

**REPORT ON THE ACTIVITIES
OF THE SUPERVISORY BOARD OF CIECH S.A.**

for financial year 2022

Warsaw, April 2023

The Supervisory Board of CIECH S.A. herewith submits its report on its activities in financial year 2022 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 2022, Consolidated Financial Statements of CIECH Group for 2022, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2022, together with the Non- Financial Report for 2022, and the Management Board's proposal regarding distribution of net profit for 2022.

The scope of this report includes:

1. Information on changes in the composition of the Supervisory Board of CIECH S.A. in 2022.
2. Discussion of the activities of the Supervisory Board of CIECH S.A. in the period from 1 January 2022 to 31 December 2022, 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 2022.
4. Information on the activities of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2022.
5. Information on the activities of the Sustainable Development (ESG) Committee of the Supervisory Board of CIECH S.A.
6. Assessment of the Financial Statements of CIECH S.A. for the financial year 2022 and the Consolidated Financial Statements of CIECH Group for the financial year 2022 in terms of compliance with the accounting books and documents, as well as the actual state of affairs.
7. Evaluation of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2022 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 2022.
8. Assessment of the situation of CIECH S.A. in 2022, including the assessment of the internal control system and the system to manage any risk which is significant for the company.
9. 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 2022

In 2022, i.e. in the period from 1 January 2022 to 31 December 2022, the Supervisory Board of CIECH S.A. performed its functions and its composition was as follows:

1. Sebastian Kulczyk - Chairman of the Supervisory Board,
2. Marek Kośnik - Deputy Chairman of the Supervisory Board,
3. Łukasz Rędziniak,
4. Artur Olech,
5. Martin Laudенbach,
6. Natalia Scherbakoff.

Due to the expiry of the term of office, on 28 April 2022, the Supervisory Board was appointed for a new joint term, in the above unchanged composition.

In 2022, three committees operated as part of the Supervisory Board of CIECH S.A.:

- 1) the Audit Committee of the Supervisory Board of CIECH S.A.,
- 2) the Remuneration Committee of the Supervisory Board of CIECH S.A.,
- 3) the Sustainable Development (ESG) 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 2022

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 2022, the Supervisory Board held 10 meetings, 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 2022.

FINANCIAL PLAN FOR 2022 AND 2023

The Financial Plan of the CIECH Group for 2022 (hereinafter referred to as the “**2022 Plan**”) was approved at a meeting of the Supervisory Board on 24 February 2022. The Management Board of CIECH S.A. presented and discussed the draft 2022 Plan with the Supervisory Board. Among other things, the following issues were analysed: the impact of external factors, soda and salt prices, key development projects (Grain and Golden Eye), including the launch of production by the new evaporated salt plant in Staßfurt, sources of investment financing, CAPEX expenses, key enterprise and production indicators such as net debt to EBITDA, raw materials strategy, net working capital, fixed costs, variable costs, emission of production installations and CO2 certificates policy.

The implementation of the 2022 Plan was also discussed and analysed in terms of its compliance with the adopted strategy of the CIECH Group for 2022-2024.

The Financial Plan of the CIECH Group for 2023 (hereinafter referred to as the “**2023 Plan**”) was approved at a meeting of the Supervisory Board on 14 December 2022. The Management Board of CIECH S.A. presented and discussed the draft 2023 Plan. Subsequently, the Supervisory Board analysed in detail the 2023 Plan, including such items as: CAPEX, net working capital, fixed costs, Free cash flow, net debt and asked additional questions to members of the Management Board, including with regard to, among others, impact of the CAPEX amount on the strategy, EBITDA level in 2023, limitations in both availability and significant increases in the prices of key energy raw materials, e.g. gas, coal.

When analysing the assumptions of the 2023 Plan, the Supervisory Board also took into account the events in Ukraine and the degree of uncertainty related to the development of these events and their impact on the economy, as well as issues related to the growing inflationary pressure on the market.

STRATEGY OF THE CIECH GROUP FOR 2022 - 2024

The Strategy of the CIECH Group for 2022 – 2024 was approved at a meeting of the Supervisory Board on 18 May 2022 (the "**2022 – 2024 Strategy**").

The Supervisory Board first summarised the implementation of the 2019-2021 Strategy, including the implementation of development projects in the soda and salt segments, paying particular attention to the investment in the construction of the evaporated salt plant in Staßfurt. Development projects focused on the development of specialist businesses in other segments were also discussed, including the agro segment, where in 2021 the innovative product "Halvetic" made its debut on the market, containing 50% less glyphosate compared to conventional preparations, while ensuring comparable weed control effectiveness, and to build a working environment, as well as to strengthen the position of the CIECH Group as a reliable partner for local communities, caring for the natural environment.

The Supervisory Board decided that the assumptions of the 2019-2021 Strategy had been implemented and the planned goals had been achieved, including the key Grain, Golden Eye and BGT projects, despite the persistently serious pandemic situation and continuing restrictions in the economy.

Afterwards, the CIECH Group's Strategy for 2022-2024 was discussed in detail, assuming intensification of activities in three areas: business, corporate - understood as a continuation of the CIECH Group's transformation and the area of value creation for all stakeholders of the CIECH Group, as well as striving to increase the level of safety of the CIECH Group's employees.

Assumed strategic financial goals of the CIECH Group:

- normalised EBITDA in 2024 in the range of PLN 870-930 million;
- cash conversion ratio in 2024 at the level of 30-35 %;
- cumulative FCFE for the period 2022-2024 - PLN 580-680 million.

The Management Board presented and discussed in detail the objectives set for individual business units ("**BU**"), i.e.:

- BU Soda - increasing cost efficiency (e.g. by reducing the consumption of raw materials thanks to R&D activities), energy transformation, improving processes in the area of sales and customer service and using the potential of sodium bicarbonate sold under the SOBIC brand, including specialised varieties intended for dialysis and pharmacy;
- BU Salt - the main goal is to use the full potential of the new evaporated salt plant, enter the pharmaceutical salt market and create a complete product mix and full production capacity in 2024;
- BU Agro - the use of original formulations with a meaning similar to that achieved by the breakthrough product HALVETIC, which debuted in 2021, its expansion to markets outside the European Union is planned;
- BU Silicates – increasing production capacity and taking advantage of the boom in silicates;
- BU Foams - increasing efficiency and introducing modern Industry 4.0 solutions;

- BU Packaging - identification and use of new market niches is the basis of the BU's activity, which will additionally modernise its production lines.

Another area that the Management Board of the Company paid attention to were innovations that were to serve both existing businesses and the search for future market niches, by e.g. investing in start-ups, this is the activity of the new special purpose vehicle CIECH Ventures sp. z o.o. On the one hand, R&D activities are to help reduce costs (CO₂ emissions, energy recovery, resource savings), and on the other hand, to expand the portfolio of innovative solutions for customers, including in the area of Agro or Foams.

After obtaining exhaustive answers to the questions asked, the Supervisory Board of CIECH S.A. decided to issue a positive opinion on the Strategy of CIECH Group for 2022-2024.

DISTRIBUTION OF INTERIM DIVIDEND FOR 2022

On 29 November 2022, after considering the proposal of the Management Board of CIECH S.A. for consent to the distribution of an interim dividend for 2022 in the amount of PLN 79,049,863.50 (in words: seventy-nine million forty-nine thousand eight hundred and sixty-three and 50/100 zlotys), the Supervisory Board of CIECH S.A. approved the proposal of the Management Board of the Company and consented to the distribution of an interim dividend for 2022.

Before making the decision, members of the Supervisory Board reviewed the separate financial statements of CIECH S.A. for the period from 1 January 2022 to 30 September 2022, prepared as at 30 September 2022, and with the Report on the audit of the separate financial statements, prepared by the independent statutory auditor - BDO sp. z o.o. sp. k. (which did not include any auditor's comments), and also took into account the Group's low level of debt and secured financial costs, the continued boom for the Group's products and completed investment programmes.

PREPARATIONS FOR THE ANNUAL GENERAL MEETING OF CIECH S.A. FOR FINANCIAL YEAR 2021

At its meetings on 24 March 2022 and 29 March 2022, the Supervisory Board of CIECH S.A. discussed and issued its opinion on the subjects included in the agenda of the Annual General Meeting of CIECH S.A., among others, it 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 2021, 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 2021, 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 2021, together with the Non-Financial Report of CIECH Group for 2021, which was assessed by the Supervisory Board as exhaustively presenting the functioning of the Group and the Company in 2021 and as consistent with the financial data included in the Separate Financial Statements of CIECH S.A. for 2021 and the Consolidated Financial Statements of CIECH Group for 2021, and

meeting the requirements provided for in article 49 of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351).

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 2021 in the amount of PLN 133,206,455.08 (in words: one hundred and thirty-three million two hundred and six thousand four hundred and fifty-five and 08/100 zlotys) and 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 2021 be allocated, in its entirety, to the supplementary capital;
- 2) it assessed positively its cooperation with the Management Board of the Company in the financial year 2021 and, taking into account the Company's results for the financial year 2021, 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 2021, 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 2021 to 31 December 2021,
 - Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2021 to 31 December 2021,
 - Mr Jarosław Romanowski with regard to performance of his duties as a Member of the Management Board in the period from 20 April 2021 to 31 December 2021.
- 3) it adopted the Report of the Supervisory Board on the activities of the Supervisory Board in 2021 containing reports on the results of the assessment Report on the activities of the CIECH Group and CIECH S.A. for 2021, together with the non-financial report of the CIECH Group for 2021, financial statements of CIECH S.A. and the CIECH Group for the financial year 2021, 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 2021.

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 2022 and the Strategy of the CIECH Group for 2022 - 2024.

Apart from those described in any other sections hereof, in 2022, the Supervisory Board also dealt with issues such as:

- 1) selection of BDO Sp. z o.o. Sp. k. based in Warsaw as the auditor of CIECH S.A., which was commissioned to audit the financial statements of CIECH S.A. and the CIECH Group for the years 2022-2023, i.e. for the financial year 2022 covering the period from 1 January 2022 to 31 December 2022 and the financial year 2023, covering the period from 1 January 2023 to 31 December 2023;
- 2) continuation of the reorganisation concept of the CIECH Group, including the transfer of rights and obligations related to the discussed areas of activity;
- 3) construction, renovation and replacement investments with values exceeding the limit specified in § 21 section 2 letter (l) of the Articles of Association of CIECH S.A. carried out in the CIECH Group companies;
- 4) sureties for liabilities of the CIECH Group companies, granted by CIECH S.A.;
- 5) intra-group loans for the CIECH Group companies in the scope of extending loan repayment dates and incurring/granting new loans;
- 6) ownership rights vested in CIECH S.A. as a partner or shareholder of a subsidiary or as a parent company, in relation to matters whose value exceeds the limit specified in § 21 section 2 letter (s) of the Articles of Association of CIECH S.A.;
- 7) strengthening the Management Board of the Company, due to the strategic goals of the Group adopted for the years 2022-2024, by appointing a new member of the Management Board of CIECH S.A.;
- 8) Long-Term Incentive Plan of the CIECH Group for the years 2022-2024 for the key management staff of the CIECH Group, introduced to harmonise the activities of the key managers of the CIECH Group with the achievement of the goals set out in the Strategy of the CIECH Group for the years 2022-2024;
- 9) Diversity Policy for the Management Board of CIECH S.A.;
- 10) Regulations of the Sustainable Development Committee (ESG) of the Supervisory Board of CIECH S.A.

The last subject which the Supervisory Board of CIECH S.A. dealt with in 2022 was the assessment and then consent to the conclusion by CIECH S.A. and its subsidiary CIECH Soda Polska S.A. (“**CSP**”) of contracts and agreements with Inowrocławskie Kopalnie Soli “**SOLINO**” S.A. (“**IKS Solino**”), aimed at ensuring stable sources of brine supplies to CSP production plants until the end of 2035 under predictable conditions, which is necessary in order to maintain the current scale and continuity of operations conducted by the subsidiary of CSP in the following years.

When assessing the above agreements and transactions, the Supervisory Board also took into account the scope and principles of incurring investment costs that are necessary for IKS Solino to deliver full volumes of brine, including the participation of the subsidiary of CSP in the IKS Solino investment. Financing on the part of the subsidiary of CSP was secured by a corporate guarantee of the parent company, i.e. CIECH S.A., while the implementation and obtaining financing on the part of IKS Solino was also secured by a corporate guarantee of its parent company, i.e. PKN Orlen S.A.

MARKET RISK HEDGING

The Market Risk Hedging Strategy (hereinafter referred to as the “**MRHS**”) is in force at CIECH S.A., introduced by Resolution No. 82/IX/2016 of the Supervisory Board of CIECH S.A. of 26.04.2016 and as amended for the last time on 5.10.2020 – 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 and modernisation projects, including, among others, budgets of these projects, the current status of implementation, expenses incurred and their impact on the Group's cash flow, revenues, margin and EBITDA. In addition, new modernisation projects taken in the companies in 2022 were also discussed.

The Supervisory Board analysed, among others, the following projects:

- investment in CIECH Soda Polska S.A. in Inowrocław, consisting in restoring the 20.5 MW “Lang” steam turbine number 5 with the generator and auxiliary devices, together constituting a “turbo set” at CIECH Soda Polska S.A. in Janikowo CHP plant.
- investment in CIECH Satz Deutschland GmbH in Stassfurt (Germany) consisting in the modernisation of the wet salt transport installation at the factory in Stassfurt.
- investment in CIECH Soda Polska S.A. in Inowrocław consisting in the implementation by EEW Energy from Waste GmbH (“EEW”) on a property located within the production complex of the subsidiary of CIECH Soda Polska S.A. (“CSP”) in Inowrocław, an installation for the thermal treatment of waste, which will be able to supply the subsidiary of CSP with process steam, possibly with process steam and electricity.

3. INFORMATION ON THE ACTIVITIES OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2022

The Report of the Audit Committee of the Supervisory Board of CIECH S.A. includes:

- information on the composition and tasks of the Audit Committee of the Supervisory Board of CIECH S.A. in 2022;
- discussion of the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2022, including information on the issues raised at Committee meetings;
- assessment of reports of CIECH S.A. and the CIECH Group for financial year 2022.

INFORMATION ON THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2022

As at 1 January 2022, the composition of the Audit Committee of the Supervisory Board of CIECH S.A. (hereinafter also referred to as the “Audit Committee”) was as follows:

- 1) Artur Olech - Chairman of the Committee,
- 2) Marek Kośnik - Member of the Committee,
- 3) Łukasz Rędziniak - Member of the Committee.

In 2022, there was a change in the composition of the Audit Committee, resulting from the expiry of the term of office of the Supervisory Board of CIECH S.A. Accordingly, on 18 May 2022, the Supervisory Board appointed a new Audit Committee, composed of:

- 1) Artur Olech - Chairman of the Committee,
- 2) Marek Kośnik - Member of the Committee,
- 3) Martin Laudенbach - Member of the Committee,

As at 31 December 2022, the composition of the Audit Committee was as follows:

- 1) Artur Olech -Chairman of the Committee,
- 2) Marek Kośnik - Member of the Committee,
- 3) Martin Laudенbach - Member of the Committee.

Mr Artur Olech and Mr Martin Laudенbach are members of the Audit Committee meeting the independence criterion.

The tasks of the Audit Committee are defined by the Regulations of the Audit Committee approved by Resolution No. 154/X/2022 of the Supervisory Board of CIECH S.A. of 20 August 2021.

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 Polish Audit Oversight Agency 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 or any other supervisory body about the results of the audit and explaining how it contributed to the reliability of financial reporting of 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 Audit;
- 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 to the supervisory board or any other supervisory or inspection body, or the body referred to in article 66 section 4 of the Accounting Act of 29 September 1994, the recommendation referred to in article 16 section 2 of Regulation 537/2014, in accordance with the policies referred to in points e) and f);
- i) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

DISCUSSION OF THE ACTIVITIES OF THE AUDIT COMMITTEE IN 2022

- In 2022, the Audit Committee of the Supervisory Board of CIECH S.A. held 5 meetings and due minutes were taken of each of them. The Audit Committee expressed its opinions and recommendations in the form of resolutions, which were adopted both at meetings and with the use of means of direct remote communication - without holding meetings. In total, 16 resolutions were adopted in 2022.
- The main issue of work of the Audit Committee in 2022 was the analysis and evaluation of both annual and periodic financial statements of CIECH S.A. and the CIECH Group. The Remuneration Report for 2021 and 2020 was also dealt with, taking into account the compliance of the Report with the adopted Remuneration Policy for members of the Management Board and Supervisory Board of CIECH S.A. and Report on the assessment of compliance with the arm's length condition of significant transactions of CIECH S.A. with related parties, considering the provisions of the Rules of Procedure in connection with significant transactions with related parties
- 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 and its affiliated companies.
- The Audit Committee invited representatives of the management board and the auditor to its meetings, with whom it discussed periodic reports and the results of the audit of annual statements, including key aspects of the audit. In addition, other employees of the Company were also invited, depending on the issues that the Audit Committee planned to deal with during the meeting.
- An indispensable subject of the meetings was information on the status of work on the implementation of the 2022 audit plan, discussed with the Director of the Internal Audit Department of CIECH S.A.

The following are some of the major issues dealt with by the Audit Committee in 2022.

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

In 2022, the Audit Committee held meetings with the statutory auditor of CIECH S.A., i.e.:

- (I) with representatives of Deloitte Audyt Sp. z o.o. Sp. k. (selected as the auditor of CIECH S.A. and companies of the CIECH Group for the audit of financial statements for the years 2020-2021), with whom it discussed the scope of auditing the statements for the financial year 2021, including: separate financial statements of CIECH S.A. for the financial year 2021 and the consolidated financial statements of the CIECH Group for the financial year 2021, with particular emphasis on issues that could have had a significant impact on the results achieved in a given reporting period, such as: COVID-19, financial risks, tax and economic risks;
- (II) with representatives of BDO Sp. z o.o. Sp. k. (selected as the auditor of CIECH S.A. and companies of the CIECH Group for the audit of financial statements for the years 2022-2023), with whom

it discussed, on an ongoing basis, the scope of planned audits and reviews of periodic reports of CIECH S.A. and the CIECH Group, including:

- ✓ the extended consolidated quarterly report of the CIECH Group for the first quarter of 2022,
- ✓ the extended consolidated report of the CIECH Group for the first half of 2022,
- ✓ the extended consolidated quarterly report of the CIECH Group for the three quarters of 2022,

with particular emphasis on issues that could have had a significant impact on the results achieved in a given reporting period, such as: COVID-19, the war in Ukraine, financial risks, tax and economic risks.

Taking into account the regulations of the Policy and procedure for selecting an audit firm to audit the statutory financial statements of CIECH S.A. and the consolidated statements of the CIECH Group, on 5 January 2022, the Audit Committee decided to recommend to the Supervisory Board of CIECH S.A. selection of BDO Sp. z o.o. Sp. k. as the auditor of CIECH S.A., which it proposes to entrust with the statutory audit of financial statements of CIECH S.A. and the CIECH Group for the years 2022-2023.

In connection with the information of the Management Board of CIECH S.A. concerning the intention to distribute an interim dividend for 2022, in accordance with article 349 § 1 of the Code of Commercial Companies, the Audit Committee, having reviewed the proposal of the Management Board of the Company regarding consent to the provision by BDO Sp. z o.o. Sp. k., the auditor CIECH S.A., of an additional service consisting in examining the condensed separate financial statements of CIECH S.A. for the period from 1 January 2022 to 30 September 2022, decided to present its positive recommendation to the Supervisory Board of CIECH S.A. in the selection of the audit firm, BDO Sp. z o.o. Sp. k., to audit the condensed separate financial statements of CIECH S.A. for the period from 1 January 2022 to 30 September 2022.

The Audit Committee also decided on giving its consent for the auditor of the Company, i.e. BDO Sp. z o.o. Sp. k. and its 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 Deloitte Audyt Sp. z o.o. Sp. k. – the auditor of CIECH S.A. for the years 2020-2021, 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 2021 together with the Company's comments on the observations.

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

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 for the CIECH Group, adopted by the Supervisory Board, as amended, and updated on 05 October 2022.

- **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 2022**

The Audit Committee analysed the financial results of the Company from the point of view of the Financial Plan of the CIECH Group for 2022 and discussed with the Management Board of CIECH S.A. forecasts of results of CIECH S.A. and individual Business Units, taking into account EBITDA, gross margin, fixed costs, planned CAPEX, implemented developmental projects, external factors (including the war in Ukraine), 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 2022. The results of the audits carried out in 2022 were presented by the Internal Audit Department Director in the form of reports which were subsequently 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 2022

At its meeting on 22 March 2023, 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 2022, i.e.:

- 1) Financial Statements of CIECH S.A. for 2022,
- 2) Consolidated Financial Statements of the CIECH Group for 2022,
- 3) Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2022, together with the Non-Financial Report for 2022.

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 2022, 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 2022

The report of the Remuneration Committee of the Supervisory Board of CIECH S.A. (the "Remuneration Committee") includes:

- information on the composition and tasks of the Remuneration Committee in 2022.
- information the activities of the Remuneration Committee in 2022.

INFORMATION ON THE COMPOSITION AND TASKS OF THE REMUNERATION COMMITTEE

In 2022, the composition of the Remuneration Committee did not change and was as follows:

- 1) Mr Sebastian Kulczyk – Chairman of the Committee,
- 2) Mr Marek Kośnik.

Due to the expiry of the term of office of the Supervisory Board of CIECH S.A., on 18 May 2022, the Supervisory Board appointed the Remuneration Committee with the same composition.

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 and severance pay system,
- 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 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 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 ON THE ACTIVITIES OF THE REMUNERATION COMMITTEE

In 2022, meetings of the Remuneration Committee were held in order to analyse documents on the basis of which Members of the Management Board are entitled to the annual and discretionary bonuses and to submit recommendations to the Supervisory Board regarding the award of the bonuses for 2021. Furthermore, the Remuneration Committee presented its recommendations to the Supervisory Board of CIECH S.A. with regard to:

- ✓ increase in the base salary of the Members of the Management Board of the Company, after reviewing the base salaries and taking into account the positive evaluation of the work of the Management Board, economic indicators determining the Group's potential, attention to taking measures leading to the reduction of the fixed expenses of the Group, and the fact that there had been no major changes in the remuneration of the majority of Management Board Members since the conclusion of their employment contracts, i.e. 2018, the Remuneration Committee decided to present its positive recommendation on the above matter;

- ✓ adoption of the Long-Term Incentive Plan for the CIECH Group for 2022-2024 for Members of the Management Board of CIECH S.A., as well as selected key employees of the Company and the CIECH Group companies, together with the Plan Regulations and a template of the Congratulatory Letter, Acceptance Form, Annex and Appendix (the “Plan”), having analysed the terms and conditions of the Plan, which provides for motivating key employees to activities aimed at the development of the Group and harmonisation of these activities with the Strategy of the CIECH Group for 2022-2024, the Remuneration Committee decided to present its positive recommendation in this matter.

5. INFORMATION ON THE ACTIVITIES OF THE SUSTAINABLE DEVELOPMENT (ESG) COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2022

Sustainable Development Committee (ESG) of the Supervisory Board of CIECH S.A. (the “ESG Committee”):

- information on the composition and tasks of the ESG Committee in 2022.
- information on the activities of the ESG Committee in 2022.

INFORMATION ON THE COMPOSITION AND TASKS OF THE ESG COMMITTEE

The Sustainable Development Committee (ESG) of the Supervisory Board of CIECH S.A. (the “ESG Committee”) was appointed on 18 May 2022.

From the date of its appointment to 31.12.2022, the composition of the ESG Committee was as follows:

- 1) Martin Laudenbach – Chairman,
- 2) Natalia Scherbakoff,
- 3) Łukasz Rędziniak.

In accordance with the Regulations of the ESG Committee, adopted by Resolution No. 30/XI/2022 of the Supervisory Board of CIECH S.A. of 6 October 2022, the main task of the ESG Committee is to support the Supervisory Board in fulfilling its supervisory duties with regard to the objectives, policies and practices of the Company and the CIECH Group in matters related to ESG and sustainable development, which include, among others: contributing to mitigating and adapting to climate change, preventing environmental pollution, restoring biodiversity and transitioning to a circular economy, contributing to building a better society, including by counteracting inequalities and exclusion, and supporting social inclusion, including in particular:

- a) exercising supervision over:
 - (i) integration of ESG commitments in the Company's business operations, related internal and external reporting of the Company, ESG indicators and the effectiveness of cooperation with stakeholders (such as employees, local communities, consumers and end users of the products of the Company, and investors) on ESG-related matters;
 - (ii) the management of ESG issues by the Company, including supervision over the compliance of the Company's ESG activities with applicable laws, corporate governance rules, as well as applicable sector regulations in this regard;

- (iii) identifying internal and external ESG-related risks and opportunities in order to properly prioritise the Company's strategic priorities and activities;
 - (iv) setting (both in the long- and medium-term (3-year strategy)) ESG goals;
 - (v) defining the ESG strategy of the Company in order to achieve the set goals;
 - (vi) progress of the Company in the achievement of its ESG goals and proposing adjustments as necessary;
- b) assessing the Company's activities regarding decisions made in the ESG area, including the impact of any social or community projects undertaken by the Company, as well as further assessment of the impact of such decisions and activities on the Company's reputation;
 - c) periodically reviewing the Company's ESG policies, programmes, practices and initiatives, including in particular in terms of their effectiveness and timeliness, especially in the scope of:
 - (i) identifying, managing and mitigating or eliminating ESG risks in connection with the Company's operational and corporate activities,
 - (ii) the Company's level of preparedness and readiness to respond to major ESG incidents;
 - d) reviewing the quality and integrity of internal and external ESG reporting;
 - e) reviewing the results of any independent audits of the Company's performance in relation to ESG issues, as well as any strategies and action plans developed by the Company in response to such audits;
 - f) reviewing the course and results of investigations into serious ESG incidents and the effectiveness with which ESG recommendations are incorporated in the Company.

INFORMATION ON THE ACTIVITIES OF THE ESG COMMITTEE

In 2022, one meeting of the ESG Committee was held (on 7 November 2022), during which:

- members of the ESG Committee elected Mr Martin Laudenbach as the Chairman of the ESG Committee, who agreed to such appointment and election;
- the role and activities of the ESG Committee were discussed in the area of supervision over the Company's business activities in terms of ESG objectives and assessment of the Company's activities in ESG-related decisions and periodic review of the Company's policies, programmes, practices and initiatives related to ESG and review of the quality and integrity of ESG reporting and review the results of any independent audits of the Company's ESG performance;
- the frequency of meetings of the ESG Committee in 2023 and the general outline of topics and the method of preparing the meetings were defined;
- the calculation of carbon dioxide emissions from Scope 3 (indirect emissions, classification according to the GHG Protocol Corporate Accounting and Reporting Standard) was discussed.

6. & 7. ASSESSMENT OF THE FINANCIAL STATEMENTS OF CIECH S.A. FOR 2022 AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2022, REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE CIECH GROUP AND CIECH S.A. IN 2022, TOGETHER WITH THE NON-FINANCIAL REPORT FOR 2022 - 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 2022

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point letter (a) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Financial Statements of CIECH S.A. for 2022 and the Consolidated Financial Statements for 2022, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2022, together with the Non-Financial Report for 2022, 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 2022.

1. ASSESSMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY FOR 2022

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point letter (a) 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 2022 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 2022 was conducted by BDO sp. z o.o. sp.k. (the “**BDO**”).

The Supervisory Board familiarised itself with the Financial Statements of CIECH S.A. for 2022 (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 2022 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 2019, item 351, as amended).

On 22 March 2023, 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 Financial Statements of CIECH S.A. for the tax year 2022.

At its meeting on 23 March 2023, the Supervisory Board, having familiarised itself with the Financial Statements of CIECH S.A. for 2022 and the auditor's report, concluded that the 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 Financial Statements of CIECH S.A. for the tax year 2022, the Supervisory Board of CIECH S.A. recommended to the Annual General Meeting that the Financial Statements be approved.

2. ASSESSMENT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE CIECH GROUP FOR 2022

According to article 382 § 3, in conjunction with article 395 § 5 of the Code of Commercial Companies and § 21 section 2 letter (a) 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 2022 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 2022 was carried out by BDO sp. z o.o. sp.k. (the “**BDO**”).

The Supervisory Board familiarised itself the Consolidated Financial Statements of the CIECH Group for 2022 (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 2022 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 22 March 2023, 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 2022.

At its meeting on 23 March 2023, having familiarised itself with the Consolidated Financial Statements of the CIECH Group for 2022 and the auditor's opinion, the Supervisory Board concluded that the Consolidated Financial Statements of CIECH Group for 2022 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 2022, 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 2022

According to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 letter (a) 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 2022, together with the Non-Financial Report of the CIECH Group for 2022, 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 2022 and the Report of the independent statutory auditor of the audit of the Consolidated Financial Statements of the CIECH Group and the 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 2022 (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, as amended) 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 22 March 2023, 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 2022, including the Non-Financial Report of the CIECH Group for 2022.

At its meeting on 23 March 2023, the Supervisory Board concluded that the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2022 presented in an exhaustive manner the functioning of the Company and CIECH Group in 2022. The Report complied with the financial data contained in the Separate and Consolidated Financial Statements for 2022 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 2022, 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 2022

The Supervisory Board of CIECH S.A., having considered the proposal of the Management Board of CIECH S.A. concerning the distribution of net profit, earned by the Company in 2022, in the amount of **PLN 612,255,371.67** (in words: six hundred and twelve million two hundred and fifty-five thousand three hundred and seventy-one zlotys 67/100), i.e.:

1. allocating the amount of **PLN 79,049,863.50** (in words: seventy-nine million forty-nine thousand eight hundred and sixty-three zlotys and 50/100), for the payment of dividend to shareholders, which means that the value of the dividend per share will amount to **PLN 1.50** (in words: one zloty 50/100), which - taking into account the interim dividend for the financial year beginning on 1 January 2022 and ending on 31 December 2022 in the amount of **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** (in words: one zloty 50/100) per share paid by the Company pursuant to Resolution of the Management Board No. 194/2022 of 15 November 2022 - fully exhausts the amount of dividend for shareholders, causing the remaining dividend for the financial year **2022** for shareholders to amount to **PLN 0,00**
2. allocating the remaining amount, i.e. **PLN 533,205,508.17** (in words: five hundred and thirty-three million two hundred and five thousand five hundred and eight zlotys and 17/100):
 - 2.1. in its entirety, to the reserve capital, whose creation is applied by the Management Board and which is to be created by the General Meeting and to be used for the payment of dividends and dividend advances, alternatively,
 - 2.2. if such reserve capital is not created by the General Meeting, adding the remaining amount to the supplementary capital,

submitted to the Annual General Meeting of CIECH S.A., and taking into account the submitted justification for the proposed distribution of net profit for 2022, decided to give a positive opinion to the Annual General Meeting of CIECH S.A. on the distribution of net profit for 2022 in accordance with the proposal submitted by the Management Board of CIECH S.A.

8. ASSESSMENT OF THE SITUATION OF CIECH S.A. IN 2022 BY THE SUPERVISORY BOARD OF CIECH S.A., TAKING INTO ACCOUNT THE EFFICIENCY OF THE INTERNAL CONTROL SYSTEM AND THE SYSTEM FOR THE MANAGEMENT OF RISKS SIGNIFICANT TO THE COMPANY

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 2022, 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 2022¹

In 2022, CIECH S.A. generated revenues of PLN 2,672.5 million (PLN 1,618.7 million in 2021), operating result of PLN 184.5 million (PLN -37.6 million in 2021) and net profit from continuing and discontinued operations PLN 612.3 million (PLN 133.2 million in 2021), the balance sheet total amounted to PLN

¹ The presented information includes financial figures for continued and discontinued operations.

5,290.1 million (PLN 4,612.6 million at the end of 2021) and cash decreased by PLN 76.6 million PLN to PLN 390.9 million.

The result on operating activities was influenced by the growing price pressure on the key energy (coal, gas, electricity) and fuel (coke, anthracite) markets as well as the persistently high prices of CO₂ emission allowances. The negative impact of rising variable costs was partly offset by an increase in contract prices implemented from Q4 2021 and continued in 2022, which allowed the margin to be maintained. The result was significantly affected by the increase in strategic consulting costs in connection with the commenced business transformation, in particular in the soda segment, as well as higher staff costs, including annual bonuses and systemic salary increases, as well as increasing costs of external services due to ongoing inflationary pressure on the market.

In 2022, CIECH S.A. sales revenues amounted to PLN 2,672.5 million and were higher (by 65%) compared to 2021. This is mainly caused by the update of contract prices due to higher prices of raw materials, as well as the continuing high demand for soda on a global scale compared to the supply and lower supply of salt on the market due to import restrictions from eastern markets.

In 2022, the gross profit on sales amounted to PLN 469.4 million, and PLN 189.1 million in the corresponding period of the previous year. Operating profit (EBIT) for 2022 amounted to PLN 184.5 million and PLN -37.6 million for the comparative period, which gave the EBIT profitability for 2022 at the level of 6.9% (previous year -2.3%). Normalised EBITDA on continued and discontinued operations amounted to PLN 201.9 million for 2022 and PLN -28.7 million for 2021, which resulted in normalised EBITDA margin of 7.6% for 2022 and -1.8% for 2021 respectively.

Net profit from continued and discontinued operations amounted to PLN 612.3 million (PLN 133.2 million in 2021). The change in the result is related to a higher operating result (PLN 222.1 million) and a higher result on financial activities (PLN 324.2 million zloty).

Equity as at 31 December 2022 amounted to PLN 2,133.0 million (PLN 1,614.6 million at the end of 2021). Liabilities (total long- and short-term) of CIECH S.A. amounted to PLN 3,157.1 million as at 31 December 2022, which means an increase in liabilities by PLN 159.2 million compared to the previous year. This increase resulted mainly from changes in the balance of trade and other liabilities by PLN 135.2 million and changes in the balance of other provisions by PLN 13.5 million.

Net debt of CIECH S.A. calculated as the sum of long-term and short-term liabilities due to loans, borrowings and other debt instruments less cash and cash equivalents amounted to PLN 1,867.5 million as at 31 December 2022, which means an increase compared to the end of December 2021 by PLN 83.8 million.

Cash flows from operating activities in 2022 amounted to PLN 210.5 million and were PLN 171.3 million higher than cash flows from these activities generated in 2021. The positive impact on the change in the value of cash flows was mainly due to the higher result on operating activities (PLN +222.1 million), and the higher change in short-term liabilities (PLN +54.6 million). The positive impact of the factors listed above was partially offset by a lower change in receivables (PLN -164.3 million) and higher tax paid (PLN -17.7 million).

In 2022, cash flows from investing activities amounted to PLN -200.6 million and were PLN 490.0 million lower than in the previous year. The greatest impact on the change in cash flows from investing activities had the balance of repayments/disbursements of intra-group loans (a change of PLN 504.9 million) and proceeds from the sale of CIECH Żywiec, which occurred in 2021.

In 2022, cash flows from financing activities amounted to PLN -84.7 million and were PLN 41.9 million higher than in the previous year.

The greatest impact on the decrease in cash flows from investing activities was the balance of inflows/repayments from loans and borrowings (a change of PLN -54.2 million) and a lower dividend payment, a change of PLN 79.0 million.

The company achieved record-high revenues, EBITDA and the second-ever net profit, while optimising investment expenditures, allowed it to achieve high liquidity and low debt. Although the company did not generate high free cash flows, it paid an interim dividend and is well prepared to face the challenges of the turbulent environment and achieve the goals assumed for 2023, which is undoubtedly the result of the strong foundations built over the last three years.

2) ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

The internal control system in the CIECH Group consists of:

- institutional control – carried out by the Internal Audit Department
- operational and functional control – carried out on a continuous basis by employees of all organizational units through compliance with procedures and regulations and other internal regulations in all phases of activity in the form of initial, current and subsequent control

CIECH S.A. has the internal control system covering significant areas of activity in the entire CIECH Group, which is adapted to the organizational structure of the Group and also covers its subsidiaries. It requires continuous improvement and adaptation due to the changing environment and business requirements. This is done e.g. through cyclical audits and inspections of areas identified as most susceptible to various types of irregularities.

The internal control system in the CIECH Group is efficient and fulfills its role.

3) ASSESSMENT OF THE EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM

In the CIECH Group there is a formal Risk Management System in place since 2020. Activities, participants and responsibility areas of risk management in the Ciech Group are defined in the system. It is a structured set of general rules and guidelines in the Group and was implemented to enable achieving strategic goals without taking excessive risk. The implemented risk management system:

- identifies threats for goal achievement,
- defines a proposal of threat mitigating activities and their impact on the goals set,
- allows for proper identification and evaluation of the risks so far not identified.

The system is continuously developed and is a complex and corporate solution. It is a substantial building block supporting ongoing business of the Group.

The activities undertaken in the risk management process of the CIECH Group are realized on a daily and regular basis. The risk management has two dimensions – vertical and horizontal and identifies risks not only occurring in a particular entity, organizational unit or process, but also the risks, which influence diverse areas of Group’s business, entities and processes from a whole CIECH Group point of view. Only such a complex approach and risk understanding allows for successful risk management and tangible benefits to the Group.

The risk management process in the CIECH Group has been defined and implemented in compliance with the “ISO 31000:2018 Risk Management”.

The risk management process as one of the components of the Group’s value focuses on a wide risk spectrum, which are key from the perspective of goals set for the Group and include areas of hazards to human health and life, production process continuity, legal and compliance as well as regulatory and financial risks. An important element of the system is also environment protection risks, reputation loss or influence of the environment on the CIECH Group.

The Group is strongly committed to ongoing identification and verification of risks key to business areas and their effective mitigation through the developed and implemented risk management process.

In the scope of the Risk Management System in the CIECH Group up till the end of 2022 have been undertaken the following activities:

- Actualization of the risk identification and evaluation for the key entities/segments of the CIECH Group (CIECH Soda Polska, CIECH Soda Deutschland, CIECH Salt Deutschland – Soda Segment, CIECH Sarzyna – Agro Segment, CIECH Pianki – Foams Segment, CIECH Vitrosilicon – Silicates Segment, CIECH Vitro – Packaging Segment, corporate and central functions – CIECH SA).
- Actualization of the risk register and current Risk Map based on the actualized information about the risks and their evaluation.

In 2022, because of the outbreak of the military conflict in Ukraine, materialized risks related to raw material accessibility, price fluctuation and ensuring continuity of deliveries in order to secure operational continuity of the production facilities. In relation to this situation, in 2022, the risks influencing operational continuity of the production plants were analyzed and monitored continuously. The first half of 2022 showed extreme dynamic of price volatility. In the second half of the year the situation stabilized and risks related to inaccessibility of production essential raw materials decreased.

Furthermore in 2022 were conducted detailed risk analyses as an answer to then current Group needs. Such analyses were performed in relation to the cable transport of limestone in Janikowo and to the identification of threats and readiness level assessment of the soda entity in Poland in case of materialization of environmental incidents.

In relation to the still ongoing pandemic, throughout the year were realized activities targeting minimalization of disease exposure, outbreak occurrence and risk of business continuity loss in the production facilities.

Thanks to the undertaken and planned risk management activities, the tasks performed were realized on a regular and ongoing basis. This allowed:

- periodic reporting on current key risk levels for particular segments (quarterly reporting to the Management Board on key risk level development on the basis of corrective actions and current operational context),

- incident recording, which allowed for probability assessment of the risk materialization based on the recorded incidents,
- performing and reporting to the Management Board of the current risk evaluation in each business segments at the end of 2022 in a form of up-dated risk register and Risk Map.

Financial risk management

The method of financial risk management was defined in the Market Risk Security Strategy (further "MRSS") for the CIECH Group adopted by the Supervisory Board, with subsequent up-dates (the latest up-date of the MRSS took place on October 5th 2020), in which have been described and adopted procedures and task allocation in the scope of currency risk, interest rate risk and raw material fluctuation risk (coal, gas, electric energy and CO2 emission certificates). The document describes the goal of market risk management, defines risks for which hedging instruments are to be used, describes the rules of identification, quantification and market risk handling, including hedging transaction limits. In the MRSS have been defined instruments for particular market risks and guidelines of operations of the Market Risk Committee. The hedging transactions are conducted on the basis of the Market Risk Committee recommendations. The Market Risk Committee consists of the CIECH S.A. Management Board and the business executives.

In the scope of MRSS in 2022 were conducted currency and commodity hedging transactions (natural gas, electric energy and CO2 emission rights). The hedging instrument application contributed to substantial decrease of CIECH Group exposition to the unfavorable market factors in the circumstances of dynamic energy commodities and increase of market interest rates.

Liquidity risk management

In order to limit the liquidity risk the following methods are used:

- ongoing liquidity monitoring of the CIECH Group net debt level,
- cash flow planning in short and medium term, including debt maturity,
- external funding source diversification,
- planning, monitoring and optimalization of working capital level,
- investment level adjustment and schedule,
- ongoing monitoring of the fulfillment of obligations resulting from conditions of debt agreements.

Long term financing is granted by the syndicated loan agreement signed in March 2021 in the amount of 2 115 MPLN, with a 5-year pay back term. The agreement ensures funding of the Group's needs and provides flexibility in gaining, within the set financial covenant range, additional debt in the future. The Group has also been granted a revolving loan in the amount of 250 MPLN, which established an additional source of current liquidity and working capital financing, and a current account overdraft in the total amount of 159 MPLN.

The risk management system in the CIECH Group is efficient and fulfills its role.

4) ASSESSMENT OF THE EFFECTIVENESS OF THE COMPLIANCE SYSTEM

Compliance System is a set of rules, processes, means and formal organizational activities, that was introduced by the CIECH Group in 2018, which helps to avoid the risk of violation of compliance obligations relating to the CIECH Group. Compliance System was introduced in the CIECH Group in order

to eliminate the risk of lack of compliance with both external and internal requirements, through ongoing monitoring of the compliance of the CIECH Group activities with compliance obligations, such as rules of law, internal regulations and ethical standards, which apply to the business processes existing in the CIECH Group due to its operations.

Compliance System defines business areas (e.g. Departments in CIECH S.A. or Companies of the CIECH Group) depending on the scope and specifics of the compliance obligation. These areas are led by managers, who are responsible, in the course of their employment, for assuring the compliance of the CIECH Group activities with requirements such as: competition protection, environmental protection, product quality and safety, capital markets law, health & safety, anti-corruption and anti-fraud, managing conflict of interest, energy law, personal data protection, information protection, safeguarding of company's assets, accounting and financial reporting regulations, discrimination, mobbing and abuse prevention and response, intellectual property protection, industrial property legislation and ESG.

Compliance Officer in the CIECH Group is responsible for ensuring the effectiveness of the Compliance System. The duties of Compliance Officer in the CIECH Group include managing the risk of lack of compliance through the development of effective, independent, covering all areas of the CIECH Group operations, system of compliance management. The system is to cover thoroughly the following areas: application of Delegation of Authority (DOA) matrix, identification and prevention of conflict of interest, response to whistleblowing regarding violation of law and internal regulations of the CIECH Group (also anonymous), anti-fraud and anti-corruption (including gifts and hospitality policy), business partner verification on their compliance with the CIECH Group Business Partner Code and ESG regulations.

Compliance Officer supports employees in the application of the CIECH Group Code of Conduct and is also a member of internal committees carrying out investigations in case of potential violation of internal regulations of the CIECH Group (Ethics Committee, Anti-undesirable Behavior Committee). Compliance Officer also supports other departments in the CIECH Group in their duties relating to detailed regulations (e.g. AML Officer, IOD). Compliance Officer is also responsible for review, updating and support in the application by the CIECH Group entities of the regulations of which he is the business owner.

In order to assure the effectiveness of the Compliance System, the following tools are used in the CIECH Group:

1. CIECH Group Code of Conduct that was adopted by the Board on 11 May 2021 and is based on four fundamental principles of the CIECH Group: responsibility, reliability, team and development. The Code describes behavior models addressed to all employees and associates of the Group. It is consistent with the Group ESG Strategy.
2. Policies and procedures – all documents that provide further details on the rules defined in the CIECH Group Code of Conduct.
3. Training Programs that are adjusted to the risk profiles of specific business areas and positions.
4. Whistleblowing system for reporting doubts and violations, that also includes communication channel for anonymous contact through internal tool <https://ciech.liniaetyki.com/>. Whistleblowing procedure appoints the Ethics Committee as the entity responsible for carrying out investigations, reporting and issuing recommendations. It also describes exceptions from the rules of conducting investigations by the Ethics Committee, e.g. in case of information received

regarding CIECH S.A. Board Members, the investigation is to be conducted by the Supervisory Board.

5. Anti-corruption and Gifts and Hospitality Rules are supported by the gifts received and handed out register that is maintained in the CIECH Group.

Investigations on law violations are conducted by the CIECH Group Compliance Officer. Ethical violation and conflict of interest doubts are investigated by the CIECH Group Ethics Committee. Undesirable behavior such as mobbing / discrimination is investigated by the Anti-undesirable Behavior Committee. There were four investigations conducted in year 2022, one was a potential conflict of interest verification, the remaining three related to undesirable behavior. As the result of the internal investigations, recommendations were issued, that were already implemented or are in progress. None of the investigations conducted in year 2022 resulted in the reporting of potential crime to the authorities.

In October 2022 an organizational change took place regarding the Compliance System. The duties and the position of Compliance Officer were placed in Legal Department. The Compliance Officer reports to the Legal Department Director (administratively) and President of the Board of CIECH Group (functionally). Additionally, there has been a change in the Compliance Officer position.

CIECH Group Compliance system extends outside CIECH S.A. and the CIECH Group and also affects business partners through:

1. CIECH Group Business Partner Code adopted on 11 May 2021, which defines minimal cooperation standards for: business partners of the CIECH Group Companies, especially suppliers, sub-contractors, distributors, customers, sales and services providers, other contractors and entities, which support our business partners in the realization of their tasks for the CIECH Group ("Partners"). The condition of commencement and continuation of business relationship of the CIECH Group Company with their Partners, is the approval and application of the Code by them.
2. Supplier verification system adopted on 1 October 2021 based on Know Your Customer Procedure (KYC). It complements and assures the use of the CIECH Group standards. Following the procedure, we verify and assure that our Business Partners conduct their business activities in compliance with the CIECH Group Business Partner Code, especially in the area of human rights, environmental protection and ethics. In year 2022, we verified 132 Business Partners. In one case, negative KYC score was issued, all the remaining were positive. The KYC verification is the fulfillment of one of our obligations that are included in the CIECH Group ESG Strategy – "we introduce ESG into our purchasing procedures – we will examine the status and ESG risk of the suppliers that are responsible for at least 70% of our spending, by year 2023". By January 2023, ESG status of suppliers covering 64% of CIECH Group spending has been verified.

The most important activities relating to the functioning of the Compliance System in the CIECH Group in year 2023 are:

- Review and update of internal regulations, whose business ownership is assigned to the Compliance Officer
- Implementation of sanction policy and verification of the present CIECH Group contractors regarding sanction lists, especially these maintained by the Ministry of Internal Affairs and Administration, European Commission or Office of Foreign Assets Control (OFAC).
- Implementation of Compliance System in the CIECH Group companies located in Germany

- Conducting training on the CIECH Group Code of Conduct for all Group employees

The Compliance System in the CIECH Group is efficient and fulfills its role.

5. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

In 2022 Internal Audit Department in CIECH S.A., acting based on Organizational Regulations of CIECH S.A., carried out a number of audits and controls according to the accepted yearly Audit Plan, both in CIECH S.A. and its subsidiaries. The Department also conducted ad hoc audits commissioned by the Management Board and the Supervisory Board of CIECH S.A.

Areas audited or controlled by the Internal Audit Department in 2022:

- Safeguarding of company's assets in CIECH Sarzyna S.A.
- Safeguarding of company's assets in CIECH Pianki Sp. z o. o.
- Safeguarding of company's assets in CIECH Vitrosilicon S.A.
- Safeguarding of company's assets in CIECH Vitro Sp. z o. o.
- Investment process in the CIECH Group
- Purchasing process in the CIECH Group
- Process of month-end closing in SSC CIECH Services Sp. z o. o.
- Review of processes in terms of savings and efficiency in CIECH Cargo Sp. z o. o.
- Review of processes in terms of savings and efficiency in CIECH Vitro Sp. z o. o.
- Review of logistics processes in CIECH Soda Deutschland - ad hoc audit
- HR in CIECH Cargo Sp. z o. o. - ad hoc audit
- Regulations on purchases with co-financing in the CIECH Group - ad hoc audit
- Warehouse management of coke and anthracite in CIECH Soda Polska S.A. - ad hoc audit.

Audit and control reports, along with conclusions and recommendations, are presented to the Management Board of CIECH S.A. and relevant organizational units on an ongoing basis, and their implementation is monitored.

The audit and control plan, as well as information on their execution and results are presented and discussed at meetings of the Audit Committee of the Supervisory Board of CIECH S.A. Post-audit recommendations implementation statuses are also presented.

The Internal Audit in the CIECH Group is efficient and fulfills its role.

9. RECOMMENDATIONS OF THE SUPERVISORY BOARD OF CIECH S.A. TO THE ANNUAL GENERAL MEETING OF CIECH S.A.

The Supervisory Board's assessment of the Financial Report of CIECH S.A. for 2022 and the Consolidated Financial Report of the CIECH Group for 2022, the Report of the Management Board on the Activities of the CIECH Group and CIECH S.A. for 2022, together with the Non-financial Report of the CIECH Group for 2022, allowed the conclusion that the information contained in these documents is consistent with the accounting books and documents, as well as with the facts, and their content is consistent.

The Supervisory Board of CIECH S.A., in view of the above assessment, **recommends to the Annual General Meeting of CIECH S.A. approval of:**

- 1) The Financial Statements of CIECH S.A. for 2022,
- 2) Consolidated Financial Statement of the CIECH Group for 2022,
- 3) The Management Report on the Activities of CIECH Group and CIECH S.A. for 2022, together with the CIECH Group Non-Financial Report for 2022,

and the distribution of net profit for 2022 in the amount of PLN 612,255,371.67 (in words: six hundred and twelve million two hundred and fifty-five thousand three hundred and seventy-one zlotys 67/100) in accordance with the proposal of the Management Board of CIECH S.A.

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 2022, 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 2022 to 31 December 2022,
- 2. Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2022 to 31 December 2022,
- 3. Mr Jarosław Romanowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2022 to 31 December 2022,
- 4. Mr Kamil Majczak with regard to performance of his duties as a Member of the Management Board in the period from 1 June 2022 to 31 December 2022.

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

- 1. **Sebastian Kulczyk - Chairman of the Supervisory Board**
- 2. **Marek Kośnik - Deputy Chairman of the Supervisory Board**
- 3. **Łukasz Rędziniak**
- 4. **Natalia Scherbakoff**
- 5. **Artur Olech**
- 6. **Martin Laudenschach**