividends in the future.

IV. Justification to item no. 20 of the agenda

Adoption of a resolution on the distribution of net profit for the financial year 2022.

In December 2022, the Company paid to its shareholders an interim dividend as an advance for the expected dividend for 2022. It justified the payment with the good situation of the Company and forecasted profit. The forecast proved to be true and the Company generated a profit which fully covers the interim dividend paid. The amount of the advance payment was PLN 79,049,863.50 (in words: seventy-nine million forty-nine thousand eight hundred and sixty-three zlotys and 50/100), i.e. PLN 1.50 per share. Currently, the recommended distribution of profit shall consider the advance payment made. Therefore, the Management Board recommendation assesses keeping the profit in remaining scope in the Company, and allocate it for the supplementary capital.

In the remaining scope, the Management Board believes that the continuously uncertain economic situation, including high inflation and fluctuations on the commodity market, as well as the unresolved military and political situation in Ukraine, require prudent approach in the preparation of the Company for unforeseen events

* * *

The drafts of the proposed resolutions have been already made available publicly along with other materials disclosed for persons interested in the Annual General Meeting of the Company dated May 25, 2023. These materials are available on: <https://ciechgroup.com/relacjeinwestorskie/walne-zgromadzenie/>

Management Board of CIECH S.A.