



Management Board report on the activity of ENEA S.A. and the ENEA Group in 2021

Poznań, 23 March 2022

THIS DOCUMENT IS NOT AN OFFICIAL VERSION

Letter from President of the Management Board and CEO

Dear Stakeholders,

We are proud to present to you the new report of the ENEA Group, in which we sum up our activities in 2021. The past year was a time of dynamic changes on the energy market driven by the demanding environment, including the effects of the pandemic. The ENEA Group used this time to prepare for its transformation and the key event in this respect was the update of the ENEA Group Development Strategy.

ENEA S.A.'s Green Change is now at the core of the updated Development Strategy. We have decided to pursue sustainable transformation, which will create value for the Group's shareholders. ENEA will develop renewable energy sources. It will specialize in operating energy storage facilities as a technology of key significance for ensuring RES stability and solidifying energy security. We want to achieve climate neutrality by 2050.

The Enea Group Development Strategy until 2030 with an outlook to 2040 is well aligned with the country's energy transition goals. In the business environment context, among the primary objectives of the ENEA Group Development Strategy is to spin off from its structures any assets related to the generation of electricity in conventional coal- and lignite-fired units. This direction was confirmed by the Government of the Republic of Poland in March this year when it approved the plan for establishing the National Agency for Energy Security, to which coal production assets will be transferred.

As we sum up the year 2021, we cannot neglect to mention the current events, which have had immense impact, not only in economic terms. The ENEA Foundation has donated significant funds for aid to families from Ukraine. We also offered several hundred places in resorts and facilities owned by the Group. With our vehicle fleet we supported the transportation of Ukrainian families and our employees engaged in coordinated material collection drives and direct aid through employee volunteers. This is not the end of our support. We realize that it will still be necessary in the coming months. During this difficult time, I would like to emphasize once again the role and importance of energy companies in the current situation. Our primary goal is to produce and supply electricity in Poland in a stable and secure manner.



Consistent improvement of financial and operating performance in 2021

Despite the persistently difficult market environment and demanding changes on the electricity market, ENEA Group achieved good performance in 2021, increasing its revenues by 17% y/y to PLN 21.2 billion and earning PLN 3.6 billion of EBITDA (up by PLN 335 million, or 10.1% y/y).

In 2021, the ENEA Group made capital expenditures of PLN 2 billion of which PLN 156 million was spent on projects directly related to environmental protection, including primarily modernizations and projects to adapt the Group's power plants to the BAT conclusions and construction of a co-generation source in Piła.

Independent external financial institutions confirm good financial standing of the Group. In a press release of 1 December 2021, Fitch Ratings affirmed the Company's long-term foreign- and local-currency issuer default ratings at 'BBB' with a stable outlook. The Net Debt/EBITDA ratio is at a safe level of 0.75.

In 2021, the volume of sales of electricity and gaseous fuel to retail customers was 24.5 TWh, and was about 16% (or 3,393 GWh) higher compared to 2020. In the business customer segment, the sales volume went up by 3,101 GWh, or about 21%, and was caused by a change in the customer portfolio between 2020 and 2021 combined with a higher consumption of energy by customers after the first period of the pandemic; in the household segment, growth was 56 GWh, which is approx. 1%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year – by 236 GWh, or approx. 18%.

Last year, ENEA Group produced in total 26.4 TWh of energy, which was nearly 1/5 above the production in 2020. The total volume of energy generated from renewable sources reached over 2.4 TWh, growing by 1%, or 23 GWh.

Nearly 47 thousand renewable sources, including microinstallations, were connected to ENEA Operator's distribution grid in 2021. At the end of 2021, the total number of RES sources connected to the company's distribution grid was nearly 109 thousand.

Increase in production and sales of fuel ensures stability of the generation sector

LW Bogdanka mine owned by ENEA Group is the main supplier of fuel to our two power plants. Last year, the company recorded a significant increase in both production and sales of coal. That was associated with increased generation of electricity in coal-fired sources. Commercial coal production in LWB was 9.9 million tons and commercial coal sales reached 10.0 million tons. This meant an increase of both these figures by over 30% y/y. As a result, the Mining area generated EBITDA of PLN 798 million. The higher EBITDA was driven mainly by the increased sales of coal, partially offset by a lower sales price and increased costs of operating activities. In 2021, LW Bogdanka posted PLN 2,363 million in revenue from sales. LWB also conforms to the transformation program of the Polish energy sector. In 2021, LW Bogdanka implemented a new strategy published before the end of 2020 addressing the



challenges presented by Poland's Energy Policy until 2040. The Company remains the efficiency leader in the coal mining industry and focuses chiefly on preserving production capacity, upholding high profitability ratios, demonstrating respect for the natural environment and maintaining the position of the economic and social stronghold of the Lubelski region.

Socially responsible partner

We take a very responsible approach to our impact on the natural environment, by acting in compliance with the objectives of the Agenda 2030 Sustainable Development Goals. In 2021, ENEA Group published its first ESG report, which contains a comprehensive description of the Group's endeavors in the areas of environmental protection, social engagement and responsible management pursued in 2020. The report prepared in accordance with international reporting standards, GRI Standards, presents not only the Group's past performance, but also its commitments for the future, including in the area of transformation towards a zero-emission enterprise, which was confirmed in the update of the Development Strategy. In 2021, the Group completed several dozen projects in the CSR area and also launched an important and large project concerning the Baltic Sea.

"Baltic for Generations" is an initiative launched together with the UN Global Compact Network Poland, which is aimed at protecting the water of the Baltic Sea, mainly clearing its bottom of hundreds of thousands of tons of traditional munitions, chemical weapons and shipwrecks filled with fuel. Those are remains after World War II, which pose a great danger not only for the flora and fauna of the sea, but also for residents of the countries of the Baltic Sea basin. ENEA has prepared the #BalticForGenerations educational campaign to spread awareness of the threat and spur the international community to action.

On behalf of the ENEA S.A. Management Board, I wish to thank all members of the Supervisory Board, the management boards of Group companies and all employees of the ENEA Group for their professional and effective efforts, allowing us to jointly build and increase the Group's value, making it an even more attractive for our investors and shareholders. Please read the following summary of activity of the ENEA Group in 2021.

Yours faithfully,

Paweł Szczeszek
President of the
Management Board
of ENEA S.A.

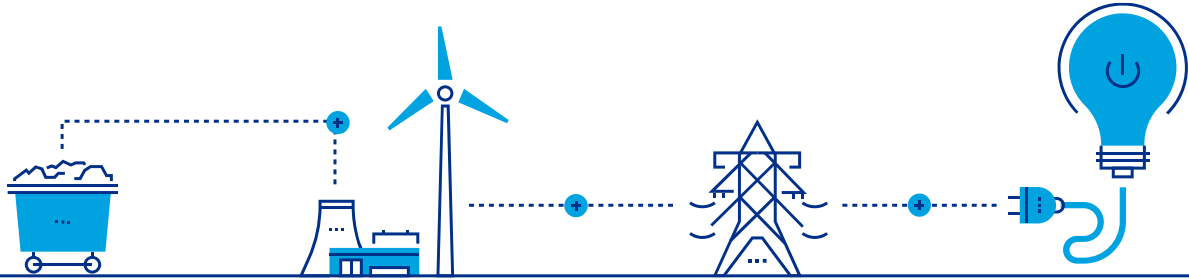
Table of contents

1. Operating summary for 2021	6
2. ENEA S.A. as the parent company in the Group	9
3. Organization and activity of the ENEA Group	10
4. Risk management.....	26
5. Headcount	29
6. Industry profile	31
7. Financial standing.....	36
8. Shares and shareholders	63
9. Company authorities.....	64
10. Other information relevant to evaluation of the issuer's standing.....	67
11. Representation on the application of corporate governance	85
12. Non-Financial Statement of ENEA Group for 2021	95
13. Appendices	140
14. Glossary of terms and abbreviations.....	148

ENEA Group in numbers



ENEA has 17.4 thousand employees



MINING	GENERATION	DISTRIBUTION	TRADING
23.1%	6.3 GW	2.7 million	2.6 million
share in the steam coal market in Poland	total installed capacity	users of distribution services	customers
432 million tons	443 MW	121.3 thousand km	24.5 TWh
of mining potential in 4 mining concession areas	installed RES capacity	distribution lines, including connections	of sales of electricity and gaseous fuel to retail customers in 2021
9.9 million tons	26.4 TWh	20.3 TWh	32
of net coal production in 2021	of total net energy generated in 2021	of electricity supplied in 2021	Customer Service Offices

1. Operating summary for 2021

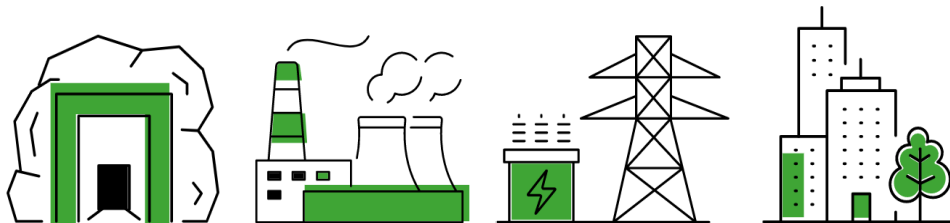
In 2021, the ENEA Group generated EBITDA of approx. PLN 3,637 million (up by PLN 335 million y/y).

The Generation Area posted EBITDA of PLN 1,602 million (up by PLN 72 million y/y). EBITDA of the RES Segment increased by PLN 121 million (an improvement in the Wind, Hydro Areas and in the Green Unit) and the Heat Segment increased by PLN 81 million y/y (mainly as a result of a higher unit margin). A significant decrease in EBITDA was recorded in the System Power Plants Segment, by PLN 130 million y/y, driven down by the lower margin on generation (lower unit CDS chiefly due to an increase in CO₂ costs) and trading and the Balancing Market (lower unit margins, decrease in volume), partially offset by revenues from the Capacity Market.

The Mining area generated EBITDA of PLN 798 million, (up by PLN 328 million y/y). The higher EBITDA was driven mainly by the higher sales of coal, partially offset by increased costs of operating activities.

The Distribution area posted EBITDA of PLN 1,393 million (up by PLN 80 million y/y). This higher result was driven by higher margins on licensed activities, affected, among other factors, by higher revenue from sales of distribution services. The increase in operating expenses and the decline in the result on other operating activities adversely affected the segment's performance.

The Trading area posted EBITDA of -125 million (down by PLN 110 million y/y). The decline in EBITDA is mainly due to the change in provisions related to onerous contracts; this decline was partially offset by higher margins realized on the retail market.



- The ENEA Group incurred CAPEX of PLN 1,980 million.
- Production of commercial coal was 9.9 million tons.
- Sales of commercial coal were 10.0 million tons.
- The Group generated 26.4 TWh of electricity.
- Sales of heat in the Generation Segment was 7.2 PJ.
- Sales of distribution services to end users were 20.3 TWh
- The volume of sales of electricity and gaseous fuel to retail customers was 24.5 TWh.

+

Revenue from the Capacity Market
Higher revenue from sales of electricity
Higher revenue from sales of coal
Higher revenue from sales of heat
Higher revenue from sales of gas

-

Higher costs of purchase of electricity and gas
Higher costs of consumption of materials and supplies
Higher employee benefit costs
Change in provisions related to onerous contracts

1.1. Key events in 2021

First quarter

- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 5 January 2021, ENEA S.A., PGE Polska Grupa Energetyczna and Tauron Polska Energia executed a letter of intent the purpose of which is to establish a strategic alliance to execute future investment projects in offshore wind energy, to be located within the boundaries of the Polish Exclusive Economic Zone in the Baltic Sea.
- On 7 January 2021, the Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairman of the ENEA S.A. Supervisory Board.
- On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Ms. Dorota Szymanek was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- 13 January 2021 – execution of Annex to the Multi-Year Agreement No. UW/LW/01/2012 by and between ENEA Wytwarzanie Sp. z o.o. and LW Bogdanka S.A. for the purchase of coal. Following the execution of the Annex, the quantitative volume of unrealized deliveries has been shifted from 2020 to 2021.
- 22 January 2021 – execution of Annex to the Steam Coal Purchase Agreement No. 3/W/2012 between ENEA Elektrownia Połaniec S.A. and LW Bogdanka S.A. The annex extended the term of the agreement until 31 December 2024 and also shifted from 2020 to 2021 the quantitative volume of unrealized deliveries.
- 19 February 2021 – execution of the Additional Coal Purchase Agreement No. UD/LW/01/2021 and Annexes to the Multi-Year Agreement No. UD/LW/01/2021 between ENEA Wytwarzanie Sp. z o.o. and LW Bogdanka S.A.
- On 25 February 2021, the Company identified the need to recognize an impairment loss on the value of shares in ENEA Wytwarzanie Sp. z o.o. of approx. PLN 2,817 million in the standalone financial statements for 2020 and an impairment loss on the value of ENEA Wytwarzanie's generation assets of approx. PLN 2,881 million in the ENEA Group's consolidated financial statements for 2020, which information was disclosed by the Company in Current Report No. 7/2021.
- On 11 March 2021, ENEA S.A. signed an agreement for green energy sales with Krakowski Holding Komunalny. The subject matter of the agreement is the sale of 424 GWh of electricity generated from renewable sources, confirmed by documents specifying the sources and quantity of electricity supplied, prepared by a competent certifying authority, corroborating the origin of energy from renewable sources.
- On 26 March 2021, an agreement was executed for the acquisition by the State Treasury of 100% stake in PGE EJ1 sp. z o.o.
- On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares representing 10% of the share capital of PGE EJ1 sp. z o.o.

Second quarter

- 13 April 2021 – execution of agreements with PKP CARGO S.A. for the period from 13 April 2021 to 13 October 2022 for the transport of steam coal for ENEA Elektrownia Połaniec S.A.
- 30 April 2021 – execution by ENEA Wytwarzanie Sp. z o.o. and LW Bogdanka S.A. of the Additional Coal Purchase Agreement No. UD/LW/02/2021 and an Annex to Multi-Year Agreement No. UW/LW/01/2012 of 19 February 2021.
- On 11 May 2021, the ENEA S.A. Management Board made a decision on a partial repurchase of ENEA0921 bonds before maturity for redemption, with the par value of PLN 350,000 thousand plus interest and a premium for the holders. The ENEA0921 bonds were issued in the total amount of PLN 500,000 thousand on 16 September 2015 under the "Program Agreement for Bond Issue Program up to the amount of PLN 5,000,000,000 of 30 June 2014," as amended. The non-repurchased portion of the ENEA0921 bonds with a par value of PLN 150,000 thousand will remain held by the bondholders until maturity, that is until 16 September 2021.
- 23 June 2021 – ENEA Elektrownia Połaniec S.A. received information from the Minister of Climate and the Environment that administrative proceedings have been launched ex officio in the matter of public aid received by the entity till 2016 in the form of CO₂ emission allowances for completing power unit modernization projects in 2013-2016. By the power of a decision of the Minister of Climate and the Environment received in 9 August 2021, the proceedings were fully discontinued.
- 25 June 2021 – execution of documents regarding the settlement of the Coal-Fired Project as part of the Ostrołęka C Project and the implementation of the Gas-Fired Project in Ostrołęka, on which the Company reported in Current Reports Nos. 20/2021 and 21/2021.
- 28 June 2021 – execution of an agreement with PKP CARGO S.A. for the period from 1 July 2021 to 31 December 2021 for the transport of steam coal for ENEA Elektrownia Połaniec S.A. from LW Bogdanka S.A.
- 28 June 2021 – execution of agreements with PKP CARGO S.A. for the period from 1 July 2021 to 31 December 2022 for the transport of steam coal for ENEA Wytwarzanie sp. z o.o.
- 30 June 2021 - ENEA Innowacje sp. z o.o. signs a master cooperation agreement with NCBR Investment Fund ASI S.A.

Third quarter

- 9 July 2021 – execution of an Annex to the Steam Coal Purchase Agreement No. 3/W/2021 and the Additional Steam Coal Purchase Agreement between LW Bogdanka S.A. and ENEA Elektrownia Połaniec S.A.
- 9 July 2021 – execution of an Annex to the Multi-Year Agreement No. UW/LW/01/2012 and the Additional Coal Purchase Agreement No. UD/LW/03/2021 between LW Bogdanka S.A. and ENEA Wytwarzanie sp. z o.o.
- 9 July 2021 – identification of a possibility of a partial reversal of the provision recognized in the amount of PLN 222.2 million. The partial reversal of the provision in the amount of approx. PLN 114 million will be effected in connection with the scheduled settlement of the investment project executed by Elektrownia Ostrołęka sp. z o.o.
- 23 July 2021 – ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A. and the State Treasury entered into a memorandum of understanding on cooperation in a spin-off of coal assets and their integration within the National Energy Security Agency.
- On 15 September 2021 the Company received the letter of resignation tendered by Mr. Ireneusz Kulka from serving in the capacity of an ENEA S.A. Supervisory Board member and in the capacity of the Chairman of the Audit Committee as of 16 September 2021.

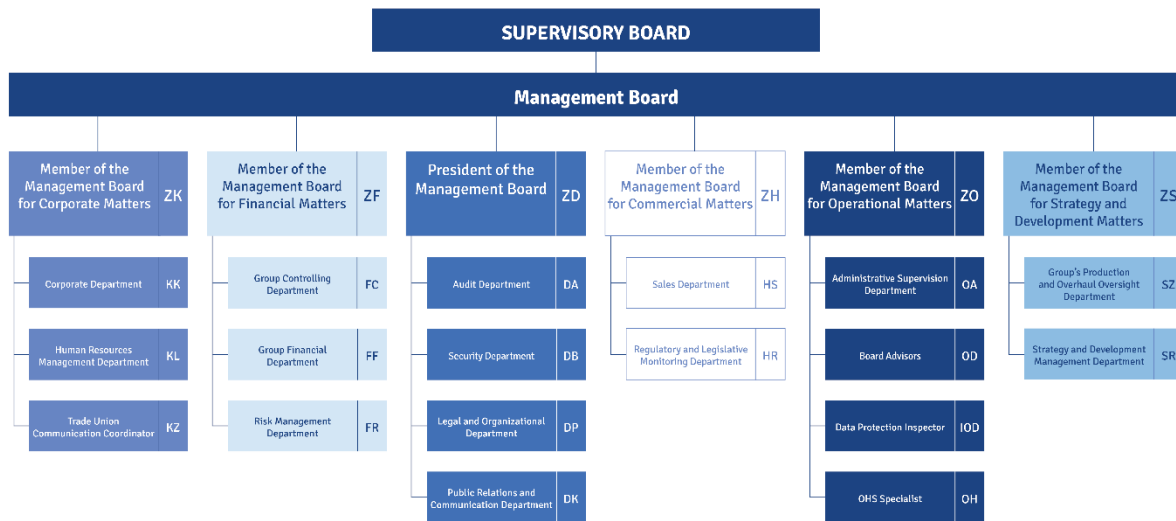
Fourth quarter

- 4 October 2021 – execution of an Annex to Steam Coal Purchase Agreement No. 3/W/2012 between ENEA Elektrownia Polaniec S.A. and LW Bogdanka S.A. for the purchase of coal and an annex to the additional coal purchase agreement between these entities.
- 4 October 2021 – execution of an Annex to the Multi-Year Agreement No. UW/LW/01/2012 and the Additional Coal Purchase Agreement No. UD/LW/04/2021 between LW Bogdanka S.A. and ENEA Wytwarzanie sp. z o.o.
- On 18 November 2021, ENEA S.A. and PGE Polska Grupa Energetyczna S.A. signed a conditional share purchase agreement for three project companies, which will obtain location permits for the construction of offshore wind farms in the Polish Exclusive Economic Zone in the Baltic Sea. The UOKiK permit is the only condition precedent for the preliminary agreement. The application to the President of UOKiK for concentration of PGE S.A. and ENEA S.A. was filed on 5 July 2021.
- On 18 November 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Mr. Tomasz Lis was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- On 29 November 2021 the Company's Supervisory Board adopted a resolution to appoint, as of that date, Mr. Lech Adam Żak to the position of ENEA S.A. Management Board Member for Strategy and Development for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.
- On 1 December 2021, the Fitch Ratings agency issued a press release, in which it affirmed the Company's long-term foreign- and local-currency issuer default ratings at 'BBB' with stable outlook.
- On 7 December 2021, the Company's Management Board adopted a resolution to change, as of 13 December 2021, the address of the Company's registered office from ul. Górecka 1, 60-201 Poznań, to ul. Pastelowa 8, 60-198 Poznań.
- On 15 December 2021, by the power of a resolution of the ENEA S.A. Supervisory Board, the Company accepted for implementation the updated "ENEA Group Development Strategy until 2030 with an outlook to 2040".
- On 16 December 2021, as a result of the capacity market auction for 2026, a total of not less than 1,028 MW of the capacity obligation was contracted for members of the ENEA Group.
- 16 December 2021 – execution of Annex to the Steam Coal Purchase Agreement No. 3/W/2021 between ENEA Elektrownia Polaniec S.A. and LW Bogdanka S.A.
- 16 December 2021 – execution of an Annex to the Multi-Year Agreement No. UW/LW/01/2012 and the Additional Coal Purchase Agreement No. UD/LW/05/2021 between ENEA Wytwarzanie sp. z o.o. and LW Bogdanka S.A.
- On 20 December 2021, Polskie Sieci Elektroenergetyczne S.A. announced the preliminary outcome of the primary capacity market auction for 2026, including the capacity auction closing price of PLN 400.39 per kW per year.
- On 21 December 2021 the Company received a letter of resignation tendered by Mr. Mariusz Fistek from serving in the capacity of a Supervisory Board member as of 22 December 2021.
- On 22 December 2021, an annex was signed between Elektrownia Ostrołęka Sp. z o.o. and GE Power Sp. z o.o. extending the settlement date until 25 March 2022.
- On 23 December 2021, the UOKiK President issued a decision on the unconditional concentration permit allowing ENEA S.A. to purchase from PGE Polska Grupa Energetyczna S.A. shares in three project companies, which are to obtain location permits for the construction of offshore wind farms (PSZW).
- On 29 December 2021, a final acceptance report was written for the completed strategic investment project entitled "Construction of KR-Zachód cogeneration source in Piła". The CHP plant is currently in the commissioning phase. The installed power capacity is 8.5 MWe and thermal capacity 8.4 MWt.

1.2. Events after the reporting period

- On 19 January 2022, the ENEA S.A. Management Board adopted a resolution to initiate the process of increasing the share capital by an amount of no less than PLN 1.00 and no more than PLN 88,288,515, i.e. up to the amount no greater than PLN 529,731,093, through the issue of no less than 1 and no more than 88,288,515 D series common bearer shares with a par value of PLN 1.00 each. Detailed information on the share issue is presented in current reports nos. 1-3/2022.
- On 21 January 2022, ENEA S.A. submitted an application to the Prime Minister for the State Treasury to subscribe for the Company's series D shares for a total amount not greater than PLN 899,659,967.85 in exchange for a cash contribution from the reprivatization fund.
- On 26 January 2022, PGE Polska Grupa Energetyczna S.A. jointly with ENEA S.A., through special project companies being the subject matter of a joint venture concerning an investment in offshore wind farms, submitted applications to issue location permits for the construction of offshore wind farms for the areas nos. 14.E.1 and 60.E.4.
- On 31 January 2022, Elektrownia Ostrołęka Sp. z o.o. terminated the contract implementing the capacity obligation contracted as a result of the capacity market auction for 2023, as reported on by the Issuer in current report No. 66/2018.
- On 3 February 2022, the need was identified to increase the provision for onerous contracts in the trading segment, the balance of which as at 30 September 2021 was PLN 61.9 million in accordance with the standalone financial statements of ENEA S.A. included in the interim report for Q3 2021, to PLN 250.1 million. Additionally, the provision for future investment commitments towards Elektrownia Ostrołęka sp. z o.o. was partially reversed (after being originally recognized in the amount of PLN 222.2 million) from PLN 108.1 million (shown in the interim report for Q3 2021) by PLN 61.6 million to PLN 46.5 million.
- On 21 February 2022, the Court of Appeal in Poznań handed down a judgment, in which the Court of Appeal: (i) modified the judgment of the Regional Court in Poznań by stating that termination of the contract by ENEA S.A. had no legal effect and the contract with Golice Wind Farm sp. z o.o. in Warsaw remains in effect; (ii) dismissed the remainder of the appeal; (iii) dismissed the appeal of ENEA S.A.; (iv) awarded the costs of the appeal proceedings from ENEA S.A. to the Plaintiff.
- On 10 March 2022, the Company's Extraordinary General Meeting adopted a resolution by the power of which, effective on the same date, Mr. Radosław Kwaśnicki was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- The Extraordinary General Meeting of the company held on 10 March 2022 adopted a resolution to adjourn the EGM in the part relating to the voting on resolutions on issue of series D shares. The EGM will be resumed on 8 April 2022.
- On 11 March 2022 the Company signed a surety agreement with Powszechna Kasa Oszczędności Bank Polski S.A. to secure obligations of its subsidiary ENEA Trading sp. z o.o. up to the amount of PLN 2,400,000,000. Detailed information on the agreement is provided in Current Report No. 15/2022 of 11 March 2022.

2. ENEA S.A. as the parent company in the Group



In 2021, as a result of organizational changes, the Strategic Management Department merged with the Development Management Department. This allowed the Company to create structures that can be comprehensively responsible for tasks related to analysis, strategic planning and the implementation of ENEA Group's strategy.

In the cost optimization process, the organizational changes in 2021 also included liquidation of the Group's ICT Department; the functions performed by that department were transferred to other units.

Given the scale and pace of changes in the regulatory and legislative area affecting the functioning of the ENEA Group, the Company established a new organizational unit, the Group's Regulation and Legislation Monitoring Department, which is responsible for coordinating ENEA Group's activities in this respect.

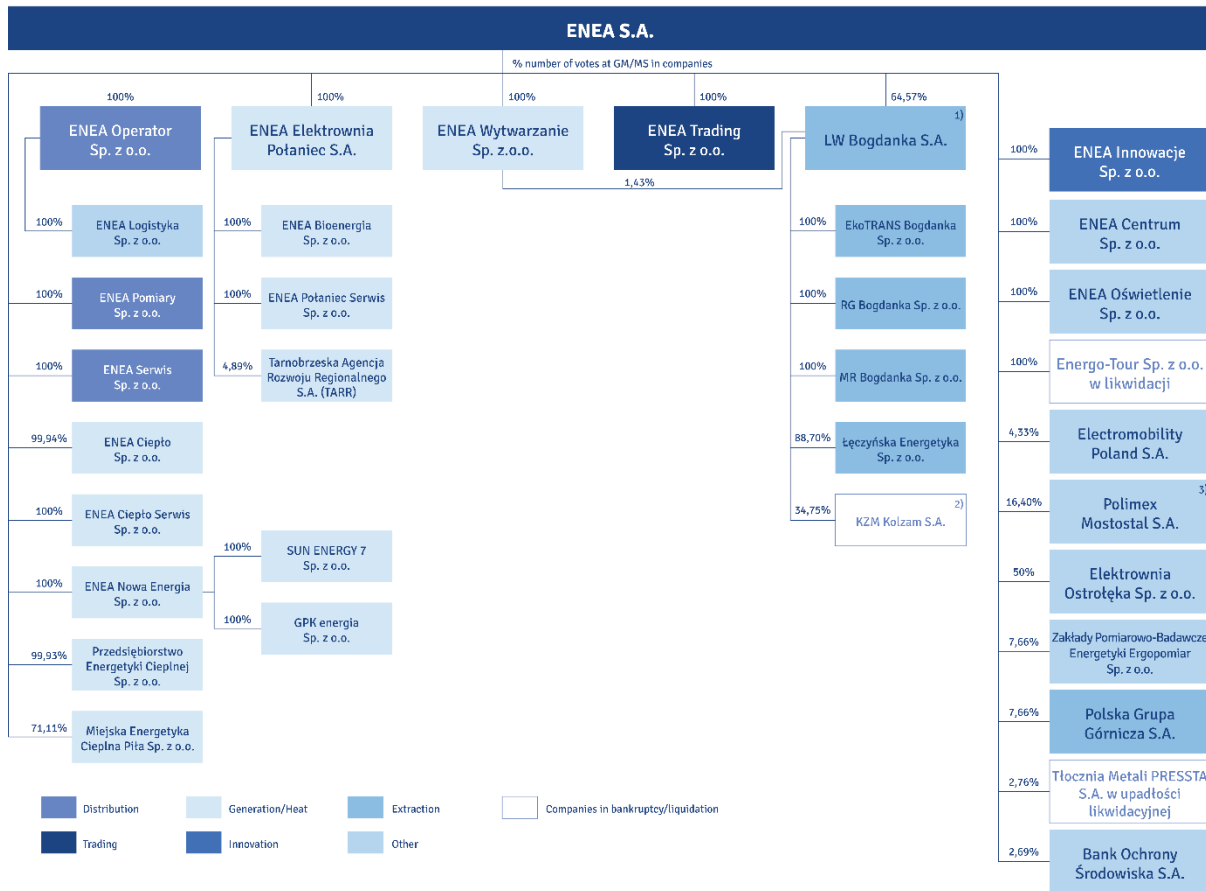
On 12 November 2021, the ENEA S.A. Supervisory Board adopted Resolution No. 64/X/2021 regarding the size of the ENEA S.A. Management Board for the term of office commencing on the date of the Ordinary General Meeting approving the financial statements for 2018. The above increased the size of the ENEA S.A. Management Board by adding the Management Board Member responsible for Strategy and Development. The change made by the ENEA S.A. Supervisory Board reflects the Company's needs associated with the implementation of the Strategy of the ENEA Group and the emerging challenges that the ENEA Group faces.

In connection with the change in the size of the ENEA S.A. Management Board, the Company reviewed the scope of responsibilities of its organizational units and adapted the assigned tasks to the powers of the individual Management Board Members.

The organizational structure of the Company as at 31 December 2021 is presented above.

3. Organization and activity of the ENEA Group

3.1. Structure of the ENEA Group



¹⁾ In total, ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. hold 65.999% of votes at the general meeting.

²⁾ Ruling on discontinuation of the bankruptcy proceedings/the company does not conduct business activity.

³⁾ In September, the sale of 187,500 shares held by ENEA S.A. in the company's share capital was finalized, reducing the stake held by ENEA S.A. to 16.40%.

There are 7 leading entities in the ENEA Group, namely ENEA S.A. (trading in electricity), ENEA Operator Sp. z o.o. (distribution of electricity), ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A. and ENEA Nowa Energia Sp. z o.o. (generation and sales of electricity), ENEA Trading Sp. z o.o. (wholesale of electricity) and LW Bogdanka S.A. (coal mining). Other companies carry out ancillary activity in relation to the operations of those listed above. The Group's structure includes also minority interests held by ENEA S.A. and the subsidiaries of ENEA S.A. and LW Bogdanka S.A.⁴⁾

⁴⁾ Further down in the document, the names of the companies may be presented without the abbreviation of their legal form.

3.2. Changes in the ENEA Group's structure

Asset restructuring

Following key organizational changes in 2021, in addition to the initiatives associated with the planned changes, the ENEA Group did not carry out any major asset restructuring activities.

Equity investments

By 31 March 2021, the Issuer held 532,523 shares in PGE EJ1 sp. z o.o., which represent 10% of the company's share capital. On 31 March 2021, the State Treasury acquired these shares from ENEA S.A. and consequently ENEA S.A. is no longer a shareholder of PGE EJ1 sp. z o.o.

On 30 December 2021, ENEA Elektrownia Połaniec S.A. sold 11 shares with a par value of PLN 500.00 each and the total par value of PLN 5,500.00, representing 9.91% of the share capital of NZOZ Centrum Medyczne Sp. z o.o., to natural persons.

Otherwise, no significant equity divestments were made in 2021.

Changes in the organization

In 2021, the ENEA Group continued its endeavors aimed at pursuing the Group's Corporate Strategy.

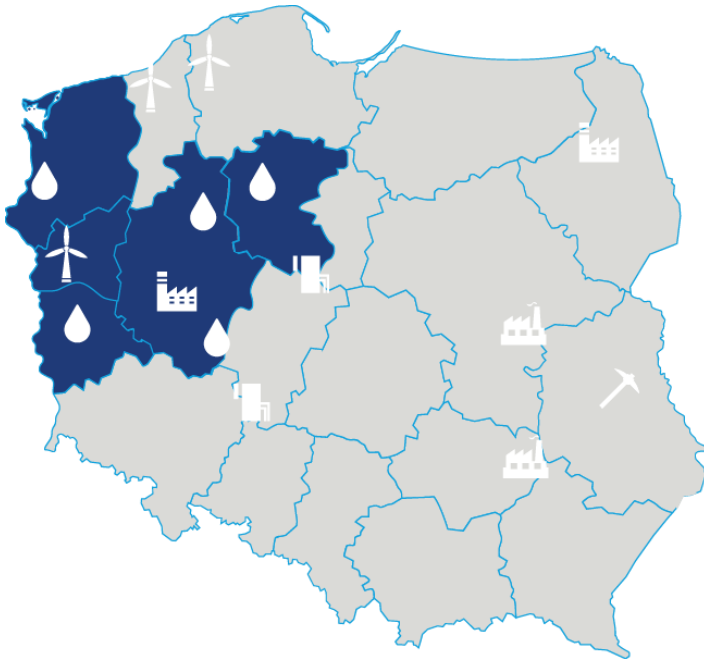
Equity investments

A detailed description of processes related to equity investments is included in the financial statements for 2021.

Events during the reporting period up to the date of the report

- On 19 January 2021, a project was launched entitled “Merger of ENEA Innowacje sp. z o.o. and ENEA Badania i Rozwój sp. z o.o.” The purpose of the merger of ENEA Innowacje and ENEA Badania i Rozwój is to optimize the innovation activity in ENEA Group. On 1 June 2021, the merger of the companies was registered in KRS.
- On 31 March 2021, the State Treasury acquired from ENEA S.A. 532,523 shares in PGE EJ1 sp. z o.o. representing 10% of the company’s share capital. Accordingly, ENEA S.A. is no longer a shareholder of PGE EJ1 sp. z o.o.
- On 7 May 2021, the Extraordinary General Meeting of ENEA Innowacje adopted a resolution to increase the share capital by PLN 4,500,000, i.e. from PLN 26,360,000 to PLN 30,860,000 by creating 45,000 new shares with a par value of PLN 100 each. The capital increase was registered on 1 July 2021.
- In September 2021, the sale of 187,500 shares held by ENEA S.A. in the share capital of Polimex Mostostal S.A. was finalized; as a result the stake held by ENEA S.A. in the Company’s share capital fell from 16.48% to 16.40% (38,812,524 shares).
- On 14 December 2021, ENEA Nowa Energia purchased from Solartech by Maybatt sp. z o.o. in Warsaw 100 shares in SUN ENERGY 7 in Głównicy with a par value of PLN 50.00 each and the total par value of PLN 5,000.00, representing 100% of its share capital, and 100 shares in GPK Energia with a par value of PLN 50.00 each and the total par value of PLN 5,000.00, representing 100% of its share capital.
- On 16 December 2021, ENEA S.A. purchased from ENEA Elektrownia Połaniec 1 share in Zakłady Pomiarowo-Badawcze Energetyki „Energopomiar” with a par value of PLN 418,288.40, representing 7.77% of its share capital.
- On 16 December 2021, ENEA S.A. purchased from ENEA Wytwarzanie 1 share in Zakłady Pomiarowo-Badawcze Energetyki „Energopomiar” with a par value of PLN 418,288.40, representing 7.77% of its share capital.
- On 16 December 2021, ENEA S.A. purchased from ENEA Wytwarzanie 13,156 shares in Przedsiębiorstwo Energetyki Ciepłej in Oborniki with a par value of PLN 500.00 each and the total par value of PLN 6,578,000.00, representing 99.93% of its share capital, and 24,695 shares in Miejska Energetyka Ciepła Piła with a par value of PLN 1,000.00 each and the total par value of PLN 24,695,000.00, representing 71.11% of its share capital.
- On 30 December 2021, ENEA Elektrownia Połaniec sold 11 shares with a par value of PLN 500.00 each and the total par value of PLN 5,500.00, representing 9.91% of the share capital of NZOZ Centrum Medyczne, to natural persons.
- On 16 March 2022, ENEA S.A. established a special-purpose vehicle named ENEA ELKOGAZ sp. z o.o.. Its share capital is PLN 19,000,000.00.

3.3. ENEA Group’s Business Areas



Distribution

- Supply of electricity
- Planning and ensuring expansion of the distribution network, including by connecting new customers,
- Operation, maintenance and repairs of the distribution grid
- Management of metering data

Generation

- Electricity generation based on bituminous coal, biomass, gas, wind, water and biogas
- Heat generation
- Heat transmission and distribution
- Electricity trading

Mining

- Production of bituminous coal
- Sales of bituminous coal
- Securing the Group’s raw material base

Wholesale trading

- Optimization of wholesale contracts portfolio for electricity and gaseous fuel
- Operations on product markets
- Ensuring access to wholesale markets

Retail trading

- Trading in electricity and gaseous fuel on the retail market
 - Product and service offering adjusted to customers’ needs
- Comprehensive customer service

3.3.1. Mining

In the ENEA Group, the subsidiary involved in the mining business is LW Bogdanka, which is a leader on the bituminous coal market in Poland, standing out in comparison with its peers in terms of financial results, mining efficiency and investment plans including access to new deposits. The bituminous coal sold by LW Bogdanka is used predominantly for the production of electricity, heat and cement. LW Bogdanka's customers are chiefly industrial companies, especially ones operating in the power sector, located in eastern and north-eastern Poland.

Item	2020	2021	Change	Q4 2020	Q4 2021	Change
Net production [000s of tons]	7,612	9,935	30.5%	2,074	2,432	17.3%
Sales of coal [000s of tons]	7,670	10,036	30.8%	1,970	2,792	41.7%
Inventories (at the end of the period) [000s of tons]	122	21	-82.8%	122	21	-82.8%
Excavation works [km]	25.7	23.2	-9.7%	6.1	7.8	27.9%

3.3.2. Generation

3.3.2.1. Generation assets of the ENEA Group

Item	Installed electricity generation capacity [MW _e]	Achieved electricity generation capacity [MW _e]	Installed heat generation capacity [MW _t]	Installed RES capacity [MW _e]
Kozienice Power Plant	4,071.8	4,020.0	125.4	-
Połaniec Power Plant	1,879.0	1,899.0	130.0	230.0
Bardy, Darżyno and Baczyna (Lubno I and Lubno II) wind farms	71.6	70.1	0.0	71.6
Liszkowo and Gorzesław biogas plants	3.8	3.8	3.1	3.8
Hydro power plants	58.8	55.8	0.0	58.8
MEC Piła	18.4	18.4	136.6	-
PEC Oborniki	-	-	27.4	-
ENEA Ciepło (Białystok CHP Plant, "Zachód" Heat Plant)	203.5	156.6	684.1	78.5
Total [gross]	6,306.9	6,223.7	1,106.6	442.7

The above table includes the gas-fired CHP plant EC Zachód in Piła built at the end of 2021.

3.3.2.2. Generation – installed capacity

Kozienice Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	B8	B9	U10	U11
Installed capacity [MW]	230	230	230	230	230	230	230	230	560	560	1,112
Planned shutdown year	2025	2025	2025	2025	2027	2027	2027	2027	2041	2042	2048

Note: The data presented above are for the baseline variant. The Company also has parallel technological variants that are equally as attractive, but feature a different technological configuration resulting in different times and different numbers of shutdowns of units U1-U8, which are required for the replacement of the production capacity.

The above data for U1-U8 were prepared on the basis of the currently expected replacement schedule for the production capacity, while data for other units were prepared on the basis of the current working schedule of the units and the generation unit shutdowns anticipated in the schedule. ENEA Wytwarzanie has completed the concept documentation and the feasibility study, which included analysis of the possibility and justification for the use of gaseous fuel (gas and steam unit) in the existing infrastructure of 200 MWe class units. Detailed information is found in item 10.31 on page 77.

Połaniec Power Plant

Unit	U1	U2	U3	U4	U5	U6	U7	GU
Installed capacity [MW]	200	242	242	242	242	242	239	230
Planned last year of production	2023	2034	2034	2034	2034	2034	2034	2042

The above data were prepared on the basis of the current working schedule of the units and the scheduled shutdowns of the generation units. Currently the work is under way on the project entitled "Adaptation of ENEA Elektrownia Połaniec to Capacity Market requirements after 1 July 2025" and on development of the modernization concept for Unit 1. On 28 July 2021, the concession was changed – the installed capacity of Unit 5 after the modernization was increased by 42 MW.

ENEA Nowa Energia

At the end of 2021, the Company had productive and non-productive assets: 21 water stages with auxiliary facilities on which hydroelectric power plants are located with installed capacity from 132 kW to 24.8 MW, Liszkowo Biogas CHP Plant with installed capacity of 2.1 MW, Wind Farms: Darżyno with installed capacity of 6.3 MW, Bardy with installed capacity of 50.0 MW and FW Lubno I and Lubno II with installed capacity of 7.65 MW each. The hydro power plants are located on the rivers: Brda, Wda, Gwda, Rega, Drawa, Myśla, Obra and Wełna.

ENEA Ciepło

Unit	U1	U2	U3	U4 ¹⁾	Water boilers	K1	K2	K3	K4	K5
Installed capacity [MW]	55	55	70	23.5	Installed capacity [MW]	0	0	0	0	0
Thermal capacity [MWt]	98.4	108	108	0	Thermal capacity [MWt]	33	35	35	40	40
Planned last year of production	2027	2045	2055	2040	Planned last year of production	-	-	-	-	-

¹⁾ Condensing turbine unit powered by discharges from the U1 unit

3.3.2.3. Data for the Generation Area

Item	2020	2021	Change	Q4 2020	Q4 2021	Change
Total (net) electricity generation [GWh]	22,482	26,393	17.4%	5,629	6,858	21.8%
Net generation from conventional sources [GWh]	20,090	23,978	19.4%	4,994	6,236	24.9%
RES production [GWh]	2,392	2,415	1.0%	635	622	-2.0%
Gross heat production [TJ]	6,676	8,011	20.0%	2,217	2,598	17.2%
ENEA Wytwarzanie						
Total (net) electricity generation [GWh]	15,447	17,861	15.6%	3,844	4,446	15.7%
Net generation from conventional sources [GWh]	15,447	17,861	15.6%	3,844	4,446	15.7%
Unit 11 in the Kozenice Power Plant						
<i>Net electricity production [GWh]</i>	<i>4,046</i>	<i>5,179</i>	<i>28.0%</i>	<i>271</i>	<i>1,043</i>	<i>284.9%</i>
<i>Average monthly net load [MW]</i>	<i>700</i>	<i>726</i>	<i>3.7%</i>	<i>617</i>	<i>756</i>	<i>22.5%</i>
Gross heat production [TJ]	199	403	102.5%	67	222	231.3%
ENEA Nowa Energia						
Total (net) electricity generation [GWh]	323	280	-13.3%	83	81	-3.4%
RES production [GWh], including:	323	280	-13.3%	83	81	-3.4%
<i>hydro power plants</i>	<i>130</i>	<i>114</i>	<i>-12.0%</i>	<i>30</i>	<i>26</i>	<i>-13.0%</i>
<i>wind farms</i>	<i>183</i>	<i>157</i>	<i>-14.4%</i>	<i>51</i>	<i>52</i>	<i>2.9%</i>
<i>biogas plants</i>	<i>9</i>	<i>9</i>	<i>-</i>	<i>3</i>	<i>3</i>	<i>-</i>
ENEA Elektrownia Polaniec						
Total (net) electricity generation [GWh]	6,280	7,780	23.9%	1,581	2,206	39.5%
Net generation from conventional sources [GWh]	4,467	5,873	31.5%	1,100	1,731	57.3%
RES production (biomass firing – Green Unit) [GWh]	1,442	1,582	9.7%	401	389	-3.2%
RES production (biomass co-firing) [GWh]	371	326	-12.2%	79	87	8.9%
Gross heat production [TJ]	2,016	2,346	16.4%	613	634	3.3%
ENEA Ciepło						
Total (net) electricity generation [GWh]	361	426	18.0%	103	123	19.4%
Net generation from conventional sources [GWh] – excluding biomass firing	105	199	89.5%	32	57	78.1%
RES production – biomass firing [GWh]	255	227	-11.0%	71	65	-8.5%
Gross heat production [TJ] (in combination with the “Zachód” Heat Plant)	3,642	4,319	18.5%	1,239	1,421	14.6%
PEC Oborniki						
Gross heat production [TJ]	113	129	14.5%	39	42	8.4%
MEC Piła						
Total (net) electricity generation [GWh]	71	46	-35.60%	18	3	-85.6%
Gross heat production [TJ]	706	815	15.40%	258	281	8.8%

3.3.2.4. CO₂ emissions, allocation of free CO₂ emission allowances, costs of allowances

	CO ₂ emissions [t]	Allocation of free CO ₂ emission allowances [t]	Costs of allowances [PLN 000s]
Kozienice Power Plant			
2020	13,786,235	55,833	1,455,082
2021	15,855,535	2,195	2,229,638
MEC Piła			
2020	81,089	11 827 ²⁾	6 670 ¹⁾
2021	89,811	9 083 ³⁾	16 740 ¹⁾
Białystok – CHP plant			
2020	174,755	70,157	11,525
2021	312,696	45,587	31,741
Białystok – “Zachód” Heat Plant			
2020	14,588	668 ²⁾	1,546
2021	18,138	2 487 ³⁾	1,809
Połaniec Power Plant			
2020	4,555,879	1 241 357 ²⁾	398,681
2021	6,030,838	89 956 ³⁾	598,697
Łęczyńska Energetyka⁴⁾			
2020	45,263	6,535	3,902
2021	53,083	10,632	9,413
Total 2020	18,657,809	1,386,377	1,877,405
Total 2021	22,360,101	159,940	2,888,038

¹⁾ Accounting treatment

²⁾ Non-recurring allocation of free allowances for 2020

³⁾ Non-recurring allocation of free allowances for 2021

⁴⁾ Entity in the LW Bogdanka Group holding CO₂ emission allowances

3.3.2.5. Fuel supply

The main fuel used by the Kozienice Power Plant and the Połaniec Power Plant to generate electricity is pulverized bituminous coal. The main fuels used in ENEA Ciepło Sp. z o.o. (Białystok CHP Plant) in 2021 included: coal and biomass – mainly in the form of steam wood chips, steam willow and poplar wood chips, residues from agricultural production and the agricultural processing industry.

Coal deliveries

	Kozienice Power Plant	Połaniec Power Plant	ENEA Ciepło
Major coal suppliers in 2021	LW Bogdanka (93%) PGG (5%)	LW Bogdanka (43%) PGG (53%)	LW Bogdanka (92%) PGG (8%)
Main operator effecting deliveries in 2021	PKP Cargo (approx. 100%)	Kolprem (approx. 14%) PKP Cargo (approx. 65%)	LW Bogdanka (approx. 92%) CTL Logistics sp. z o.o. (approx. 8%)

Purchase of fuel

Fuel type	Generation Area			
	2020	2020	2021	2021
	Quantity [000s of tons]	Cost [PLN million]	Quantity [000s of tons]	Cost [PLN million]
Bituminous coal	8,719	2,143	10,484	2,539
Biomass	1,957	515	2,033	465
(Heavy) fuel oil ¹⁾	13	16	15	30
(Light) fuel oil ²⁾	6	15	7	23
Natural gas [thous. m ³] ³⁾⁴⁾	21,518	25	15,342	20
Total		2,714		3,077

¹⁾ Light up fuel in U1-10 of the Kozienice Power Plant and U1-7 of the Połaniec Power Plant

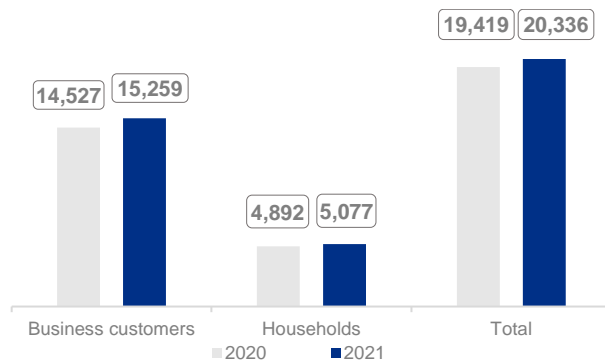
²⁾ Light up fuel in U11 of the Kozienice Power Plant and U9 of the Połaniec Power Plant

³⁾ Used for generation of electricity and heat in MEC Piła and heat in PEC Oborniki

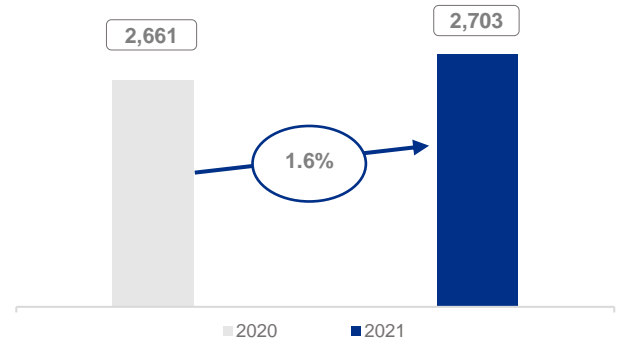
⁴⁾ Used for generation of heat in the “Zachód” Heat Plant; gas volume unit: thousand Nm³

3.3.3. Distribution

Sales of distribution services [GWh]



Number of customers (in thousands)



108.09 thous. km of distribution lines

38.94 thousand transformer substations

13.23 thous. km of connections

986.33 thousand connections

The total regulatory asset base (RAB) included in the tariff calculation for 2021 (which also includes WRA_AMI) was PLN 9,273,966 thousand.

In 2021 the volume of distribution services sold increased by 917 GWh (up 4.7%) vs. 2020. The increase was recorded both in the business customer segment and in the household segment. The number of customers increased by 42% (1.6%).

Revenue from sales of the Distribution Area increased by PLN 51.4 million, i.e. up to PLN 3,280 million.

Connected RES sources in the operating area of ENEA Operator in 2016-2021

	Number of connected RES sources classified in connection groups II and III, cumulative	Number of connected microinstallations, based on the submitted reports and requests, cumulative	Total capacity of connected RES sources classified in connection groups II and III, cumulative [MW]	Total capacity of connected microinstallations, based on the submitted reports and requests, cumulative [MW]
2016	350	2,479	1,220	17
2017	360	4,302	1,240	31
2018	400	6,910	1,280	50
2019	493	18,900	1,369	136
2020	593	61,990	1,614	435
2021	785	108,873	2,066	830

Number and length of connections

Item	2020		2021	
	Number	Length [km]	Number	Length [km]
Overhead	323,293	6,972	319,658	6,990
Cable	642,701	6,031	666,670	6,242
Total	965,994	13,003	986,328	13,232

Number of electrical substations

Item	2020 Number	2021 Number
110 kV	248	249
MV	38,266	38,689
Total	38,514	38,938

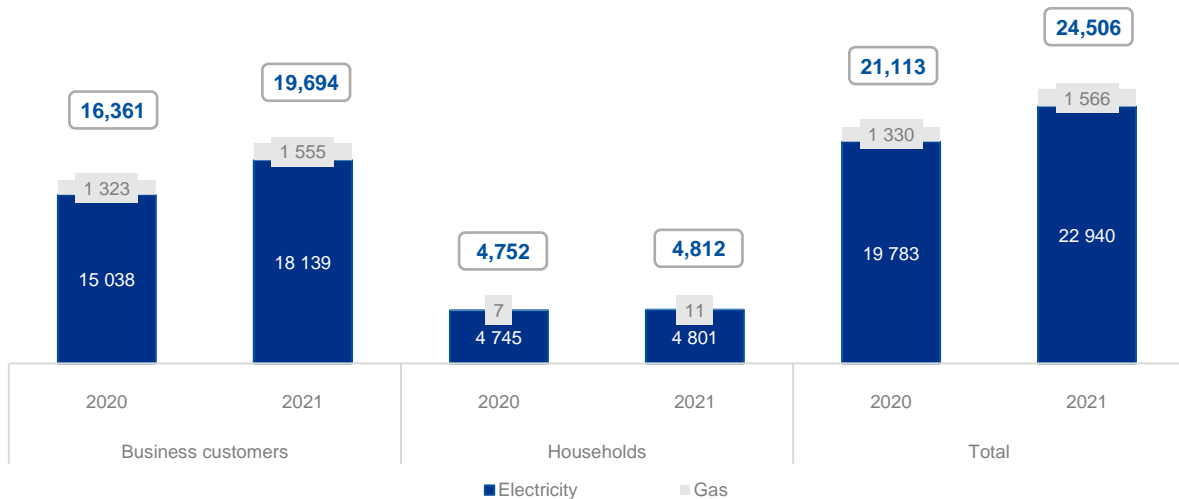
3.3.4. Trading

Sales of electricity and gaseous fuel to retail customers carried out by ENEA S.A.

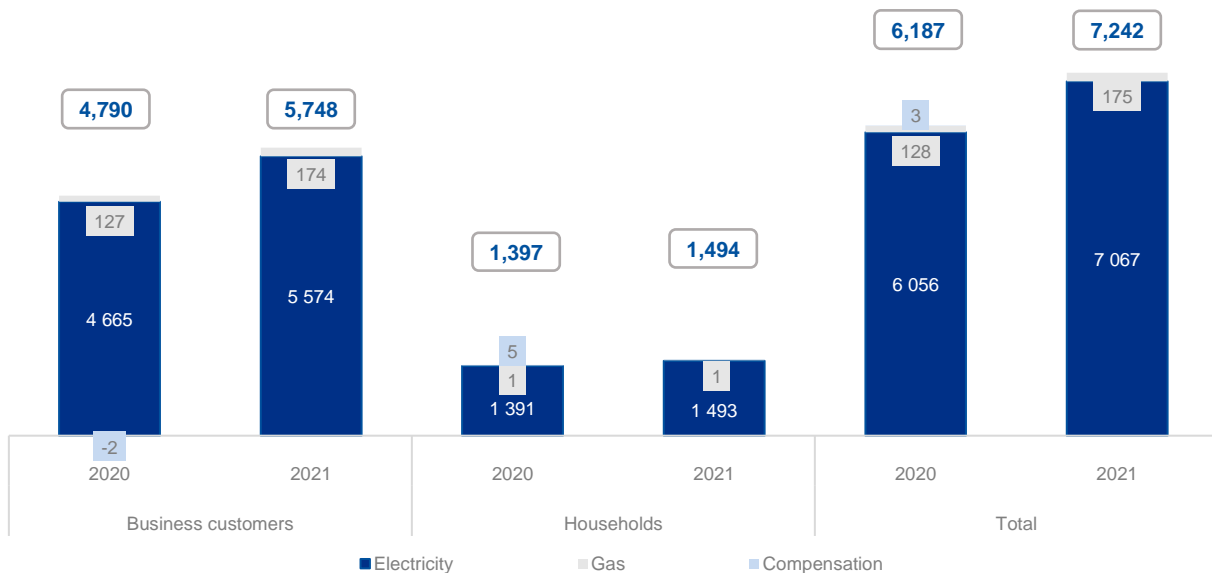
In 2021, compared to the previous year, the total sales volume of electricity and gaseous fuel increased by 3,393 GWh, i.e. approx. 16%. In the core business, i.e. sales of electricity, growth was recorded primarily in the business customer segment, where the sales volume went up by 3,101 GWh, or about 21%, and was caused by a change in the customer portfolio between 2020 and 2021 combined with a higher consumption of energy by customers. The increase in the volume of electricity sales in the household segment was 56 GWh, nearly 1%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year by 236 GWh, i.e. about 18% (of which 232 GWh in the business customer segment and 4 GWh in the household segment).

Total revenue from sales of electricity and gaseous fuel increased in 2021 by PLN 1,055 million, or approximately 17%, as compared to 2020.

Sales of electricity and gaseous fuel to retail customers of ENEA S.A. [GWh]



Sales of electricity and gaseous fuel to ENEA S.A.'s retail customers [PLN million]¹⁾



¹⁾ Revenue from sales of electricity in 2020 identify revenue resulting from settlements from the Settlements Authority on account of the price difference amount and the compensation amounts for 2019 paid out in 2020 (the so-called "compensation").

3.4. Development strategy

In 2021, the ENEA Group implemented the ENEA Group Development Strategy until 2030 with an outlook to 2035, which was approved on 12 December 2019.

Due to abundant changes of a fundamental nature in the industry environment, in 2021 the ENEA Group initiated work on updating its Strategy in order to address existing challenges and circumstances affecting businesses operating in the power sector. As a result of that work, on 15 December 2021, the Company accepted for implementation the updated "ENEA Group Development Strategy until 2030 with an outlook to 2040", which will enable ambitious, responsible and effective transition of the ENEA Group.

MISSION

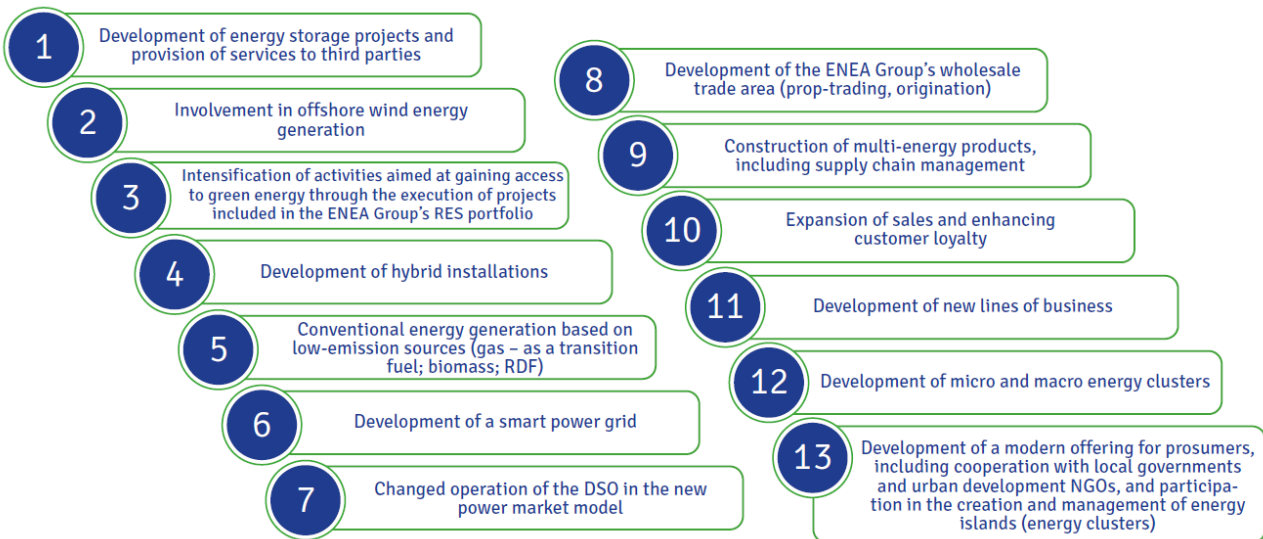
ENEA, while carrying out the transformation of the Polish energy sector in a reasonable and efficient manner, provides reliable products and services to customers by building lasting relationships based on respect for the environment and shared values.

VISION

ENEA is a leading supplier of integrated products and services, setting new trends during energy transition.

The ENEA Group as a responsible entity operating in the power sector striving to meet other global challenges, intends to conduct its business in a manner that minimizing its impact on the natural environment. Acting in accordance with the assumptions adopted for the transformation of the power sector in Poland, the Group takes steps to spin off from its structures any assets related to the generation of electricity in conventional coal-fired units.

The ENEA Group intends to conduct its business in a sustainable manner while minimizing its impact on the natural environment. These development directions form a foundation which is used to define strategic objectives:



The ENEA Group, as one of the key entities on the energy market in Poland, co-responsible for the state's energy safety, observes global trends and understands the challenge posed by climate change. This is why it is actively involved in the development of the RES sector and as part of Enea's Transformation #TransformacjaEnei it wants to invest in zero-carbon technologies.

Sustainable transformation increasing the shareholder value of the ENEA Group is its overriding objective. The map of objectives includes, apart from the overriding objective, the following partial ones:

From the Owner's Perspective:

- Development of Renewable Energy Sources based on state-of-the-art technologies;
- Lasting relationships with Customers, systematically decreasing costs of reaching and retaining Customers;
- Ensuring financial security of the ENEA Group;
- Reliability and continuity of electricity supply;
- Implementation of innovative solutions and new technologies in all areas of the ENEA Group's business.

From the Customer's Perspective:

- Responsible partner in sustainable management of relations with local communities, the environment and customers;
- Ability to satisfy the Customer's comprehensive needs;
- Attractive price to quality ratio of the offered product and service bundles;
- Development of new lines of business to be able to offer customers new products, not only power-related ones

From the Process Perspective:

- Producing an optimum and sustainable mix of products and services for well-identified customers in cooperation with business and social partners
- Reaching Customers efficiently and delivering the promised value, on time, at the right price and quality point, while ensuring responsible and ethical marketing and reliable information;
- Consistent, integrated and sustainable management of flexible, open competence groups in clearly defined lines of business, in the preferred role of business operators on entrusted assets.

From the Development Perspective:

- Modern, transparent and ethical Organizational Governance system at all levels across the entire ENEA Group;
- Efficient operating model of the ENEA Group aligned with the Group's evolution;
- Progressive education taking into account the challenges of transformation.

ENEA assumes that it will achieve the following by implementing the Strategy:

1. increase in (gross) installed capacity from renewable energy sources by 1,510 MW by 2030 and 3,580 MW in 2040, calculated in relation to 2020 (without taking into account the capacity of the already existing "Green Block" owned by ENEA Elektrownia Polaniec);
2. reduction of the unit CO₂ emission measure to 254 kg CO₂/MWh in 2030, with the intent to achieve 201 kg CO₂/MWh by 2040; by 2050, the ENEA Group intends to achieve climate neutrality;
3. share in the sales of electricity to ENEA Group Customers in Poland's total electricity sales market of 16% by 2030 and at least 17% by 2040;
4. SAIDI at 74.59 minutes in 2030 and 70 minutes in 2040;
5. SAIFI at 2.02 in 2030 and 1.93 in 2040;
6. network losses in distribution at 5.14% in 2030 and 5.0% in 2040;
7. ROE of the ENEA Group at 6.4% in 2030 and 7.1% in 2040;
8. ROA of the ENEA Group at 2.9% in 2030 and 4.6% in 2040;
9. contribution of the New Lines of Business to the ENEA Group's EBITDA at 7-12% by 2030 and 10-15% by 2040, in relation to the total EBITDA of the ENEA Group.

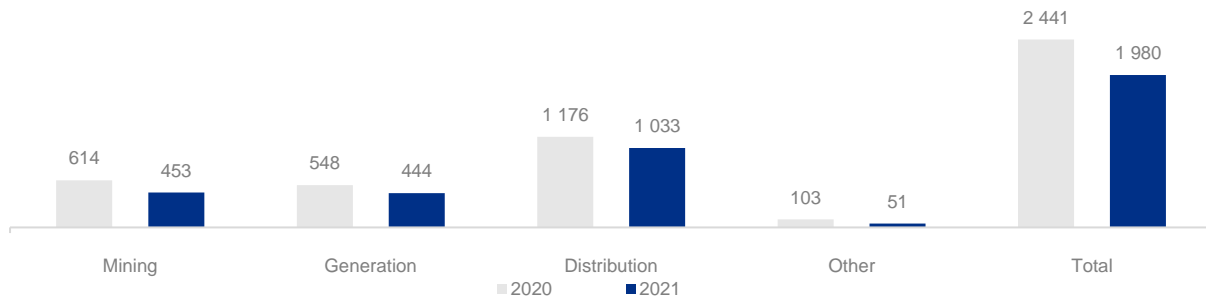
The estimated measures of strategic objectives to be achieved by 2040 mentioned in items 1.-2. and 7.-9. have been calculated based on the assumption of the spin-off of coal-fired assets outside the ENEA Group.

Ratio	Value achieved in 2021	Expected value of the ratio in the year:	
Return on Equity (ROE)	11.8%	2030	6.4%
		2040	7.1%
Return on assets (ROA)	5.2%	2030	2.9%
		2040	4.6%
Unit CO ₂ emission indicator in ENEA Group	775 CO ₂ /MWh*	2030	254 kg CO ₂ /MWh
		2040	201 kg CO ₂ /MWh
SAIDI	77.06 minutes	2030	74.59 min.
		2040	70 min.
SAIFI	1.94	2030	2.02
		2040	1.93
Index of grid distribution losses	5.56%	2030	5.14%
		2040	5.0%

* CO₂ emissions linked to the production of electricity and heat (the CO₂ emission metric linked to electricity production only is 772 kg CO₂/MWh)

3.5. Actions and investments pursued

3.5.1. Capital expenditures (CAPEX)



Capital expenditures (CAPEX) [PLN m]	Actuals Q4 2020	Actuals Q4 2021	Actuals Q4 2021 / Plan Q4 2021	Actuals 2020	Actuals 2021	Actuals 2021 / Plan 2021	Plan 2021	Plan 2022
Mining	117.9	242.5	168.0%	613.8	452.8	75.8%	597.7	679.0
Generation	185.9	155.6	83.9%	548.0	444.2	78.1%	568.8	612.7
Distribution	428.5	446.0	182.0%	1,176.2	1,032.7	114.6%	901.3	1,264.4
Support and other	71.4	26.0	57.2%	103.3	50.7	11.5%	440.1	645.0
Total	803.7	870.1	140.2%	2,441.3	1,980.4	79.0%	2,507.9	3,201.1

Environmental investment projects

Item	Actuals 2021 [PLN million]
Adaptation to BAT conclusions (Polaniec Power Plant)	91.6
Construction of a cogeneration source in Piła (MEC Piła)	33.4
Adaptation to BAT conclusions (Kozienice Power Plant)	10.4
Other	20.5
Total environmental investments	155.9

3.5.2. Execution of other projects

Distribution Area – ENEA Operator

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
• Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the “smart grid” standard;	973.2
• Development of the infrastructure area to support operations in terms of IT and telecommunications;	25.7
• Development of the infrastructure area to support operations in terms of buildings and tools;	12.7
• Development of the infrastructure area to support operations in terms of transport.	7.6
Investments planned for 2022:	
• Construction and modernization of a number of grid infrastructure elements, such as high, medium and low voltage lines and transformer stations, related to the pursuit of the following objectives: fulfilling the public-legal obligation, ensuring energy security for the region, improving the reliability and quality of electricity supply – grid automation, change of the MV network structure from overhead to cable, activities aimed at achieving the “smart grid” standard;	1,149.3
• Development of the infrastructure area to support operations in terms of IT and telecommunications;	53.2
• Development of the infrastructure area to support operations in terms of buildings and tools;	40.0
• Development of the infrastructure area to support operations in terms of transport.	7.5

Generation Area – Kozenice Power Plant

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
• modernization of Unit 3 – modernization completed, 8 July 2021 Test Run with a positive result,	41.9
• modernization of Unit 8 – modernization completed, 26 May 2021 Test Run with a positive result,	38.0
• <u>as part of the program entitled “Modernization of the cooling water system in the Kozenice Power Plant”:</u>	
- modernization of the cooling water intake canal – project completed	0.2
- modernization of cooling water pumps for 200 MW units – the project adapting ENEA Wytwarzanie to the BAT conclusions has been completed.	7.3
• <u>as part of the Program to adapt ENEA Wytwarzanie to the BAT conclusions:</u>	
- modernization of the flue-gas desulfurization system FGD II – project completed, final acceptance on 12 August 2021	2.4
- modernization of the flue-gas desulfurization system FGD IV – project completed, final acceptance on 12 August 2021	0.6
- modernization of the flue-gas desulfurization system FGD I – project completed, final acceptance on 3 September 2021	0.6
- electrostatic precipitator of Unit 3 – project completed, final acceptance on 23 July 2021	0.6
- electrostatic precipitator of Unit 8 – project completed, final acceptance on 15 June 2021	0.5
- installation of a heavy metal reduction system for FGD I – V wastewater - project completed, final acceptance on 10 December 2021	6.2
Investment projects not completed in 2021; completion expected in 2022	
1. Installation of a catalytic flue gas denitrification system and modernization of electrostatic precipitators for AP-1650 boilers of units 9 and 10 within the framework of modernization program for 2 x 500 MW units – continuation from 2018.	6.5
2. Under the program entitled “Modernization of the cooling water system in the Kozenice Power Plant”, scheduled for execution in 2019-2022:	0.6
• construction of draft cooling towers with design work – on 28 April 2021 corporate approvals were obtained (IC and ENEA S.A.) to increase capital expenditures in 2019-2022 to PLN 145 million. On 10 August 2021, the Contractor selection procedure was canceled as a result of an appeal submitted by one of the Contractor on 10 May 2021 and a judgment of the National Appeals Chamber of 5 July 2021 (attached to the letter of 22 July 2021), which in particular ordered the selected bid to be rejected and the Contractor selection process repeated. The Company currently reviews the project assumptions in order to decide on the course of action before the possible new procedure is launched.	
Investments planned for 2022:	
<u>Modernization program included in ENEA S.A.’s List of Strategic Initiatives:</u>	
- Unit No. 6	41.8
- Unit No. 10	43.2
- Unit No. 11	62.6
• modernization of the cooling water system in the Kozenice Power Plant	66.0

Generation Area – Połaniec Power Plant

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
• adaptation of ENEA Elektrownia Połaniec to the BAT conclusions.	91.6
Investments planned for 2022:	
• adaptation of ENEA Elektrownia Połaniec to the BAT conclusions	62.2
• adaptation of ENEA Elektrownia Połaniec to Capacity Market requirements after 1 July 2025	25.1

Generation Area – ENEA Ciepło

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
• investments with co-funding – rebuilding existing heat distribution networks and hubs;	19.0
• development investments – building new heat distribution networks, connections and hubs, telemetry;	10.6
• modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements;	0.2
• amount of capital expenditures in the Head Office area;	5.5
• revitalization of boiler K7;	2.4
• reconstruction of coal pulverizers for boilers K-7 and K-8;	1.2
• replacement of controllers in DCS automation systems of and FSC systems on units and off-unit systems;	3.4
• construction of a biomass-fired cogeneration unit;	0.4
• other capital expenditures in the Białystok CHP Plant area.	5.0
Investments planned for 2022:	
• investments with co-funding – rebuilding existing heat distribution networks and hubs;	27.8
• development investments – building new heat distribution networks, connections and hubs, telemetry;	10.0
• modernization of coal-fired boilers in the Zachód Heat Plant to adapt them to the environmental requirements;	7.3
• amount of capital expenditures in the Head Office area;	5.1
• modernization of the emergency power supply (from a power generator),	1.0
• replacement of the thermal insulation of district heating water at the CHP plant,	1.5
• restoration of coal bunkers of boiler K7,	1.5
• Delivery and installation of the third batch of SCR installation catalysts K-7 and K-8	1.4
• Replacement of controllers in DCS automation systems of and FSC security systems on units and off-unit systems;	2.0
• replacement of chemical storage systems and regeneration systems SUW2	1.5
• replacement of the TZ4 turboset,	2.2
• modernization of physiochemical measurements in unit water and steam circuits,	1.0
• construction of a biomass-fired cogeneration unit,	1.8
• other capital expenditures in the Białystok CHP Plant area.	5.3

Generation Area – ENEA Nowa Energia

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
• rewinding of the H-1 Koronowo generator,	1.4
• PV Krzęcin – acquisition.	3.6
Investments planned for 2022:	
• façade of the Koronowo Hydro Power Plant building with a PV panel wall,	2.0
• workshop	2.1
• power plant automation, modernization project, technological monitoring of a power plant,	2.3
• PV Likowo – 1 MW capacity, independent project, construction outsourced,	2.7
• PV Lubno I and II – 2x1MW capacity, independent project, construction outsourced,	5.4
• PV-FW Lubno I – 3 MW capacity, independent project, construction outsourced,	6.9
• PV Jastrowie I – 3 MW capacity, independent project, construction by ENEA Serwis,	8.5
• PV Krzęcin – 6.605 MW, after acquisition of GPK Energy and Sun Energy on 7 December 2021, the project will be executed independently.	18.8

Mining Area

Name of investment	Value [PLN million]
Investment projects completed in 2021:	
Development investments:	
• purchase of finished goods, machinery and equipment;	452.8
Operating investments:	
• new mining pits and modernization of existing ones – 23.2 km of roadways were made in 2021.	
Investments planned for 2022:	
Development investments:	
• purchase of finished goods, machinery and equipment;	679.0
Operating investments:	
• new excavations and upgrade of existing ones.	

Area	Event
Retail Area	<ul style="list-style-type: none"> The scope of the ENEA Optima offer was extended by the monitoring of the capacity fee. ENEA Optima is a system used to acquire metering data remotely, which allows business customers to monitor and optimize their energy and power consumption. The cooperation model related to photovoltaic systems for consumers has been optimized; in order to increase the sales level and take advantage of the ENEA Group's potential in this respect, the sales offering of PV systems for Business Clients has been extended. The product portfolio has been updated in respect to an offering directed to consumers, by adding products based on the discount mechanism linked to additional services. ENEA's new showroom has been launched. This is the first showroom arranged in a completely new formula, where customers can become familiar in detail with ENEA's offer for the purchase of electricity and additional products and services. Its area consists of three zones, in which ENEA's offer for individual and business customers is presented. Multimedia materials, state-of-the-art presentations and expositions made available in these zones give customers a possibility of testing and checking the products offered. The Mobile Customer Service Office (MBOK) has been launched. It is a special car equipped with two customer service workstations, which will regularly visit towns where there are no stationary ENEA Customer Service Offices.
Customer Service Area	<ul style="list-style-type: none"> Continuation of work on introducing automation processes in the customer service area through, e.g., robotic process automation (RPA) that will translate into timely achievement of key indicators within the implemented processes, Continuation of the eCustomer Program, the purpose of which is to implement new technical and organizational solutions, increasing the level of digitalization of Customer contacts, develop modern and low-cost channels for reaching and servicing Customers and to develop modern service and sales channels: online execution of agreements, e-Applications, chatbots and voicebots, marketplace. In stationary Customer Service Offices, in order to optimize the printing costs of paper documents, the mailing of documents attached to agreements to the e-mail addresses provided by customers was launched; Execution of the project of mobile Customer Service Offices, aimed at improving the quality and efficiency of sales of ENEA products and effectively reaching customers who live in smaller towns. The first mobile Customer Service Office has embarked on a service trip to 5 cities in the Greater Poland region, in which there is no stationary ENEA Customer Service Office. Continuation of the Visualization of the Customer Service Office network and creation of the first pilot Showroom in the Malta Shopping Center in Poznań. In their new visual layout, the showrooms are intended to combine endeavors aimed at creating the image of ENEA as an innovative, environmentally friendly and customer-oriented company, while focusing on sales and marketing functions. Implementation of solutions in billing systems that support the settlement of a new component of the distribution fee – the capacity fee and the e-Mobility tariff for publicly available electric car charging stations. Conclusion of an open tender and execution of a mass printing contract for the ENEA Group with an external printing house for a period of three years (until 31 December 2024). Work on the implementation in the billing systems, as of 1 January 2022, of the changes resulting from the introduction of new tariffs and excise tax and VAT changes arising from the launch of the Government Anti-Inflation Shield.
Wholesale Area	<ul style="list-style-type: none"> Continuation of the project entitled "Adaptation of ENEA Group Companies to changes in the operation of the balancing market in Poland". Continuation of the project entitled "Development of biomass trading activity by ENEA Trading sp. z o.o."

3.5.3. Executed contracts

3.5.3.1. Agreements of significance to ENEA Group's operations

In 2021, ENEA Group companies executed no contracts of material importance, although the following contracts were signed in this period:

- annexes to the Steam Coal Purchase Agreement No. 3/W/2012 between ENEA Elektrownia Połaniec and LW Bogdanka for the purchase of coal and additional coal purchase agreements between these entities.
- annexes to the Steam Coal Purchase Agreement No. UW/LW/01/2012 ENEA Wytwarzanie and LW Bogdanka for the purchase of coal and additional coal purchase agreements between these entities.

3.5.3.2. Performance of operating and financing contracts

Contract date	Parties	Description
23 January 2012	ENEA Wytwarzanie LW Bogdanka	Multi-Year Agreement No. UW/LW/01/2012 – sets forth the general terms and conditions of coal supply in 2017-2036
12 July 2012	ENEA Elektrownia Połaniec LW Bogdanka	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2013-2021
28 August 2018	ENEA Elektrownia Połaniec Rafako	"Design, delivery, assembly and start-up of a complete flue gas desulphurisation (FDG) installation for Unit No. 5 in ENEA Elektrownia Połaniec S.A."

3.5.3.3. Agreements concluded by LW Bogdanka with entities outside ENEA Group

Contract date	Party to the Agreement	Description
8 January 2009	Zakłady Azotowe Puławy	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2010 – 2026
14 December 2010	Energa Elektrownie Ostrołęka	Multi-Year Agreement – specifies the general terms and conditions of coal supply in 2011 – 2026

3.5.3.4. Dependence on suppliers or users

Due to the sales structure, there is no dependence on any customer. In the area of coal supply, LW Bogdanka's subsidiary is the largest supplier of coal.

3.5.3.5. Insurance agreements

ENEA Group enters into insurance agreements in accordance with the ENEA Group Insurance Policy. The common Policy has unified the insurance standards and the insurance contracting process in the ENEA Group; moreover, the purchases of insurance cover are consolidated, offering measurable benefits, both in terms of the insurance cover (terms of insurance) and the costs incurred. Under the Policy, Companies transfer the risk of loss due to property damage or third party claims by signing insurance agreements with assistance from leading domestic and global insurance brokers, generally in Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych mutual insurance company, in which it is a member. Because of the significant exposure of ENEA Group companies to damage and potential claims, it cannot be ruled out that the current insurance agreements may not ensure full coverage of potential losses.

3.5.3.6. Agreements signed between shareholders of the Parent Company

The Company is not aware of any agreements that may have been concluded between the shareholders of ENEA S.A.

3.5.3.7. Partnering or cooperation agreements

Through innovative activities and execution of research and development projects, ENEA Operator cooperates with the research institutions listed below:

- University of Zielona Góra,
- Institute of Power Engineering in Warsaw,
- Institute of Power Engineering, Gdańsk Division,
- AGH University of Science and Technology in Krakow,
- Poznań University of Technology,
- Łukasiewicz Research Network – Institute of Logistics and Warehousing,
- Poznań University of Economics and Business,
- University of Technology and Life Sciences in Bydgoszcz,
- West Pomeranian University of Technology in Szczecin,
- University of Szczecin,
- Mineral and Energy Economy Research Institute at the Polish Academy of Sciences.

3.5.3.8. Other agreements

In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. These programs have been fully utilized and are redeemed in installments. As at 31 December 2021, the total par value of bonds issued and outstanding under these programs was PLN 12 million.

3.5.4. Financing sources of the investment program – security issues

ENEA S.A. finances its investment program by using financial surpluses from its business activities and external debt. The ENEA Group pursues an investment financing model whereby ENEA S.A. acquires funds from external sources and distributes them to its subsidiaries. In its subsequent activities, ENEA S.A. will focus on ensuring appropriate diversification of external sources of financing for investments planned in the ENEA Group Strategy in order to optimize the costs and maturities of debt.

During the 12-month period ended 31 December 2021, ENEA S.A. did not enter into any new bond issue program agreements.

3.5.4.1. Available external financing sources

Source of liability	Purpose	Value of issue	Maturity	Liability amount as at the balance sheet date [par value]	Financing available as at the balance sheet date	Additional information
Bond Issue Programme Agreement up to PLN 5,000 million	Capital expenditures and ongoing activity of ENEA Group entities	PLN 1,000 million	February 2020			Market program, not guaranteed
		PLN 500 million	September 2021			
		PLN 1,000 million	June 2024	PLN 1,000 million	PLN 3,000 million	
		PLN 1,000 million	June 2024	PLN 1,000 million		

By the balance sheet date, as part of the Program Agreement for the Bond Issue Program up to PLN 5,000 million (hereinafter the Program Agreement), ENEA S.A. issued bonds with the total value of PLN 3,500 million, of which PLN 1,500 million has already been redeemed on maturity dates specified in the terms and conditions of bond issue. This means that up to PLN 3,000 million of bonds may be issued under the Program Agreement.

3.5.4.2. Utilization of external financing sources

Below is a summary of the loan agreements and bond issue programs utilized, under which ENEA S.A. had liabilities as at 31 December 2021.

Source of liability	Purpose	Value	Final maturity/repayment date	Amount due at the balance sheet date [par value]	Additional information
Bond Issue Programme Agreement	Financing of the execution of investment projects	up to PLN 3,000 million	June 2022	PLN 1,799 million	issue underwritten by: PKO BP, Bank Pekao, Santander Bank Polska, Bank Handlowy w Warszawie the financing is not secured on assets
Bond Issue Programme Agreement	Financing of current activities and investment needs	up to PLN 1,000 million	December 2026	PLN 640 million	underwriter of the issue: Bank Gospodarstwa Krajowego the financing is not secured on assets
		up to PLN 700 million	September 2027	PLN 457 million	
Loan Agreement with the European Investment Bank	Financing the multi-year investment plan for modernization and expansion of ENEA Operator's power grids	up to PLN 950 million	September 2028	PLN 549 million	the financing is not secured on assets
		up to PLN 475 million	June 2030	PLN 339 million	
		up to PLN 946 million	September 2032	PLN 801 million	

3.5.4.3. Distribution of cash – Bond issue programs effected by subsidiaries

The ENEA Group has adopted a model of financing investments carried out by ENEA S.A.'s subsidiaries through intra-group financing. ENEA S.A. raises long-term cash on the financial market by taking out loans or issuing bonds, which it then distributes within the ENEA Group.

Currently, in the Generation and Distribution areas ENEA S.A. has intra-group bond issue programs in place with a total value of PLN 5,371 million. These programs have been fully utilized and are partly redeemed in installments. As at 31 December 2021, the total nominal exposure under the bonds issued under these programs and held by ENEA S.A. was PLN 3,138 million. In the previous years, ENEA S.A. also concluded intra-group bond issue program agreements with its subsidiaries, which are used to finance investments in the RES and Heat Segments. As at 31 December 2021, the total value of bonds issued and outstanding under these programs was PLN 12 million.

Company	Source of liability	Contract date	Value	Amount due at the balance sheet date (par value)	Final maturity/repayment date	Additional information
ENEA Wytwarzanie	Bond Issue Programme Agreement	September 2012	PLN 3,000 million	PLN 1,449 million	June 2022	The capacity to issue bonds under the program ended on 31 December 2017. The bonds bear interest at fixed or floating rates, depending on the series.
ENEA Operator	Bond Issue Programme Agreement	June 2013	PLN 1,425 million	PLN 888 million	Depending on the issue dates of bond series, but no later than June 2030	The program has been fully utilized. The bonds bear interest at fixed or floating rates, depending on the series. Repayment in semi-annual installments from June 2017.
	Bond Issue Programme Performance Agreement	July 2015	PLN 946 million	PLN 801 million	Depending on the issue dates of bond series, but no later than September 2032	The program has been fully utilized. The bonds bear interest at a floating rate. Repayment in semi-annual installments from December 2018.

3.5.4.5. Loans and borrowings taken out by ENEA Group companies

As at 31 December 2021, the total nominal amount of external debt under the loans and borrowings incurred by ENEA Group companies (without ENEA S.A.) was PLN 50,205 thousand. ENEA Group companies did not terminate any loan and borrowing agreements in 2021.

Start date	Final maturity	Company	Type of financing	Value [PLN 000s]	Amount of the loan contracted in 2021 [PLN 000s]	Interest rate	Debt under the loan as at 31 December 2021 [PLN 000s]
August 2017	June 2023	MEC Piła	loan from WFOŚiGW	4,504	0	base rate + margin	2,000
October 2013	September 2028	PEC Oborniki	loan from WFOŚiGW	3,500	0	base rate + margin	1,450
August 2012	January 2023	ENEA Ciepło	investment loan	16,367	0	base rate + margin	1,453
April 2016	December 2026	ENEA Ciepło	loan from NFOŚiGW	60,075	0	base rate + margin	35,338
June 2014	July 2024	Łęczyńska Energetyka	loan from WFOŚiGW	26,580	0	base rate + margin	7,858
April 2020	May 2027	ENEA Operator	loan from WFOŚiGW	1,429	1,429	base rate + margin	1,093
December 2018	September 2024	ENEA Elektrownia Połaniec	loan from NFOŚiGW	3,150	1,275	none	1,013

3.5.4.6. Loans granted by ENEA S.A.

In 2021, ENEA S.A. granted loans to ENEA Group companies and other companies, in which it held interests, in the total value of PLN 1,105,000¹⁾ thousand. The nominal value of the companies' debt as at 31 December 2021 was PLN 4,096,034 thousand. Detailed information on the loan agreements signed by ENEA S.A. and active in 2021 and their utilization is presented in the table below:

Start date	Final maturity	Company	Value of the agreement [PLN 000s]	Amount of loan contracted in 2021 [PLN 000s]	Interest rate	Debt under the loan as at 31 December 2021 [PLN 000s]
July 2019	December 2026	ENEA Operator	2,890,000	950,000	base rate + margin	1,600,000
September 2019	April 2022	Elektrownia Ostrołęka	199,000	0	Fixed	199 000 ²⁾
January 2020	September 2024	ENEA Wytwarzanie	2,200,000	0	base rate + margin	1 782 034 ³⁾
February 2020	December 2024	ENEA Elektrownia Połaniec	500,000	0	base rate + margin	500,000
June 2021	December 2031	MEC Piła	15,000	15,000	base rate + margin	15,000

¹⁾ ENEA S.A. signed agreements with ENEA Operator and MEC Piła for the total amount of PLN 1,105,000 thousand, under which PLN 965,000 thousand has been drawn down.

²⁾ As at 31 December 2021, impairment losses on loans granted to Elektrownia Ostrołęka Sp. z o.o. amounted in aggregate to PLN 225,610 thousand, including interest (the full value of the loans was covered by the impairment loss). The total impairment loss for the loans granted to Elektrownia Ostrołęka Sp. z o.o. recognized in the 12-month period ended 31 December 2021 was PLN 15,825 thousand; this amount was captured in the consolidated statement of comprehensive income in the item "Impairment allowances recognized for financial assets measured at amortized cost".

³⁾ In December 2021, ENEA Wytwarzanie made an early partial repayment of the loan in the amount of PLN 17,966 thousand. This amount payable to ENEA S.A. was settled on a cashless basis in connection with the Set Off Agreement signed between ENEA and ENEA Wytwarzanie.

3.5.4.7. Sureties granted and received

In 2021, ENEA Group companies extended one corporate guarantee in the amount of USD 250 million. As at 31 December 2021, the total value of the off-balance sheet items on account of suretyships and corporate guarantees extended by ENEA S.A. was PLN 1,017,000 thousand.

The table below presents information on the largest corporate guarantees or sureties extended in 2021 (materiality threshold > PLN 5 million):

Security granting date	Security validity date	Secured entity	Purpose of the agreement	Security form	Extended security amount [USD 000s]
16 September 2021	for an indefinite term	Citigroup Global Markets Europe AG	secures the liabilities of ENEA Trading	under the Memorandum of Understanding of 16 September 2021	250,000

3.5.4.8. Guarantees granted

As at 31 December 2021, the total value of the bank guarantees extended upon orders from ENEA S.A. was PLN 932,035 thousand.

The table below presents the largest bank guarantees extended upon orders from ENEA S.A. in 2021 under the concluded bank guarantee agreements (size threshold > PLN 5 million):

Security granting date	Security validity date	Secured entity	Purpose of the agreement	Security form	Extended security amount [PLN 000s]
8 December 2021	31 July 2022	Izba Rozliczeniowa Gield Towarowych	Contributing a deposit	under the guarantee facility up to PLN 350,000,000	250,000

3.5.4.9. Interest rate hedging transactions

Under the Interest Rate Risk Management Policy, in 2021 ENEA S.A. concluded transactions hedging the interest rate risk (Interest Rate Swaps) for exposures in the amount of PLN 878 million.

3.5.4.10. Related party transactions

In 2021 ENEA S.A. and its subsidiaries did not enter into any related party transactions on a non-arm's length basis. Information on related party transactions concluded by ENEA S.A. and its subsidiaries is presented in Note 39 to the consolidated financial statements of the ENEA Group for the period from 1 January to 31 December 2021.

3.5.4.11. Coverage of loss for 2020

On 17 June 2021, the Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 on the coverage of the net loss for the financial year from 1 January 2020 to 31 December 2020, according to which the loss of PLN 3,356,750 thousand was covered by retained earnings of PLN 2,417,070 and supplementary capital of PLN 939,680 thousand.

3.5.4.12. Assessment of feasibility of investment plans

The stable financial standing of the Company creates a solid basis for implementation of investment plans. The cash flows and equity of the ENEA Group are a strong foundation for the financing of capital expenditures with both own and external sources. In order to ensure efficient use of funds and achievement of a satisfactory rate of return from equity, the Company intends to use the financial leverage and in the financing of a range of investment projects, especially in the case of potential acquisitions, it will use debt financing.

4. Risk management

The ENEA Group is exposed to risks in each segment of its activity. The risk materialization may have a significant adverse effect on the continuity of business of individual companies of the Group as well as their financial standing and ability to achieve strategic goals.

The awareness of these risks requires maintaining, using, and constantly improving a formalized and integrated enterprise risk management (ERM) system. Its framework is determined by the single Enterprise Risk Management Policy binding in ENEA Group. At the ENEA Group, ERM system is based on the comprehensive approach to the risk management issue and determination of rules for risk identification and assessment. This is the basis for the selection of enterprise risks, the preparation of mitigating activities, the monitoring of exposures and the deployment of activities. In the case of some risks, such as credit, liquidity, FX, interest rate, and commodity risks, as well as in the case of project, breach of personal data protection and cybernetic risks, the formalized approach to risk management or risk assessment takes the form of dedicated Policies, Methodologies or Procedures.



An important element of the model functioning at the ENEA Group is also the business continuity management system, whose purpose is to identify critical processes for the operations of the key Companies of the ENEA Group and to implement such actions and procedures that will reduce the risk of their interruption and ensure their continuity in an emergency situation.

The adopted risk management rules are adopted in accordance with the highest management standards and compliant with the best market practice. The Group uses available IT systems to perform risk management processes.

4.1. Management model

The risk management organization at the ENEA Group is based on a model which assumes coordination of the risk management processes at the ENEA Group by ENEA S.A. Specific features of the model are also:

- key ENEA Group companies manage risks on the basis of uniform standards set out in the Policies, Methodologies and Procedures;
- with respect to financial risks, the key Companies provide operational management of risk within the allocated limits;
- the key companies of the ENEA Group regularly report to ENEA S.A. and the ENEA Group Risk Committee on the measures implemented in the area of risk management.

4.2. Risk assessment

Every risk included in the Company's Risk Register is assessed in terms of probability and potential financial, reputational and health and safety impacts as well as environmental impact. Based on this assessment, the risk is rated and allocated to one of four categories. Each category has a specific scope of the Risk Management Plan and the frequency of monitoring (once a month or once a quarter).

Likelihood	4	4	8	12	16	Critical risk
	3	3	6	9	12	Key risk
	2	2	4	6	8	Medium risk
	1	1	2	3	4	Low risk
	Maximum effect	1	2	3	4	

4.3. Risk management process

The risk management process at the ENEA Group is a multi-stage process, engaging all the significant organizational units of the Group Companies.



What is also taken into consideration within the process of identification are non-financial risks which may have a significant negative impact on social, labor, environmental, human rights and anti-corruption issues. Their detailed description can be found in "The Non-Financial Statement" hereinbelow.

4.4. ENEA Group's Risk Model

Risk Model	Core risks to which the ENEA Group is exposed, by category	Examples of risk mitigating measures, by category
Strategic	<ul style="list-style-type: none"> • Risk of losing pending lawsuits • Risk of a generation gap or loss of competence • Risk of improper management of information in a crisis situation • Risk of exceeding the parameters required by regulations and environmental permits 	<ul style="list-style-type: none"> • Granting powers-of-attorney to professional representatives • Organization of paid traineeships and apprenticeships, cooperation with endorsed schools • Ensuring a transparent, competitive and motivational remuneration system • Maintaining efficient communication channels with key business units • Ongoing monitoring of environmental indicators
Financial	<ul style="list-style-type: none"> • Risk of default on financing agreements • Risk of a rating downgrade • Liquidity risk • Risk of interest rate fluctuations • Risk of losses due to counterparty default (including credit risk) • Risk of adverse environment of the insurance market • Risk of revenue loss due to the current prosumer billing model and a significant increase in the number of prosumers • Risk of a breach of stock exchange disclosure obligations, Regulatory risk related to uncertainty of decisions of the ERO President regarding regulated revenue • Risk of failing to meet obligations and losing the incurred expenditures related to the construction of public charging stations 	<ul style="list-style-type: none"> • Monitoring banking covenants at the ENEA Group • Ongoing consultations with the credit rating agency • Ongoing consultations with banks and financial institutions • Cash flow planning in the current and strategic horizon • Conducting structured activities in the area of credit risk management and debt collection • Preparation of information on transformation of production sources and dialog with the insurance and reinsurance market • Ongoing review of information and events with a view to disclosure obligations • Analysis of new legislative acts and their impact on performance • Monitoring the progress of work on building public charging stations
Operational	<ul style="list-style-type: none"> • Risk of unavailability of employees due to the epidemic • Risk of loss of continuity of ICT environments and infrastructure • ICT security risk • Risk of losing access to billing systems • Risk of deteriorating grid reliability ratio • Risk of errors related to reporting on the balancing market • Risk of losses in capacity caused by hydrologic conditions • Risk of disasters and industrial failures • Risk of unfavorable social climate • Risk of a personal data security breach • Risk of imbalance in revenues and costs of the purchase and sales of electricity • Risk of interruptions and damages caused by extreme weather events • Risk of climate hazards related to increased temperatures in the mining area 	<ul style="list-style-type: none"> • Ongoing implementation of nationwide recommendations concerning minimization of the risk of infections • Reviews of ICT infrastructure and creation of backup copies • Conducting an information campaign among employees, including induction and periodic training on, among others, rules of ICT security and personal data protection • Regular periodic reviews and assessment of systems to ensure personal data protection and ICT security • Maintaining high quality of operational inspections and preventive treatments • Maintaining active and regular dialog with the social stakeholder • Ongoing reviews of data consistency • Monitoring of weather and hydrological conditions • Monitoring of working conditions
Market	<ul style="list-style-type: none"> • Volumetric risk related to the hedging of open positions on electricity or gaseous fuel • Risk of commodity price volatility on the forward market, SPOT market and Balancing Market • Risk of non-continuity of fuel supplies • Volumetric risk for fuel and transportation • Limited or no ability to landfill "rock" at the mining waste facility 	<ul style="list-style-type: none"> • Monitoring and projections and ongoing analysis of factors affecting prices • Continuous analysis of the fuel and energy market • Improving methods and tools to optimize commodity portfolios • Maintaining and developing competence to manage commodity risk • Daily monitoring of fuel inventory levels • Optimization of coal deliveries within the ENEA Group

4.5. ENEA Group Risk Committee

The key authority in the risk management process at the ENEA Group is the Risk Committee. The Committee is a permanent internal team within the ENEA Group established to support the ENEA S.A. Management Board in:

- managing enterprise risk in the ENEA Group;
- managing business continuity in the ENEA Group;
- managing the Compliance area in the ENEA Group;
- managing insurance policy in the ENEA Group.

The Risk Committee is comprised of permanent members who participate in each Committee meeting, and supplementary members representing the key Companies in the ENEA Group in matters relating to these companies.

Powers of the Risk Committee

Powers of the Committee include in particular:

1. Giving recommendations to the ENEA S.A. Management Board on approving the policies governing the process of managing risks, business continuity, insurances, and Compliance as well as on any relevant updates.
2. Accepting and analyzing information in the area of risk management, business continuity and insurance received from substantive units.
3. Issuing opinions and accepting reports on the implementation of the Compliance Policy and issuing binding interpretation (construction) of the provisions of the Compliance Policy.
4. Approving the operating documentation governing the process of managing risks, insurances, and business continuity with approval of any relevant updates (strategies, procedures, methodologies, tools, instructions, guidelines, etc.).

4.5.1. Members of ENEA Group Risk Committee

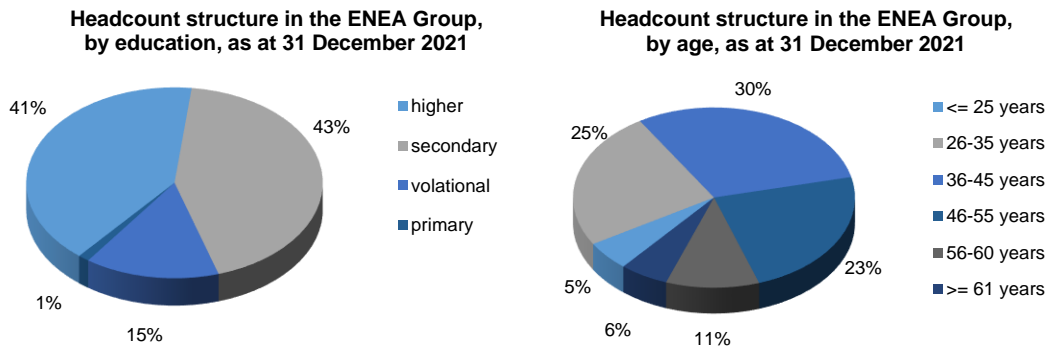
The Risk Committee is composed of dedicated members of the Management Board of ENEA S.A. and its Subsidiaries within the Group as well as directors in charge of substantively relevant departments of ENEA S.A.

5. Headcount

As at the last day of 2021, the headcount in ENEA Group companies included 17,442 employees with employment contracts, including 3,463 women and 13,979 men. As at 31 December 2021, the headcount in ENEA S.A. was 410 employees with employment contracts.

These figures, broken down by operating segments, were as follows:

Distribution: 5,429; Trading: 513; Mining: 5,764; Generation: 3,997; Other: 1,739.



5.1. HR Policy implementation at the ENEA Group in 2021

- Optimization of the HR work organization model aimed to facilitate the Group's activity. The essence of the model is:
 - creating HR policy at the level of ENEA S.A. and cascading the assumptions for implementation to individual member companies of the Group, which should consequently ensure the cohesion of HR operations and support for the pursuit of the ENEA Group Strategy
 - ensuring business support in member companies of the Group through HR Business Partners responsible for implementing HR solutions, supporting the Management Boards and the management staff in HR managing, and cooperation with the company's trade union organizations
 - monitoring the cohesion of HR processes and standards throughout the ENEA Group in such areas as: recruiting, onboarding, hiring, and changes to employment terms and conditions, development policy, training, management by objectives, incentive systems, etc.
 - leaving in the Shared Services Center at ENEA Centrum only the operating activities in the field of HR and payroll services, the Company Social Benefit Fund, handling of training, and settlement of trade union organizations.
- HR process digitalization – continuation of the operations aimed to introduce electronic document circulation with regard to processes handled by the HR Business Partner (adaptation card, circular card whenever the employment relationship ends, etc.).
- Employer branding activities, consistently aimed at attracting and retaining staff and building a personnel base in professions relevant to the needs of the industry, with particular emphasis on the special character of Group companies, including:
 - activities dedicated to students and graduates such as promoting the traineeship and apprenticeship program "Get Installed at ENEA", running practice-oriented studies in cooperation with the Poznań University of Technology, or cooperating with student organizations, including the L.A. Paga Foundation as part of the "Energy Academy";
 - activities addressed to students from vocational and technical schools performed within a model of cooperation with patronage schools in the territory of the companies' operation, including the organization of the third edition of the "POWER TO START" contest for ENEA scholarship, vocational counseling classes in cooperation with the Center for Craft Support, Dual and Vocational Training in Poznań;
 - promoting job offers among job seekers, professionals and specialists, as well as maintaining employer profiles in social media.

In this area, activities are also undertaken aimed at current employees through running the Employee Zone in the intranet, organizing competitions and promoting ethical values following from the ENEA Group Code of Ethics. ENEA S.A. was once again awarded the "Company Without Mobbing" Certificate confirming a high level of employee protection and correct prevention, information and education measures conducive to building a friendly work environment. Employees as well as customers or contractors have a responsibility to react to and report incidents in which they witness unethical or illegal behavior that raises concern and indicates that a violation may have occurred in ENEA S.A. The commitment to building a corporate culture based on acting in accordance with the law, internal regulations and ethical standards is demonstrated by the introduction of the *Policy for reporting breaches and protecting whistleblowers in the ENEA Group*. The purpose of the regulation is to ensure that a whistleblowing report will be accepted, analyzed in depth and properly handled, while the whistleblower who is convinced of its veracity will be protected from retaliation. This is a clear message that the Group has zero tolerance to illegal or unethical behavior.

4. Actions focused on the consistent implementation of HR policies fostering an experienced team of professionals and the development of leadership among managers. In view of the challenges, especially those resulting from the threat of coronavirus, development activities were carried out primarily online. Employees used a wide and varied range of development activities. They participated in specialist training courses (open and closed) custom designed to meet the needs of a given function or employee, post-graduate courses, MBA courses, and they also expanded and exchanged market knowledge with others by participating in conferences and industry events. Additionally, the library of educational materials available in the internal Development Zone in the Intranet was expanded.
5. Continuous review of incentive systems and adjustment to Employer's needs.

5.2. Information on the remuneration rules at ENEA S.A.

On 30 July 2020, by way of Resolution no. 24, the Ordinary General Meeting of ENEA S.A. adopted a document entitled "Remuneration Policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", which came into force with effect as of 30 July 2020 and from that date it is applicable to the payment of remuneration to Management Board and Supervisory Board members. Furthermore, various formal remuneration regulations regarding Employees are applied in the Company. At ENEA S.A., remunerations are determined on the basis of the Internal Collective Bargaining Agreement, bonus regulations, and work regulations. The rules for determining remunerations at ENEA S.A. are linked to its strategy, objectives, interests, and results. In addition, they are set out taking into consideration the principle of non-discrimination on any grounds. There were no significant changes to the remuneration rules applied at the Company in 2021.

The extra-financial remuneration components applied by ENEA S.A. in 2021 included, in particular: health care services, training courses, welfare benefits (under the Company's Welfare Benefits Fund, i.e., co-financing the employees' holidays and sports, leisure, cultural and education activities, and low-interest loans for housing purposes), preferential insurance offer, company cars with the option to use them for private purposes, and the employee pension scheme.

The remuneration rules applied in the Company are assessed positively in view of the performance of its objectives, including in particular a long-term increase in value for shareholders and stability of the enterprise operation.

As at 31 December 2021, neither the Issuer nor the member companies of the ENEA Group had any liabilities (including assumed liabilities) on account of retirement pensions or similar benefits assigned individually to former employees performing management or supervision functions or former members of corporate authorities.

6. Industry profile

The main legal act regulating the Polish energy market is the Energy Law Act, supplemented by the associated regulations/ implementing acts, which are introduced most often by the Minister of Economy or Environment. Adoption of the Energy Law of April 1997 is regarded as the key moment in the process of establishing the domestic market. The Energy Regulatory Office (ERO) was also established at that time. The Office is still responsible for setting the prices of transmission of electricity as well as of the property rights on the certificates of origin of electricity and carbon dioxide emission allowances. After Poland joined the European Union, national law had to be harmonized with the EU laws. From then on, European legislation became the basis for developing national regulations governing the energy market. The key European document was the Directive concerning common rules for the internal market in electricity. The Polish market was also significantly affected by the laws, which liberalized the market in 2007, allowing individual consumers to purchase electricity from any operator.

Nowadays, electricity is a commodity traded on an open, competitive market. Electricity is similar to other goods, in that it is generated by producers, subsequently taken over by market intermediaries, to finally reach individual customers, businesses and institutions. Just as all other produced goods, electricity must be transported to the final consumer, which is effected via the transmission and distribution grid.

Leading energy groups in Poland



The energy market in Poland is divided among several energy groups, with the major ones, apart from ENEA, being: PGE, TAURON, Energa (Orlen Group), ZE PAK and E.ON (former Innogy, operating in Warsaw only). Pursuant to the Energy Law, special permits (concessions) issued by the ERO President are required to carry out an activity in the electricity transmission and distribution market. Leading electricity distributors in Poland include: ENEA Operator, PGE Dystrybucja, TAURON Dystrybucja and Energa Operator. In 2021 the Energy Law was amended, as discussed in more detail in Section 10.3.

The continual strive for building an open and competitive market is based on the assumption that both generation and sales of electricity are not subject to a natural monopoly. Moreover, market mechanisms, understood as competition between energy groups, guarantee high quality of the provided services, reliability of the Polish power system, as well as low electricity prices. Access to inexpensive electricity is necessary for the economy, in particular for local industrial products to be able to compete in international markets and thereby build Poland's competitive advantage.

In February 2021, the Council of Ministers approved "Poland's Energy Policy until 2040" (PEP2040), a new strategic document setting the development directions for this sector. According to that document, in 2040 more than half of the installed capacity will be in zero-emission sources. A special role in this process will be played by adding offshore wind power generation to the Polish power system and the commissioning of a nuclear power plant. These will be the two new strategic areas and branches of industry to be created in Poland. PEP2040 is one of nine integrated sectoral strategies built on the Strategy for Responsible Development. PEP2040 is consistent with the National Plan for Energy and Climate for 2021–2030. PEP2040 contains a description of the condition and considerations of the energy sector. The document identifies three pillars of PEP2040, eight detailed objectives of PEP2040 and the actions necessary to accomplish them, as well as strategic projects. It lays out the geographic coverage and presents the sources of financing for PEP2040.

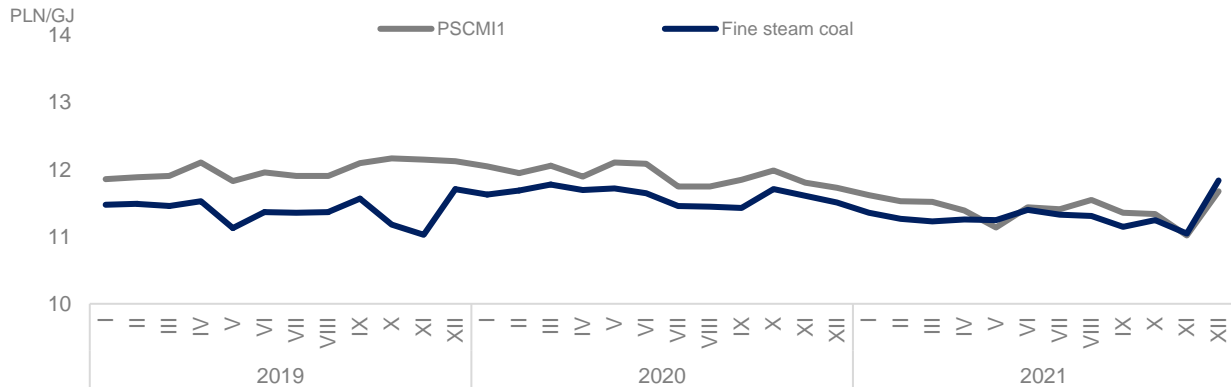
Key elements of PEP2040:

- Energy transition, including energy self-sufficiency.
- Increase in the share of RES in all sectors and technologies. In 2030, RES should cover at least 23% of final gross energy consumption, with the RES share being at least 32% in power generation (mainly wind and PV power), 28% in district heating (increasing by 1 p.p. y/y), 14% in transport (with a big contribution of electromobility).
- Offshore wind power generation – installed capacity will reach from approx. 5.9 GW in 2030 to approx. 11 GW in 2040.
- Installed photovoltaic capacity will increase considerably: approx. 5-7 GW in 2030 and approx. 10-16 GW in 2040.
- In 2030, the share of coal in electricity generation will not exceed 56%, and given the increased prices of CO₂ emission allowances it may drop even lower to 37.5%.

Moreover, Poland's energy transition program was adopted in April 2021, which, among other things, provides for unbundling coal assets, as discussed in more detail on Section 10.38.

6.1. Market environment

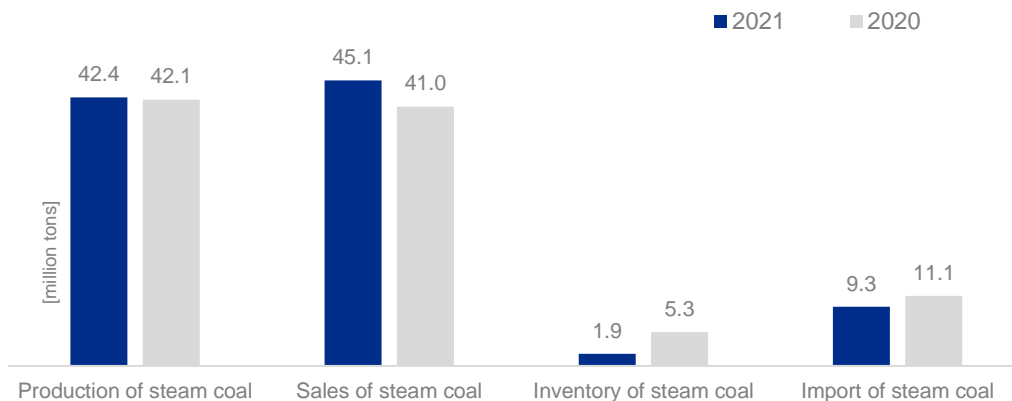
Coal prices on the Polish market



Data: Industrial Development Agency.

PSCMI1: Average price for the PSCMI1 index in 2021 was approx. 11.42 PLN/GJ, 4.2% y/y down from the average price for 2020 (11.92 PLN/GJ). In Q4, average price for the PSCMI1 index was approx. 11.35 PLN/GJ, 4.1% down from the price in the corresponding period in 2020 (11.84 PLN/GJ).

Fine coal: Average price for fine steam coal sold to the commercial energy sector in 2021 was approx. 11.31 PLN/GJ, 2.6% down from the price in the corresponding period in 2020 (11.61 PLN/GJ). In Q4, average price for fine steam coal sold to the commercial energy sector was approx. 11.38 PLN/GJ, 2.0% down from the price in the corresponding period in 2020 (11.61 PLN/GJ).



Data: Industrial Development Agency.

In 2021, Polish mines produced a total of 42.4 million tons of steam coal, compared to 42.1 million tons in the corresponding period of 2020 (+0.7% y/y). Sales of steam coal on the domestic coal market was 45.1 million tons, having increased by 10.1% y/y. As at the end of 2021, inventories of steam coal stood at 1.9 million tons, down by 64.1% from the corresponding period in 2020. In 2021, 9.3 million tons of steam coal were imported into the domestic market, down by 16.2% compared to 2020.

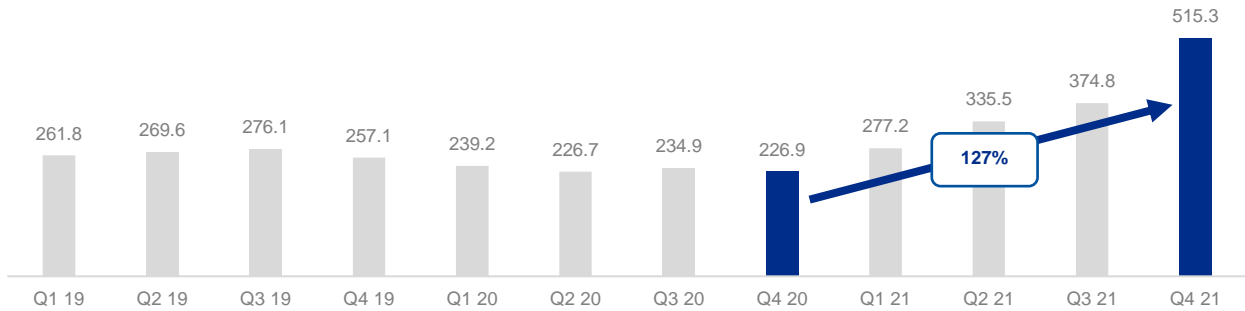
Situation in the domestic bituminous coal mining sector

The global energy crisis resulting from the greater demand for energy among quickly recovering economies post-COVID-19 caused coal to be in short supply in 2021 on the domestic and global coal market.

The electricity price path is determined by the costs of purchase of fuel for generation purposes and the cost of purchasing CO₂ emission allowances, which as at the end of the year oscillated around EUR 90 per ton on the spot market, which generated additional risks related to the forward contracting process.

Energy prices on the Polish market

BASE_Y_20/21/22 (PLN/MWh)



Source: PPE, clearing prices

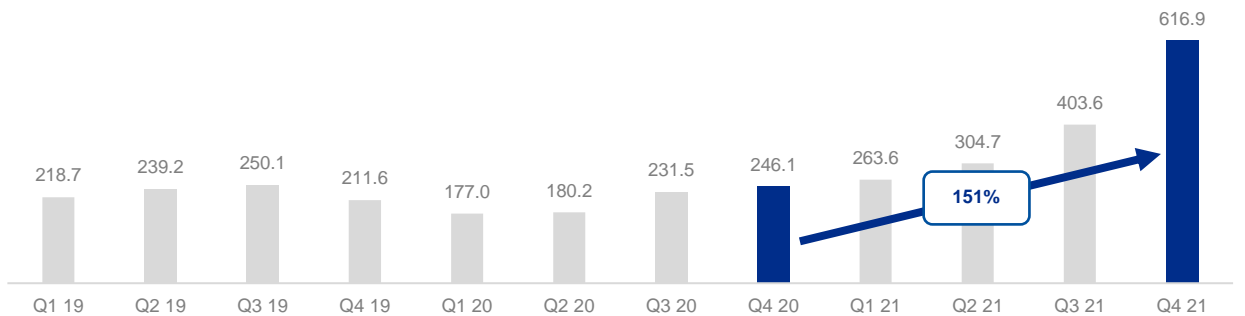
On the wholesale electricity forward market, the average price of the BASE Y-22 product increased 127%, to PLN 515.33 per MWh in 2021, compared to the corresponding product (i.e. BASE Y-21) in 2020.

The market price of BASE Y-22 in 2021 was highly volatile. At the beginning of the year, it hovered above PLN 259.86 per MWh, to drop to slightly below PLN 807.35 per MWh towards its end.

The BASE Y-22 price in 2021 was affected chiefly by changes in the prices of CO₂ emission allowances.

In 2021, the volume of trading in the annual frontal product BASE_Y-22, totaled 11,992 MW, signifying a major drop compared to 2020, when transactions for a total of as much as 14,469 MW were executed under BASE_Y-21 contracting (down by 17% y/y). The average volume contracted at each session declined from 57 MW in 2020 to 48 MW in 2021.

RDN BASE (PLN/MWh)



Source: PPE, clearing prices

The average price of electricity on the spot market in Q4 2021 was 151% higher than in the corresponding period of 2020. This increase resulted mainly from the considerably higher valuation of all months in the quarter than in the corresponding period of 2020.

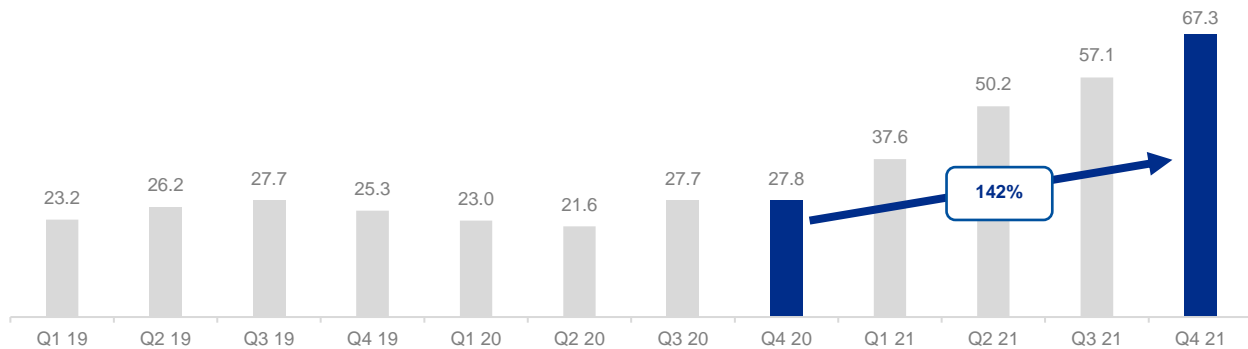
The level of electricity prices on the spot market 2021 was affected by:

- high prices of CO₂ emission allowances (price-increasing effect),
- higher demand for power in the Polish Power System (PPS) compared to 2020 (price-increasing effect),
- high levels of power deficits in the Polish Power System (PPS) than planned (price-increasing effect),
- relatively low air temperatures in the winter period (price-increasing effect),
- relatively low energy imports from neighboring countries and a surplus of electricity exports from August to December (price-increasing effect).

In all of 2021, the average price on the spot market was PLN 398.18 per MWh, up by 91% compared to 2020.

Prices of CO₂ emission allowances and “green” property rights

CO₂ emission allowances (Dec-20) (EUR/t)



Source: ICE, clearing prices

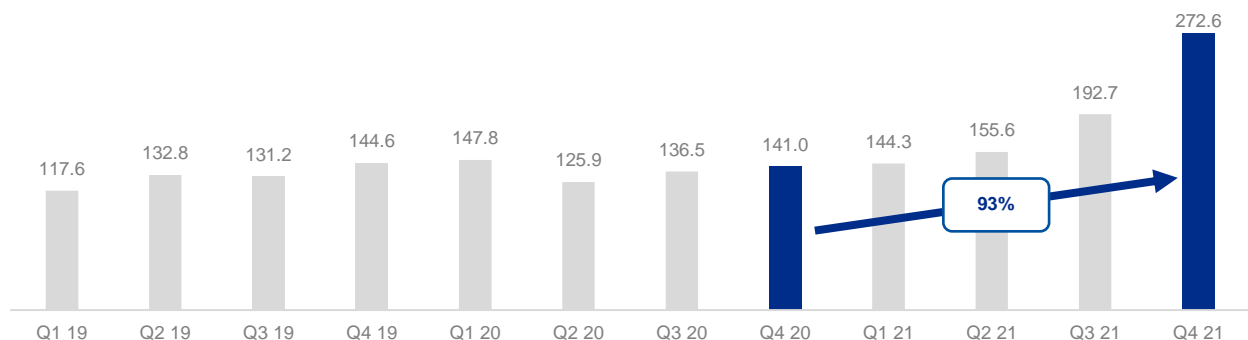
From the beginning of 2021, the prices of CO₂ emission allowances continued to follow an upward trend, which started at the turn of October and November 2020 with favorable news about the development of vaccines against COVID-19, and was additionally reinforced by factors such as the setting of a new emission reduction target of 55% by 2030, the postponement of primary auctions and the allocation of free allowances to industry in 2021. Moreover, the UK finally decided to leave the EU ETS and create its own emissions trading system, with operators participating in the EU ETS still required to fulfill the obligation for 2020. The strengthening of the upward trend coincided with the launch of primary auctions (29 January 2021), which cleared at quite high prices.

The market’s discounting of the possible effects of changes to the EU ETS that must be made to bring the EU ETS in line with the approved new reduction target, and the uncertainty arising from the imminent launch of the UK ETS, pushed prices up to EUR 56.65 per ton in the first half of May. Ultimately, the launch of UK auctions caused a temporary drop in EU ETS prices due to capital transfers, most probably due to the fact that UK units holding European allowances cashed in to buy UK allowances. This could still be observed during two more UK auctions, though it had a declining impact on the quotation of EUAs. On 14 July, the European Commission published a long-awaited legislative package named “Fit for 55” concerning the broad energy and climate policy of the European Union. On 22 July 2021, the EEX exchange published a release containing an updated auction calendar for 2021 and a new calendar for 2022, according to which auction volumes from 1 September 2021 to 31 August 2022 will drop by about 378.905 million EUAs and will be transferred to the Market Stability Reserve (MSR).

In Q4, the prices of EUAs soared, reaching a maximum of EUR 88.88 per ton. Of significant importance in this period were the so called COP26 proceedings in Glasgow (from 31 October to 13 November). Following the conclusion of COP26, market prices were seen to rise, most probably due to investors’ optimism spurred by the positive outcome of the proceedings (especially compromise solution being adopted with respect to market mechanisms as part of Article 6 of the Paris Agreement). Other important factors were the prospects of raw material prices increasing due to winter, the shortage of gas in European storage facilities, the aggravating problems with the supply of raw materials and the smaller number of allowances available on auctions in December, which usually end earlier in that month than in others.

The average price of the dec-21 product in Q4 2021 went up by 142% compared to the average dec-20 price in Q4 2020. Meanwhile, in all of 2021 the average dec-21 price stood at approx. EUR 52.76 per ton, up by 116% compared to the average dec-20 price in the previous year, which stood at approx. EUR 24.46 per ton.

Prices of “green” property rights (PMOZE_A) (PLN/MWh)



Source: PPE, session market indices

Over a significant portion of Q1 2021, the quotations of “green” property rights continued the side trend that started in Q4 2020, with levels approximating PLN 142.30 per MWh until mid-March and subsequently about PLN 149.18 per MWh. In May, prices began to rise moderately, approaching the PLN 167.18/MWh mark at the end of the first half-year. What is important, the strong price movements in the second half of June resulted from the publication, on 16 June 2021, of a draft regulation increasing the obligation from 19.35% (under Article 59 of the RES Act) to 19.5% in 2022 (retaining the 2021 level). After a summary of the public

consultation on the above draft regulation was published on 26 July and the proposed value of the obligation was reduced to 18.5% in 2022, a short-term adjustment of quotations was recorded, after which the prices continued the strong upward drive. As a result, at the last session in September, the price of PMOZE_A reached 269.64 PLN/MWh. The increased stock market valuation was maintained in the last quarter of 2021. In October, PMOZA_A reached the record-breaking trading session value of PLN 300.42 per MWh. In November, the Ministry of Climate and Environment issued the “Communication on the situation on the certificate of origin market” further to the increase in prices of certificates of origin. Q4 closed with an average trading session price of PLN 272.61 per MWh.

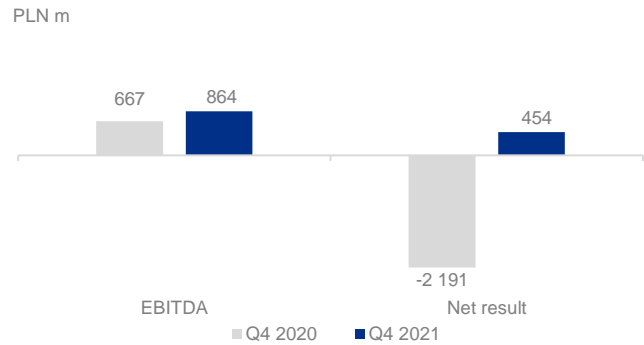
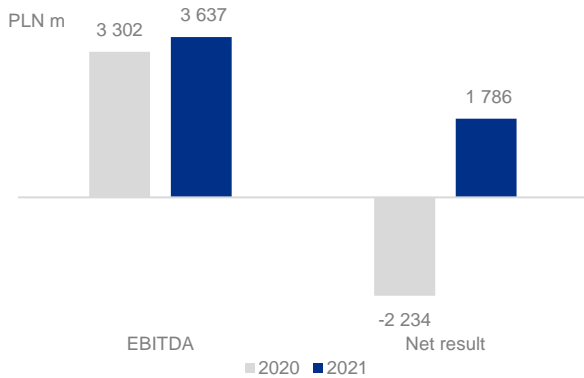
According to data provided by POLPX, approximately 18.3 TWh of property rights were redeemed between 1 July 2020 and 31 June 2021, while approximately 30.8 TWh remained in the register. Another 7.2 TWh of certificates of origin were redeemed upon the publication of another set of POLPX data for July, as a result of which it may be assumed that the number of active PMOZE_A after the fulfillment of the obligation for 2020 was less than 25 TWh. As at the end of 2021, active PMOZE_A for approximately 24.5 TWh remained in the register.

The average price in Q4 2021 was PLN 272.61 per MWh, up by 93% compared to Q4 2020 while in all of 2021 it was PLN 192 per MWh, up by 39% compared to the average 2020 price.

7. Financial standing

7.1. Selected consolidated financial data

[PLN 000s]	2020	2021	Change	% change
Revenue from sales and other income	18,194,554	21,210,647	3,016,093	16.6%
Operating profit / (loss)	(1,706,259)	2,067,367	3,773,626	221.2%
Profit / (loss) before tax	(2,603,549)	2,154,633	4,758,182	182.8%
Net profit / (loss) for the reporting period	(2,234,337)	1,786,470	4,020,807	180.0%
EBITDA	3,301,958	3,636,777	334,819	10.1%
Net cash flows from:				
operating activities	3,157,764	5,486,920	2,329,156	73.8%
investing activities	(2,576,300)	(1,850,267)	726,033	28.2%
financial activities	(2,401,857)	(1,424,654)	977,203	40.7%
Cash at the end of the period	1,941,554	4,153,553	2,211,999	113.9%
Net profit/(loss) attributable to shareholders of the parent company	(2,268,412)	1,678,536	3,946,948	174.0%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(5.14)	3.80	8.94	173.9%
Diluted earnings/(loss) per share [PLN]	(5.14)	3.80	8.94	173.9%

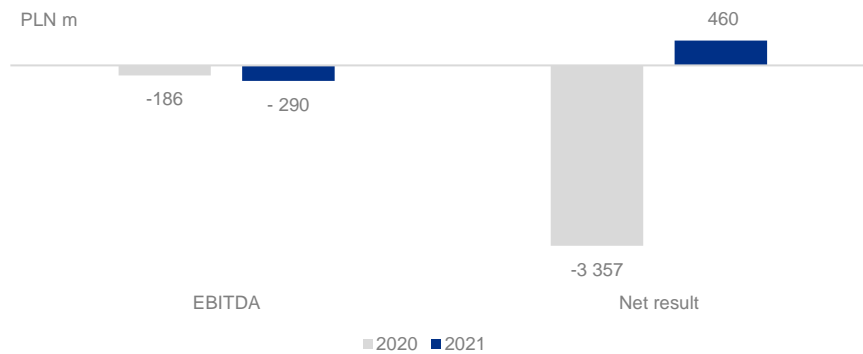


[PLN 000s]	31 December 2020	31 December 2021	Change	% change
Total assets	29,889,863	34,627,647	4,737,784	15.9%
Total liabilities	16,795,510	19,449,639	2,654,129	15.8%
Non-current liabilities	10,009,542	7,871,134	-2,138,408	-21.4%
Current liabilities	6,785,968	11,578,505	4,792,537	70.6%
Equity	13,094,353	15,178,008	2,083,655	15.9%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	29.66	34.38	4.72	15.9%
Diluted book value per share [PLN]	29.66	34.38	4.72	15.9%

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Revenue from sales and other income	4,730,656	5,920,154	1,189,498	25.1%
Operating profit / (loss)	(2,629,568)	441,554	3,071,122	116.8%
Profit / (loss) before tax	(2,693,961)	534,243	3,228,204	119.8%
Net profit / (loss) for the reporting period	(2,190,633)	454,123	2,644,756	120.7%
EBITDA	666,851	863,770	196,919	29.5%
Net profit/(loss) attributable to shareholders of the parent company	(2,205,995)	409,043	2,615,038	118.5%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(5.00)	0.93	5.93	118.6%
Diluted earnings/(loss) per share [PLN]	(5.00)	0.93	5.93	118.6%

7.2. Selected non-consolidated financial data

[PLN 000s]	2020	2021	Change	% change
Revenue from sales and other income	6,190,956	7,406,960	1,216,004	19.6%
Operating profit / (loss)	(191,109)	(297,056)	-105,947	-55.4%
Profit / (loss) before tax	(3,397,659)	403,032	3,800,691	111.9%
Net profit / (loss) for the reporting period	(3,356,750)	460,409	3,817,159	113.7%
EBITDA	-185,973	-290,270	-104,297	-56.1%
Net cash flows from:				
operating activities	(411,351)	(241,218)	170,133	41.4%
investing activities	400,024	1,133,748	733,724	183.4%
financial activities	(2,326,190)	(1,370,394)	955,796	41.1%
Cash at the end of the period	378,094	-99,770	-477,864	-126.4%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(7.60)	1.04	8.64	113.7%
Diluted earnings/(loss) per share [PLN]	(7.60)	1.04	8.64	113.7%



[PLN 000s]	31 December 2020	31 December 2021	Change	% change
Total assets	19,494,521	20,438,185	943,664	4.8%
Total liabilities	9,367,049	9,634,440	267,391	2.9%
Non-current liabilities	6,720,747	4,741,110	-1,979,637	-29.5%
Current liabilities	2,646,302	4,893,330	2,247,028	84.9%
Equity	10,127,472	10,803,745	676,273	6.7%
Share capital	588,018	588,018	-	-
Book value per share [PLN]	22.94	24.47	1.53	6.7%
Diluted book value per share [PLN]	22.94	24.47	1.53	6.7%

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Revenue from sales and other income	1,625,006	2,047,345	422,339	26.0%
Operating profit / (loss)	(89,415)	(368,836)	-279,421	-312.5%
Profit / (loss) before tax	(2,912,085)	(312,278)	2,599,807	89.3%
Net profit / (loss) for the reporting period	(2,894,621)	(244,345)	2,650,276	91.6%
EBITDA	-88,036	-367,040	-279,004	-316.9%
Weighted average number of shares	441,442,578	441,442,578	-	-
Net earnings/(loss) per share [PLN]	(6.56)	(0.55)	6.01	91.6%
Diluted earnings/(loss) per share [PLN]	(6.56)	(0.55)	6.01	91.6%

7.3. Key operating data and indicators for ENEA Group

	Unit	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change	
Revenue from sales and other income	PLN 000s	18,194,554	21,210,647	3,016,093	16.6%	4,730,656	5,920,154	1,189,498	25.1%	
EBITDA	PLN 000s	3,301,958	3,636,777	334,819	10.1%	666,851	863,770	196,919	29.5%	
EBIT	PLN 000s	(1,706,259)	2,067,367	3,773,626	221.2%	(2,629,568)	441,554	3,071,122	116.8%	
Net profit / (loss) for the reporting period	PLN 000s	(2,234,337)	1,786,470	4,020,807	180.0%	(2,190,633)	454,123	2,644,756	120.7%	
Net profit/(loss) attributable to shareholders of the parent company	PLN 000s	(2,268,412)	1,678,536	3,946,948	174.0%	(2,205,995)	409,043	2,615,038	118.5%	
Net cash flows from operating activities	PLN 000s	3,157,764	5,486,920	2,329,156	73.8%	(836,318)	(1,182,974)	-346,656	-41.5%	
CAPEX	PLN 000s	2,441,339	1,980,367	-460,972	-18.9%	803,746	870,113	66,367	8.3%	
Net debt	PLN 000s	6,450,781	2,729,088	-3,721,693	-57.7%	6,450,781	2,729,088	-3,721,693	-57.7%	
Net debt / EBITDA ¹⁾	-	1.95	0.75	-1.20	-61.5%	1.95	0.75	-1.20	-61.5%	
Return on Assets (ROA) ¹⁾	%	-7.5%	5.2%	12.7 p.p.	-	-29.3%	5.2%	34.5 p.p.	-	
Return on equity (ROE) ¹⁾	%	-17.1%	11.8%	28.9 p.p.	-	-66.9%	12.0%	78.9 p.p.	-	
Trading										
Sales of electricity and gaseous fuel to retail customers	GWh	21,113	24,506	3,393	16.1%	5,507	6,338	831	15.1%	
Number of customers (Power Delivery Points)	000s	2,565	2,615	50	1.9%	2,565	2,615	50	1.9%	
Distribution										
Sales of distribution services to end users	GWh	19,419	20,336	917	4.7%	5,094	5,187	93	1.8%	
Number of users (closing balance)	000s	2,661	2,703	42	1.6%	2,661	2,703	42	1.6%	
Generation										
Total generation of electricity, including:	GWh	22,482	26,393	3,911	17.4%	5,629	6,858	1,229	21.8%	
<i>from conventional sources</i>	GWh	20,090	23,978	3,888	19.4%	4,994	6,236	1,242	24.9%	
<i>from renewable energy sources</i>	GWh	2,392	2,415	23	1.0%	635	622	-13	-2.0%	
Gross heat generation	TJ	6,676	8,011	1,335	20.0%	2,217	2,598	382	17.2%	
Sales of electricity, including:	GWh	27,776	30,745	2,969	10.7%	6,990	7,910	920	13.2%	
<i>from conventional sources</i>	GWh	20,090	23,978	3,888	19.4%	4,994	6,236	1,242	24.9%	
<i>from renewable energy sources</i>	GWh	2,392	2,415	23	1.0%	635	622	-13	-2.0%	
<i>from purchase</i>	GWh	5,294	4,352	-942	-17.8%	1,361	1,052	-309	-22.7%	
Sales of heat	TJ	6,000	7,209	1,209	20.2%	2,011	2,338	327	16.2%	
Mining										
Net production	000s tons	7,612	9,935	2,323	30.5%	2,074	2,432	358	17.3%	
Coal sales	000s tons	7,670	10,036	2,366	30.8%	1,970	2,792	822	41.7%	
Inventories at the end of the period	000s tons	122	21	-101	-82.8%	122	21	-101	-82.8%	
Excavation works	km	25.7	23.2	-2.5	-9.7%	6.1	7.8	1.7	27.9%	

¹⁾ definitions of the ratios are presented on page 148

7.4. Financial results of the ENEA Group in 2021

2021 Consolidated Statement of Profit and Loss

[PLN 000s]	2020	2021	Change	% change
Revenue from sales of electricity	13,872,606	15,592,083	1,719,477	12.4%
Revenue from sales of heat	356,547	434,765	78,218	21.9%
Revenue from sales of gas	332,875	408,877	76,002	22.8%
Revenue from sales of distribution services	3,097,810	3,135,374	37,564	1.2%
Revenue from certificates of origin	9,268	3,031	-6,237	-67.3%
Revenue from sales of goods and materials	106,296	147,632	41,336	38.9%
Revenue from sales of other products and services	166,286	166,012	-274	-0.2%
Revenue from sales of coal	234,817	434,892	200,075	85.2%
Revenue from the Capacity Market	0	874,005	874,005	100.0%
Net revenue from sales	18,176,505	21,196,671	3,020,166	16.6%
Compensation	3,284	0	-3,284	-100.0%
Revenue from leases and operating subleases	14,765	13,976	-789	-5.3%
Revenue from sales and other income	18,194,554	21,210,647	3,016,093	16.6%
Amortization and depreciation	1,598,063	1,539,286	-58,777	-3.7%
Employee benefit costs	1,963,108	2,124,682	161,574	8.2%
Consumption of materials and supplies and cost of goods sold	3,643,315	4,783,294	1,139,979	31.3%
Purchase of energy and gas for subsequent sale	7,514,300	8,655,752	1,141,452	15.2%
Transmission services	472,104	440,669	-31,435	-6.7%
Other third-party services	914,208	965,655	51,447	5.6%
Taxes and charges	443,407	471,578	28,171	6.4%
Tax-deductible expense	16,548,505	18,980,916	2,432,411	14.7%
Other operating revenues	248,815	229,612	-19,203	-7.7%
Other operating costs	173,824	127,317	-46,507	-26.8%
Change in provision related to onerous contracts	17,745	-199,282	-217,027	-1,223.0%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(34,890)	(35,253)	-363	-1.0%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	3,410,154	30,124	-3,380,030	-99.1%
Operating profit / (loss)	(1,706,259)	2,067,367	3,773,626	221.2%
Finance costs	346,336	214,803	-131,533	-38.0%
Finance income	54,346	125,106	70,760	130.2%
Dividend income	283	227	-56	-19.8%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	144,014	15,825	-128,189	-89.0%
Share in the results of associates and jointly controlled entities	-332,361	192,561	524,922	157.9%
Impairment loss / (reversal of impairments) on investments in associates and jointly controlled entities	129,208	0	-129,208	-100.0%
Profit / (loss) before tax	(2,603,549)	2,154,633	4,758,182	182.8%
Income tax	-369,212	368,163	737,375	199.7%
Net profit / (loss) for the reporting period	(2,234,337)	1,786,470	4,020,807	180.0%
EBITDA	3,301,958	3,636,777	334,819	10.1%

Key EBITDA drivers in the ENEA Group in 2021 (up PLN 335 million):

- (+) an increase in revenue from sales of electricity by PLN 1,719 million, driven mainly by a 6,166 GWh increase in sales volume with concurrent lower revenues from Regulatory System Services
- (+) an increase in revenue from sales of heat by PLN 78 million driven mainly by an increase in the sales volume by 1,234 TJ
- (+) an increase in revenue from sales of natural gas by PLN 76 million, driven mainly by a 582 GWh increase in the sales volume
- (+) an increase in revenue from sales of distribution services by PLN 38 million as a result of a 917 GWh increase in the volume of distributed energy, offset by lower revenues from grid connection fees
- (+) an increase in revenue from sales of goods and materials by PLN 41 million resulting from greater demand for goods from external buyers
- (+) an increase in revenue from sales of coal by PLN 200 million driven by higher sales volume
- (+) in 2021, recognition of PLN 874 million in revenues from the Capacity Market
- (-) an increase in employee benefit costs by PLN 162 million driven mainly by higher average headcount and higher payroll costs and payroll-related charges and a change in employee provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 1,140 million results from:
 - (-) higher costs of CO₂ emission allowances and coal consumption costs and lower costs of biomass consumption for the whole Generation Segment
 - (+) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 1,141 million results mainly from:
 - (-) electricity: volume +1,800 GWh; average price +7%
 - (-) natural gas: volume +516 GWh; average price +8%
- (+) a decrease in the costs of transmission services by PLN 31 million, chiefly driven down by a decrease in contractual capacity, higher volume of consumed energy and lower fixed and variable fee rates
- (-) an increase in costs of third-party services by PLN 51 million caused mainly by an increase in the costs of repair services and the costs of other services outsourced to external companies
- (-) an increase in taxes and charges by PLN 28 million caused partly by a higher property tax and higher mining fees
- (-) in 2020, the provision for the loss on the G Tariff was utilized in the amount of PLN 68.6 million and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in expenses in the amount of PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In 2021, an update of this provision in the amount of PLN 216.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 17.6 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.
- (+) the result on other operating activities up by PLN 27 million:
 - (+) provisions for potential claims down by PLN 31 million
 - (+) remeasurement of CO₂ contracts by PLN 19 million
 - (+) result on the valuation of forward contracts for the purchase of electricity, gas and property rights up by PLN 14 million
 - (-) revenues arising from compensation, penalties and fines down by PLN 24 million
 - (-) impairment losses on overdue receivables and uncollectible receivables down by PLN 18 million

Material changes affecting net result:

- (+) in 2021, recognition of a PLN 175.7 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka sp. z o.o., established in the amount of PLN 222.2 million
- (+) in 2020 an impairment allowance was recognized on loans granted to Elektrownia Ostrołęka sp. z o.o. with interest in the amount of PLN 144.0 million, while in 2021 an impairment allowance was taken for interest on loans granted to Elektrownia Ostrołęka sp. z o.o. in the amount of PLN 15.8 million (difference of PLN 128.2 million)
- (+) in 2020 impairment loss on the value of the block of shares in Polska Grupa Górnicza S.A. in the amount of PLN 129 million
- (+) in 2020 impairment allowance on generating assets of the ENEA Wytwarzanie subsidiary in the amount of PLN 3,404 million
- (-) in 2021 impairment allowance was taken on non-financial non-current assets in the Białystok area in ENEA Ciepło in the amount of PLN 26 million.

Consolidated statement of profit and loss in Q4 2021

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Revenue from sales of electricity	3,534,279	4,374,683	840,404	23.8%
Revenue from sales of heat	117,240	136,610	19,370	16.5%
Revenue from sales of gas	130,679	120,519	-10,160	-7.8%
Revenue from sales of distribution services	788,052	797,343	9,291	1.2%
Revenue from certificates of origin	639	1,287	648	101.4%
Revenue from sales of goods and materials	34,254	45,766	11,512	33.6%
Revenue from sales of other products and services	43,655	41,215	-2,440	-5.6%
Revenue from sales of coal	73,987	176,832	102,845	139.0%
Revenue from the Capacity Market	0	221,054	221,054	100.0%
Net revenue from sales	4,722,785	5,915,309	1,192,524	25.3%
Compensation	3,284	0	-3,284	-100.0%
Revenue from leases and operating subleases	4,587	4,845	258	5.6%
Revenue from sales and other income	4,730,656	5,920,154	1,189,498	25.1%
Amortization and depreciation	408,249	395,537	-12,712	-3.1%
Employee benefit costs	508,329	560,432	52,103	10.2%
Consumption of materials and supplies and cost of goods sold	1,001,193	1,408,134	406,941	40.6%
Purchase of energy and gas for subsequent sale	2,045,017	2,475,629	430,612	21.1%
Transmission services	117,058	111,189	-5,869	-5.0%
Other third-party services	263,780	292,108	28,328	10.7%
Taxes and charges	108,020	120,059	12,039	11.1%
Tax-deductible expense	4,451,646	5,363,088	911,442	20.5%
Other operating revenues	66,531	83,929	17,398	26.2%
Other operating costs	44,415	-18,589	-63,004	-141.9%
Change in provision related to onerous contracts	-35,687	-188,216	-152,529	-427.4%
Profit/(loss) on change, sale and liquidation of property, plant and equipment and right-to-use assets	(6,837)	(3,135)	3,702	54.1%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	2,888,170	26,679	-2,861,491	-99.1%
Operating profit / (loss)	(2,629,568)	441,554	3,071,122	116.8%
Finance costs	86,315	48,928	-37,387	-43.3%
Finance income	22,993	77,163	54,170	235.6%
Dividend income	8	10	2	25.0%
Impairment allowances/(reversal thereof) on financial assets measured at amortized cost	2,544	2,063	-481	-18.9%
Share in the results of associates and jointly controlled entities	1,465	66,507	65,042	4,439.7%
Profit / (loss) before tax	(2,693,961)	534,243	3,228,204	119.8%
Income tax	-503,328	80,120	583,448	115.9%
Net profit / (loss) for the reporting period	(2,190,633)	454,123	2,644,756	120.7%
EBITDA	666,851	863,770	196,919	29.5%

Key EBITDA drivers in the ENEA Group in Q4 2021 (up PLN 197 million):

(+) an increase in revenue from sales of electricity by PLN 840 million, driven mainly by a 1,709 GWh increase in sales volume and an increase in an average price by 9% with concurrent lower revenues from Regulatory System Services

(+) an increase in revenue from sales of heat by PLN 19 million driven mainly by an increase in the sales volume by 333 TJ

(-) a decrease in revenue from sales of natural gas by PLN 10 million results mainly from a decrease in the sales volume by 650 GWh

- (+) an increase in revenue from sales of distribution services by PLN 9 million mainly as a result of higher revenue from grid connection fees and an increase in the distributed energy volume by 93 GWh
- (+) an increase in revenue from sales of goods and materials by PLN 12 million resulting from greater demand for goods from external buyers
- (+) an increase in revenue from sales of coal by PLN 103 million driven by higher sales volume
- (+) in Q4 2021, recognition of PLN 221 million in revenues from the Capacity Market
- (-) an increase in employee benefit costs by PLN 52 million driven mainly by higher payroll costs and payroll-related charges and a change in employee provisions
- (-) an increase in the costs of consumption of materials and supplies and cost of goods sold by PLN 407 million results from:
 - (-) higher costs of CO₂ emission allowances and biomass consumption costs and lower costs of coal consumption for the whole Generation Segment
 - (+) remeasurement of CO₂ contracts
- (-) an increase in the costs of purchasing electricity and gas by PLN 431 million results mainly from:
 - (-) electricity: volume +364 GWh
 - (+) natural gas: volume -694 GWh
- (+) a decrease in the costs of transmission services by PLN 6 million, chiefly driven down by a decrease in contractual capacity, higher volume of consumed energy and lower fixed and variable fee rates
- (-) an increase in costs of third-party services by PLN 28 million caused mainly by an increase in the costs of repair services and the costs of other services outsourced to external companies
- (-) an increase in taxes and charges by PLN 12 million caused partly by a higher property tax and higher mining fees
- (-) in Q4 2020, the use of a portion of a provision in the amount of PLN 15.1 million established in expenses in December 2019 in the amount of PLN 68.6 million for a loss on the G Tariff approved by the ERO was recognized in revenues and a provision was established in expenses for a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In Q4 2021, an update of this provision in the amount of PLN 190.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 2.7 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.
- (+) the result on other operating activities up by PLN 84 million:
 - (+) remeasurement of CO₂ contracts by PLN 46 million
 - (+) provisions for potential claims down by PLN 19 million
 - (+) balance of refunds from the insurer up by PLN 10 million
 - (+) change of impairment losses on overdue receivables and uncollectible receivables by PLN 7 million

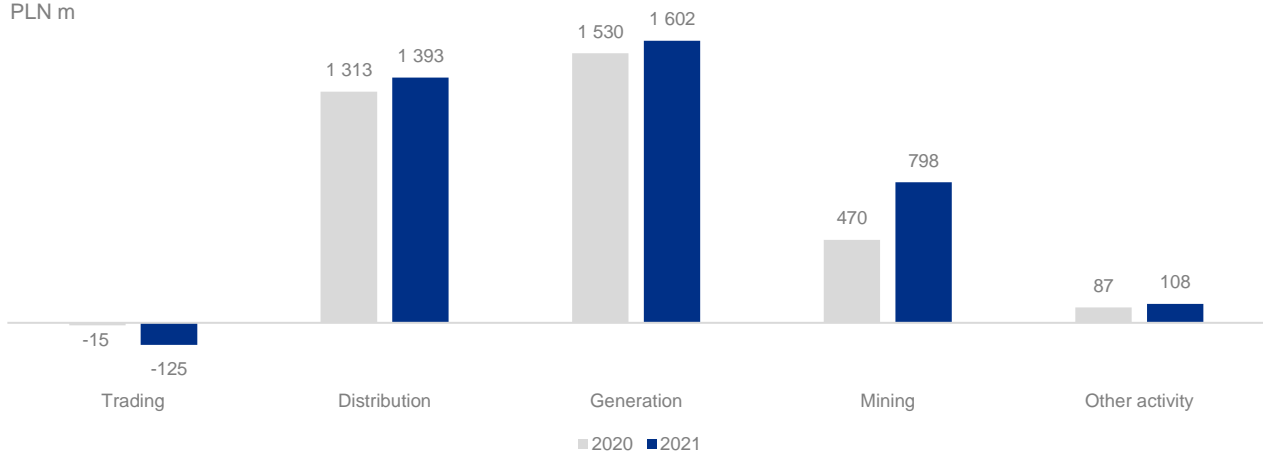
Material changes affecting net result:

- (+) in Q4 2020 impairment allowance on generating assets of the ENEA Wytwarzanie subsidiary in the amount of PLN 2,881 million
- (+) in Q4 2021, recognition of a PLN 61.6 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka sp. z o.o., established in the amount of PLN 222.2 million
- (-) in Q4 2021 impairment allowance was taken on non-financial non-current assets in the Białystok area in ENEA Ciepło in the amount of PLN 26 million.

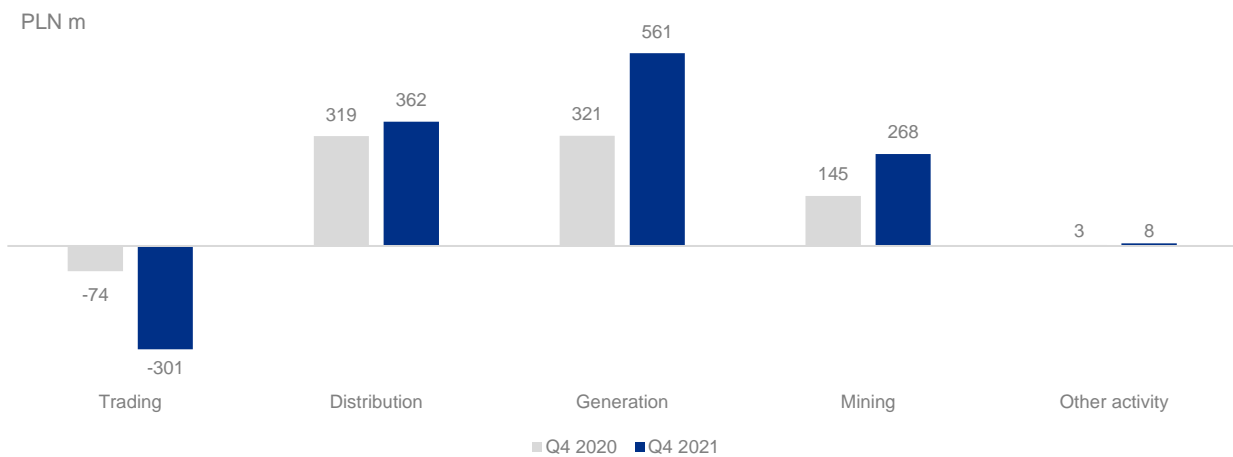
Financial results of the ENEA Group in 2021 and Q4 2021

EBITDA [PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Trading	-14,835	-124,538	-109,703	-739.5%	-73,693	-300,792	-227,099	-308.2%
Distribution	1,313,306	1,392,928	79,622	6.1%	319,279	361,780	42,501	13.3%
Generation	1,530,076	1,602,468	72,392	4.7%	321,074	561,014	239,940	74.7%
Mining	470,137	798,275	328,138	69.8%	145,208	267,833	122,625	84.4%
Other activities	87,456	107,775	20,319	23.2%	3,481	7,938	4,457	128.0%
Unassigned items and elimination	-84,182	-140,131	-55,949	-66.5%	-48,498	-34,003	14,495	29.9%
Total EBITDA	3,301,958	3,636,777	334,819	10.1%	666,851	863,770	196,919	29.5%

PLN m



PLN m



Trading Area in 2021 and Q4 2021

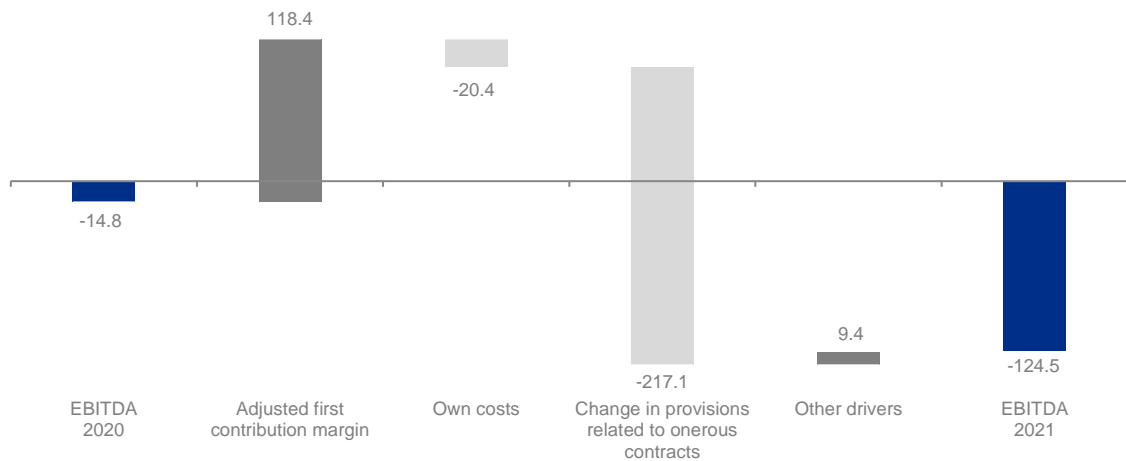
Retail sales of electricity are carried out by ENEA S.A.

Wholesale trade is carried out by ENEA Trading.

[PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	10,335,442	11,206,560	871,118	8.4%	4,463,898	4,084,860	-379,038	-8.5%
Compensation	3,284	0	-3,284	-100.0%	3,284	0	-3,284	-100.0%
Revenue from sales and other income	10,338,726	11,206,560	867,834	8.4%	4,467,182	4,084,860	-382,322	-8.6%
EBIT	-16,375	-127,598	-111,223	-679.2%	-74,202	-301,580	-227,378	-306.4%
Amortization and depreciation	1,540	3,060	1,520	98.7%	509	788	279	54.8%
EBITDA	-14,835	-124,538	-109,703	-739.5%	-73,693	-300,792	-227,099	-308.2%
CAPEX ¹⁾	711	2,571	1,860	261.6%	0	1,091	1,091	100.0%
Share of the segment's sales revenue in the Group's sales revenue	43%	41%	-2 p.p.	-	56%	47%	-9 p.p.	-

¹⁾ without equity investments of ENEA S.A.

PLN m



Key EBITDA drivers in FY 2021:

Adjusted first contribution margin

- (+) average energy purchase price down by 2.1%
- (+) average energy sales price up by 0.6%
- (+) energy sales volume up by 16.0%
- (-) costs of environmental obligations up by 29.0%
- (-) lower result on trading in gaseous fuel
- (+) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (-) direct selling costs up by PLN 8.5 million
- (-) general and administrative expenses up by PLN 12.8 million
- (+) costs of shared services down by PLN 0.9 million

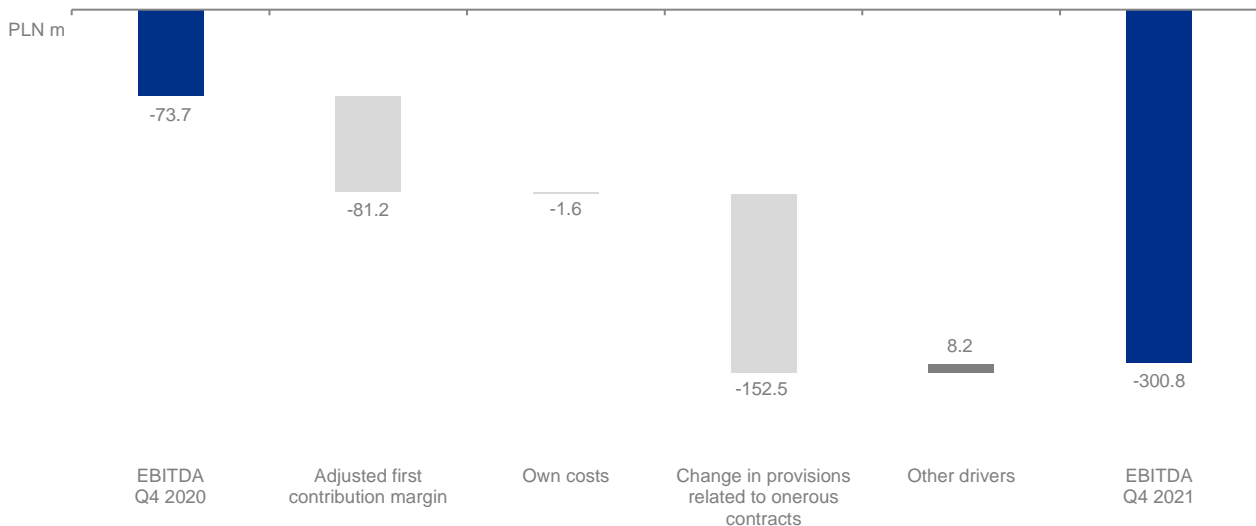
Change in provisions related to onerous contracts

(-) In 2020, the utilization of a provision for the loss on the G Tariff was recognized in revenues in the amount of PLN 68.6 million and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in expenses in the amount of PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In 2021, an update of this provision in the amount of PLN 216.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 17.6 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.

Other drivers:

- (+) revenue from sales of services up by PLN 29.1 million
- (+) litigation costs down by PLN 4.8 million
- (+) revenues from licenses linked to the ENEA brand up by PLN 1.2 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 0.7 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 25.9 million
- (-) impairment losses for receivables up by PLN 0.7 million

Trading Area in Q4 2021



Key EBITDA drivers in Q4 2021:

Adjusted first contribution margin

- (-) average energy purchase price up by 8.1%
- (-) costs of environmental obligations up by 69.5%
- (-) lower result on trading in gaseous fuel
- (+) energy sales volume up by 16.0%
- (+) average energy sales price up by 4.3%
- (-) costs of provisions for claims under terminated RES property rights contracts up by PLN 1.1 million
- (+) remeasurement of CO₂ contracts, forward transactions for energy, gas and property rights

Own costs

- (-) direct selling costs up by PLN 2.7 million
- (+) costs of shared services down by PLN 1.1 million

Change in provisions related to onerous contracts

(-) in Q4 2020, the use of a portion of a provision in the amount of PLN 15.1 million established in expenses in December 2019 in the amount of PLN 68.6 million for a loss on the G Tariff approved by the ERO was recognized in revenues and a provision was established in expenses for a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In Q4 2021, an update of this provision in the amount of PLN 190.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 2.7 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.

Other drivers:

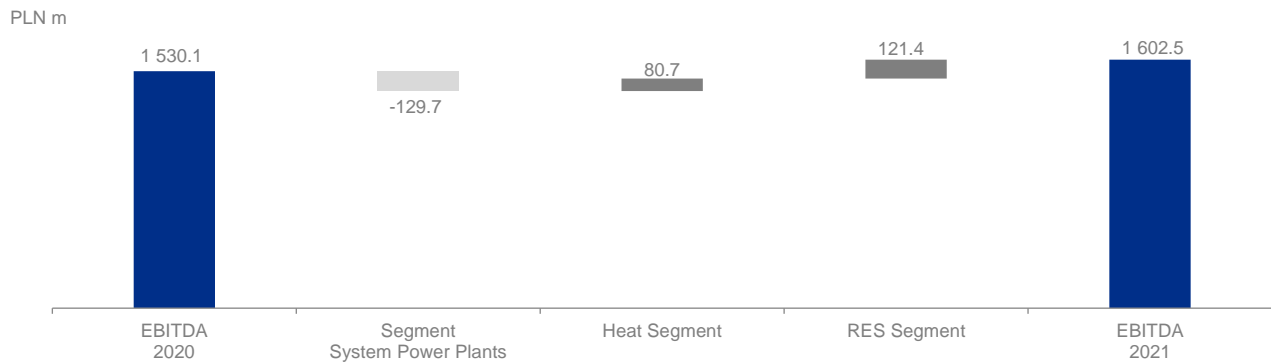
- (+) revenue from sales of services up by PLN 13.6 million
- (-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 5.5 million

Generation Area in 2021 and Q4 2021

In the Generation Area, the financial data of ENEA Wytwarzanie, MEC Piła, PEC Oborniki, ENEA Nowa Energia, ENEA Ciepło, ENEA Ciepło Serwis, ENEA Elektrownia Połaniec, ENEA Połaniec Serwis and ENEA Bioenergia are presented.

ENEA Wytwarzanie owns, among others, 11 high-efficiency and modernized power units in the Koźienice Power Plant. ENEA Elektrownia Połaniec owns 7 coal-fired units with the total maximum capacity of 1,674 MW and the world's largest biomass-fired unit with the total maximum capacity of 225 MW.

[PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	8,420,671	10,198,572	1,777,901	21.1%	2,150,094	2,992,880	842,786	39.2%
<i>electricity</i>	7,706,358	8,419,791	713,433	9.3%	1,940,249	2,478,419	538,170	27.7%
<i>Capacity Market</i>	0	874,005	874,005	100.0%	0	221,054	221,054	100.0%
<i>certificates of origin</i>	318,465	403,899	85,434	26.8%	81,777	133,224	51,447	62.9%
<i>heat</i>	349,276	426,068	76,792	22.0%	114,848	133,447	18,599	16.2%
<i>other</i>	46,572	74,809	28,237	60.6%	13,220	26,736	13,516	102.2%
Revenue from leases and operating subleases	603	859	256	42.5%	129	207	78	60.5%
Revenue from sales and other income	8,421,274	10,199,431	1,778,157	21.1%	2,150,223	2,993,087	842,864	39.2%
EBIT	-2,443,356	1,167,464	3,610,820	147.8%	-2,701,657	429,249	3,130,906	115.9%
Amortization and depreciation	569,439	408,890	-160,549	-28.2%	141,560	105,651	-35,909	-25.4%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	3,403,993	26,114	-3,377,879	-99.2%	2,881,171	26,114	-2,855,057	-99.1%
EBITDA	1,530,076	1,602,468	72,392	4.7%	321,074	561,014	239,940	74.7%
CAPEX	548,033	444,194	-103,839	-18.9%	185,916	155,642	-30,274	-16.3%
Share of the area's sales revenue in the Group's net revenue from sales	35%	37%	2 p.p.	-	27%	34%	7 p.p.	-



Key EBITDA drivers in FY 2021:

System Power Plants Segment – down by PLN 129.7 million

- (-) trading and Balancing Market margin down by PLN 645.2 million
- (-) generation margin down by PLN 227.1 million
- (-) revenue from Regulatory System Services down by PLN 70.0 million
- (-) other drivers down by PLN 48.8 million
- (+) revenue from the Capacity Market of 861.4 million

Heat Segment – up by PLN 80.7 million

- (+) margin on heat up by PLN 62.5 million
- (+) other drivers up by PLN 20.0 million
- (+) revenue from the Capacity Market of 4.2 million
- (-) fixed costs up by PLN 6.0 million

RES Segment – up by PLN 121.4 million

(+) Biomass Area (Green Unit): PLN +60.5 million (of which PLN -1.6 million from ENEA Bioenergia): margin on renewable energy generation up by PLN +87.1 million, Green Block's margin on sales of green certificates down by PLN -20.8 million, higher fixed costs PLN -4.2 million

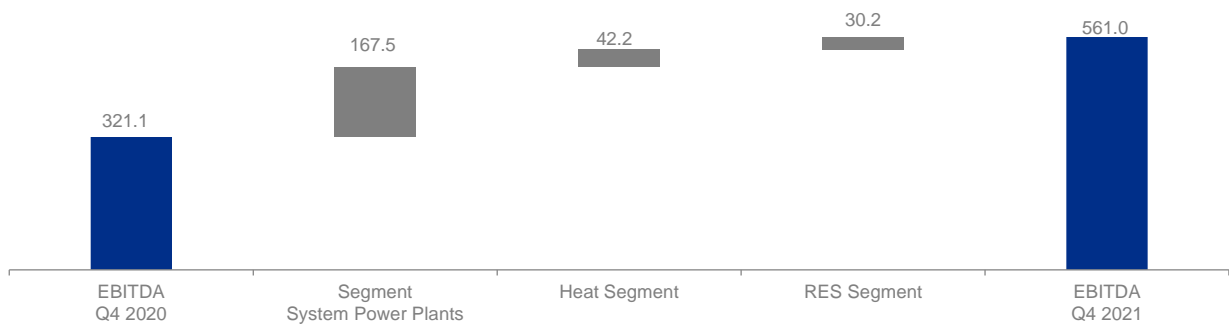
(+) Wind Area (PLN +39.6 million): revenue from certificates of origin up by PLN +21.2 million, energy sales up by PLN +22.8 million,

(+) Hydro Area (PLN +20.3 million): revenue from the Capacity Market of PLN +8.4 million, revenue from sales of energy up by PLN +17.9 million, fixed costs up by PLN -4.7 million, revenue from certificates of origin down by PLN -2.0 million

(+) Biogas Area (PLN +0.8 million): chiefly revenue from certificates of origin up by PLN +1.2 million

Generation Area in Q4 2021

PLN m



Key EBITDA drivers in Q4 2021:

System Power Plants Segment – up by PLN 167.5 million

(+) revenue from the Capacity Market of 217.2 million

(+) generation margin up by PLN 112.8 million

(+) other drivers up by PLN 1.8 million

(-) trading and Balancing Market margin down by PLN 158.6 million

(-) revenue from Regulatory System Services down by PLN 5.7 million

Heat Segment – up by PLN 42.2 million

(+) margin on heat up by PLN 25.4 million

(+) other drivers up by PLN 12.2 million

(+) fixed costs down by PLN 3.0 million

(+) revenue from the Capacity Market of 1.6 million

RES Segment – up by PLN 30.2 million

(+) Wind Area (PLN +23.2 million): revenue from certificates of origin up by PLN +7.4 million, energy sales up by PLN +15.2 million, lower fixed costs PLN + 0.8 million

(+) Hydro Area (PLN +13.1 million): revenue from the Capacity Market of PLN +2.2 million, revenue from sales of energy up by PLN +11.8 million, fixed costs up by PLN -1.3 million

(+) Biomass Area (Green Unit): PLN -6.1 million (of which PLN 1.4 million from ENEA Bioenergia Sp. z o.o.): Green Unit's lower margin on sales of green certificates PLN -19.9 million, higher fixed costs PLN -7.4 million, higher RES energy production margin PLN +19.7 million

(-) Biogas Area (PLN -0.2 million):

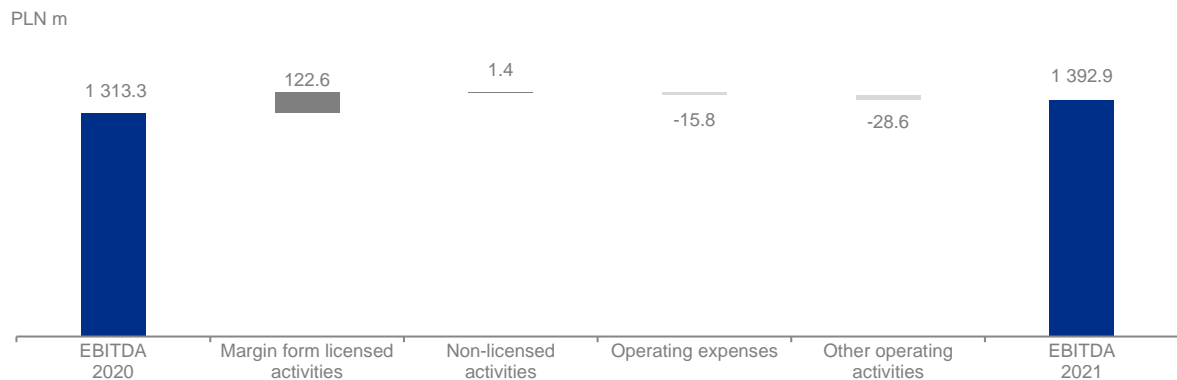
Distribution Area in 2021 and Q4 2021

ENEA Operator is responsible for the distribution of electricity to 2.7 million Customers – in western and north-western Poland in the area of 58.2 thousand km². The key task of ENEA Operator is to provide energy in a continuous and reliable manner, while maintaining appropriate quality parameters.

The Distribution Area includes financial data of the following companies:

- ENEA Operator
- ENEA Serwis
- ENEA Pomiary
- ENEA Logistyka
- Annacond Enterprises (until 24 February 2020)

[PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	3,228,142	3,279,524	51,382	1.6%	830,439	840,908	10,469	1.3%
distribution services to end users	2,891,196	3,003,209	112,013	3.9%	746,065	760,500	14,435	1.9%
grid connection fees	131,163	90,823	-40,340	-30.8%	18,398	27,271	8,873	48.2%
other	205,783	185,492	-20,291	-9.9%	65,976	53,137	-12,839	-19.5%
EBIT	679,855	724,042	44,187	6.5%	154,433	194,305	39,872	25.8%
Amortization and depreciation	633,451	668,886	35,435	5.6%	164,846	167,475	2,629	1.6%
EBITDA	1,313,306	1,392,928	79,622	6.1%	319,279	361,780	42,501	13.3%
CAPEX	1,176,220	1,032,664	-143,556	-12.2%	428,491	446,032	17,541	4.1%
Share of the segment's sales revenue in the Group's sales revenue	13%	12%	-1 p.p.	-	10%	10%	-	-



Key EBITDA drivers in FY 2021:

Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 112 million
- (-) revenue from grid connection fees down by PLN 40 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 29 million
- (+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 19 million
- (+) other revenues up by PLN 3 million

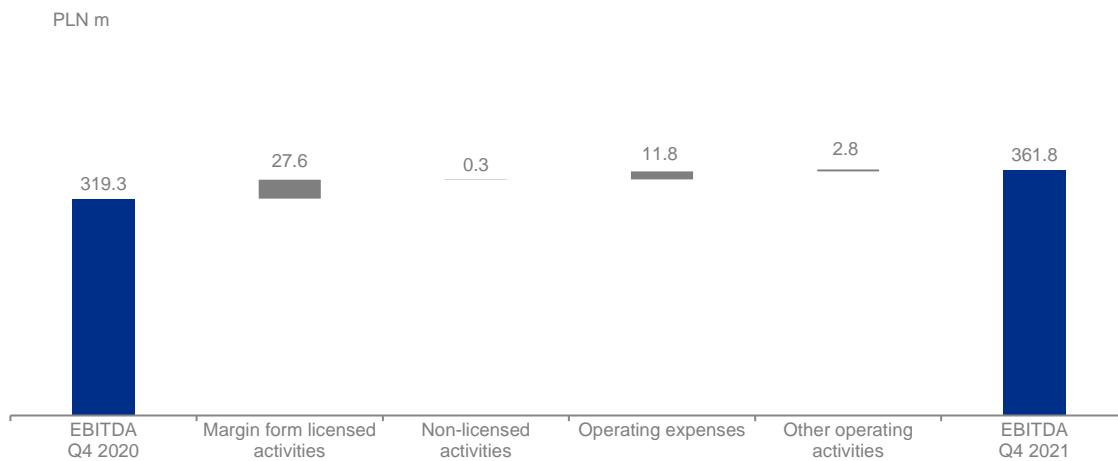
Operating expenses

- (-) employee benefit costs up by PLN 13 million
- (-) costs of consumption of materials and supplies and cost of goods sold up by PLN 3 million

Other operating activities

- (-) revenue from contractual penalties and indemnities received down by PLN 27 million
- (-) change in impairment allowances by PLN 7 million
- (-) revenues from infrastructure collision down by PLN 7 million
- (+) change in provisions related to grid assets by PLN 9 million
- (+) costs of liquidation down by PLN 6 million
- (-) other income and expenses of PLN 3 million

Distribution Area in Q4 2021



Key EBITDA drivers in Q4 2021:

Margin from licensed activities

- (+) revenue from sales of distribution services to end users up by PLN 14 million
- (+) revenues from grid connection fees up by PLN 9 million
- (+) costs of purchasing transmission and distribution services (balance) down by PLN 5 million

Operating expenses

- (+) employee benefit costs down by PLN 3 million
- (+) costs of third-party services down by PLN 7 million
- (-) other costs down by PLN 2 million

Other operating activities

- (+) change in provisions related to grid assets by PLN 9 million
- (-) revenue from contractual penalties and indemnities received down by PLN 11 million
- (+) costs of liquidation down by PLN 3 million
- (+) change in impairment allowances by PLN 3 million

Mining Area in 2021 and Q4 2021

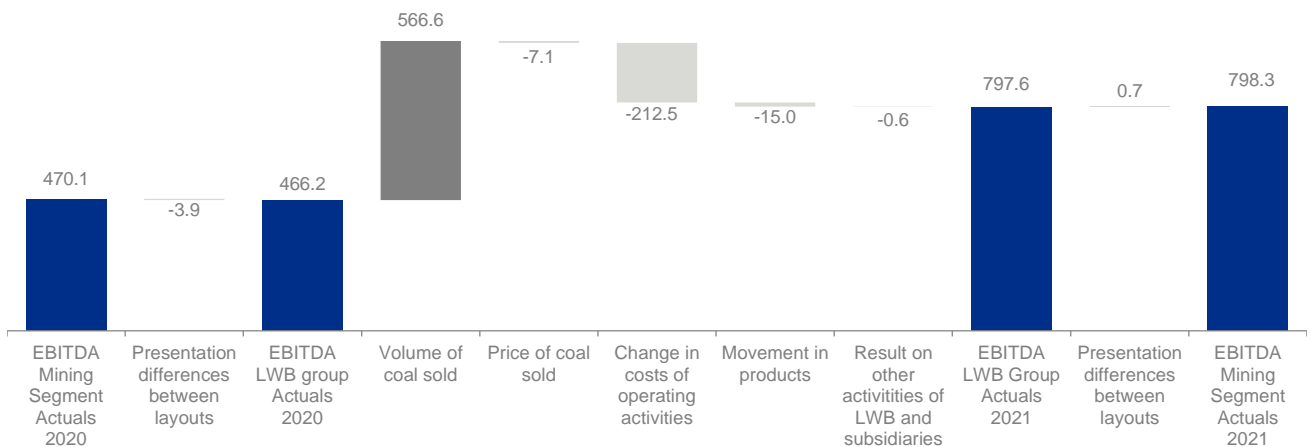
The Mining Area presents the financial results of the LW Bogdanka Group with the parent company – Lubelski Węgiel Bogdanka S.A. and its subsidiaries.

LW Bogdanka divides its product range into fine steam coal, which accounts for 99% of its output, pea and nut coal.

The main buyers are commercial and industrial energy sectors.

[PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	1,812,825	2,363,141	550,316	30.4%	466,386	700,840	234,454	50.3%
coal	1,775,588	2,311,508	535,920	30.2%	455,357	684,507	229,150	50.3%
other products and services	24,954	32,820	7,866	31.5%	8,117	10,480	2,363	29.1%
goods and materials	12,283	18,813	6,530	53.2%	2,912	5,853	2,941	101.0%
Revenue from leases and operating subleases	9,287	8,171	-1,116	-12.0%	2,192	1,990	-202	-9.2%
Revenue from sales and other income	1,822,112	2,371,312	549,200	30.1%	468,578	702,830	234,252	50.0%
EBIT	127,427	396,161	268,734	210.9%	52,099	161,104	109,005	209.2%
Amortization and depreciation	336,549	401,462	64,913	19.3%	86,110	106,164	20,054	23.3%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	6,161	652	-5,509	-89.4%	6,999	565	-6,434	-91.9%
EBITDA	470,137	798,275	328,138	69.8%	145,208	267,833	122,625	84.4%
CAPEX	613,750	452,825	-160,925	-26.2%	117,877	242,481	124,604	105.7%
Share of the area's sales revenue in the Group's net revenue from sales	8%	9%	1 p.p.	-	6%	8%	2 p.p.	-

PLN m



Key EBITDA drivers in FY 2021:

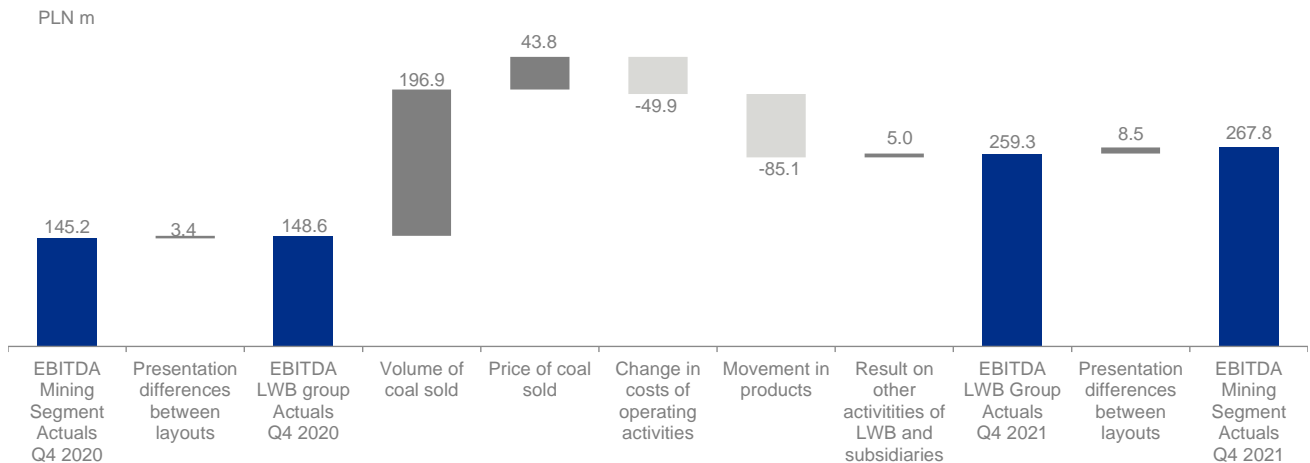
(+) Greater revenue from sales of coal in connection with the higher volume of coal sales (+2,366 thous. tons) with a concurrent decrease in the price of coal sold.

(-) Higher mining cash cost – mining volume was up by 2,409 thous. tons, which translated into a higher cost of consumption of materials and costs of third-party services (more mining days).

(-) In 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic – reduced burden on the company; Due to the limited coal output in 2020, some employees were relocated to preparatory (excavation) works originally intended to be performed by external contractors - greater value of activated compensations; in 2020 – the company was granted the subsidy of PLN 33.2 million from the Voivodship Labor Office to the compensations from FGŚP [effect of a lower base]

There are differences in the way depreciation is presented in financial reports of the ENEA Group and the LW Bogdanka Group.

Mining Area in Q4 2021



Key EBITDA drivers in Q4 2021:

(+) Greater revenue from sales of coal in connection with the higher volume of coal sales (+822 thous. tons) and the higher price of coal sold.

(-) Higher mining cash cost – mining volume was up by 334 thous. tons, which translated into a higher cost of consumption of materials and costs of third-party services (more mining days).

(-) In 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic – reduced burden on the company; Due to the limited coal output in 2020, some employees were relocated to excavation works originally intended to be performed by external contractors. In 2020 – the company was granted the subsidy of PLN 33.2 million to the compensations from FGŚP [effect of a lower base]

There are differences in the way depreciation is presented in financial reports of the ENEA Group and the LW Bogdanka Group.

Other Activities Area in 2021 and Q4 2021

[PLN 000s]	2020	2021	Change	% change	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	468,708	497,229	28,521	6.1%	106,796	114,975	8,179	7.7%
Revenue from leases and operating subleases	4,925	5,354	429	8.7%	2,279	3,009	730	32.0%
Revenue from sales and other income	473,633	502,583	28,950	6.1%	109,075	117,984	8,909	8.2%
EBIT	14,085	29,512	15,427	109.5%	-16,719	-12,453	4,266	25.5%
Amortization and depreciation	73,371	74,905	1,534	2.1%	20,200	20,391	191	0.9%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	0	3,358	3,358	100.0%	0	0	-	-
EBITDA	87,456	107,775	20,319	23.2%	3,481	7,938	4,457	128.0%
CAPEX	62,570	47,267	-15,303	-24.5%	34,743	24,397	-10,346	-29.8%
Share of the segment's sales revenue in the Group's sales revenue	2%	2%	-	-	1%	1%	-	-

The Other Activities Area consists of companies from the following areas:

- activities supporting other Group companies:

ENE A Centrum – the Shared Services Center in the Group in the field of accounting, human resources, ITC and customer service, collection, procurement and administration

ENE A Innowacje – deals with ventures that offer a chance to become, in the future, innovative and modern products offered by the Group

ENE A Badanie i Rozwój – responsible for research and experimental development on other natural sciences and engineering. On 12 April 2021, the Extraordinary General Meeting of ENE A Badania i Rozwój adopted a resolution on the merger with ENE A Innowacje through the acquisition of ENE A Badania i Rozwój by ENE A Innowacje, as a result of which an entry was made on 1 June 2021 in the National Court Register on the merger of ENE A Innowacje and ENE A Badania i Rozwój.

- accompanying activities:

- ENE A Oświetlenie – a company specializing in indoor and outdoor lighting; it designs and builds road lighting, illumination for urban spaces, illumination for historic and public buildings, provides services of construction and comprehensive operation of photovoltaic power plants.

Ratio analysis¹⁾

	2020	2021	Q4 2020	Q4 2021
Profitability ratios				
ROE – return on equity	-17.1%	11.8%	-66.9%	12.0%
ROA – return on assets	-7.5%	5.2%	-29.3%	5.2%
Net profitability	-12.3%	8.4%	-46.3%	7.7%
Operating profitability	-9.4%	9.7%	-55.6%	7.5%
EBITDA profitability	18.1%	17.1%	14.1%	14.6%
Liquidity and financial structure ratios				
Current liquidity ratio	1.2	1.1	1.2	1.1
Coverage of non-current assets with equity	60.2%	67.9%	60.2%	67.9%
Total debt ratio	56.2%	56.2%	56.2%	56.2%
Net debt / EBITDA	1.95	0.75	1.95	0.75
Economic activity ratios				
Current receivables turnover in days ²⁾	49	53	47	47
Trade and other payables turnover in days ²⁾	59	84	55	73
Inventory turnover in days	35	26	32	23

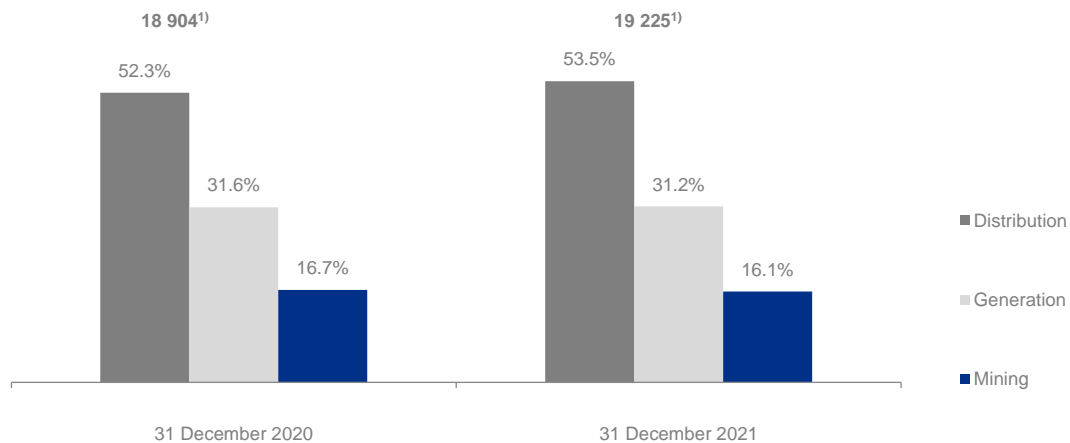
¹⁾ definitions of the ratios are presented on page 148

²⁾ trade payables – trade payables, liabilities under contracts with customers

Financial position – structure of assets and liabilities of the ENEA Group

Assets [PLN 000s]	As at:			
	31 December 2020	31 December 2021	Change	% change
Non-current assets	21,767,810	22,337,693	569,883	2.6%
Property, plant and equipment	18,903,722	19,225,475	321,753	1.7%
Right-of-use asset	730,078	774,099	44,021	6.0%
Intangible assets	359,365	350,188	-9,177	-2.6%
Investment property	21,239	20,282	-957	-4.5%
Investments in associates and jointly controlled entities	133,647	137,881	4,234	3.2%
Deferred tax assets	1,296,061	1,400,872	104,811	8.1%
Financial assets at fair value	97,957	195,031	97,074	99.1%
Trade and other receivables	72,381	74,434	2,053	2.8%
Costs incurred to obtain a contract	11,256	11,180	-76	-0.7%
Receivables under leases and finance subleases	513	580	67	13.1%
Funds accumulated in the Mine Liquidation Fund	141,591	147,671	6,080	4.3%
Current assets	8,122,053	12,289,954	4,167,901	51.3%
CO ₂ emission allowances	2,529,059	2,859,978	330,919	13.1%
Inventories	1,129,975	1,115,920	-14,055	-1.2%
Trade and other receivables	2,132,191	3,312,572	1,180,381	55.4%
Costs incurred to obtain a contract	13,428	11,652	-1,776	-13.2%
Assets arising from contracts with customers	322,446	412,908	90,462	28.1%
Receivables under leases and finance subleases	975	903	-72	-7.4%
Current income tax receivables	10,470	3,147	-7,323	-69.9%
Financial assets at fair value	41,894	419,321	377,427	900.9%
Debt financial assets measured at amortized cost	61	0	-61	-100.0%
Cash and cash equivalents	1,941,554	4,153,553	2,211,999	113.9%
Total Assets	29,889,863	34,627,647	4,737,784	15.9%

PLN m



¹⁾ of which elimination

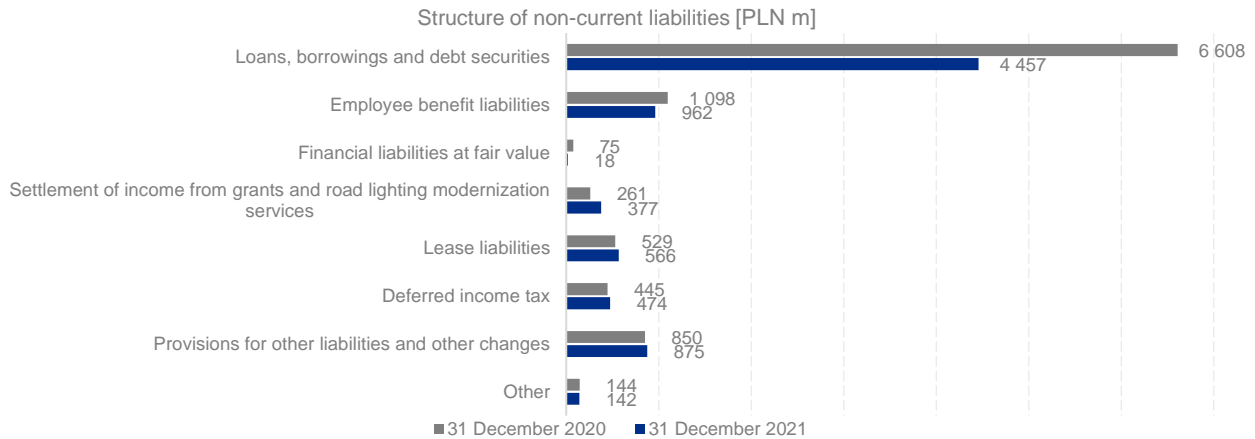
Key change drivers for non-current assets (up by PLN 570 million):

- increase in property, plant and equipment by PLN 322 million – an increase in fixed assets by PLN 1,564 million, with a concurrent increase in accumulated depreciation by PLN 1,242 million
- PLN 105 million increase in deferred tax assets – mainly the effect of provisions on reclamation and CO₂ emission allowances
- PLN 97 million increase in financial assets at fair value – mainly as a result of remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- increase in right-to-use asset by PLN 44 million – an increase in the value of rights by PLN 67 million, with a concurrent increase in accumulated depreciation by PLN 23 million

Key change drivers for current assets (up by PLN 4,168 million):

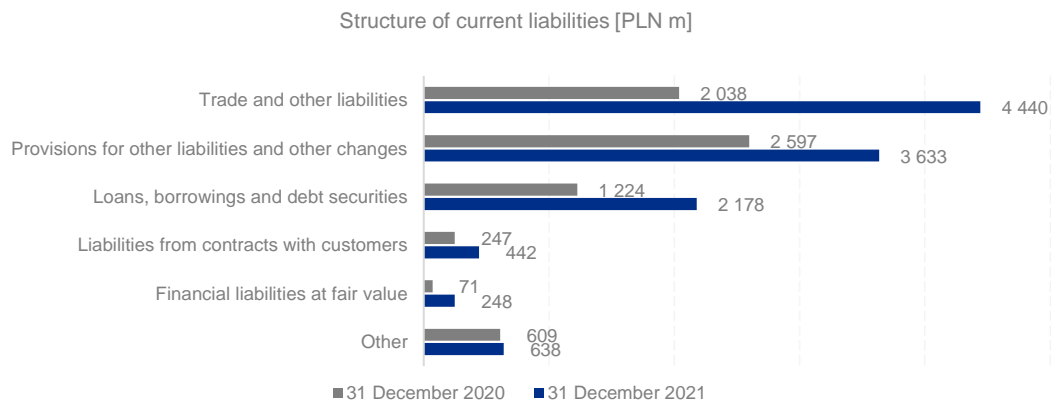
- PLN 2,212 million increase in cash and cash equivalents – chiefly due to a change in the amount of earmarked funds for trade in CO₂ emission allowances, revenues from the Capacity Market and cash generated from ongoing activity of companies
- PLN 1,180 million increase in trade and other receivables – mainly in the value of trade receivables, an increase in collateral margins related to the contracting of CO₂ emission allowances, and an increase in tax receivables
- PLN 377 million increase in financial assets measured at fair value – mainly due to an increase in the valuation of forward contracts for the purchase of electricity, gas and property rights
- PLN 331 million increase in the value of CO₂ emission allowances, including: PLN 2,257 million purchase of allowances in 2021, PLN -1,926 million redemption of rights
- PLN 90 million increase in assets arising from contracts with customers – largely due to a higher volume of non-invoiced electricity sales
- PLN 14 million a drop in inventories – mainly a drop in inventories of coal and biomass, with a concurrent increase in inventories of energy origin certificates

Equity and liabilities [PLN 000s]	As at			
	31 December 2020	31 December 2021	Change	% change
Total equity	13,094,353	15,178,008	2,083,655	15.9%
Share capital	588,018	588,018	-	-
Share premium	3,632,464	2,692,784	-939,680	-25.9%
Revaluation reserve – measurement of financial instruments	-16,295	0	16,295	100.0%
Revaluation reserve – measurement of hedging instruments	-105,534	108,917	214,451	203.2%
Retained earnings	7,938,162	10,620,839	2,682,677	33.8%
Non-controlling interests	1,057,538	1,167,450	109,912	10.4%
Total liabilities	16,795,510	19,449,639	2,654,129	15.8%
Non-current liabilities	10,009,542	7,871,134	-2,138,408	-21.4%
Current liabilities	6,785,968	11,578,505	4,792,537	70.6%
Total equity and liabilities	29,889,863	34,627,647	4,737,784	15.9%



Key change drivers for non-current liabilities (down by PLN 2,138 million)

- PLN 2,151 million decrease in loans, borrowings and other debt securities – mainly through reclassification of non-current liabilities to current liabilities
- decrease in employee benefit liabilities by PLN 135 million – mainly a decrease in employee benefit liabilities valued according to actuarial principles
- PLN 58 million decrease in financial assets at fair value – mainly as a result of remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates
- PLN 116 million increase in subsidy income settlements and road lighting modernization services – mainly deferred income from subsidies

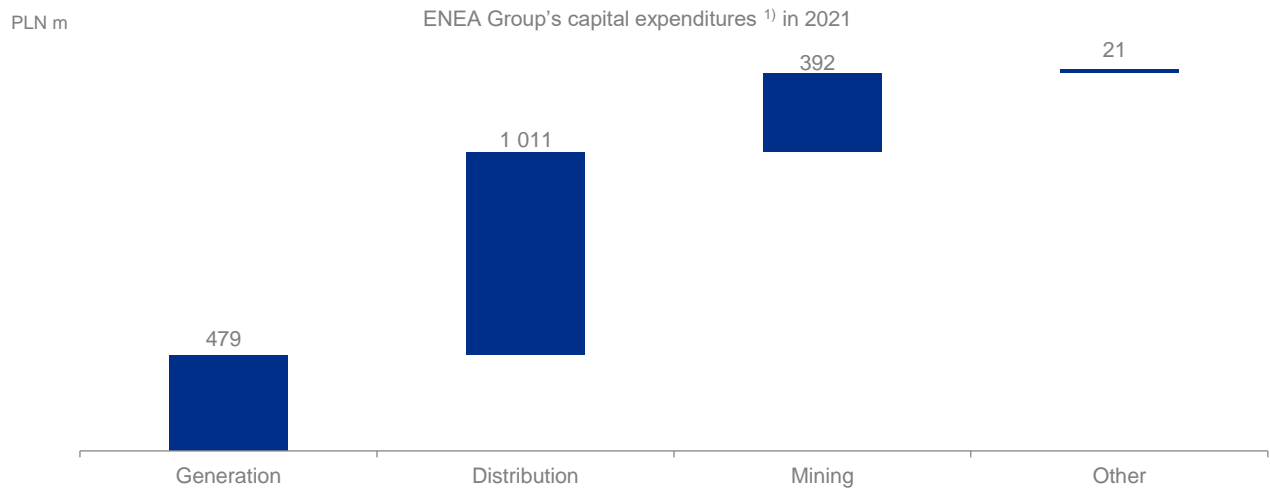
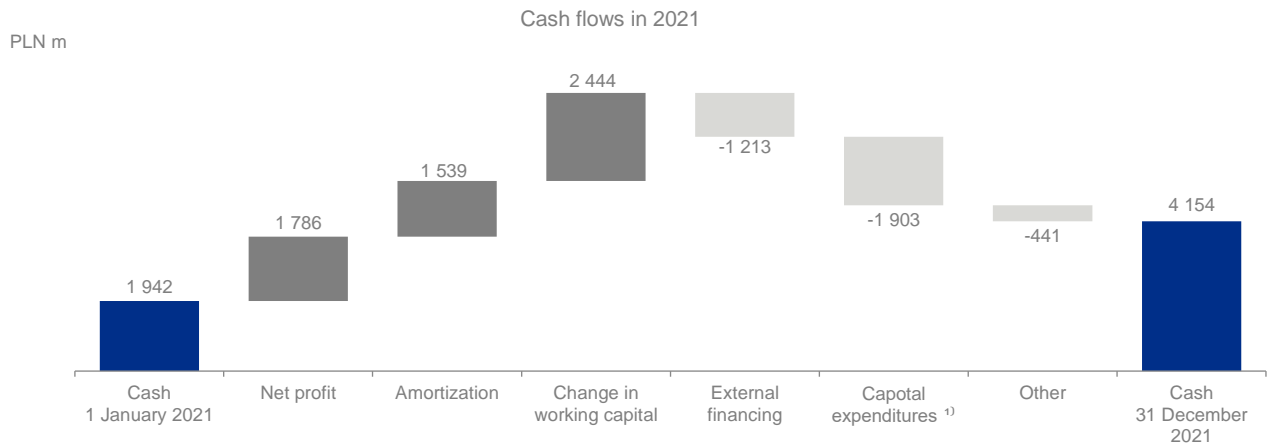


Key change drivers for current liabilities (up by PLN 4,793 million)

- PLN 2,402 million decrease in trade and other payables – an increase in liabilities related to the valuation of futures transactions for CO₂ emission allowances and an increase in trade liabilities, with a concurrent drop in tax liabilities
- PLN 1,037 million increase in provisions for other liabilities and other charges – mainly an increase in provisions for the purchase of CO₂ emission allowances, an increase in provisions for energy origin certificates, partial reversal of the provision for future investment commitments to the Ostrołęka Power Plant (recognized in 2020)
- PLN 954 million increase in loans, borrowings and other debt securities – mainly reclassification of non-current to current liabilities with a simultaneous redemption of bonds by ENEA S.A.
- PLN 195 million increase in liabilities from contracts with customers – mainly an increase in advances for connection fees
- PLN 177 million increase in financial liabilities measured at fair value – mainly due to a remeasurement of forward contracts for the purchase of electricity, gas and property rights and remeasurement of financial instruments hedging against the change in interest rates

Cash position of the ENEA Group

Statement of cash flows [PLN 000s]	2020	2021	Change	% change
Net cash flows from operating activities	3,157,764	5,486,920	2,329,156	73.8%
Net cash flows from investing activities	(2,576,300)	(1,850,267)	726,033	28.2%
Net cash flows from financing activities	(2,401,857)	(1,424,654)	977,203	40.7%
Increase / (decrease) in net cash	(1,820,393)	2,211,999	4,032,392	221.5%
Cash at the beginning of reporting period	3,761,947	1,941,554	-1,820,393	-48.4%
Cash at the end of reporting period	1,941,554	4,153,553	2,211,999	113.9%



¹⁾ Purchase of property, plant and equipment and intangible assets and purchase of subsidiaries, associates and jointly controlled entities, adjusted by acquired cash

7.5 Financial results of ENEA S.A. in 2021 and Q4 2021

Statement of profit and loss of ENEA S.A. in 2021

[PLN 000s]	2020	2021	Change	% change
Sales of electricity to retail customers	6,055,826	7,067,192	1,011,366	16.7%
Sales of gaseous fuel to retail customers	128,132	175,022	46,890	36.6%
Sales of energy and gaseous fuel to other entities	63,992	219,012	155,020	242.2%
Sales of services	4,853	19,335	14,482	298.4%
Sales of goods and materials	25	0	-25	-100.0%
Other revenue	-77	-647	-570	-740.3%
Excise duty	65,391	73,197	7,806	11.9%
Net revenue from sales	6,187,360	7,406,717	1,219,357	19.7%
Compensation	3,284	0	-3,284	-100.0%
Revenue from leases	312	243	-69	-22.1%
Revenue from sales and other income	6,190,956	7,406,960	1,216,004	19.6%
Amortization and depreciation	5,136	6,786	1,650	32.1%
Employee benefit costs	75,332	81,869	6,537	8.7%
Consumption of materials and supplies and cost of goods sold	2,794	2,854	60	2.1%
Purchase of energy and gas for subsequent sale	6,021,789	7,091,350	1,069,561	17.8%
Transmission and distribution services	14,597	40,518	25,921	177.6%
Other third-party services	222,568	229,931	7,363	3.3%
Taxes and charges	4,127	4,178	51	1.2%
Tax-deductible expense	6,346,343	7,457,486	1,111,143	17.5%
Other operating revenues	11,390	13,992	2,602	22.8%
Other operating costs	64,981	61,240	-3,741	-5.8%
Change in provision related to onerous contracts	17,745	-199,282	-217,027	-1,223.0%
Profit / (loss) on the sale and liquidation of property, plant and equipment	124	0	-124	-100%
Operating profit / (loss)	(191,109)	(297,056)	-105,947	-55.4%
Finance costs	275,906	179,495	-96,411	-34.9%
Finance income	232,918	174,344	-58,574	-25.1%
Dividend income	593,694	545,357	-48,337	-8.1%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	3,613,242	(175,707)	-3,788,949	-104.9%
Change in impairment allowances on financial assets measured at amortized cost	144,014	15,825	-128,189	-89.0%
Profit / (loss) before tax	(3,397,659)	403,032	3,800,691	111.9%
Income tax	-40,909	-57,377	-16,468	-40.3%
Net profit / (loss) for the reporting period	(3,356,750)	460,409	3,817,159	113.7%
EBITDA	-185,973	-290,270	-104,297	-56.1%

ENE A S.A. – key EBITDA drivers in 2021 (down by PLN 104.3 million):

- (+) first contribution margin up by PLN 132.2 million:
 - (+) average energy purchase price down by 2.4%
 - (+) energy sales volume up by 16.0%
 - (+) average energy sales price up by 0.6%
 - (-) costs of environmental obligations up by 31.3%
 - (-) lower result on trading in gaseous fuel
- (-) employee benefit costs up by PLN 6.5 million:
 - (-) payroll costs with related charges up by PLN 4.8 million
 - (-) costs of provisions for employee benefits up by PLN 1.8 million

(-) costs of third-party services up by PLN 7.4 million, including mainly:

- (-) costs of advertisement and representation up by PLN 5.2 million
- (-) selling costs and customer service costs up by PLN 3.8 million
- (+) costs of shared services down by PLN 1.2 million
- (+) costs of advisory services down by PLN 0.2 million

(-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 25.9 million

(+) result on other operating activities up by PLN 6.2 million, including mainly:

- (+) litigation costs up down PLN 4.8 million
- (+) costs of provisions for anticipated losses and potential claims down by PLN 0.6 million
- (+) revenues from licenses linked to the ENEA brand up by PLN 1.2 million
- (-) impairment losses for receivables up by PLN 0.7 million

(-) change in a provision related to onerous contracts – in 2020, the utilization of a provision for the loss on the G Tariff was recognized in revenues in the amount of PLN 68.6 million and a provision for the loss on the settlement of rebates for energy fed by prosumers into the grid was recognized in expenses in the amount of PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In 2021, an update of this provision in the amount of PLN 216.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 17.6 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.

Material changes affecting net result:

(-) lower impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment allowances on financial assets recognized on financial assets at amortized cost by a total of PLN 3,917.1 million, including:

- (+) in 2021, recognition of a PLN 175.7 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka sp. z o.o., established in the amount of PLN 222.2 million in 2020
- (+) in 2020 impairment allowance on the shares of ENEA Wytwarzanie of PLN 3,134.6 million and impairment allowance on the shares of PGG of PLN 254.4 million were recognized
- (+) in 2020 an impairment allowance was recognized on loans granted to Elektrownia Ostrołęka sp. z o.o. with interest in the amount of PLN 144.0 million, while in 2021 an impairment allowance was taken for interest on loans granted to Elektrownia Ostrołęka sp. z o.o. in the amount of PLN 15.8 million (difference of PLN 128.2 million)

Statement of profit and loss of ENEA S.A. in Q4 2021

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Sales of electricity to retail customers	1,578,152	1,914,243	336,091	21.3%
Sales of gaseous fuel to retail customers	37,017	65,791	28,774	77.7%
Sales of energy and gaseous fuel to other entities	21,757	84,806	63,049	289.8%
Sales of services	1,557	1,516	-41	-2.6%
Sales of goods and materials	0	0	-	-
Other revenue	7	-177	-184	-2,628.6%
Excise duty	16,836	18,893	2,057	12.2%
Net revenue from sales	1,621,654	2,047,286	425,632	26.2%
Compensation	3,284	0	-3,284	-100.0%
Revenue from leases	68	59	-9	-13.2%
Revenue from sales and other income	1,625,006	2,047,345	422,339	26.0%
Amortization and depreciation	1,379	1,796	417	30.2%
Employee benefit costs	23,404	23,818	414	1.8%
Consumption of materials and supplies and cost of goods sold	661	1,256	595	90.0%
Purchase of energy and gas for subsequent sale	1,586,222	2,124,762	538,540	34.0%
Transmission and distribution services	5,573	11,098	5,525	99.1%
Other third-party services	49,766	53,572	3,806	7.6%
Taxes and charges	377	408	31	8.2%
Tax-deductible expense	1,667,382	2,216,710	549,328	32.9%
Other operating revenues	2,885	3,106	221	7.7%
Other operating costs	14,237	14,361	124	0.9%
Change in provision related to onerous contracts	-35,687	-188,216	-152,529	-427.4%
Operating profit / (loss)	(89,415)	(368,836)	-279,421	-312.5%
Finance costs	60,434	40,888	-19,546	-32.3%
Finance income	57,385	37,902	-19,483	-34.0%
Impairment loss recognized/(reversed) on investments in subsidiaries, associates and jointly controlled entities	2,817,077	61,607	-2,878,684	-102.2%
Change in impairment allowances on financial assets measured at amortized cost	2,544	2,063	-481	-18.9%
Profit / (loss) before tax	(2,912,085)	(312,278)	2,599,807	89.3%
Income tax	-17,464	-67,933	-50,469	-289.0%
Net profit / (loss) for the reporting period	(2,894,621)	(244,345)	2,650,276	91.6%
EBITDA	-88,036	-367,040	-279,004	-316.9%

ENE A S.A. – key EBITDA drivers in Q4 2021 (down by PLN 279 million):

- (-) first contribution margin down by PLN 116.0 million:
 - (-) average energy purchase price up by 7.4%
 - (-) costs of environmental obligations up by 69.5%
 - (-) lower result on trading in gaseous fuel
 - (+) energy sales volume up by 16.0%
 - (+) average energy sales price up by 4.3%
- (-) employee benefit costs up by PLN 0.4 million:
 - (-) costs of provisions for employee benefits up by PLN 0.5 million
 - (+) payroll costs with related charges up by PLN 0.1 million
- (-) costs of third-party services up by PLN 3.8 million, including mainly:
 - (-) selling costs and customer service costs up by PLN 5.9 million
 - (-) costs of advisory services up by PLN 0.5 million
 - (+) costs of advertisement and representation down by PLN 1.8 million

(+) costs of shared services down by PLN 1.0 million

(-) costs of distribution services related to the existing model of settlements with prosumers up by PLN 5.5 million

(-) change in a provision related to onerous contracts – in Q4 2020, a portion of a provision in the amount of PLN 15.1 million established in expenses in December 2019 in the amount of PLN 68.6 million for a loss on the G Tariff approved by the ERO was used and a provision was established in expenses in December 2020 for a loss arising from the settlement of the distribution fee rebate regarding the electricity fed into the grid by prosumers amounting to PLN 50.8 million by ENEA S.A. as the offtaker of last resort. In Q4 2021, an update of this provision in the amount of PLN 190.9 million was recognized in expenses and the use of a portion of this provision in the amount of PLN 2.7 million was recognized in revenues. The purpose of the increase in the provision to PLN 250.1 million in December 2021 is aimed at reflecting the impact of anticipated future losses to be incurred by the company in connection with the performance of comprehensive contracts entered into with prosumers who, in compliance with the amendment to the Act on Renewable Energy Sources, have acquired the right to financial settlements, over a 15-year period, based on a discount support system (so-called 'net-metering'), on the condition that their micro-installations are connected to the grid by 31 March 2022.

Material changes affecting net result in Q4 2021:

(-) lower impairment allowances recognized on investments in subsidiaries, associates and jointly controlled entities and impairment allowances on financial assets recognized on financial assets at amortized cost by a total of PLN 2,879.2 million, including:

(+) in Q4 2020 impairment allowance on the shares of ENEA Wytwarzanie of PLN 2,816.7 million

(+) in Q4 2021, recognition of a PLN 61.6 million partial reversal of the provision for future investment commitments to Elektrownia Ostrołęka sp. z o.o.

Ratios	2020	2021	Q4 2020	Q4 2021
Profitability ratios				
ROE – return on equity	-33.1%	4.3%	-114.3%	-9.0%
ROA – return on assets	-17.2%	2.3%	-59.4%	-4.8%
Net profitability	-54.2%	6.2%	-178.1%	-11.9%
Operating profitability	-3.1%	-4.0%	-5.5%	-18.0%
EBITDA profitability	-3.0%	-3.9%	-5.4%	-17.9%
Liquidity and financial structure ratios				
Current liquidity ratio	1.4	1.1	1.4	1.1
Coverage of non-current assets with equity	63.8%	70.7%	63.8%	70.7%
Total debt ratio	48.0%	47.1%	48.0%	47.1%
Economic activity ratios				
Current receivables turnover in days	82	96	85	95
Trade and other payables turnover in days	30	33	31	34
Inventory turnover in days	8	5	11	8

Financial position – structure of assets and liabilities of ENEA S.A.

Assets [PLN 000s]	As at:			
	31 December 2020	31 December 2021	Change	% change
Non-current assets	15,864,373	15,286,245	-578,128	-3.6%
Property, plant and equipment	23,910	24,096	186	0.8%
Right-of-use asset	29,978	40,660	10,682	35.6%
Intangible assets	4,180	3,385	-795	-19.0%
Investment property	13,206	12,656	-550	-4.2%
Investments in subsidiaries, associates and jointly controlled entities	9,512,925	9,531,789	18,864	0.2%
Deferred tax assets	101,483	106,989	5,506	5.4%
Financial assets at fair value	84,848	164,917	80,069	94.4%
Debt financial assets at amortized cost	6,082,074	5,390,289	-691,785	-11.4%
Costs incurred to obtain a contract	11,256	11,180	-76	-0.7%
Receivables under leases and finance subleases	513	284	-229	-44.6%
Current assets	3,630,148	5,151,940	1,521,792	41.9%
Inventories	65,700	135,777	70,077	106.7%
Trade and other receivables	1,381,371	2,009,453	628,082	45.5%
Costs incurred to obtain a contract	13,428	11,652	-1,776	-13.2%
Assets arising from contracts with customers	228,905	300,206	71,301	31.1%
Receivables under leases and finance subleases	3,274	723	-2,551	-77.9%
Debt financial assets at amortized cost	1,406,802	1,660,454	253,652	18.0%
Financial assets at fair value	0	28,194	28,194	100.0%
Cash and cash equivalents	530,668	1,005,481	474,813	89.5%
Total Assets	19,494,521	20,438,185	943,664	4.8%

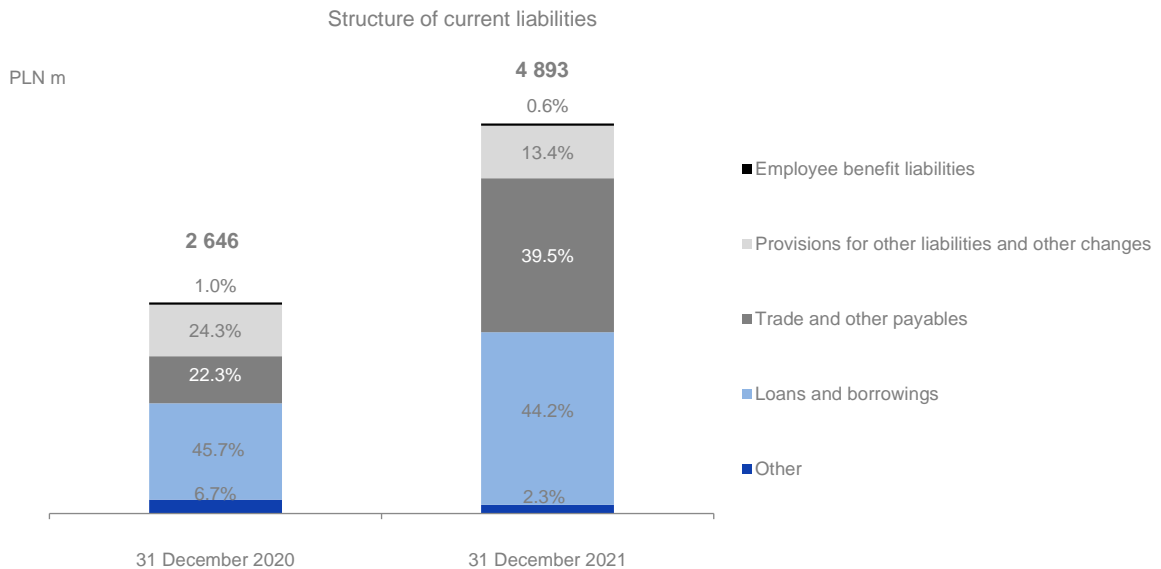
Key change drivers for non-current assets (down by PLN 578 million):

- PLN 692 million decrease in debt financial assets measured at amortized cost – mainly due to granting of loans and reclassification of a portion of bonds and loans to current assets
- PLN 80 million increase in financial assets at fair value – mainly as a result of remeasurement of IRS financial instruments hedging against an increase in costs caused by changes in interest rates, with the concurrent lower valuation of shares
- PLN 19 million increase in investments in subsidiaries, associates and jointly controlled entities, including mainly as a result of subscription of shares in the increased share capital of ENEA Innowacje of PLN 4.5 million, purchase of shares in MEC Piła of PLN 28.4 million and of PEC Oborniki of PLN 2.3 million from ENEA Wytwarzanie, reclassification of shares in ElektroMobility Poland S.A. of PLN 17.5 million to financial assets at fair value
- PLN 11 million increase in the right-of-use asset
- PLN 6 million increase in deferred tax assets

Key change drivers for current assets (up by PLN 1,522 million):

- PLN 254 million increase in intra-group bonds and loans – reclassification of bonds and loans from non-current to current assets, repayment of the loan by ENEA Operator, redemption of bonds, impairment allowance for a loan for Elektrownia Ostrołęka Sp. z o.o.
- PLN 475 million increase in cash – mainly as a result of change in balance of cash as part of cash pooling service in the ENEA Group within which ENEA S.A. performs the function of Pool Leader
- PLN 70 million increase in inventories – pertains to certificates of origin of electricity
- PLN 415 million increase in trade receivables – including mainly receivables due to electricity
- PLN 147 million increase in other receivables, including mainly receivables on account of advances for the purchase of electricity
- PLN 66 million of VAT receivables in 2021
- PLN 71 million increase in assets arising from contracts with customers
- PLN 28 million financial assets at fair value in 2021

As at:				
Equity and liabilities [PLN 000s]	31 December 2020	31 December 2021	Change	% change
Total equity	10,127,472	10,803,745	676,273	6.7%
Share capital	588,018	588,018	-	-
Share premium	4,627,673	3,687,993	-939,680	-20.3%
Revaluation reserve – measurement of financial instruments	-17,036	0	17,036	100.0%
Revaluation reserve – measurement of hedging instruments	-105,534	109,277	214,811	203.5%
Reserve capital	5,974,031	5,974,031	-	-
Retained earnings/ accumulated loss	-939,680	444,426	1,384,106	147.3%
Total liabilities	9,367,049	9,634,440	267,391	2.9%
Non-current liabilities	6,720,747	4,741,110	-1,979,637	-29.5%
Current liabilities	2,646,302	4,893,330	2,247,028	84.9%
Total equity and liabilities	19,494,521	20,438,185	943,664	4.8%

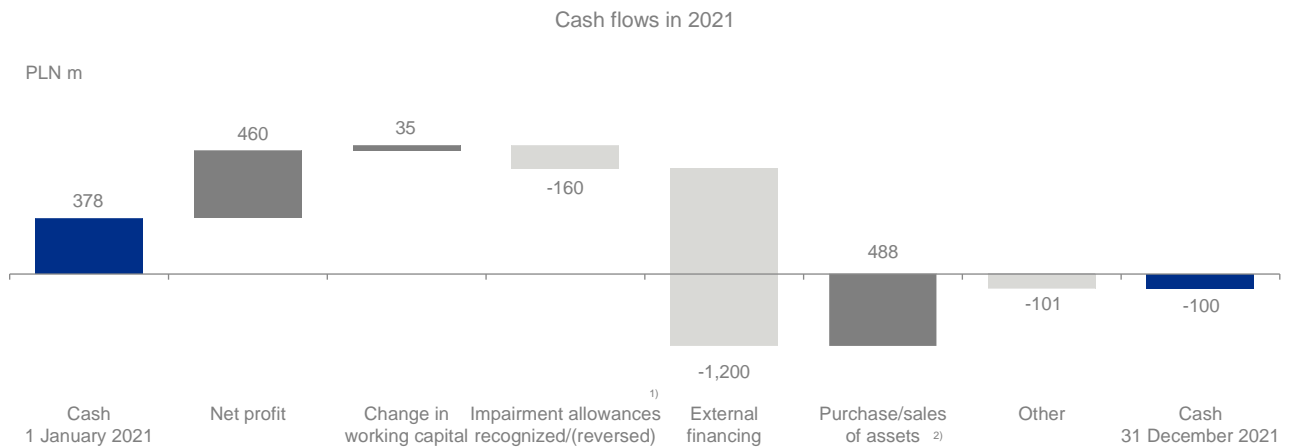


Key change drivers for liabilities (up by PLN 267 million):

- PLN 953 million increase in cash pooling liabilities
- PLN 459 million increase in trade payables
- PLN 242 million increase in provisions for other liabilities
- PLN 14 million increase in liabilities from contracts with customers
- PLN 997 million – redemption of bonds
- PLN 203 million – repayment of loan installments
- PLN 140 million financial liabilities at fair value in 2020
- PLN 69 million of VAT receivables in 2020
- decrease in current income tax liabilities by PLN 10 million

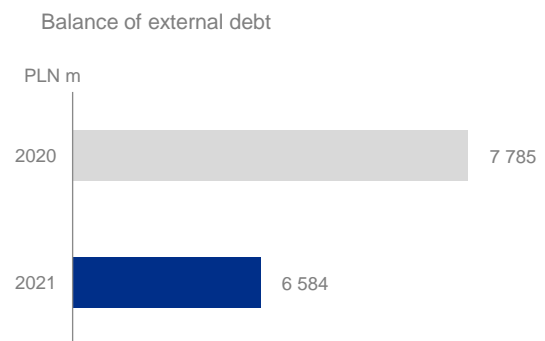
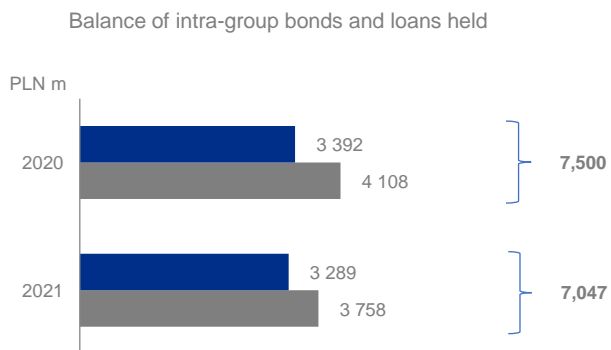
Cash position of ENEA S.A.

Statement of cash flows [PLN 000s]	2020	2021	Change	% change
Net cash flows from operating activities	(411,351)	(241,218)	170,133	41.4%
Net cash flows from investing activities	400,024	1,133,748	733,724	183.4%
Net cash flows from financing activities	(2,326,190)	(1,370,394)	955,796	41.1%
Increase / (decrease) in net cash	(2,337,517)	(477,864)	1,859,653	79.6%
Cash at the beginning of reporting period	2,715,611	378,094	-2,337,517	-86.1%
Cash at the end of reporting period	378,094	(99,770)	-477,864	-126.4%



¹⁾ impairment allowances recognized/(reversed) on shares and impairment allowances recognized on financial assets measured at amortized cost

²⁾ proceeds from intra-group loans/bonds



■ Distribution ■ Generation

8. Shares and shareholders

8.1. Equity and shareholding structure

As at 31 December 2021 and as at the publication date of this report, the share capital of ENEA S.A. amounts to PLN 441,442,578 and is divided into 441,442,578 ordinary bearer shares with a nominal value of PLN 1 each. The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 441,442,578 votes.

All shares in the Company are book-entry bearer shares registered in the Central Securities Depository of Poland.

Since the date of publication of the previous periodic report, no changes have been made to the Issuer's shareholding structure.

The table above presents the shareholding structure of ENEA S.A. as at the date of the periodic report for 2021.

Shareholder	Number of shares / number of votes at GM	% share capital / % votes
State Treasury	227,353,628	51.5%
Others	214,088,950	48.5%
Total	441,442,578	100.0%

8.2. ENEA S.A. stock prices on the Warsaw Stock Exchange

ENEA S.A. stock has been listed on the Warsaw Stock Exchange (WSE) since 17 November 2008.

In 2021, the ENEA S.A. stock price rose from PLN 6.535 to PLN 8.510, that is by PLN 1.975, or 30%. The highest closing price of ENEA S.A. stock in 2021 was recorded on 8 November 2021 (PLN 10.650), while the lowest price was recorded on 19 and 25 March 2021 (PLN 6.040).

Share of the Company's stock in stock exchange indices as at 31 December 2021:

Index	Value
WIG30	0.7
m WIG40	2.1
WIGenergia	12.4
WIGPoland	0.5

Data	2021
Number of shares	441,442,578
Minimum [PLN]	6.040
Maximum [PLN]	10.650
Stock price at the end of the period [PLN]	8.510
Stock price at the end of the previous period [PLN]	6.535
Average trading volume	469,616

8.3. Potential changes in the shareholding structure

The Company is not aware of any contracts or events, which could potentially cause future changes in the structure of shares held by its current Shareholders. Nevertheless, the unique nature of the process of acquiring employee shares from the State Treasury by eligible employees and their heirs may cause slight changes in the number of shares held by the State Treasury.

On 19 January 2022, the ENEA S.A. Management Board adopted a resolution to initiate the process of increasing the share capital by an amount of no less than PLN 1.00 and no more than PLN 88,288,515, i.e. up to the amount no greater than PLN 529,731,093, through the issue of no less than 1 and no more than 88,288,515 D series common bearer shares with a par value of PLN 1.00 each. Detailed information on the share issue is presented in current reports nos. 1-3/2022. On 21 January 2022, ENEA S.A. submitted an application to the Prime Minister for the State Treasury to subscribe for the Company's series D shares for a total amount not greater than PLN 899,659,967.85 in exchange for a cash contribution from the reprivatization fund.

The Extraordinary General Meeting of the company held on 10 March 2022 adopted a resolution to adjourn the EGM in the scope relating to the voting on resolutions on issue of series D shares. The EGM will be resumed on 8 April 2022.

8.4. Treasury shares

Neither ENEA S.A. nor ENEA Group companies purchased the Company's treasury shares in 2021.

8.5. Employee shares control system

The Articles of Association of ENEA S.A. provide for the package of so-called employee shares. All of ENEA S.A.'s Series B registered common shares, i.e. 41,638,955 shares, were designated for that purpose. Under the applicable provisions of law, there were 8,818 people eligible for a purchase of ENEA S.A. shares free of charge, to whom 33,239,235 shares were allocated.

The right to acquire ENEA S.A.'s shares free of charge by eligible persons from the State Treasury expired on 16 May 2012. After that date, only the heirs of the beneficiaries may sign the agreements in the specific instances described in the above legal act.

In 2021, ENEA S.A. did not launch the standard control systems of employee share programs.

9. Company authorities

9.1. Composition of the ENEA S.A. Management Board

As at 1 January 2021		As at the date of this report	
Name	Function	Name	Function
Paweł Szczeszek	President of the Management Board	Paweł Szczeszek	President of the Management Board
Tomasz Siwak	Management Board Member for Commercial Matters	Tomasz Siwak	Management Board Member for Commercial Matters
Tomasz Szczegielniak	Management Board Member for Corporate Matters	Tomasz Szczegielniak	Management Board Member for Corporate Matters
Marcin Pawlicki	Management Board Member for Operational Matters	Marcin Pawlicki	Management Board Member for Operational Matters
Rafał Mucha	Management Board Member for Financial Matters	Rafał Marek Mucha	Management Board Member for Financial Matters
		Lech Adam Żak	Management Board Member for Strategy and Development

- On 29 November 2021 the Company's Supervisory Board adopted a resolution to appoint, as of that date, Mr. Lech Adam Żak to the position of ENEA S.A. Management Board Member for Strategy and Development for the joint term of office commenced on the date of holding the Company's Ordinary General Meeting which approved the financial statements for 2018.

9.2. Composition of the ENEA S.A. Supervisory Board

As at 1 January 2021		As at the date of this report	
Name	Function	Name	Function
Izabela Felczak-Poturnicka	Supervisory Board Chairwoman	Rafał Włodarski	Chairman of the Supervisory Board
Roman Stryjski	Supervisory Board Deputy Chairman	Roman Stryjski	Supervisory Board Deputy Chairman
Michał Jaciubek	Supervisory Board Secretary	Michał Jaciubek	Supervisory Board Secretary
Mariusz Fistek	Supervisory Board Member	Paweł Korobłowski	Supervisory Board Member
Paweł Korobłowski	Supervisory Board Member	Maciej Mazur	Supervisory Board Member
Ireneusz Kulka	Supervisory Board Member	Piotr Mirkowski	Supervisory Board Member
Maciej Mazur	Supervisory Board Member	Mariusz Pliszka	Supervisory Board Member
Piotr Mirkowski	Supervisory Board Member	Dorota Szymanek	Supervisory Board Member
Mariusz Pliszka	Supervisory Board Member	Tomasz Lis	Supervisory Board Member
Rafał Włodarski	Supervisory Board Member	Radosław Kwaśnicki	Supervisory Board Member

- On 4 January 2021, the Company received a resignation tendered by Ms. Izabela Felczak-Poturnicka from the position of Chairwoman of the Supervisory Board and from her membership in the ENEA S.A. Supervisory Board as of 5 January 2021.
- On 7 January 2021, the Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairman of the ENEA S.A. Supervisory Board.
- On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Ms. Dorota Szymanek was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- On 15 September 2021 the Company received the letter of resignation tendered by Mr. Ireneusz Kulka from serving in the capacity of an ENEA S.A. Supervisory Board member and in the capacity of the Chairman of the Audit Committee as of 16 September 2021.
- On 18 November 2021, the Company's Extraordinary General Meeting adopted a resolution by the power of which Mr. Tomasz Lis was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.
- On 21 December 2021 the Company received a letter of resignation tendered by Mr. Mariusz Fistek from serving in the capacity of a Supervisory Board Member as of 22 December 2021.
- On 10 March 2022, the Company's Extraordinary General Meeting adopted a resolution by the power of which Mr. Radosław Kwaśnicki was appointed to the ENEA S.A. Supervisory Board of the 10th term of office.

In accordance with the provisions of the Rules and Regulations of the Supervisory Board, the following standing committees operate within the Supervisory Board: the Audit Committee, the Nominations and Remuneration Committee and the Strategy and Investment Committee. Detailed information on the committees and their composition is provided in section 11.10.4. of this report.

9.3. Number of shares and rights to ENEA S.A. shares held by members of the Management Board and Supervisory Board

Name	Function	Number of ENEA S.A. shares as at 23 March 2022	Number of ENEA S.A. shares as at 25 November 2021
Michał Jaciubek	Supervisory Board Member	5,020	5,020
Mariusz Pliszka	Supervisory Board Member	3,880	3,880

As at the date of this report, other members of the Management Board and Supervisory Board hold no shares in ENEA S.A. As at the date of this report, no members of the Management Board or Supervisory Board hold any rights to shares in ENEA S.A. As at the date of this report, no members of the Management Board or Supervisory Board hold any rights to shares in any ENEA S.A. subsidiaries.

9.4. Remuneration rules for ENEA S.A. Management Board Members

The rules for remunerating Members of the ENEA S.A. Management Board applicable in 2021 were introduced on the basis of the resolution adopted by the Extraordinary General Meeting of ENEA S.A. on 19 December 2019 on the rules for shaping the remuneration of Management Board Members, at the same time repealing the previous resolution on the rules for shaping the remuneration of Management Board Members of 15 December 2016 and subsequent resolutions of the Extraordinary General Meeting of ENEA S.A. on the rules for setting remuneration of Management Board Members. The new rules for remunerating Members of the ENEA S.A. Management Board, as adopted by the Extraordinary General Meeting on 19 December 2019, provide that an agreement for the provision of management services for the duration of the function (Agreement) must be entered into with the respective Management Board Member following the formulation of its wording by the Supervisory Board:

- a. during the term of the Agreement, Management Board Members are entitled to:
 - fixed monthly remuneration, set as an amount within the range from 7 to 15 times the base amount referred to in Article 1(3)(11) of the Act of 9 June 2016 on Rules for Setting Remuneration of Persons Managing Certain Companies,
 - variable remuneration, depending on the level of fulfillment of the management objectives, which may not exceed 100% of the fixed remuneration amount in the previous financial year;
- b. The Supervisory Board may sign with a Management Board Member a no-compete agreement effective after he/she ceases to perform the function, however it may be signed only if the Management Board member has performed the function for at least six (6) months and the compensation amount for each month of the no-compete undertaking may not exceed 50% of the monthly fixed remuneration received by the Management Board Member before he/she ceased to perform the function. The no-compete period may not exceed 6 months after the Management Board Member ceases to perform the function. In the event of non-performance or improper performance of the no-compete agreement by a Management Board Member he/she will pay the Company a contractual penalty, which will not be lower than the compensation amount payable for the entire no-compete period. If the agreement is dissolved or terminated, a severance pay may be awarded to the Management Board Member in an amount no higher than three times the fixed component of remuneration, provided that he/she has performed the function for at least twelve months prior to the termination of the agreement. The severance pay will not be awarded to the Management Board Member in the event of:
 - dissolution, termination or amendment of the Agreement resulting from a change of the function performed by the Management Board Member in the Management Board,
 - termination, dissolution or amendment of the Agreement resulting from the Management Board member being appointed for another term of office of the Management Board,
 - appointment as a management board member in a Group company,
 - resignation from performing the function.

Moreover, the Extraordinary General Meeting of ENEA S.A., by resolution of 30 July 2020, adopted a document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna".

The rules for remunerating Management Board Members resulting from the Resolution of the Extraordinary General Meeting of 19 December 2019 and from the document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna" have been implemented in the form of Agreement adopted by the ENEA S.A. Supervisory Board and are binding. In accordance with the "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", the Company does not award remuneration to Management Board Members in the form of financial instruments, nor does it offer any additional pension or early retirement programs for Management Board Members.

9.5. Rules for remunerating Members of the ENEA S.A. Supervisory Board:

The remuneration rules for Members of Supervisory Board of ENEA S.A. in effect in 2021 have been implemented by virtue of a resolution of the Company's Extraordinary General Meeting of 15 December 2016. Pursuant to the provisions of the abovementioned resolution of the EGM, the monthly remuneration of the Supervisory Board Members was determined as the product of the average monthly remuneration in the enterprise sector, exclusive of distribution of profit in Q4 of the preceding year, published by the President of Statistics Poland (GUS) and the following multiplier:

- for the Chairman of the Supervisory Board – 1.7;
- for other Supervisory Board Members – 1.5.

The resolution of the Extraordinary General Meeting, in § 1 sec. 2-3, further stipulates that:

- a. The Supervisory Board Members are entitled to the abovementioned remuneration regardless of the number of meetings convened;
- b. a Supervisory Board Member is not entitled to any remuneration for the month in which he/she did not attend any of the correctly convened meetings and their absence was not excused.

On 19 December 2019, the Extraordinary General Meeting adopted a resolution to amend the resolution of the Extraordinary General Meeting of 15 December 2016 establishing the rules for setting remuneration for Supervisory Board members, and set the monthly remuneration of Supervisory Board members as the product of the base amount referred to in Article 1(3)(11) of the Act of 9 June 2016 on Rules for Setting the Remuneration of Persons Managing Certain Companies and the following multiplier:

- for the Chairman of the Supervisory Board – 1.7;
- for other Supervisory Board Members – 1.5.

The resolution entered into force on the date of its adoption.

Moreover, on 30 July 2020, the Extraordinary General Meeting adopted a resolution on putting in place a document entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", in which, apart from the rules for remunerating Supervisory Board members in accordance with the function performed by the respective Member, it was specified that the Company does not award remuneration to Supervisory Board Members in the form of financial instruments, nor does it offer any additional pension or early retirement programs for Supervisory Board Members.

9.6. Amount of remuneration

The remuneration received from 1 January 2021 to 31 December 2021 by members of the ENEA S.A. Management Board who signed Management Services Agreements with the Company is presented in the table below:

Name	Function	Remuneration under contract in PLN (without VAT) ¹⁾	Additional benefits	Remarks
Paweł Szczeszek	President	1,019,166.58	-	function discharged from 30 June 2020,
Tomasz Siwak	Member	819,409.84	-	function discharged from 17 August 2020
Tomasz Szczegieliński	Member	832,303.28	-	function discharged from 7 August 2020
Marcin Pawlicki	Member	660,000.00	-	function discharged from 29 October 2020
Rafał Mucha	Member	660,000.00	-	function discharged from 21 December 2020
Lech Żak	Member	58,666.66	-	function discharged from 29 November 2021
Mirosław Kowalik	President	180,833.31	-	function discharged until 5 June 2020
Piotr Adamczak	Member	288,885.25	-	function discharged until 10 August 2020
Jarosław Ołowski	Member	487,426.23	-	function discharged until 17 November 2020
Zbigniew Piętka	Member	241,459.02	-	function discharged until 24 July 2020

¹⁾ this remuneration also includes non-competition compensation and bonuses for 2020.

In the period of performing managerial functions in 2021, Members of the ENEA S.A. Management Board did not receive remuneration for performing during this time any functions in subsidiaries of ENEA S.A. The remuneration did not include any non-financial components.

In accordance with the "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna" the Supervisory Board may define the scope and rules for providing Management Board Members with technical devices and resources constituting the Company's property, which are required to perform the function and may set the limits or adopt a method to set the limits of costs that the Company incurs in connection with provision and use of the devices and resources by the Management Board member for business purposes. The non-financial components to which the Management Board Members were entitled in the above scope in 2021 have been in specified cases: i) covering the costs of individual training, ii) covering the costs of accommodation.

The table below presents the remuneration of members of the ENEA S.A. Supervisory Board in the financial year 2021:

Name	Remuneration [PLN]	Remarks
Michał Dominik Jaciubek	79,268.04	-
Paweł Korobłowski	79,268.04	-
Ireneusz Kulka	56,368.40	function discharged until 16 September 2021
Maciej Mazur	79,268.04	-
Piotr Mirkowski	79,268.04	-
Mariusz Pliszka	79,268.04	-
Roman Stryjski	79,268.04	-
Izabela Felczak-Poturnicka	1,207.45	function discharged until 5 January 2021
Mariusz Fistek	77,506.33	function discharged until 22 December 2021
Rafał Włodarski	89,666.46	-
Dorota Szymanek	77,989.37	function discharged from 7 January 2021
Tomasz Lis	9,468.14	function discharged from 18 November 2021

In the financial year 2021, Members of the ENEA S.A. Supervisory Board were remunerated for performing their functions in the Supervisory Board in the amounts resulting from the applicable legal regulations.

10. Other information relevant to evaluation of the issuer's standing

Regulatory environment

The business of ENEA S.A. and its subsidiaries is conducted in an environment that is subject to special legal regulation, both at the national level and at European Union level (regulated economic activity). A number of legal regulations applicable to utility companies have been enacted based on decisions of a political nature. For this reason, these regulations are subject to frequent amendments that the Company is unable to foresee or predict their effects on its business. This notwithstanding, ENEA S.A. and its subsidiaries ("ENEA Group") are subject to legal regulation in the field of tax system, competition and consumer protection, employee law and environmental protection. It cannot be ruled out that changes in these areas arising from specific legislation or individual interpretations related to significant areas of the ENEA Group's business may become a source of potential risks for this economic activity.

10.1. Internal electricity market

The business of entities operating in the power sector is also governed by a number of EU regulations such as Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, which is a part of the "Winter Package" and forms the basic legal act forcing the introduction of new solutions pertaining to electricity markets and system services, both in Poland and in other Member States of the European Union.

Moreover, on 21 December 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, entered into force. This regulation has introduced the requirement to develop a national plan for energy and climate within the framework of implementation of the Energy Union comprising the following 5 dimensions: energy security, internal energy market, energy efficiency, reduction of emissions, as well as research, innovation and competitiveness. The main purpose of the Energy Union management mechanism is to enable achievement of the Energy Union goals, in particular the climate and energy policy goals by 2030.

In 2021 and after the balance sheet date, there were no changes in material regulations governing the operation of the internal electricity market.

10.2. Demand for electricity

According to the document entitled "Development plan in terms of satisfaction of the current and future demand for electricity in 2021-2030", the projected total net demand for electricity in Poland will increase in the years 2020-2040 from 159.9 TWh to 204.2 TWh.¹⁾

¹⁾ https://www.gov.pl/documents/33372/436746/Wnioski_z_analiz_do_PEP2040_2018-11-23.pdf

10.3. Amendment to the Energy Law

On 18 June 2021, the Act of 20 May 2021 amending the Energy Law Act and certain other laws was published in the Journal of laws. It introduces a number of solutions that are important for the functioning of the members of the energy market. Key amendments include the roll-out of smart metering in Poland. This action will be deployed by distribution system operators, and thus also by ENEA Operator. The amended legislation contains a schedule for the installation of remote reading meters at electricity consumption points and stipulates that by 31 December 2028 such meters must be installed by at least 80% of end users. Moreover, the law provides that by 31 December 2023 there must be 15% of such users, by 31 December 2025 – 35%, and by 31 December 2027 – 65%.

The Act also introduces, among other things, changes in the scope of activity of the Negotiations Coordinator working for the ERO President, rules for entering into agreements with dynamic pricing, strengthens the existing customer rights and introduces new rights associated with the sales of electricity (new contractual terms, billing obligations, dispute resolution with the seller, disclosure obligations).

The amended law also provides for the appointment of the Energy Market Information Operator (OIRE), which function will be entrusted to PSE S.A. The Energy Market Information Operator will manage the Central Energy Market Information System (CSIRE), scheduled to be deployed within 3 years from the date of entry into force of the amended Energy Law, the uses of which will include the processing of data obtained from smart meters. The Central Energy Market Information System will usher in fundamental changes to the method of information exchange between energy market participants.

The amended law also contains solutions reinforcing the position of consumers and improving consumer protection on the energy and gaseous fuel market, and facilitating the operation of energy companies by creating a legal framework for the operation of closed distribution systems and energy storage facilities.

10.4. Electricity tariffs for 2022

The President of the Energy Regulatory Office approved the "Tariff for electricity distribution services" of ENEA Operator. The Decision of the ERO President no. DRE.WPR.4211.58.8.2021.KKu of 17 December 2021 was published in the ERO Industry Bulletin "Energia Elektryczna" (Electricity) No. 248 (3493) of 17 December 2021.

The new tariff has been approved for the period until 31 December 2022 and has been introduced from application as of 1 January 2022.

On 17 December 2021, the ERO President made a decision to approve the electricity tariff for Tariff Group G for ENEA S.A. for the period until 31 December 2022. The tariff entered into force on 1 January 2022. On 15 February 2022 the ERO President approved the change of the tariff in connection with the introduction of temporary exemption of the excise duty on the sales of electricity to the end customer, being the recipient of electricity in a household. The change of tariff has entered into force on 2 March 2022.

10.5. Financial markets (EMIR Refit)

The European Market Infrastructure Regulation (EMIR) is Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, along with Commission Delegated Regulations (EU) No. 148/2013 and 149/2013 of 19 December 2012, which entered into force on 16 August 2012, then on 17 June 2019 was amended by Regulation 2019/834 of 20 May 2019 (EMIR Refit) simplifying certain obligations especially for entities with low transaction values in financial instruments.

The regulation introduced requirements for the reporting of derivative transactions to “trade repositories”, risk mitigation techniques, in certain cases the obligation for central clearing of transactions by “central counterparties” (CCPs) and laid down sanctions for infringements of its provisions.

10.6. Capacity Market

In 2021, pursuant to the provisions of:

- the Capacity Market Act of 8 December 2017;
- the Capacity Market Regulations approved by the decision of the ERO President of 10 November 2021;
- the Regulation of the Minister of Energy:
 - of 18 July 2018 on performance of the capacity obligation, its settlement and demonstration, and execution of transactions on the secondary market;
 - of 3 September 2018 on financial collateral provided by power suppliers and participants of preliminary auctions;
- the Regulation of the Minister of Climate of 12 August 2021 on the parameters of the main auction for the supply year 2026 and the parameters of additional auctions for the supply year 2023.

Polskie Sieci Elektroenergetyczne S.A. conducted the following capacity market processes:

- general certifications;
- certifications for the main auctions for the years 2021–2026;
- certifications for the additional auctions for the years 2021-2023;
- main auctions for the years 2021-2025 and additional auction for 2021.

As well as in 2021:

- additional auctions for 2022 – 16 March 2021;
- main auction for 2026 – 16 December 2021.

10.6.1. Contracted capacity obligations of ENEA Wytwarzanie and ENEA Elektrownia Połaniec

[MW]	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract	-	-	-	-	-	1,004	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	2,711	2,711	2,711	2,711	2,711	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	915	915	915	915	915	915	915	915	915	915	915	915	915	915	915
Total	3,626	3,626	3,626	3,626	3,626	1,919	915	915	915	915	915	915	915	915	915

10.6.2. Estimated revenue from the capacity market of ENEA Wytwarzanie and ENEA Elektrownia Połaniec

[PLN million] ¹⁾	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
1-year contract	-	-	-	-	402	-	-	-	-	-	-	-	-	-
5-year contract (modernized)	652	652	652	652	-	-	-	-	-	-	-	-	-	-
15-year contract (new)	220	220	220	220	220	220	220	220	220	220	220	220	220	220
Total	872	872	872	872	622	220	220	220	220	220	220	220	220	220

¹⁾ Non-indexed value

ENEA Elektrownia Połaniec participated in all the aforementioned processes and, as a result, signed 2 capacity contracts for 5-year periods of 2021-2025, for units 2 and 7. This resulted from the ENEA Group’s strategy approved by decisions of the ENEA S.A. Management Board before each of the main auctions. At the same time ENEA Elektrownia Połaniec signed capacity contracts for 1-year period for the delivery year 2026 for units 2 and 4-7. The other units, except for unit 9, were notified for participation in the secondary market. ENEA Elektrownia Połaniec and ENEA Wytwarzanie executed a joint venture agreement in the area of the capacity market providing for the companies’ joint operation in the capacity market and mutual reservations.

ENEA Wytwarzanie participated in all the aforementioned processes and, as a result, signed:

- nine capacity contracts for 5-year supply periods of 2021-2025, for units 1-10 without unit 3,
- one capacity contract for a 15-year supply period of 2021-2035 for unit 11,
- 1-year supply contracts for 2021, 2022, 2023, 2024 and 2025, for three Capacity Market units from the RES Segment (hydro power plants) with a total capacity of approx. 37 MW were transferred to ENEA Nowa Energia.

ENEA Połaniec Power Plant in 2021 participated in the Capacity Auction for supply year 2026. As a result of which it signed 1-year capacity contracts for the delivery year 2026 for units 2, 4, 5, 6 and 7 with a total capacity of 1,004 MW, unit 3 is a backup for the above-mentioned units.

10.6.3. Contracted capacity obligations and estimated revenue from the capacity market of MEC Piła

MEC Piła participated in all the aforementioned processes on the capacity market and, as a result, concluded 2 quarterly capacity contracts in delivery year 2022 (6 MW for Q2 and 6 MW for Q3 2022). Estimated revenue from the capacity market of MEC Piła are PLN 1 million in 2022.

10.6.4. Contracted capacity obligations of ENEA Ciepło

[MW]	2021				2022				2023	2024	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Quarterly contracts (existing)	29	-	-	22	34	-	-	22	-	-	-
Contract for 1 year (existing)	-	-	-	-	-	-	-	-	-	29	37 ¹⁾
Total	29	-	-	22	34	-	-	22	-	29	37

¹⁾ The capacity contract of ENEA Ciepło for 2025 is valid from 1 January 2025 to 30 June 2025.

10.6.5. Estimated revenue from the capacity market of ENEA Ciepło

[PLN million] ¹⁾	2022	2023	2024	2025
Quarterly contracts (existing)	3	-	-	-
1-year contract (existing)	-	-	8	3 ²⁾
Total	3	-	8	3

¹⁾ Non-indexed value

²⁾ The capacity contract of ENEA Ciepło for 2025 is valid from 1 January 2025 to 30 June 2025.

ENEA Ciepło Sp. z o.o. participated in the aforementioned processes and, as a result, concluded two quarterly capacity contracts in delivery year 2021 (Q1 and Q4) for unit 2, two quarterly capacity contracts in delivery year 2022 (Q1 and Q4) for unit 2, and one 1-year capacity contract in delivery year 2024 for unit 3 and one 6-month contract in delivery period from 1 January 2025 to 30 June 2025 for unit 3.

This results from the documents entitled: "Strategy for participation of ENEA Ciepło CMU in the main auction of the capacity market" for delivery years 2024, 2025 and "Strategy for participation of ENEA Group CMU in additional auctions" for delivery years 2021, 2022, drawn up under the leadership of ENEA Trading and approved by decisions of the Management Board of ENEA Ciepło before the auctions. Unit 3 has been registered for participation in the secondary market for 2021 and 2022, while units 1, 2 and 4 were registered for 2024 and 2025.

10.6.6. Contracted capacity obligations of Enea Nowa Energia

[MW]	2021	2022	2023	2024	2025	2026
1-year contract (existing)	37	37	37	38	37	24
Total	37	37	37	38	37	24

10.6.7. Estimated revenue from the capacity market of Enea Nowa Energia

[PLN million]	2022	2023	2024	2025	2026
1-year contract (existing)	7	8	10	6	10
Total	7	8	10	6	10

ENEA Nowa Energia (formerly: ENEA Wytwarzanie RES Segment) participated in all main auctions of the capacity market and, as a result, concluded one-year capacity contracts for deliveries for the period 2021-2025, for three units with the average capacity of approx. 37 MW in a given delivery year, for 2026, for two units with a total capacity of 24 MW.

10.7. REMIT

REMIT is Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency. In accordance with this regulation, the electricity market is subject to specific restrictive rules governing the publication and disclosure of information that may affect the prices of energy products on the wholesale energy market, including an absolute prohibition of any market manipulation.

REMIT requires that every market participant be registered in the national register. Market participants are required to report data on the transactions they execute on wholesale energy markets, including any orders they place. REMIT also imposes the obligation to make public, by way of a formalized announcement, the so-called inside information concerning the capacity and use of facilities for production, storage, consumption or transmission of electricity, including concerning planned or unplanned unavailability of these facilities. REMIT prohibits manipulation or attempts to manipulate the market and prohibits the use of inside information for commercial activities. REMIT equips regulatory authorities with powers to conduct investigations, enforce the provisions of the regulation and establish penalties for failure to fulfill the obligations.

ACER extended until the end of 2022 the possibility to publish internal information on the websites of market participants in emergency situations, i.e. in the event of unavailability of IIP (Inside Information Platforms), without the possibility to take advantage of the emergency solutions introduced by the platforms.

10.8. EU Emissions Trading System (EU ETS)

The beginning of 2021 marked the launch of Phase IV of the EU ETS. The changes introduced as part of the EU ETS (e.g. Directive 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 as regards the establishment of the Modernization Fund and Decision 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC) will significantly affect the framework for the operation of entities covered by the EU ETS in Phase IV, that is in 2021–2030. The most important mechanisms within the EU ETS, which contribute to a decreased supply in the EU ETS market, is the linear reduction factor increased from the current 1.74% to 2.2% starting from 2021 and the market stability reserve functioning since the beginning of 2019.

In turn, the increased demand for EUAs is largely affected by announced and scheduled legislative initiatives of European Union institutions pursuing the objectives of the “European Green Deal” announced in 2019, including the draft amendment of the EU ETS Directive 2003/87/EC and Decision 2015/1814 on the Market Stability Reserve.

Accordingly, the European Commission published a broad package of legislative proposals under the name of “Fit for 55” on 14 July 2021. Detailed information on the package is provided in section 10.9. In this context, a strong upward trend in the quotations of greenhouse gas emission allowances has been observed since November 2020, continuing throughout 2021.

10.9. European Green Deal and “Fit for 55” Package

One of the priorities of the European Commission (EC) 2019-2024 is the so-called European Green Deal, which is an action plan for sustainable EU economy, which is supposed to materialize Europe’s aspiration for becoming the first climate-neutral continent. For this purpose, also in 2021, numerous legislation initiatives have been taken.

Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (“European Climate Law”). The key assumptions of the regulation included:

- The European Union as a whole commits to achieving climate neutrality by 2050;
- for the Union as a whole, a net greenhouse gas emission reduction target was set at no less than 55% by 2030, compared to 1990 levels;
- the commitment to raise the ambition of carbon sink while limiting the amount of absorbed emissions that can count towards the emission reduction target, meaning that the actual reduction target for 2030 will be 57%;
- the Union has been obligated to achieve negative emissions after 2050.

Then on 14 July 2021, the EC presented a broad package of legislative proposals under the name of “Fit for 55”. The package will include amount others the following documents and propose the following changes:

- revision of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading:
 - increase of the emission reduction target in the sectors that are covered by the EU ETS (power, industry, intra-European aviation) to 61% by 2030 as compared to 2005;
 - extension of EU ETS to new sectors: shipping and construction;
 - an increase in the level of the linear reduction factor (LRF) to 4.2% in the year following the effective date of the document’s revision, further strengthened by the introduction of a one-off reset of emission allowances;
 - preventing the financing of investments in fossil fuels (gas) from the Modernization Fund;
 - increase of the Modernization Fund by an additional 2.5%;
 - Member States will have to use 100% of their revenue from sales of emission allowances for investments supporting emission reductions;
- revision of Directive 2018/2001/EU on the promotion of the use of energy from renewable sources:
 - revision of the RES share target from 32% to 40%;
 - increased annual RES consumption target in the district heating and cooling industry, by 1.1% until 2030;
 - tightening of the existing sustainability criteria for agricultural biomass production, also to include forest biomass;
 - application of greenhouse gas reduction thresholds in electricity production, heating and cooling from biomass fuels also for existing installations, i.e. 70% by the end of 2025 and 80% from the beginning of 2026;
 - tightening of the terms of participation of biomass-fired installations in support systems, also through the proposed hierarchy of handling biomass;
 - introduction, starting in 2027, of a rule not to support electricity production from forest biomass in electricity-only generation facilities;
- revision of directive 2012/27/EU on energy efficiency:
 - a change of the definition of efficient heating and cooling systems by introducing progressively changeable minimum conditions that an installation must satisfy to be classified as efficient;
 - increase of the mandatory energy efficiency target to 36% by 2030. The contribution of member states to the achievement of the target will remain indicative;
- revision of the Directive on taxation of energy products and electricity:
 - maintaining the option of applying tax credits and reduced tax rates for RES electricity;
 - maintaining the option of applying tax credits and reduced tax rates for electricity produced in cogeneration, meeting the definition of high-efficiency cogeneration under the EED;
 - the proposal of minimal taxation rates for heating fuels is as follows: for natural gas and non-sustainable biogas: initially EUR 0.6 per GJ in 2023 and ultimately EUR 0.9 per GJ in 2033; for coal EUR 0.9 per GJ from 2023; for sustainable

biogas: EUR 0.45 per GJ from 2023, for unsustainable forest biomass EUR 0.9 per GJ from 2023; and for sustainable forest biomass EUR 0.45 per GJ from 2023;

- the proposal of the minimum tax rate for electricity is EUR 0.15 per GJ from 2023.
- implementation of new reduction targets by adapting the Regulation on the inclusion of greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry (LULUCF).

A public consultation on the "Fit for 55" package closed in mid-November 2021. As of the beginning of 2022, the comments sent to the European Commission will start to be analyzed.

As announced by EU institutions, up to 50 EU legal acts could be affected by the changes to ensure they are consistent with the objectives adopted in the Climate Law Regulation.

10.10 Electromobility and Alternative Fuels Act

The Electromobility and Alternative Fuels Act of 11 January 2018 requires distribution system operators to build publicly accessible charging points for electric vehicles in the areas of their operation installed in generally accessible charging stations (GACS). In the area of operation of ENEA Operator, this obligation involves the construction of 417 charging points located in publicly available charging stations in 4 townships: Poznań, Szczecin, Bydgoszcz and Gorzów Wielkopolski. The amendment to the Act on Electromobility and Alternative Fuels and certain other acts of 2 December 2021, implementing Directive (EU) 2019/944 of the European Parliament and of the Council into the Polish legal system, allows for constructing charging stations for electric vehicles if the relevant townships fail to complete the task. For this reason, ENEA Operator is currently carrying out a project entitled "Implementation of ENEA Operator's statutory obligations related to electromobility under the Electromobility and Alternative Fuels Act". The adopted amendment to the act repeals the provisions concerning the intervention scheme connected with the construction of GACS by DSOs and also introduces transitional provisions. These provisions make it possible to complete the already started investment projects.

10.11 Act on Renewable Energy Sources

On 4 October 2021, the President of Poland signed an act amending the act on renewable energy sources (RES Act). Among other things, the RES Act revises the support programs associated with sales of electricity at fixed prices (the so-called FiT system) or the right to co-payment to market electricity prices (the so-called FiP system), which were extended until 30 June 2047.

On 21 December 2021, the Act amending the RES Act was published. Among other things, the Act introduced the concepts of a virtual renewable energy prosumer (for an installation remote from a given point of energy consumption) and a collective renewable energy prosumer (for installations built within multi-unit buildings), along with mechanisms that allow renewable energy prosumers to operate an installation not owned by them. In addition, the Act imposes on the Seller the obligation to ensure, as of 1 July 2022, the operation of an ICT system used to provide prosumers with information and data relating to billing. In addition, the Act prolongs the possibility for prosumers to benefit from the existing billing method for micro-installations connected by 31 March 2022.

10.12 Number of customers exercising their right to change the seller

As at the end of 2021, the number of business customers (tariff groups A, B, C) which changed their electricity seller was 223,626, having increased by 7,128 (or 3.3%) since the end of 2020. As regards customers in the household segment (tariff group G), the number was 718,504, having increased by 28,195, or 4.1%, since the end of 2020. The above data show that the dynamics of seller switches in 2021 were not high. The pandemic clearly reduced the interest of the consumers in switching the electricity seller compared to previous years. This is evident in the group of both individual and business consumers.

10.13 Exemption from the duty to submit household electricity tariffs for approval

Pursuant to Article 49 of the Energy Law, the ERO President may exempt a utility company from the duty to submit tariffs for approval if the ERO President considers the company to operate in a competitive environment. A possible exemption from the duty to submit tariffs for approval may have a favorable impact on the electricity sales margin of ENEA S.A. in the future. The regulatory model, in which tariffs for buyers from tariff groups G must be submitted to the ERO President for approval, remains in effect in the current legal status. The administrative procedure is performed in the last quarter of the year preceding the introduction of the new tariff G based on the guidelines of the ERO President regarding the calculation of prices transferring justified costs while taking into account the model unit profit.

10.14. Significant trends in the Distribution area

The provisions of EU law, in particular those of the energy regulations called Clean Energy for All Europeans, have an increasing impact on ENEA Operator's business. These regulations contribute to the achievement of the EU's goals of achieving a more competitive, secure and sustainable energy system and reducing greenhouse gas emissions by 2030. A consequence of the pursuit of these commitments will be a steady, as has already been observed, increase in installed capacity from renewable energy sources, which has created room for new energy market participants, led to a change in the manner of the power grid management and changed the roles of existing participants, including DSOs.

The rapid development of distributed energy sources combined with new technologies, including ICT (Information and Communication Technologies), has had a significant impact on the distribution network, while shaping the new role of DSOs on the energy market. New challenges in this area for ENEA Operator include: the new role of DSOs as entities supporting market development (local markets in particular), tapping into the flexibility of distributed energy sources, data management, cooperation with TSOs/DSOs, new IT and ICT technologies, development of smart grids, transformation of a passive (unidirectional) grid into an active one (bi-directional), activation of customers, dynamic increase in the number and capacity of dispersed energy sources, in particular microinstallations, emergence of energy communities (energy clusters and cooperatives, local balancing areas, owners of energy storage, electric cars and car charging stations), cyber security and development of research and development and innovation activities.

It should be also noticed that the amendment to the Energy Law Act, which came into force on 3 July 2021, imposed on the Company the duty to install, by 31 December 2028, AMI meters at no fewer than 80% of end users connected to at most a 1 kV grid and, consequently, to install AMI meters at 15% of such users by the end of 2023, at 35% of such users by the end of 2025, and at 65% of such users by the end of 2027.

The main consequence of changes on the energy market will be the gradual decline in the volume of energy distributed through DSO's grids. On the other hand, the quantity of energy produced by end users for their own needs, especially by prosumers, will increase. The changing model of the energy market and the consequences for its current players, such as distribution system operators, will also require transformation of the current regulatory model.

The President of the Energy Regulatory Office kicked off the work of a team, which is to develop a social agreement between the sector regulator and the distribution industry, i.e. "Charter for effective transformation of distribution networks in the Polish power sector". The objective of the project is to diagnose the key needs related to grid operation resulting from the formal and legal requirements imposed on DSOs in the 2030 perspective and related to the growing number of renewable sources connected to the DSO grid, as well as to identify the tools that will allow to meet these needs, determine the manner and sources of financing these tools and assess the impact/transfer of these expenses to the DSO tariff.

10.15 Grid codes in ENEA Operator's activity

An increasingly more important role in the operation of ENEA Operator as a DSO is played also by grid codes prepared by ENTSO-E (European Network of Transmission System Operators). These codes are specific tools for implementation of a single energy market in the EU.

Since 1 January 2021 RES producers from whole Poland have been bound by new laws concerning the sending of data about electricity produced and fed into the power grid. The process of sending of the information obtained from producers to PSE is achieved via distribution system operators. ENEA Operator experts decided to share their knowledge to make it easier for undertakings producing electricity from renewable sources to adapt to the new obligations. A webinar was prepared for generators. On the Company's website, the tab <https://www.operator.enea.pl/dlawytworcow> contains, among others, templates of forms for entering the data. ENEA Operator's experts also respond to questions and doubts of RES producers under the dedicated email address: wytworcy@operator.enea.pl. Work is currently underway to launch a Generator Portal to facilitate and automate data submission according to SO GL.

10.16 ENEA Operator's Distribution System User Nondiscriminatory Treatment Assurance Program

During the reporting period, the Company complied with the provisions of the Compliance Program – ENEA Operator's Distribution System User Nondiscriminatory Treatment Assurance Program (hereinafter referred to as "Compliance Program") to fulfill the obligation arising from Article 9d sec. 4 of the Energy Law. Projects undertaken and executed by ENEA Operator in accordance with the Compliance Program during the reporting period gave the system users and the potential system users an equal access to the distribution system and enabled them to use the electricity distribution services on equal rules.

The monitoring of the implementation and execution of the Compliance Program is the responsibility of the Compliance Inspector, whose duties also include operational supervision of the Compliance Program's execution. The implementation and execution of the Compliance Program are supervised by the ENEA Operator Management Board as well as managers of organizational units and cells of ENEA Operator, who are responsible for implementing and supervising the observance and performance of the Compliance Program in the units managed by them. Detailed measures taken to perform the Compliance Program are found in annual reports on the performance of the Compliance Program sent to the ERO President.

10.17 Model of quality regulation

An important component affecting ENEA Operator's activity is the quality regulation introduced by the ERO President. At present, its rules are specified in the "Quality Regulation in 2018-2025 for Distribution System Operators" in its wording of 29 May 2019.

On 7 October 2019, the ERO President set ENEA Operator's settlement objectives for the 2018-2025 period. Therefore, the following key performance indicators for the period 2018-2025 are currently the indicators that directly affect ENEA Operator's regulated revenue in the part concerning return on capital:

- CTP_{md} – regulatory indicator of interruption duration in the area: large cities,
- CTP_{mp} – regulatory indicator of interruption duration in the area: towns with county rights,
- CTP_m – regulatory indicator of interruption duration in the area: towns,
- CTP_w – regulatory indicator of interruption duration in the area: villages,
- CP_{md} – regulatory indicator of interruption frequency in the area: large cities,
- CP_{mp} – regulatory indicator of interruption frequency in the area: towns with county rights,
- CP_m – regulatory indicator of interruption frequency in the area: towns,
- CP_w – regulatory indicator of interruption frequency in the area: villages,
- CRP_{IV} – Connection Completion Time for connection group IV,
- CRP_V – Connection Completion Time for connection group V.

A key element affecting the DSO's activity is the document entitled "the Method of determining regulatory asset base and return on capital for Distribution System Operators for Electricity which separated their activity as of 1 July 2007," whose provisions were prepared jointly by the DSO and the Energy Regulatory Office. Due to the document, the level of substantiated return on capital is determined by the ERO President. The level is determined mainly on the basis of the product of RAB (regulatory asset base) and WACC (weighted average cost of capital).

10.18 Research and development and innovation carried out in ENEA Operator

ENEA Operator executed numerous research & development projects in 2021, which are continued in 2022:

1. The project entitled “System of power and energy balancing and monitoring the quality of electricity supply of distributed energy sources and storage facilities” executed together with the AGH University of Science and Technology. The project has received co-funding from the National Center for Research and Development as part of Measure 1.2: “Sector R&D Programs” of Operational Program Smart Growth 2014–2020.
2. The project entitled “Innovative system services of energy storage increasing the quality and efficiency of electricity usage” performed together with the University of Zielona Góra. The project has received co-funding from the National Center for Research and Development as part of Measure 1.2: “Sector R&D Programs” of Operational Program Smart Growth 2014-2020. (The project was completed on schedule in October 2021).
3. The project entitled “A flexible system of increasing competences of employees of technical services using virtual reality technology”, performed jointly with the Poznań University of Technology and the Poznań University of Economics and Business. The project has received co-funding from the National Center for Research and Development as part of Measure 2/1.1.1/2018 “Quick Path” of Operational Program Smart Growth 2014–2020.
4. The project entitled “eNeuron: greEN Energy hUbs for local integRATED energy cOMmunities optimization” carried out under the Horizon 2020 program. The goal of the project is to develop innovative tools to optimize the process of designing and operating local power systems with the main purpose of effectively integrating distributed energy sources. The outcome is to ensure effective, economical and sustainable solutions offered to entities potentially interested in implementing such systems, including, among others, distribution network operators, local communities and individual prosumers.
5. The project entitled “DRES2Market: Technical, business and regulatory approaches to enhance the renewable energy capabilities to take part actively in the electricity and ancillary services markets”, executed as part of the Horizon 2020 program. The primary goal of the DRES2Market project is to prepare a comprehensive and cost-efficient approach to facilitate the effective participation of distributed generation based on renewable energy in electricity markets and to enable the provision of balancing and storage services in accordance with market criteria.
6. The project entitled “Development of a smart unmanned system for stabilizing the operation of distribution power grids based on modular installations of a hydrogen energy buffer with prospects for commercial use of hydrogen” executed under the Smart Development Operational Program, Action: Research and development works – National Center for Research and Development. The project is executed in an industrial and scientific consortium in collaboration with the West Pomeranian University of Technology in Szczecin and the University of Szczecin.

Changes occurring in the energy market force market participants to implement a number of innovative solutions. ENEA Operator is following the same path. For this reason, ENEA Operator adopted a framework enabling both employees and external entities to suggest and jointly execute various pilot and innovative projects with the Company. The pursuit of such initiatives will provide the opportunity to jointly develop or test new innovative technical and technological solutions in real-life conditions. Such actions permit a reliable assessment of new solutions regarding technological maturity, development prospects, benefits and costs, as well as risk factors. This way ENEA Operator appreciates the potential of its employees and establishes cooperation with successive external entities.

10.19 Membership of ENEA Operator in international organizations

ENEA Operator is involved in international cooperation with electricity market entities. In particular, this cooperation involves such European organizations and entities as EDSO and the EU DSO Entity established under Directive 2019/944. Within the framework of this cooperation, events of a technological and legislative nature are monitored across Europe on an ongoing basis. Moreover, proposals for changes in and development of the electricity distribution market are presented and deployed in consideration of the outlook and specific features of the Polish market.

10.20 General Data Protection Regulation (GDPR)

GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC) is a legal act of the European Union, which has been in effect in all member states since 25 May 2018. It has introduced new rules for processing personal data and imposed new obligations on data controllers. In its business, the ENEA Group observes the requirements of the indicated regulations, also by ensuring an appropriate level of security of personal data processing, paying particular attention to the protection of the rights and freedoms of data subjects. Pursuant to Article 37 of GDPR, ENEA Group companies appointed Data Protection Officers, who discuss important matters concerning personal data protection in the ENEA Group.

10.21 Court and administrative proceedings

As at the date of this report, there are no pending proceedings regarding payables or receivables to which ENEA S.A. or any of its subsidiaries would be a party.

A detailed description of the proceedings is presented in Note 43.3 to the consolidated financial statements of the ENEA Group for the period from 1 January to 31 December 2021.

10.22 Litigation related to actions for annulment or repealing of general meeting resolutions

During the reporting period, the Company was a party to two cases related to actions for annulment or repealing of general meeting resolutions. The following is a summary of information on each of these proceedings.

Plaintiff	Subject of the statement of claim (literal wording)	Status of the proceedings
Synergia Inter-Company Trade Union of ENEA Group Employees	Action for annulment of a resolution of the Company's general meeting or, alternatively, to repeal the resolution of the Company's general meeting ¹⁾	The lawsuit was discontinued in the 1st instance (the decision is final); in the 2nd instance, a lawsuit on costs of proceedings is pending before the Court of Appeals in Poznań.
Synergia Inter-Company Trade Union of ENEA Group Employees	Action to repeal a resolution of the Company's General Meeting ²⁾	The judgment of 25 January 2022 issued by the District Court in Poznań, the 9th Commercial Division, dismissed the action (the judgment is not final).

¹⁾ concerns Resolution No. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 to express a directional consent to proceed with the Construction Stage under the Ostrołęka C project.

²⁾ concerns Resolution Nos. 7, 8, 9 and 11 of the Ordinary General Meeting of ENEA S.A. of 30 July 2020 to grant a discharge to individual former Members of the Company's Management Board on the performance of their duties in 2019.

10.23 Rules for the preparation of financial statements

This Report of the Management Board on activities has been prepared in accordance with § 70–71 of Regulation of the Finance Minister of 29 March 2018 on current and periodic information (...). The consolidated financial statements of the ENEA Group and the standalone financial statements of ENEA S.A. for the financial year 2021 have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union. The consolidated financial statements of the ENEA Group and the standalone financial statements of ENEA S.A. have been prepared on the assumption that the Issuer and its Group will continue as a going concern in the foreseeable future. Unless indicated otherwise, the financial data presented in the statements are denominated in PLN thousand.

10.24 Collective disputes

As at the date of publication of this report, no collective disputes are in progress.

10.25 Headcount

As at the last day of 2021, the headcount in ENEA Group companies included 17,442 employees with employment contracts, including 3,463 women and 13,979 men. As at 31 December 2021, ENEA S.A. employed 410 people with employment contracts.

These figures, broken down by operating segments, were as follows:

Distribution: 5,429; Trading: 513; Mining: 5,764; Generation: 3,997; Other: 1,739.

10.26 Financial results forecasts

The ENEA S.A. Management Board did not publish any projections of its financial performance for 2021.

10.27 Rating

In its communication of 1 December 2021, Fitch Ratings affirmed ENEA S.A.'s long-term foreign- and local-currency issuer default ratings at 'BBB' with a stable outlook. The affirmation of the ratings reflects the Company's integrated business profile, encompassing a large generation fleet and electricity distribution with a moderate financial leverage. The ratings are supported by the large share in the Company's EBITDA of regulated activities in the form of electricity distribution as well as quasi-regulated activities in the form of inflows from the capacity market. Following its completion, the anticipated sale of coal-fired power plants to the National Energy Security Agency is likely to favorably affect the Company's credit profile. The key risk in this respect stems from the potentially insufficient factoring-in of increasing wholesale electricity prices in retail tariffs going forward from 2022.

10.28 Amendments resulting from COVID-19 and changes in excise duty and VAT

In connection with the state of coronavirus pandemic existing in Poland, anti-crisis shield programs have been introduced, which also covered the energy sector. Detailed information on the changes introduced by Shields 1.0 through 6.0 are described in Chapter 10 of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2020". In 2021, Shields 7.0, 8.0 and 9.0 entered into force. Their provisions did not affect the area covered by ENEA S.A.'s licensed business.

On 17 December 2021, the Act amending the Excise Duty Act and Certain Other Acts of 9 December 2021 was published, which introduced exemption from excise duty on the sales of electricity to the end customer that is the recipient of electricity in a household in the period from 1 January 2022 to 31 May 2022.

On 20 December 2021, the Regulation of the Minister of Finance of 17 December 2021 was published, amending the Regulation on Goods and Services, which introduced reduction of the VAT rate to 5% for the period from 1 January 2022 to 31 March 2022 for sales of electricity.

On 27 January 2022, the Act amending the Goods and Services Tax of 13 January 2022 was published, which introduced the VAT rate to 5% for sales of electricity for the period from 1 February 2022 to 31 July 2022.

On 29 January 2022, a new law entered into force, the Act of 26 January 2022 on Special Solutions for Protecting Customers of Gaseous Fuels in connection with the Situation on the Gas Market, amending, among others, the Energy Law Act. The Act extends the group of customers who will be able to use gas prices following from the tariff approved by the ERO President on condition of satisfying the criteria defined in the Act and filing a relevant representation.

10.29. Impact of the COVID-19 epidemic on the activity of the ENEA Group

In March 2020, the state of epidemic caused by the SARS-CoV-2 coronavirus was introduced in Poland. The occurrence and effects of the virus as well as the consequences of countermeasures taken by the state to restrict the pandemic had a significant impact on the condition of the Polish economy also in 2021. After the wave of infection subsided and the mass vaccination program was implemented, most of the restrictions were lifted from the national economy, which caused a clear recovery of macroeconomic growth parameters. For the ENEA Group, the effects were as follows:

- In the Mining segment, an increased demand for coal was recorded (by approx. 31% compared to the corresponding period of 2020). Until the date of preparing these consolidated report, the COVID-19 pandemic did not have such a strong impact on the activity of LW Bogdanka as in 2020. Additionally, through efforts to maximize the production capacity, intensive work of the teams and optimization of the longwall run arrangement and schedule in the period of increased demand for coal, it was possible to achieve record production results, which translated into the financial performance in 2021.
- In the Trading segment, in 2021, compared to the corresponding period of 2020, the total sales volume of electricity and gaseous fuel increased by 3,393 GWh, i.e. 16%. The increase pertained mainly to sales of electricity in the business customer segment. In the business customer segment, the electricity sales volume went up by 3,101 GWh, or 21%, and was caused by a higher contracted business volume in 2021 vs. the previous year. The increase in the volume of electricity sales in the household segment was 56 GWh, or 1%. The sales volume of gaseous fuel also increased compared to the corresponding period of the previous year, by 236 GWh, i.e. 18%. Total revenue from sales of electricity and gaseous fuel increased in 2021 by PLN 1,055 million, or approximately 17%, as compared to the corresponding period of 2020. This increase affected revenues both in the business customer segment and in the household segment (by 20% and 7%, respectively).
- In the Generation segment, production of electricity in 2021 is higher by 17% compared to the corresponding period of 2020. This translates into an increase in revenues of this segment (by approx. 21% compared to the corresponding period of 2020).
- In the Distribution segment, in 2021, the Group observed an increase in sales of distribution services to end users by 5% as compared to the same period of the previous year, driven chiefly by an increase in sales in tariff groups B and G. Since the pandemic started, the Company has made additional analyses of the possible impact related to the COVID-19 pandemic on the level of allowances for receivables. The effect of the analyses is a review of the allowance for the expected losses. The level of the additional allowance – since the analyses began – has been insignificant from the reporting point of view. Nevertheless, the Group believes that if the restrictions related to the prevention of the COVID-19 epidemic effects are maintained and thus business activity continues to be limited, it is quite possible that the receivables turnover ratio will deteriorate as a result of the reduced payment capacity of electricity buyers. In connection with the reorganization of work, increased security measures caused by the state of epidemic and temporary unavailability of contractors, the Group has identified the risk of delaying the completion dates of scheduled overhauls and modernizations of the generation units, including those concerning BAT conclusions. The risk materialization consequences will be limited in time and conditioned, among others, on the current market situation.

As at the date of this periodic report, it is difficult to predict how the situation will develop in 2022 and what further negative effects it may exert on the operations and financial standing of the Parent Company and the Group. If the virus starts to spread again, the restrictions may be restored and business activity may decline. The Group, however, takes preventive measures to mitigate such risks.

The ENEA S.A. Management Board has established the ENEA Group Crisis Management and Coordination Center. All Group companies have appointed Teams to coordinate continuity assurance tasks for ENEA Group companies in the context of the coronavirus threat. The ENEA S.A. Management Board coordinates all the activities in this respect acting through the Center. The Crisis Center and the Teams take actions to protect the health of employees by providing personal protective equipment (including masks, antibacterial gel, gloves), implementing safe working principles (including remote working being introduced where possible, limiting direct meetings in workplaces, disinfecting rooms, introducing limits on numbers of employees in rooms, maintaining safe distances between employees). The precautions taken to prevent coronavirus infections have translated into shifts in operating expenses, which, along with changes in the level of revenues, ultimately affects the Group's consolidated financial result.

As at the date of this periodic report, the Group has not identified any risk regarding its capacity to continue as a going concern.

10.30 Termination/rescission of property right purchase agreements by ENEA S.A.

On 28 October 2016, ENEA S.A. made a statement of termination or rescission of long-term property right purchase agreements resulting from the certificates of origin of energy from renewable sources (the so-called green certificates). These agreements were dissolved. The reason for the Company's termination/rescission of the individual agreements was exhaustion of all possibilities of restoring contract balance and equivalence of the parties' performances resulting from amendments to the law. The financial consequences of dissolving the abovementioned agreements will be the avoidance by the Company of the loss being the balance of the contractual prices and the market price of green certificates.

At present, cases are pending for declaring ineffectiveness of termination (rescission) by ENEA S.A. of property right sale agreements. In addition, some proceedings are pending against ENEA S.A. for payment of the fee for property rights resulting from the deduction of payment for the damage caused to ENEA S.A. through the contracting party's non-fulfillment of its contractual obligation to participate, in good faith, in renegotiating the long-term property right sale agreements pursuant to the adaptation clause binding on the parties. The estimate total net value of ENEA S.A.'s contractual liabilities was approx. PLN 1,187 million.

Detailed information on the proceedings can be found in note 40.6 to the financial statements of ENEA S.A. for 2021.

10.31 Analyses of the transmission and collection of gaseous fuel from the transmission network by ENEA Wytwarzanie

On 11 February 2020, ENEA Wytwarzanie and GAZ-SYSTEM signed an agreement to design the connection of Koźienice Power Plant to the GAZ-SYSTEM transmission network and obtain all necessary administrative permits. The agreement will open the process of designing a gas service connection for the Koźienice Power Plant. Expansion of the transmission system by GAZ-SYSTEM will increase its capacity to supply higher volumes of natural gas throughout Poland. This will increase the capacity for connecting industrial plants as well as individual customers to the network.

In ENEA Wytwarzanie, conceptual work on the selection of technological solutions and economic analyses for the “Restoration of generation capacity of 200 MW coal-fired units in ENEA Wytwarzanie based on the gaseous fuel combustion technology” (“Project”) has been completed. Corporate approvals have been obtained to launch Stage 1, which entails pre-investment work, i.e. development of ToR, including a model contract and update of the project’s financial model (including an audit of the financial model). The work on this stage is under way.

On 30 November 2021, the Management Board of ENEA Wytwarzanie decided to apply to PSE S.A. for defining connection conditions to the transmission grid of the Polish Power System for new gas-steam blocks planned to be constructed within the Project.

On 16 March 2022, ENEA S.A. established a special-purpose vehicle named ENEA ELKOGAZ sp. z o.o. for the implementation of the Project. Its share capital is PLN 19,000,000.00.

10.32. Participation in the nuclear power plant construction program

On 26 March 2021, an agreement was executed between ENEA, PGE, TAURON and KGHM on the one side and the State Treasury on the other side for the acquisition by the State Treasury of a 100% stake in PGE EJ1. Under the provisions of the Share Purchase Agreement, the title to PGE EJ1 shares was transferred on 31 March 2021. ENEA sold to the State Treasury 532,523 shares in PGE EJ1, representing 10% of the share capital and carrying the right to 10% of votes at the general meeting of PGE EJ1. The purchase price for the 100% equity stake was PLN 531,362 thousand, of which PLN 53,136 was payable to ENEA. The purchase price will be subject to adjustment based on the valuation of PGE EJ1 updated as at the transaction closing date. On 2 June 2021, ENEA S.A. made settlement of adjustment of sale price of shares in PGE EJ1 in the part assigned to ENEA S.A., i.e. it made payment to the State Treasury in the total amount of PLN 533 thousand.

Moreover, on 26 March 2021, the Shareholders and PGE EJ1 executed an Annex to the Agreement of 15 April 2015 regarding a dispute between PGE EJ1 and the WorleyParsons consortium. Under the Annex, the amount of the Shareholders’ liability towards PGE EJ1 arising from the Agreement for the outcome of the dispute with the WorleyParsons consortium was limited, and in the event of the settlement of the dispute in favor of PGE EJ1, the Shareholders will be entitled to pertinent benefits from PGE EJ1. Information on the progress of the dispute between PGE EJ1 and the WorleyParsons consortium was disclosed in the respective periodic reports.

In connection with the acquisition by the State Treasury of a 100% stake in PGE EJ1, the Shareholders also terminated the Shareholders’ Agreement of 3 September 2014 with effect from 26 March 2021.

Due to the sale of all shares in PGE EJ1 held by ENEA S.A. to the State Treasury, ENEA S.A. ceased to be a shareholder of PGE EJ1.

10.33 Interest in ElectroMobility Poland S.A.

On 19 October 2016, PGE Polska Grupa Energetyczna S.A., Energa S.A., ENEA S.A. and Tauron Polska Energia S.A. founded a company by the name of ElectroMobility Poland S.A. The company’s business is intended to contribute to the execution of a program aimed at building a Polish electric vehicle, marketing it on a mass sale and creating an electromobility system in Poland.

On 19 August 2021, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution to reduce the company’s share capital by PLN 17,700 thousand through a decrease in the par value of all its shares from the current amount of PLN 7,000.00 each to a new par value of PLN 5,230.05 per share. The decrease in the share capital is aimed at transferring funds from the share capital to supplementary capital. The General Meeting also adopted a resolution to increase the share capital by PLN 249,996 thousand to PLN 302,297 thousand, for the total issue price of PLN 250,000 thousand, to be contributed exclusively in cash. The issue of the new shares was effected by way of a private placement. All the new shares are ordinary registered shares. The share premium (excess of the total issue price over the total par value) was transferred to supplementary capital. The new shares were taken up and paid for by the State Treasury. On 30 September 2021, the registration court registered the share capital increase. ENEA S.A. currently holds a 4.325% stake in the company’s share capital.

10.34 Activity of ENEA Innowacje

ENEA Innowacje is a company dedicated to managing the area of innovation in the ENEA Group. A zero-carbon transformation of the electricity market globally and in Poland is a major challenge and will be groundbreaking for a wide range of market players in the coming years. A success of that transformation will depend on innovations. Over the next decade, what should be expected is not only a massive technological change, but also a change in philosophy regarding the operation of the electricity market that will affect customers’ decisions and choices. The core interests of ENEA Innowacje include seeking and implementing technological solutions as well as new business models in such areas as e.g. circular economy, energy storage and new RES technologies, exploitation of hydrogen and other energy carriers, electromobility, Smart Cities, Internet of Things, artificial intelligence and automation of operating and manufacturing processes..

In the financial year 2021, the Company, among other things:

1. completed the work optimizing innovation and research and development activities, by merging with its subsidiary ENEA Badania i Rozwój, to establish a single entity with two areas – capital investment in innovative projects at the stage of growth and expansion and acceleration of R&D projects,
2. prepared assumptions for an updated model for operation of the innovation area in the Group to create flexible and dynamic organizational structures and implement professional market processes of executing and managing innovative projects,
3. prepared a Company Strategic Development Plan for the years 2022-2027, supporting the implementation of the Development Strategy of the ENEA Group,
4. conducted intensive analyses and identification of, among others, the market and technology environment, the energy sector and its competitiveness; the purpose of these analyses was to support the directions of activities and management decisions on future investments in the Company's innovations, which is shown by over 50 signed non-disclosure agreements being the grounds for sharing information with the entities analyzed by the Company,
5. presented to the Investment Committee ("IC") of the ENEA Group 1 innovative project, assessed positively, and brought another project to the stage of arrangement with the IC's backoffice,
6. under cooperation agreements signed with higher education and scientific institutions in 2021, the Company acquired the first products as offers for technologies of optimum use of side-effects of biomass firing, reduction in production of industrial waste and CO₂ capture from power systems,
7. signed an agreement with NCBIR NIF partner fund on joint capital investment in innovative companies which are at the stage of growth and expansion,
8. signed 4 letters of intent on cooperation in carrying out specific activities connected with development and implementation of innovative solutions,
9. identified over 100 initiatives and innovative ideas, including contacts with several dozen Polish and foreign startups,
10. conducted in-depth analyses and assessments of about a dozen of the most prospective projects referred to in item 9, including two due diligence reviews,
11. signed agreements on performing pilot project in the Group's business lines to verify and accelerate innovative solutions.

10.35. Construction of a photovoltaic farm on land owned by LW Bogdanka

The photovoltaic farm project to be developed on the land owned by LW Bogdanka will enable proper development of the mine's land and may contribute to a significant reduction of the costs of electricity powering the LW Bogdanka's technical infrastructure, while protecting the environment and using renewable technologies.

In 2020, "Feasibility study for the construction of photovoltaic farms in the areas of LW Bogdanka" was completed. Based on the document, in Q3 2021, the procedure started for selecting a contractor for the photovoltaic farm project for the needs of the field of Bogdanka. In Q4 2021, a contractor was selected and an agreement was executed with it.

10.36 Construction of photovoltaic farms in cooperation with KOWR, the National Support Center for Agriculture

The project of building large-scale photovoltaic plants in cooperation with the National Support Center for Agriculture is one of the key projects underlying the assumptions for ENEA Group's energy transformation. The cooperation between the ENEA Group and KOWR fits the assumptions of Poland's Energy Policy until 2040, which provides for development of renewable energy sources for the purpose of diversification of the production structure and reduction of energy sector's emissions.

10.37. Execution of the construction project of Ostrołęka C Power Plant

Detailed information on the execution of the Ostrołęka C Power Plant construction project are described in Note 18 to the Consolidated Financial Statements of the ENEA Group for the period from 1 January to 31 December 2021.

10.38. National Energy Security Agency

In April 2021, the Ministry of State Assets published a document entitled "Transformation of the power sector in Poland. Spin-off of coal assets from companies with a State Treasury shareholding" ("Transformation Program"), which includes a concept of spinning off, from the corporate groups of each utility company, assets associated with the generation of electricity in conventional coal-fired units ("Coal Assets"). The objectives of the Transformation Program envisage, among other outcomes, the integration of the Coal Assets within a single entity, specifically PGE Górnictwo i Energetyka Konwencjonalna S.A., which is a subsidiary of PGE S.A. and will ultimately run its business under the name of Narodowa Agencja Bezpieczeństwa Energetycznego (National Energy Security Agency, "NABE").

On 23 July 2021, ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A. and the State Treasury entered into a memorandum of understanding on cooperation in a spin-off of coal assets and their integration within the National Energy Security Agency (with an annex of 14 October 2021). The Parties to the memorandum of understanding recognize the need to coordinate their cooperation in the spin-off process of the Coal Assets and their integration in NABE. Under the Memorandum of Understanding, the Parties declare their mutual exchange of necessary information, including information on the organizational structures, processes and assumptions for the direction of the transformation, to the extent such exchange remains in compliance with the applicable laws. The Memorandum of Understanding will enable an efficient and effective execution of the process aimed at the establishment of NABE.

On 15 November 2021, an Agreement on the provision of strategic consulting services was entered into between ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KPMG Advisory sp. z o.o. sp. k. The agreement was entered into after conducting a procurement procedure entitled: Strategic Consulting (taking into consideration legal and tax services) in the process of the spin-off of coal-fired generation assets from the groups of ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., Energa S.A.

On 1 March 2022, the Council of Ministers adopted the Transformation Program. The role of NABE will be to secure energy security through stable deliveries of power produced from coal. The spin-off of coal-fired generation assets will allow energy groups to focus on accelerating investments in low- and zero-carbon energy sources and industrial infrastructure, consequently contributing to a significant degree to Poland's energy transition.

10.39. Political and economic situation in Ukraine

On 24 February 2022, the army of the Russian Federation invaded Ukraine, starting a large-scale military conflict. The event has had an enormous impact on the social, political and economic situation, not only in the region but also globally. The Group is analyzing consequences of the political and economic situation in Ukraine for the Group's financial statements and current and future financial and operating results but at present, it is impossible to determine the consequences of the impact.

Commodity and financial markets have seen elevated risk aversion and high volatility in commodity prices and financial instruments. Considerable volatility of prices of electricity and emission allowances (EUA) may make it necessary to supplement margin deposits at the Exchange Clearing House (IRGiT) and on foreign markets organizing trade in greenhouse gas emission allowances (the ICE, EEX), and consequently an increase in demand for working capital. Rising prices of raw materials create heightened expectations to raise interest rates (increasing inflationary pressure), which may contribute to an increase in debt financing costs. The clear depreciation of the Polish zloty may bring about an increase in operating expenses.

In connection with the introduction of third level CRP alert (CHARLIE-CRP) in the entire territory of Poland, the Group companies implemented the safeguards described in the Regulation of the Prime Minister of 25 July 2016 on the scope of measures taken during each alert and CRP alert level. Restrictions of access to IT systems resulting from the continuation of the CHARLIE-CRP alert level may cause delays in the performance of projects and implementations of IT systems.

In the Mining segment – the export sales of bituminous coal developed in recent years by LW Bogdanka, mostly to Ukraine, achieved 5.5% of the company's revenue from sales in 2021. In 2022, sales of coal to Ukraine, as a result of the military conflict, damages to the infrastructure and with a higher risk associated with deliveries, may be significantly hindered. At present, the scale of difficulties and how long they will continue cannot be precisely predicted. On the other hand, the current demand for steam coal in Poland is very high because, among others, a lower production in Poland and obstacles in import, therefore the event should not have a significant impact on the current and future financial results in the Mining segment.

In the Trading segment – increases in prices of gaseous fuel and electricity may deteriorate results of energy sellers in this year (the need to make a purchase for the needs of electricity balance) and prices for customers (for those who did not purchase energy at a guaranteed "fixed" price).

In the Generation segment – intervention support may be necessary in the electricity balance and, as a result, higher electricity production by conventional generation sources. At present, the Group does not identify any impact of the war in Ukraine on the execution of deliveries of bituminous coal to generation units of the ENEA Group. The Group believes that there may be difficulties in ensuring deliveries of biomass from Ukraine and Belarus but their effect on the financial results of the companies in the segment is difficult to measure now. If deliveries from the eastern direction are limited, they may be replaced first by deliveries from other directions (domestic, alternative). For the needs of electricity generation in units 2-7 of the ENEA Połaniec Power Plant and heat generation in the units of ENEA Ciepło, it is possible to replace biomass with coal.

In the Distribution segment, at present, the Group does not identify any adverse effect of the political and economic situation in Ukraine on the segment's operations and financial results.

As at the date of these consolidated financial statements, it is impossible to predict how the situation caused by the military conflict in Ukraine will develop and what further negative effects that may exert on the operations and financial standing of the Parent Company and the Group.

As at the date of this periodic report, the Group has not identified any risk regarding its capacity to continue as a going concern.

10.40. Concessions

Energy groups operate in the Polish energy market on the basis of the concessions granted to them. The table below presents the concessions held by ENEA Group companies:

Company	License for:
ENEA S.A.	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2025 trade in gaseous fuels – valid until 31 December 2030
ENEA Operator	<ul style="list-style-type: none"> distribution of electricity – valid until 1 July 2030
ENEA Nowa Energia	<ul style="list-style-type: none"> generation of electricity – valid until 31 December 2030
ENEA Wytwarzanie	<ul style="list-style-type: none"> generation of electricity – valid until 31 December 2030 trade in electricity – valid until 31 December 2030 generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Trading	<ul style="list-style-type: none"> trade in electricity – valid until 31 December 2030 trade in gaseous fuels – valid until 31 December 2030 cross-border trade in natural gas – valid until 31 December 2030
ENEA Ciepło	<ul style="list-style-type: none"> trade, generation, transmission and distribution of heat - a valid until 30 September 2028 trade in electricity - valid until 1 September 2028 generation of electricity - valid until 30 November 2028 trade in gaseous fuels - valid until 10 January 2029

MEC Piła	<ul style="list-style-type: none"> generation of heat- valid until 31 December 2025 transmission and distribution of heat - valid until 31 December 2025 generation of electricity - valid until 31 December 2030
PEC Oborniki	<ul style="list-style-type: none"> generation of heat – valid until 31 December 2025 transmission and distribution of heat – valid until 31 December 2025
ENEA Elektrownia Połaniec	<ul style="list-style-type: none"> generation of electricity – valid until 1 November 2025 trade in electricity - valid until 31 December 2030 generation of heat- valid until 1 November 2025 transmission and distribution of heat - valid until 1 November 2025
LW Bogdanka	<ul style="list-style-type: none"> extraction of bituminous coal from the Bogdanka deposit covered by the Puchaczów V mining area – valid until 31 December 2031 extraction of bituminous coal from the Lublin Coal Basin deposit – area K-3 covered by the Stręczyn mining area – valid until 17 July 2046 extraction of bituminous coal from the Ostrów deposit located in the following townships: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in the Lubelskie Voivodeship – valid until 31 December 2065 extraction of bituminous coal from the Lublin Coal Basin deposit – area K-6 and K-7 located in the Cyców township – valid until 31 December 2046.

Natural environment

10.41. Reduction of pollutant emissions

In accordance with the applicable EU regulations, in particular Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions – IED (integrated pollution prevention and control), new and more stringent environmental protection standards have been in force since 1 January 2016. Accordingly, all electricity generators in Poland, who predominantly use high-emission coal-firing technologies, were required to adapt their power units to the new environmental requirements. Another important amendment to law making the environmental requirements more strict, published on 17 August 2017, was Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 laying down BAT (best available techniques) conclusions for large combustion plants in accordance with Directive 2010/75/EU of the European Parliament and of the Council (the so-called kBAT). The published BAT conclusions introduced more stringent (than in the IED Directive) requirements for pollutants such as sulfur dioxide, nitrogen oxides and dust. The BAT-associated emission levels (the so called BAT-AELs) also apply to other substances, such as: mercury, hydrogen chloride, hydrogen fluoride and ammonia. The BAT conclusions started to apply from 18 August 2021, following the 4-year adjustment period. As kBAT were appealed against by the Polish government in October 2017 and the Court of Justice of the European Union (CJEU) issued a judgment of 28 January 2021 canceling kBAT of 31 July 2017, then on 30 December 2021 “new” BAT conclusions were published (Commission Implementing Decision (EU) 2021/2326 of 30 November 2021). The new conclusions are identical in content to the annulled ones, thus maintaining the continuity of the prevailing legal requirements.

Kozienice Power Plant – units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity production [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2021	7,047.9	0.515	3,946.8	8,444.1	0.617	4,728.7	371.8	0.027	141.2	11,593,312.0	847	13,694,800.6
2020	8,948.4	0.726	4,921.6	8,690.0	0.705	4,779.5	450.8	0.037	166.8	10,456,362.0	848	12,333,784.2
% change	-21.24	-29.07	-19.81	-2.83	-12.49	-1.06	-17.52	-25.72	-15.35	10.87	-0.15	11.03

In 2021, the emission fee rates increased:

SO₂: 0.55 PLN/kg in 2020 => 0.56 PLN/kg in 2021

NO_x: 0.55 PLN/kg in 2020 => 0.56 PLN/kg in 2021

Dust: 0.37 PLN/kg in 2020 => 0.38 PLN/kg in 2021

Kozienice Power Plant – unit 11 vs. units 1-10

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity production [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2021 Unit 11 ¹⁾	1,744.2	0.307	976.8	2,284.5	0.402	1,279.3	75.2	0.013	28.6	4,262,224.0	750	5,681,541.2
2020 Unit 11 ¹⁾	1,484.8	0.334	816.7	1,760.6	0.397	968.3	72.4	0.016	26.8	3,329,873.0	750	4,439,488.1
2021 Units 1-10	7,047.9	0.515	3,946.8	8,444.1	0.617	4,728.7	371.8	0.027	141.2	11,593,312.0	847	13,694,800.6
2020 Units 1-10	8,948.4	0.726	4,921.6	8,690.0	0.705	4,779.7	450.8	0.037	166.8	10,456,362.0	848	12,333,784.2

¹⁾ Data for unit 11 include emissions and fees for the start-up boiler house.

ENEA Połaniec Power Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity production [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2021	4,518.2	0.528	2,530.2	5,060.6	0.592	2,833.9	384.4	0.045	146.1	6,030,838.0	705.0	8,553,965.9
2020	7,272.5	1.057	3,999.9	5,184.7	0.753	2,851.6	378.7	0.055	140.1	4,555,878.8	662.0	6,882,202.7
% change	-37.9	-50.0	-36.7	-2.4	-21.4	-0.6	1.5	-18.2	4.3	32.4	6.5	24.3

Białystok CHP Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity production [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2021	217	0.131	121.5	495.6	0.299	277.5	37	0.022	13.7	312,696	188.8	517,388.296
2020	101	0.072	55.5	443	0.317	243.6	41	0.029	15.0	174,755	123.3	440,061.128
% change	114.8	81.0	118.7	11.9	-5.7	13.9	-11.4	-25.4	-9.0	78.9	50.7	17.6

Białystok "Zachód" Heat Plant

Years	SO ₂			NO _x			Dust			CO ₂		Gross electricity production [MWh]
	SO ₂ emissions [Mg]	SO ₂ emission factor [kg/MWh]	SO ₂ emission fee [PLN 000s]	NO _x emissions [Mg]	NO _x emission factor [kg/MWh]	NO _x emission fee [PLN 000s]	Dust emissions [Mg]	Dust emissions ratio [kg/MWh]	Dust emission fee [PLN 000s]	CO ₂ emissions [Mg]	CO ₂ emission factor [kg/MWh]	
2021	17.8	-	10.0	15.3	-	8.6	0.6	-	0.2	18,138	-	-
2020	13.6	-	7.5	12.8	-	7.0	1.0	-	0.4	14,588	-	-
% change	30.9	-	33.3	19.5	-	22.9	-40.0	-	-50.0	24.3	-	-

10.42. Compliance with formal and legal requirements

ENEA Wytwarzanie

On 30 June 2020, the Koziencice Power Plant terminated its participation in the Transitional National Plan (TNP) and, as of 1 July 2020, complies with the emission standards pursuant to provisions of the IED. At the same time, the Power Plant completed a program for adjusting the installations to the BAT conclusions, which came into force on 18 August 2021.

Pursuant to the Regulation of the Minister of Climate of 24 September 2020 on emission standards for certain installation types, fuel combustion sources and waste combustion or co-combustion installations, in relation to the installations of units 1-10 and the installation of unit 11 for emissions of all pollutants, the following conditions for deeming the emissions standards complied with apply:

- none of the approved average monthly concentrations of substances exceeds 100% of the emission standard,
- none of the approved average daily concentrations of substances exceeds 110% of the emission standard,
- 95% of all approved average hourly concentrations of substances during the calendar year does not exceed 200% of the emission standard.

If even one of the conditions specified in items a), b), c) is not met, there is a risk that a penalty will be imposed for each hourly exceedance counted from the beginning of the year.

The kBAT requirements were implemented to integrated permits for three power installations for fuel combustion operating in the Company – units 1-10, unit 11 and a start-up boiler house. The requirements considerably tightened the acceptable levels of emitted pollutions. Apart from the prevailing average monthly standards, very reduced average annual threshold emission levels (TELs) were introduced for previously limited emissions of SO₂, NO_x, CO and dust, as well as for newly introduced limited HCl, HF, NH₃ and Hg pollutants. The threshold emission levels were also applied to average daily concentrations of emitted SO₂, NO_x and dust. According to the current regulations, all the TELs – both average daily and annual levels must be complied with without considering measurement uncertainties.

No exceedance of the emission standards, threshold emission levels (TEL) and other formal and legal requirements was found in 2021.

Koziencice Power Plant meets the objectives set by the national and community law (IED directive, BAT conclusions). The Power Plant operates five flue gas desulfurization (FDG) installations, which guarantee the required reduction of SO₂ emissions from flue gases of all units. All units of the power plant are equipped with highly efficient electrostatic precipitators, which are upgraded on an ongoing basis in order to maintain high dust removal efficiency. All units (excluding unit 3) are also equipped with highly efficient selective catalytic NO_x reduction (SCR) installations.

ENEA Ciepło

As part of the “Zachód” Heat Plant installation, ENEA Ciepło takes advantage of the heat derogation arising from the IED as regards SO₂, dust and NO_x emissions.

In the period of validity of the heat derogation, i.e. from 1 January 2016 to 31 December 2022, emission standards as at 31 December 2015 are applicable.

ENEA Elektrownia Połaniec

ENEA Połaniec Power Plant takes advantage of the derogation arising from the IED – natural derogation of 17,500 hours covering boiler 1.

Until the end of 2021, 15,327 hours were used in total from the limit of 17,500 hours, including 1,755 hours in 2021 (917 hours in Q1, 390 hours in Q2, 234 hours in Q3 and 214 hours in Q4 2021).

10.43. Issues regarding Mining Area – LW Bogdanka:

Land reclamation

- maintenance of organized greenery, a waste disposal facility and post-industrial areas in the area of Pole Bogdanka, Nadrybie and Stefanów reclaimed in previous years, as well as railway facilities in Zawadowo was carried out on an ongoing basis.
- in October, remediation of slopes of the mining waste disposal facility started on the area of 6 ha. The works are planned to be completed in Q2 2022.

Surface protection

- the impact of mining operation conducted in 2021 on the surface was manifested, just as in the previous years, mainly through the expansion of the surface area of the impact exerted so far,
- the maximum subsidence in the Puchaczów V mining area remains in the area of Bogdanka and Nadrybie Wieś villages (Puchaczów commune) and amounts to ca. 7.5 m in the central part of the subsidence trough in this region,
- just as in the previous years, the damage to buildings in 2021 was caused mainly in rural buildings, whereby the reported damage to buildings did not cause any hazard to users and was repaired on an ongoing basis,
- works related to drainage of agricultural land in mining damage areas through ongoing maintenance of the surface field drainage system, pump house, pressure-equalizing tanks were performed in 2021.

Sanctions and fees which may be imposed on the Company for environmental protection purposes

- mining activity involves the payment of the mining fee, the fee for using the natural environment and water services and various other costs related to:
 - mining waste management,
 - maintenance of industrial waste land,
 - environmental monitoring,
 - preparing the land surveys and documentation necessary for the proper operation of the facility.

The mining fee is paid every 6 months to the bank accounts of the townships where the operation is carried out (60%) and to the National Fund for Environmental Protection and Water Management (NFOŚiGW) (40%).

The Parent Company meets the standards in the field of environmental protection and was not required to pay any penalties for violating the conditions of using the environment set out in applicable legal regulations in 2021.

Air protection

- the mine does not have any arranged emitter emitting dust and gases to the air;
- a non-arranged emitter is the extraction waste neutralization plant at Bogdanka which may be the source of dusting on dry and windy days;
- fugitive air emissions come from combustion of fuels in combustion engines used in the Parent Company and from combustion processes and air-conditioning devices

Water and waste water management refers mainly to mine water, including:

- rock mass drainage in the area of mine workings,
- re-use of mine water for fire protection and process purposes,
- pumping water to the surface,
- surface re-use of mine water (Mechanical Coal Processing Plant, Łęczyńska Energetyka – as part of the Water Treatment Station),
- mine water retention in a surface reservoir and sedimentation tank for the purpose of suspended solids reduction,
- water discharge from the reservoir through a system of drainage ditches and Rów Żelazny watercourse to the Świnka river in the amount of approx. 17,701 m³/24 hours are characterized by the total contents of chlorides and sulphates in the amount of 1,030 mg/dm³.

Waste management:

- in 2021, the total increase in mining waste was 4,790.51 thousand tons;
- approx. 54% of waste was subject to recycling and management. The amount of recycled waste, i.e., waste used for industrial waste land reclamation, road and yard hardening, cement production at “Ożarów” Cement Production Plant, and for other purposes, was 2,577.27 thousand tons;
- 98.5% of the waste is used to perform reclamation of brownfield and mining damage areas. Reclamation consists in restoring the original relief of such land through filling sand pits with mining waste, covering them with a layer of soil and its agricultural or forest development.
- other extraction waste (2,213.24 thousand tons) is stored in the extraction waste neutralization facility in Bogdanka;

- The Parent Company manages other industrial waste, releasing to the licensed entities any waste which is capable of reuse (timber, used oils, scrap metal, scrap conveyor belts) or intended for neutralization (used light sources, glue and paint packaging, etc.).

Other information

10.43. Expected financial situation

In 2021, given the increasingly demanding situation in the energy market, the ENEA Group had to face the events that significantly affected the activity of companies in the energy sector and their financial performance. Despite the challenges such as e.g. the current COVID-19 epidemic and the growing prices of CO₂ emission allowances on the market, the Group has generated financial and operating results at the expected levels. Because the Group forms a closed value chain from coal mining to the sales of electricity to end users, it is able to continuously react flexibly to the dynamic and volatile market and regulatory surroundings. On 24 February 2022, the army of the Russian Federation invaded Ukraine, starting a large-scale military conflict. The event has had an enormous impact on the social, political and economic situation, not only in the region but also globally. The Group is analyzing consequences of the political and economic situation in Ukraine for the Group's financial statements and current and future financial and operating results but at present, it is impossible to determine the consequences of the impact.

2021 was a record year for the Mining segment in terms of the coal sales levels (over 10 million tons), which translated into a growth of EBITDA y/y by PLN 328 million. Furthermore, since the beginning of 2021, there was also an increase in coal prices on global markets, which dynamically accelerated at the end of Q3 and the beginning of Q4 2021, achieved record levels. All those factors translated into very good financial results for 2021. In 2021, coal sales to Ukraine achieved 5.5% of LW Bogdanka's revenue from sales. In 2022, sales of coal to Ukraine, as a result of the military conflict, damages to the infrastructure and with a higher risk associated with deliveries, may be more difficult than before. At present, the scale of difficulties and how long they will continue cannot be precisely predicted. Nevertheless, according to LW Bogdanka, the present demand for steam coal is so high (among others, because of lower production in Poland and difficulties in import) that it will be possible to redirect the coal (originally earmarked for the Ukrainian market) to the domestic market or other foreign markets. The event should not have a significant impact on the current and future financial results. LW Bogdanka still intends to maintain the position of the leader in the steam coal supply market in Poland, at the same time focusing on greater coal production efficiency and profitability, respect for the natural environment and implementation of innovative solutions.

Over 44% of the ENEA Group's EBITDA was contributed by the Generation area. The segment achieved an EBITDA result higher by PLN 72 million y/y. In 2021, companies generated in total over 26 TWh of electricity, where renewable energy sources contributed more than 2 TWh. In subsequent years, the Group intends to increase the share of RES in the mix of production sources in order to diversify the generation structure and reduce emissions through capital expenditure projects connected with, for example, development of offshore wind farms. The measures are consistent with the European climate policy and with the ENEA Group Development Strategy until 2030 with an outlook to 2040, which assumes that climate neutrality will be achieved by 2050. Acting in accordance with the assumptions adopted for the transformation of the power sector in Poland, the ENEA Group takes steps to spin off from its structures any assets related to the generation of electricity in conventional coal-fired units. In the Generation area, intervention support may be necessary in the electricity balance and, as a result, higher electricity production by conventional generation sources. At present, the Group does not identify any impact of the military conflict outside the western frontier of Poland on the performance of deliveries of bituminous coal to generation units of the ENEA Group. The Group believes that there may be difficulties in ensuring deliveries of biomass from Ukraine and Belarus but their effect on the financial results of the companies in the segment is difficult to measure now. If deliveries from the eastern direction are limited, they may be replaced first by deliveries from other directions (domestic, alternative). For the needs of electricity generation in units 2-7 of the ENEA Połaniec Power Plant and heat generation in the units of ENEA Ciepło, it is possible to replace biomass with coal.

The Distribution Area is a stable part of the Group's activity. In the reported period it achieved a better EBITDA result than in the previous year (y/y growth by PLN 80 million). A growth in the EBITDA result resulted mainly from a higher volume of distributed electricity by 917 GWh. The ENEA Group consistently makes capital expenditures enhancing security and stability of energy supply. In the coming years, in the Distribution area, it is planned to continue the performance of investment tasks aiming to develop and modernize the grid infrastructure. The future activity will also focus on the performance of research and development projects co-financed from EU funds aiming to develop the distribution network in terms of increasing the potential of connecting renewable energy sources to the grid and the construction of a smart power grid as well as modernization, reconstruction and automation of lines and stations. In the Distribution segment, at present, the Group does not identify any adverse effect of the political and economic situation in Ukraine on the segment's operations and financial results.

The Trading Area recorded a decline in the EBITDA result in 2021 compared to the previous year (y/y drop by PLN 110 million). The decline in EBITDA is mainly due to the change in provisions related to onerous contracts, partially offset by higher margins realized on the retail market. In December 2021, the President of the Energy Regulatory Office approved the electricity tariff for households for the period from 1 January 2022 to 31 December 2022 (the rates increased by 36.9% on average). The tariff was approved at the reasonable market level applied for by the Company. In the Trading segment, however, increases in prices of gaseous fuel and electricity may deteriorate results of energy sellers in this year (the need

to make a purchase for the needs of electricity balance) and prices for customers (for those who did not purchase energy at a guaranteed “fixed” price).

The EBITDA result will depend to a large extent also on the political events observed recently outside the Polish eastern frontier as they may lead to an even greater dynamic changes in the economy, at the same time affecting the situation on the electricity market.

It should be noted that the years 2020-2023 are the maturity period of a large part of the financing incurred in previous years by the energy industry entities. The ENEA Group makes efforts to obtain funding for its investment and operating activities, yet the trend of adapting credit policies to the requirements of the Paris Agreement and the European climate policy is increasingly stronger among lenders (banks / institutional investors), which means that there are fewer and fewer entities willing to finance groups which include companies conducting an activity associated with bituminous coal mining or electricity production from conventional sources based on combustion of fossil fuels, including in particular lignite and bituminous coal. Conversely, there is a great interest among financial institutions in financing investments aiding energy transition towards renewable energy sources and providing funds through instruments containing the ESG (Environmental, Social and Governance) component, which require, among others, implementation of an environmental strategy and policy, observance of the rules of social responsibility and care for the natural environment. In connection with the political and economic situation in Ukraine, the financial markets are now unstable, risk aversion is clearly visible, which may make it difficult to obtain financing and cause costs of financing to increase. The situation may nevertheless result in a higher demand for production of electricity from conventional sources and thus affect favorably the perception of the ENEA Group by the financing entities. There are also some grounds for optimism as the Group’s cash flows are supported by proceeds from executed capacity contracts.

10.44. Financial instruments used

ENEA S.A. pursues the interest rate risk hedging strategy, the main objective of which is to hedge cash flows resulting from concluded financing agreements. The adopted strategy assumes limiting the risk of impact on the financial result of changes in cash flows resulting from the risk of interest rate changes on the market within a specified time horizon. As at 31 December 2021, ENEA S.A.’s total bond and credit exposure hedged with IRS transactions amounted to PLN 3,994,668 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totaling PLN 593,094 thousand. The hedging rate of exposure is 69% for the ENEA Group and 70% for ENEA S.A. only.

For the purpose of hedging the risk arising from the currency exposure in the reporting period, ENEA S.A. concluded 9 FX Forward transactions with the total volume of EUR 1,116 thousand.

10.45. Managing financial resources

The ENEA Group manages financial resources both in the short and in the long term. Measures are taken in the organizational area as well as on the decision-making and control planes. The primary objective of financial resource management is to ensure financial liquidity in a manner enabling maximization of economic benefits. The actions taken focus chiefly on:

- shaping the optimal level and structure of assets and selecting the sources of its financing appropriately (taking the cost of obtaining them into account),
- implementing such an investment strategy for the cash held as allows for the directions and forms of investing,
- planning cash flows and monitoring the concentration of cash on bank accounts,
- controlling the financial situation, analyzing the execution of material and financial plans and cash flow plans,
- selecting and implementing mitigation measures for the risks involved in the pursued business activity.

Financial resources are managed on an ongoing basis using the Cash Pooling mechanism. The used real Cash Pooling services enable physical consolidation and balancing of the participants’ accounts. The resulting shortages of cash of ENEA Group companies are covered with the use of the permitted intraday limits. In the case of insufficient cash balance to cover the shortages in the consolidated approach, the ENEA Group can use the available sources of external financing in the form of credits in current accounts. From the central level, the ENEA Group manages also financial surpluses by allocating them. The pursued actions are supplemented with quantitative analyses oriented towards preparing scenario analyses and an emergency funding plan. In order to unify the process of liquidity and financial liquidity risk management, ENEA Group companies have been covered by the regulation entitled “Liquidity Management and Liquidity Risk Management Policy of the ENEA Group”. The actions taken as part of managing financial resources in the long-term perspective focus mainly on the identification of the demand for cash in the long term, obtainment of financing for the emerging cash needs and its distribution in accordance with the demand arising within the Group. Financing is obtained in the ENEA Group by the central level, i.e. ENEA S.A., as part of the so-called central financing obtainment mechanism.

10.46. Entity authorized to audit financial statements

The Supervisory Board of the Company appointed PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyty Sp. K. (hereinafter referred to as PwC) to carry out the financial audit activities for 2021 and 2022 referred to in the table below: The agreement with the above-mentioned entity was signed on 19 March 2021. The agreement was concluded for a period of 2 years.

Signing the agreement with PwC continues the cooperation carried out since 26 January 2018 and regarding audits of annual standalone and consolidated financial statements of ENEA S.A. and its subsidiaries, reviews of interim standalone and consolidated financial statements of ENEA S.A. and its subsidiaries. In addition, in 2020 and 2021, PwC provided ENEA S.A. and its subsidiaries with other services which involved: reviewing the regulatory report under Article 44 of the Energy Law, verification of the

consolidated report in the XBRL format and verification of the remuneration report, review of the excise tax ratio, review of the electricity consumption intensity ratio, review of RAB and RAB AMI, review of satisfaction of conditions of loan agreements.

Information on the net fee due to entities performing financial audit activities for ENEA S.A. in the period 2020-2021 is presented in the table below:

Data in thousand PLN, including:	2021	2020
Fee for the audit of the annual standalone and consolidated financial statements of ENEA S.A.	229	179
Fee for the audit of the annual financial statements of subsidiaries	1,397	1,159
Fee for the audit of the interim financial statements and interim consolidated financial statements of ENEA S.A. and for the audit of interim financial statements of subsidiaries	262	146
Fee for other services	186	158
TOTAL	2,074	1,642

10.47. Sponsorship and charitable activity policy

The ENEA Group, as a socially-responsible company, engages in sponsorship projects in the area of sports, culture and corporate social responsibility locally, regionally and nationally.

The key documents regulating sponsorship activity in the ENEA Group include:

- Rules for conducting sponsorship activities in the ENEA Group,
- Best Practices for conducting sponsorship activities in State Treasury-owned companies.

The portfolio of sponsorship projects assumes engagement in the areas of particular importance for the country and its inhabitants and the long-term comprehensive development of the selected area. The sponsorship projects serve to distinguish ENEA's image among other energy groups. Through sponsorship, the ENEA Group achieves goals such as building a positive image, strengthening of the relationship with the brand, building brand recognition and support for commercial activities. Sponsorship activities and the social responsibility activities should provide the tools allowing us to reach current and prospective Clients and provide an image support for our business activities. The main theme SPORT – HEALTH – ECOLOGY was particularly important in terms of sponsorship- and image-related activities in 2021. The ENEA Group used this key message to strengthen and build its image in the context of the challenges faced by the entire power industry.

The ENEA Group, as a socially responsible entity, executes a range of original projects in support of social campaigns and actions and, in the situation that is exceptional for the region, country and world, namely the coronavirus pandemic, the ENEA Group actively joins support activities. As part of its socially engaged activities, the ENEA Group pursues environmentally friendly actions, educational programs, including scholarship programs, social campaigns as well as educational, sports, recreational and cultural events. Detailed information on the sponsorship and charitable activity can be found in the "Non-Financial Statement of ENEA Group for 2021" which is Chapter 12 hereof.

11. Representation on the application of corporate governance

11.1. Identification of the applicable set of rules

Creating shareholder value, also through the Company's transparency, is one of the ENEA Group's priorities. Having that in mind, the Management Board of ENEA S.A. represents that until 1 July 2021 the Company applied the corporate governance rules forming an Attachment to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 titled "Best Practice for WSE Listed Companies 2016" (BPLC 2016).

In 29 March 2021, the Supervisory Board of the Warsaw Stock Exchange passed a resolution on adopting "Best Practice for WSE Listed Companies 2021" (BPLC 2021), which became effective as of 1 July 2021.

Currently, as at 31 December 2021, the Issuer has been, since 1 July 2021, bound by the corporate governance rules set out in BPLC 2021, published on the WSE website at <https://www.gpw.pl/dobre-praktyki2021>.

Because the Prime Minister did not define best practice in the field of corporate governance referred to in Article 7(3) of the Act on the Rules for Managing State Property, in 2021 the Company did not, in respect of best practice, apply any practices other than those specified in the BPLC.

In connection with the obligation of the Management Board under Article 11(4)(2) of the Company's Articles of Association to submit a report to the Supervisory Board on the application of best practices specified by the Prime Minister and given that ENEA S.A. observes the "Best Practice for WSE Listed Companies", in 2021 the Company did not apply best practices other than the "Best Practice for WSE Listed Companies 2016" in effect until 30 June 2021 and "Best Practice for WSE Listed Companies 2021" in effect since 1 July 2021.

11.2. Waived corporate governance rules and recommendations

It is the intention of the ENEA S.A. Management Board to apply all corporate governance rules. However, due to the fact that some rules may expose the Company to an excessive burden which may be disproportionate to any benefits resulting from market needs, in accordance with the above explanations, the Company does not apply rules 1.4.2., 2.1., 2.2., 4.1., 4.3., 4.8., 4.9.1. of the BPLC 2021.

Information and investor communication policy

1.4.2. To ensure adequate communication with stakeholders, as regards its adopted business strategy, the Company publishes on its website relevant information on the assumptions of the strategy in place, measurable goals, including, without limitation, long-term goals, planned actions and the current progress towards its objectives, as expressed in financial and non-financial metrics. Information on ESG strategy should, among other things:

- indicate the value of the Company's equal pay ratio for salaries paid to employees, calculated as a percentage difference between average monthly salary (including bonuses, awards and other extra allowances) of women and men for the last year, and indicate information on the measures taken to eliminate any inequalities in this respect, along with the identification of any related risks and the time frame over which equality is planned to be ensured.

Company's comment: The Company's intention is to endeavor to guarantee equal rights for its personnel in all aspects of employment, including by seeking to ensure equal pay for women and men. This notwithstanding, the Company currently does not present separate values of the equal pay ratio in respect of its female vs. male staff. The employment structure in the ENEA Group's member companies tends to display a noticeable over-representation of men over women, while information regarding the employment and employee compensation is presented in the Company's periodic reports published in compliance with the generally applicable provisions of law. Moreover, such data, augmented by the breakdowns of jobs by gender, age, type of employment contract, resignations and new hires, are published online every year in the ENEA Group's ESG Reports (<https://raportesg2020.csr.enea.pl/>). At the same time, the Company will strive, whenever reasonable, to present additional data in compliance with the guidelines delineated by this rule.

Management Board and Supervisory Board

2.1. The Company should have a diversity policy in place with respect to the Management Board and Supervisory Board, adopted by the Supervisory Board or General Meeting, respectively. A diversity policy sets out diversity goals and criteria in areas including gender, field of education, expertise, age and professional experience as well as indicates the time frame and method for monitoring the achievement of those goals. As regards gender diversity, the condition for ensuring diversity in the Company's corporate bodies is for a minority to have a no less than 30% representation in a given corporate body.

Company's comment: The Company does not currently have in place a Diversity Policy adopted by the Supervisory Board or the General Meeting. However, diversity principles are applied within the Company. Currently, there are no women in the Company's Management Board. However, the Supervisory Board is composed of both women and men. The current gender mix in the Company's corporate bodies does not ensure differentiation at a level of at least 30%. However, it should be emphasized that the election of members for the Company's corporate bodies is based on the generally applicable provisions of law and the Company's Articles of Association, in consideration of pertinent recruitment documents. Members for the Company's Management Board and Supervisory Board are selected based on a variety of criteria, including gender, education, age and professional experience. Recruitment activities are carried out by the Company's bodies authorized to appoint such individuals.

2.2. Decision-makers with respect to the selection of the Company's Management Board or Supervisory Board members should ensure these bodies are comprehensive by electing individuals that guarantee diversity, for example by making it possible to reach

a target minimum minority representation of no less than 30%, in accordance with the goals set out in the diversity policy in place referred to in rule 2.1.

Company's comment: Diversity principles are applied within the Company. However, it should be emphasized that the election of members for the Company's corporate bodies is based on the generally applicable provisions of law and the Company's Articles of Association, in consideration of pertinent recruitment documents. Members of the Company's Management Board and Supervisory Board are selected based on a variety of criteria, including gender, education, age and professional experience. Recruitment activities are carried out by the Company's bodies authorized to appoint such individuals.

General Meeting and shareholder relations

4.1. The Company should make it possible for shareholders to participate in the general meeting using electronic means of communication (e-general meeting), if the same is justified by shareholders' expectations communicated to the Company, as long as the technical infrastructure necessary to hold such a general meeting can be provided.

Company's comment: The Company does not conduct its General Meetings using electronic means of communication (e-general meeting). No reasonable expectations in this respect have been received by the Company from its shareholders. In the Company's opinion, certain risks of a technological and legal nature exist in the context of the conduct of General Meetings using electronic means of communication.

4.3. The Company provides generally available broadcast of the general meeting in real time.

Company's comment: Please be advised that the Company does not provide publicly available real-time broadcasts of its General Meetings. However, video and sound are recorded during the Company's General Meetings, and are subsequently uploaded to the Company's corporate website and made available for playback.

4.8. Draft resolutions of the general meeting on matters included in the general meeting agenda should be notified by shareholders no later than 3 days before the general meeting.

Company's comment: As regards the exercise of corporate rights by shareholders, the Company observes predominantly the principles arising from the generally applicable provisions of law, according to which a shareholder or shareholders representing at least one-twentieth of the share capital may submit to the Company, prior to the date of the General Meeting, draft resolutions on matters included in the agenda of the General Meeting or matters requested to be put on the agenda. Moreover, during the General Meeting, each shareholder may submit draft resolutions on matters included in the agenda. The Company may not influence any actions in this respect by its shareholders, yet it encourages shareholders to submit their draft resolutions well in advance, in compliance with this principle.

4.9.1. Candidates for the Supervisory Board members should be nominated within a time frame that makes it possible for shareholders present at the general meeting to make an informed decision, but no later than 3 days before the general meeting; candidates, along with the complete set of relevant materials, should be immediately published on the Company's website;

Company's comment: As regards the exercise of corporate rights by shareholders, the Company observes predominantly the principles arising from the generally applicable provisions of law, according to which a shareholder or shareholders representing at least one-twentieth of the share capital may submit to the Company, prior to the date of the General Meeting, draft resolutions on matters included in the agenda of the General Meeting or matters requested to be put on the agenda. Moreover, during the General Meeting, each shareholder may submit draft resolutions on matters included in the agenda. The Company may not influence any actions in this respect by its shareholders, yet it encourages shareholders to propose their candidates well in advance, in compliance with this principle.

11.3. A description of main features of internal control and risk management systems used at the issuer's enterprise when drafting consolidated financial statements

The principles and procedures for preparing financial statements are regulated, in particular, by the International Financial Reporting Standards, the Accounting Act and internal procedures in place at ENEA S.A.

The establishment of systems of internal control and risk management as regards the process of preparation of consolidated financial statements aims particularly at guaranteeing the completeness and correctness of financial information included in financial statements and periodic reports.

The ENEA S.A. Management Board is responsible for the ENEA Group's internal control system and its effectiveness in the process of preparing the financial statements and periodic reports. The purpose of an effective internal control system in the financial reporting process is to ensure completeness and correctness of financial information contained in financial statements and interim reports.

Financial statements and periodic reports as well as monthly management and operating reporting applied by Enea S.A. ("Company") are based on data derived from the Company's financial and bookkeeping system. After the performance of all the pre-determined ledger closing processes at the end of each month, detailed financial and operational managerial reports are prepared. These reports are drafted by the Group's Controlling Department with co-participation of middle and senior management of the individual organizational cells. With respect to closed reporting periods, not only the Company's financial results but also respective business areas are subject to detailed analysis. Annual reviews of strategies and economic and financial plans are carried out in the Company. Middle and senior management are particularly involved in the process of detailed planning and budgeting, which covers all areas of the ENEA Group's operations. The Company's Management Board adopts the material and financial plan prepared by the Group's Controlling Department, and the Supervisory Board approves the plan. During the year, the Company's Management Board oversees the pursuit of the objectives laid down in the adopted material and financial plan. The management cockpit developed by the Group's Controlling Department in cooperation with other Departments constitutes a

valuable source of information for the Supervisory Board on the current financial situation, environment and the level of attainment of objectives in critical areas.

The Company continuously employs cohesive accounting rules to present financial data in the financial statements, periodic reports and other reports conveyed to shareholders.

The ENEA Group regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. Based on the assessment conducted, the Management Board of ENEA S.A. concludes that as at 31 December 2021 there were no irregularities which could have significantly affected the effectiveness of internal control as regards financial reporting.

As part of risk management with respect to the financial statement preparation process, an independent statutory auditor's review of the financial statements is one of the key elements of external control. Auditor's tasks include, without limitation: reviewing semi-annual financial statements and auditing the annual standalone and consolidated financial statements. The independent auditor is selected by the Supervisory Board. After the auditor completes the audit of financial statements, they are sent to Supervisory Board members and the Supervisory Board assesses the compliance of the standalone and consolidated financial statements with the ledgers and documents and with the factual status. Pursuant to the Accounting Act, the Management Board and the Supervisory Board members are required to ensure that the financial statements satisfy the requirements provided for in the Accounting Act.

Another important element of the internal control system is the internal audit function performed by the Audit Management Division. Internal Audit at ENEA Group is independent and reports to the Audit Committee operating within the Supervisory Board. The main tasks of internal audit are, without limitation, to support the effectiveness of the internal control, risk management and compliance systems by: providing an independent assessment of the above-mentioned systems, auditing and evaluating relevant controls in processes performed by ENEA Group companies, recommending improvements, for example as regards corporate governance, and monitoring the efficient implementation of the recommendations issued. The inspection activities and process monitoring undertaken by the Company result in a low likelihood of the risk of an untimely or incorrect preparation of information on the Company's financial performance.

11.4. Information about shares and shareholders

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2021 and potential changes within its structure is presented in Section 8 "Shares and shareholding".

11.5. Securities with special control rights

Until the date of these financial statements, ENEA S.A. has not issued any securities that would give special rights of control over the Issuer.

11.6. Restrictions regarding the exercise of voting rights

As at the date of these financial statements, there are no restrictions at the Company regarding the exercise of voting rights, except for those arising from generally applicable laws.

11.7. Restrictions on free transferability of securities

As at the date of preparation of this report, the Company has no limitations concerning transfer of the title to securities of the Issuer other than those resulting from the generally applicable regulations, including the Act of 16 December 2016 on the Rules for Managing State Property, which stipulates that the shares of ENEA S.A. held by the State Treasury may not be sold.

11.8. Procedure and basic powers of the General Meeting, description of shareholders' rights and procedure for exercising them

The General Meetings of ENEA S.A. are held based on the Commercial Company Code, ENEA S.A.'s Articles of Association and Rules and Regulations of the General Meeting, taking into account the principles adopted by the Company through the application of the "Best Practice for WSE Listed Companies".

In accordance with the Articles of Association of ENEA S.A., the Company's Management Board convenes the General Meeting in cases provided for in relevant laws and regulations and in the Articles of Association as well as when requested in writing by the main shareholder, i.e. State Treasury, which, for as long as it remains the Company's shareholder, irrespective of its shareholding, may require, pursuant to Article 400(1) of the Commercial Company Code, that an Extraordinary General Meeting should be convened and that specific matters should be included in the agenda of the upcoming General Meeting.

Such request should be submitted in writing to the Management Board no later than one month before the proposed date of the General Meeting. If the request is submitted after the General Meeting has been convened, it will be deemed a request for convening a subsequent Extraordinary General Meeting.

As stipulated by Article 29(3) of the Articles of Association, where the General Meeting has not been convened within two weeks of relevant request being submitted, the State Treasury shareholder may obtain the right to convene the General Meeting in accordance with Article 354(1) of the Commercial Company Code.

In addition to the matters specified in mandatory provisions of law and in other provisions of the Articles of Association, the powers of the General Meeting include:

- the power to appoint and recall Supervisory Board members, subject to the provisions of the Articles of Association authorizing the State Treasury shareholder to appoint and recall one Supervisory Board member (in accordance with Article 354(1) of the Commercial Company Code) where the State Treasury has ceased to be the Company's sole shareholder.
- the power to adopt General Meeting bylaws defining detailed principles of conducting meetings and adopting resolutions,

- the power to issue convertible or exchangeable bonds and other instruments carrying the right to purchase or subscribe for the Company's shares.

11.8.1. Right to participate in the General Meeting

Pursuant to Article 406¹ § 1 of the Commercial Company Code, only those who have been the Company's shareholders sixteen days prior to the date of the General Meeting (date of registration for the General Meeting) have the right to participate in the Company's General Meeting. Moreover, Management Board and Supervisory Board members may participate in the General Meeting of ENEA S.A. where the participant composition makes it possible to provide substantive answers to the questions asked at the General Meeting.

11.8.2. Right to participate in the General Meeting by proxy

A shareholder may participate in the General Meeting of ENEA S.A. and exercise his/her/its right to vote in person or by proxy.

11.8.3. Shareholder rights

The company's shareholder(s) representing at least one-twentieth of the share capital may request the inclusion of specific business in the agenda of the General Meeting of ENEA S.A. Such request containing the reasons or a draft resolution concerning the proposed agenda item should be submitted to the ENEA S.A. Management Board not later than 21 days prior to the date of the meeting.

The company's shareholder(s) representing at least one-twentieth of the share capital may, before the date of the General Meeting of ENEA S.A., propose draft resolutions regarding items introduced or to be introduced in the agenda of the General Meeting.

During the General Meeting, each shareholder may submit draft resolutions concerning matters included in the agenda. Such drafts should be presented in Polish.

Shareholders participating in the Extraordinary General Meeting of ENEA S.A. have the right to ask questions regarding matters included in the agenda of the General Meeting.

11.8.4. Rules for amending the Company's Articles of Association

In accordance with the provisions of the Commercial Company Code, an amendment to the Company's Articles of Association requires a resolution adopted by a specific majority of votes and a relevant entry in the register. The Company's Statute does not contain any provisions different from the provisions of the Commercial Company Code governing amendments to the Statute.

11.8.5. Diversity policy

In 2021, no formalized diversity policy was implemented by ENEA S.A. with respect to the Company's governing bodies (Management Board or Supervisory Board Members) and its key managers. The Company endeavors to ensure that the appointment of its governing bodies and key managers is each time conducted pursuant to the commonly binding legal regulations and preceded by a thorough analysis of the experience, competence, skills and substantive preparation of each candidate, regardless of other non-substantive criteria, including, without limitation, sex or age. In the Company's opinion, the assessment criteria applicable to candidates for the said positions enable the selection of candidates who warrant the ability to pursue the Company's strategy and grow its business.

11.9. Management Board of ENEA S.A.

11.9.1. Composition

In accordance with the Company's Statute, the Company's Management Board is composed of between 3 and 8 Members, including the President of the Management Board. The number of Management Board Members is defined by the Supervisory Board. Currently, the ENEA S.A. Management Board is composed of six Members. The composition of the Company's Management Board as at the date of preparation of this report is presented in Section 9 "Governing bodies".

11.9.2. Rules for appointing and dismissing members of managing bodies

In accordance with the Company's Statute, Management Board Members or the entire Management Board are appointed and dismissed by the Supervisory Board, subject to the option to elect one person by the Company employees pursuant to § 14 of the Company's Statute. § 14 of Company's Statute provides that if the annual average employment in the Company is more than 500 employees (there is no such situation in ENEA S.A. at present), the Supervisory Board appoints one person elected by the Company employees as a Management Board Member for the term of office of the Management Board. When appointing Management Board Members, the Supervisory Board complies with the rules set forth in § 13(8) and (9) of the Company's Statute and the principles resulting from the provisions of generally binding laws. The rules and procedure for electing a Management Board Member elected by the employees have been described in § 14(7) of the Company's Statute.

11.9.3. Competences and powers of the Management Board

The Management Board runs the Company's day-to-day business and represents it. The powers, organization and principles of operation of the Management Board are defined by the provisions of the Commercial Companies Code, the Company's Statute and the Rules and Regulations of the Management Board. Resolutions of the Management Board are required for all matters exceeding the scope of the Company's ordinary activities, in particular:

- adopting the Company's organizational rules and regulations, subject to their approval by the Supervisory Board
- establishing and liquidating branches,
- appointing a commercial proxy and an attorney-in-fact, save an attorney for litigation purposes, with the appointment of a commercial proxy requiring the consent of all Management Board Members,
- taking out loans and borrowings,

- adopting annual material and financial plans, including investment plans, and strategic multiannual plans, subject to their approval by the Supervisory Board,
- incurring contingent liabilities, including granting warranties and sureties and issuing bills of exchange by the Company,
- acquiring, disposing of, or encumbering real property, perpetual usufruct or real property interest on the basis of one or more legal acts during twelve consecutive months with a value of the equivalent of PLN 200,000 or more,
- granting the leasing, renting, hiring, lending, usufruct or any other use of the Company's real property,
- assuming the leasing, renting, hiring, usufruct or any other use of the real property, on the basis of one or more legal acts during twelve consecutive months, with the value of the rent for the twelve consecutive months equivalent to PLN 200,000 or more,
- acquiring, selling or encumbering non-current assets, with the exception of real property, perpetual usufruct or real property interests, on the basis of one or more legal acts during twelve consecutive months, with a value equivalent to PLN 200,000 or more,
- granting the leasing, renting, hiring, lending, usufruct or any other use of non-current assets, except for real property,
- assuming the leasing, renting, hiring, usufruct or any other use of non-current assets, except for real property, on the basis of one or more legal acts, during twelve consecutive months, with the value of the rent for twelve consecutive months equivalent to PLN 200,000 or more,
- matters the resolution of which is requested by the Management Board from the Supervisory Board or General Meeting,
- determining the method of exercising the voting right by the Company at the General Meeting or Shareholder Meeting of Material Subsidiaries,
- adopting rules and procedures aimed at implementing the common economic interest of the group, including those based on the group's business segments (business areas) and shaping: organizational, information-related and decision-making structures within the group as well as procedures for managing business activities and joint ventures within the group in order to ensure the functional and economic efficiency of the group's business.

11.9.4. Management Board's principles of operation

The Management Board operates on the basis of the provisions of the Commercial Company Code, the Company's Statute and the Rules and Regulations of the ENEA S.A. Management Board. The Rules and Regulations of the Management Board are adopted by a resolution of the Management Board and approved by the Supervisory Board. The current version of the Rules and Regulations of the ENEA S.A. Management Board was approved by a resolution of the Supervisory Board on 26 January 2022.

Two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a commercial proxy are required to make declarations of will on behalf of the Company.

In accordance with the Rules and Regulations of the Management Board, meetings of the Management Board are held on Tuesdays at the Company's registered office unless the President of the Management Board or a Management Board Member appointed by the President decides otherwise.

Meetings of the Management Board of the Company are convened by the President of the Management Board or by a Management Board Member appointed by the President at his/her own initiative or at the request of two Management Board Members. The participation in meetings of the Management Board is obligatory. A Management Board Member gives reasons for his/her absence at a meeting of the Management Board in writing or using means of remote communication. Absence at a meeting of the Management Board is excused by the Chairperson of the meeting. Company employees, experts and external advisors may be invited to meetings of the Management Board. The agenda and necessary documents for a meeting of the Management Board are delivered by the Service Office for the Company's Bodies at least two business days prior to the meeting of the Management Board. For important reasons, a meeting may be convened with immediate effect and without delivering any materials. A condition for holding an ad-hoc meeting is an effective notice of the meeting to all Management Board Members.

Management Board decisions relating to the management of the Company affairs as referred to in § 11 item 2 of the Company's Statute require a resolution of the Management Board. The Management Board adopts resolutions if at least a half of its Members are present at a meeting and all Members have been duly notified of the meeting. In the event of a tie vote when adopting a resolution by the Management Board, the President of the Management Board has the casting vote.

The Management Board may adopt resolutions using means of direct remote communication or in writing with the adoption of a resolution in accordance with this procedure requires substantiation and a prior presentation of the draft resolution to all Management Board Members. Resolutions adopted in writing or by means of direct remote communication will be presented at the next meeting of the Management Board with the outcome of the voting.

The full text of the Statute and the Rules and Regulations of the ENEA S.A. Management Board containing a detailed description of the activities of the Management Board is available at www.enea.pl in the "Investor Relations" -> "Corporate Governance" tab.

11.10. ENEA S.A. Supervisory Board

11.10.1. Composition

In accordance with the Company's Statute, the Supervisory Board is composed of between 6 and 15 Members appointed by: (i) the General Meeting, (ii) the Company employees and (iii) the State Treasury. The Supervisory Board should be as a minimum composed of two persons nominated by the General Meeting from among the persons satisfying the independence criterion specified in the corporate governance rules adopted by the Supervisory Board of the Warsaw Stock Exchange. At present, the ENEA S.A. Supervisory Board is composed of ten Members and is the Supervisory Board of the 10th term of office. The composition of the Company's Supervisory Board as at the date of publication of this report, including the information about changes in 2021, and until the day of preparation of the report is presented in Section 9 "Governing bodies".

11.10.2. Principles of operation

The Supervisory Board operates on the basis of the provisions of the Commercial Company Code, the Company's Statute and the Rules and Regulations of the ENEA S.A. Supervisory Board adopted by a resolution of the Supervisory Board of 15 December 2009. The Rules and Regulations of the ENEA S.A. Supervisory Board amended by a resolution of the Supervisory Board of 25 November 2020 is currently in force. The Supervisory Board exercises permanent supervision over the Company's activity in all areas of its activity. Special duties of the Supervisory Board include evaluation of the Management Board's report on the Company's activity and the financial statements for the previous financial year in terms of their compliance with the books, documents and facts.

Additionally, the competences of the Supervisory Board include evaluation of the motions of the Management Board regarding distribution of profit or coverage of loss as well as submission of an annual written report on the outcome of such an evaluation to the General Meeting. The Supervisory Board holds meetings at least once every two months. Meetings of the Supervisory Board are convened by the Chairperson or Deputy Chairperson of the Supervisory Board while presenting a detailed agenda. A meeting of the Supervisory Board should be convened at request of each Supervisory Board Member or under a motion of the Management Board. A Supervisory Board Member is obliged to participate in a meeting of the Supervisory Board. A Supervisory Board Member presents the reasons for his/her absence in writing. Excusing the absence of a Supervisory Board Member requires a resolution of the Supervisory Board.

11.10.3. Operation of the ENEA S.A. Supervisory Board

A meeting of the Supervisory Board is convened within two weeks of the date of receiving a motion. The convening of a meeting of the Supervisory Board requires a written invitation to all Supervisory Board Members at least 7 days prior to the meeting of the Supervisory Board. The Chairperson of the Supervisory Board may shorten the time-limit to 2 days for important reasons and determine the invitation delivery method. In the invitation to a meeting of the Supervisory Board, the Chairperson sets the date of the meeting, place of the session and a detailed draft agenda. Materials concerning the matters included in the agenda are sent along with the invitation.

In cases indicated in the Rules and Regulations of the Supervisory Board, meetings of the Supervisory Board may also be held without being formally convened.

Meetings of the Board are conducted by the Chairperson of the Supervisory Board or, in his/her absence, by the Deputy Chairperson or another Supervisory Board Member selected at the meeting.

The Chairperson of the Supervisory Board, and in his/her absence the Deputy Chairman or another Supervisory Board Member chairing the meeting, ensures that meetings of the Supervisory Board are conducted efficiently and correctly, in accordance with the adopted agenda, legal regulations, the Statute and the Rules and Regulations of the ENEA S.A. Supervisory Board, and, in particular, has an exclusive right to:

- open, conduct and close meetings of the Supervisory Board,
- give the floor to and take the floor away from Supervisory Board Members,
- issue standing orders,
- order voting, ensure that it is held properly and announce its outcome,
- resolve procedural issues,
- order recess in meetings of the Supervisory Board,
- give instructions to the minute-taker at the meeting of the Supervisory Board,
- distribute written resolutions of the Supervisory Board,
- take any other actions required for an efficient operation of the Supervisory Board.

When considering each tabled matter, the Supervisory Board Members have the right to evaluate draft resolutions by way of a discussion or put forward amendments to them. The discussion should be held in accordance with the following rules:

- a Supervisory Board Member may take the floor exclusively in matters included in the agenda and as regards the currently considered item on the agenda,
- when considering each issue on the agenda, depending on its subject, the Chairperson may set a time-limit per speaker,
- the Chairperson may instruct the speaker who diverges from the topic, exceeds the permitted time-limit, or makes prohibited utterances,
- the Chairperson has the right to take the floor away from the speakers who do not abide by the Chairperson's instructions or who take the floor in breach of the Rules and Regulations,
- the Chairperson decides on termination of the discussion after hearing the Supervisory Board Members who have requested to speak.

The proposed agenda may be changed if all Supervisory Board Members are present at a meeting and no one objects to the proposed change in the agenda. A matter not included in the agenda is included to the agenda of the next meeting.

The Supervisory Board adopts resolutions if at least a half of its Members are present at a meeting and all Members have been duly invited. The Supervisory Board adopts resolutions by an absolute majority of votes.

In the event of a tie vote when adopting a resolution by the Supervisory Board, the Chairperson has the casting vote.

Subject to the events described in the Commercial Company Code, the Supervisory Board may adopt resolutions without holding a meeting: 1) by affixing signatures on the same copy (copies) of the draft resolution or on separate documents containing the same text or 2) using a telephone or other means of remote communication in a manner enabling direct communication of all participating Members.

The adoption of a resolution in accordance with the procedure provided in item 1) requires its prior substantiation and presentation of the draft resolution to all Supervisory Board Members along with the substantiation. Resolutions adopted in writing or by means of direct remote communication are presented at the next meeting of the Supervisory Board with the outcome of the voting. The Supervisory Board may adopt resolutions in writing or by means of direct remote communication also in matters for which the company's Statute provides for a secret ballot unless an objection is made by any Supervisory Board Member. Supervisory Board Members may participate in adopting resolutions of the Supervisory Board by casting votes in writing through another Supervisory Board Member (subject to Article 388 § 2 of the Commercial Company Code).

The full text of the Statute and the Rules and Regulations of the ENEA S.A. Supervisory Board containing a detailed description of the activities of the Supervisory Board is available at www.enea.pl in the "Investor Relations" -> "Corporate Governance" tab.

11.10.4. Supervisory Board's Committees

In accordance with the provisions of the Rules and Regulations of the Supervisory Board, the following standing committees operate within the Supervisory Board:

- Audit Committee,
- Nominations and Remuneration Committee,
- Strategy and Investment Committee.

Each Committee is composed of at least three Members appointed and dismissed by the Supervisory Board from among its Members for the period equal to the term of office of the Supervisory Board. Members of the Committee elect the Chairperson of the Committee from among themselves. The Chairperson of a Committee manages the works performed by the Committee, in particular the organization and meetings of the Committee.

11.10.4.1. Audit Committee

As at the day of publication of this report, the Audit Committee operates in the following composition:

Audit Committee	
Name	Function
Tomasz Lis ¹⁾²⁾³⁾	Chairman
Dorota Szymanek ¹⁾	Member
Roman Stryjski ¹⁾	Member
Maciej Mazur ¹⁾	Member
Piotr Mirkowski ^{1) 3)}	Member
Mariusz Pliszka ^{1) 3)}	Member

¹⁾ An independent member within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, audit firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2021,

²⁾ Member with knowledge and skills in accounting or audit of financial statements, based on his/her education and previous professional experience.

³⁾ Member with knowledge and skills in the industry in which the issuer operates, based on his/her education and previous professional experience.

11.10.4.1.1. Activity of the Audit Committee

A detailed description of the powers of the Committee is included in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089, as amended) and the Rules and Regulations of the ENEA S.A. Supervisory Board.

Most Audit Committee Members, including the Chairperson of the Audit Committee, should satisfy the independence criterion within the meaning of Article 129(3) of the Act of 11 May 2017 on Certified Auditors, Audit Firms and Public Oversight, and the Audit Committee should be composed of at least one Member who has knowledge and skills in accounting or auditing of financial statements. Audit Committee Members have knowledge and skills in the industry in which the Issuer operates. This condition is considered satisfied if at least one Audit Committee Member has the knowledge and skills in the industry or individual Members have the knowledge and skills in the industry in specific fields.

The task of the Audit Committee is to advise the Supervisory Board about the internal policy and budgetary procedures adopted by the Company and control them as well as provide consultancy about the Company's relationship with a statutory auditor, including in particular:

- 1) monitoring:
 - a) the Company's financial reporting process,
 - b) the effectiveness of internal control systems and risk management system as well as internal audit, including financial reporting,
 - c) the performance of financial audit operations, in particular the performance of an audit by an audit firm, taking into account any requests and findings of the Polish Audit Oversight Committee arising from the control carried out in the audit firm;
- 2) controlling and monitoring the independence of a certified auditor and an audit firm, in particular where the audit firm performs services other than audit to the Company;
- 3) notifying the Supervisory Board of the results of an audit and explaining how the audit contributed to the reliability of financial reporting in the Company and the role of the Audit Committee in the auditing process;
- 4) assessing the independence of a certified auditor and giving consent to the auditor to provide permitted services other than audit in the Company;
- 5) developing the policy for the selection of an audit firm to conduct an audit;
- 6) developing the policy for the provision of permitted services other than audit by the audit firm conducting an audit, the audit firm's affiliates and a member of the audit firm chain;

- 7) determining the procedure for the selection of an audit firm by a public interest entity;
- 8) presenting recommendation on the appointment of certified auditors or audit firms to the Supervisory Board in accordance with the policies referred to in Sections 5 and 6;
- 9) making recommendations aimed to ensure reliability of the financial reporting process in the Company;
- 10) monitoring the reliability of the financial information presented by the Company, in particular by way of reviewing the appropriateness and consequences of applying the accounting methods adopted by the Company and its group (including the criteria for consolidation of financial statements of group companies);
- 11) evaluating and submitting an internal audit plan to the Supervisory Board for approval;
- 12) evaluating and submitting an annual budget of the Group's Audit and Internal Control Department to the Supervisory Board for approval;
- 13) evaluating and submitting any changes in the scope of activities of the Group's Audit and Internal Control Department to the Supervisory Board for approval;
- 14) discussing any problems or concerns that may result from an audit of financial statements;
- 15) discussing the nature and scope of the audit with the Company's certified auditors prior to any audit of the annual financial statements and coordinating the operations of the Company's certified auditors;
- 16) reviewing the Company's periodic and annual financial statements (standalone and consolidated);
- 17) analyzing letters to the Management Board prepared by the Company's certified auditor, independence and objectivity of the audit conducted by the auditor and the Management Board's replies;
- 18) reviewing, at least once a year, internal control and risk management systems in view of ensuring that the main risks (including those related to the compliance with the applicable laws and regulations) are correctly identified, managed and disclosed;
- 19) ensuring the effectiveness of the internal audit by expressing an opinion on the election, appointment or recall of the Director of the Group's Audit and Internal Control Department as well as monitoring the reaction of the Management Board of the Company to its findings and recommendations;
- 20) issuing an opinion on withdrawing from the payment conditions (reducing the remuneration) of the Director of the Group's Audit and Internal Control Department;
- 21) analyzing the reports of the Company's internal auditors, the key conclusions of other internal analysts, and the Management Board's response to those conclusions, as well as examining the degree of independence of internal auditors;
- 22) controlling the nature and scope of services other than auditor services, in particular based on the external auditor's disclosure of the sum of all fees contributed by the Company and its Group to the audit firm and its chain, in view of preventing a significant conflict of interest in this regard;
- 23) reviewing the effectiveness of the external control process and monitoring the Company Management Board's reaction to the recommendations presented by the external auditors in a letter to the Management Board;
- 24) investigating the reasons for not using the services of an external auditor and issuing recommendations regarding the required actions;
- 25) cooperating with the Group's Audit and Internal Control Department and periodically assessing their work;
- 26) reviewing the Company's management accounting system;
- 27) considering any and all other issues related to the Company's audit, pointed out by the Committee or the Supervisory Board,
- 28) notifying the Supervisory Board of any and all issues of significance regarding the activity of the Audit Committee.

11.10.4.1.2. Cooperation with an audit company

Main assumptions of the prepared policy for the selection of an audit firm to conduct an audit in ENEA S.A.

The policy for the selection of an audit firm in place at ENEA S.A. provides, above all, for avoiding conflicts of interest by obtaining a declaration of the audit firm, before it accepts or continues the audit contract, that requirements regarding independence (both with reference to the audit firm and the certified auditor) are met, and in particular that there are no risks to independence towards ENEA S.A. Each year, the audit firm confirms its independence to the Audit Committee and presents the risks to its independence as well as the safeguards applied to mitigate said risks. Furthermore, the selection of an audit firm takes into account above all the audit team's experience in the field of audit, its expertise, the financial criterion and the human resources. An audit firm is selected in compliance with the principle of impartiality and independence of audit firms, in accordance with the laws related to the mandatory regular replacement of audit firms and key certified auditors, mandatory grace periods and results of audit firm controls presented in the annual report published by the Polish Audit Oversight Committee.

The policy for the selection of an audit firm provides also for the principles of regular replacement of audit firms and certified auditors in accordance with the provisions of the Act of 11 May 2017 on certified auditors, audit firms and public oversight. (Journal of Laws of 2017, item 1089, as amended; hereinafter referred to as the Act on Auditors).

Main assumptions of the Policy on the provision of acceptable services other than audit by an audit firm

ENEA S.A. and its subsidiaries are allowed to use acceptable services (defined pursuant to Article 136 of the Act on Auditors), which are provided by an audit firm that conducts the audit of ENEA S.A.

The policy for the provision of acceptable services other than audit by an audit firm contains a closed catalog of acceptable services, the provision of which is allowed only to the extent that is unrelated to the tax policy of the ENEA Group companies. An acceptable service other than audit may be provided by an audit firm that conducts the audit of ENEA S.A. provided that the firm was approved by the Audit Committee beforehand, upon an assessment of risks and safeguards of independence of the audit firm, the key certified auditor and other audit team members. In addition, where the audit firm that conducts an audit of ENEA S.A. provides acceptable services other than audit for the period of at least three consecutive financial years, the remuneration for the provision of said

services is limited to 70% of the average remuneration of the three past consecutive financial years paid in respect of the statutory audit of ENEA S.A. and, as applicable, its subsidiaries and consolidated financial statements of this Group. In the case of prohibited services, i.e. services other than acceptable services, their direct and indirect provision at ENEA S.A. and its subsidiaries by the audit firm that conducts an audit of ENEA S.A. is prohibited in the period from commencement of the audited period to the issue of an audit report.

In 2021, acceptable services other than audit were provided to the ENEA Group by an audit firm auditing the financial statements, and the ENEA S.A. Supervisory Board Audit Committee approved the acceptable services other than audit upon an assessment of risks and safeguards of independence. The ENEA S.A. Supervisory Board Audit Committee's recommendation as to the selection of an audit firm to conduct an audit met the applicable conditions and was prepared as a consequence of the selection procedure, organized by the Company, meeting the applicable criteria.

11.10.4.1.3. Activity of the Audit Committee in 2021

Audit Committee

In 2021, the Audit Committee held 7 meetings and adopted 16 Resolutions, regarding, without limitation, the following:

- approval of the report on the proceeding to appoint an audit firm for ENEA S.A. and the ENEA Group subsidiaries for 2021–2022, issue of recommendations, approval of provision of acceptable services other than audit, and delivery of the approved report along with a recommendation to the ENEA S.A. Supervisory Board so that the ENEA S.A. Supervisory Board could make a decision on selection of an audit firm,
- consent to the provision of acceptable services other than audit by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audit Sp.k. to ENEA S.A.,
- consent to the provision of an acceptable service other than audit by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audit Sp.k. to Lubelski Węgiel "Bogdanka" S.A.,
- approval of information for the Supervisory Board on the results of the audit of the financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2020,
- approval, by the ENEA S.A. Supervisory Board Audit Committee, of final report no. 1/2021 on the audit, entitled "General assessment of the internal control system at ENEA S.A.", for adoption and provision of management information on the assessment of the internal control system at ENEA S.A. to the ENEA S.A. Supervisory Board,
- adoption of the Report of the ENEA S.A. Supervisory Board Audit Committee on its activities in 2020,
- an opinion on the amended Derivative Document entitled "Internal Audit Policy of the ENEA Group" (4th edition) and provision of this document to the ENEA S.A. Supervisory Board for approval,
- evaluation of the methods of auditing the Condensed Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January 2021 to 30 June 2021 and the Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January 2021 to 30 June 2021,
- adoption of the Report of the ENEA S.A. Supervisory Board Audit Committee on its activities in H1 2021,
- election of the Chairperson of the Audit Committee,
- an opinion on the Annual Audit Plan for 2022 and submission thereof to the ENEA S.A. Supervisory Board for approval,
- an opinion on the Budget of the Group's Audit and Control Department for 2022 and submission thereof together with an opinion to the ENEA S.A. Supervisory Board for approval.

11.10.4.2. Nominations and Remuneration Committee

As at the date of publication of this report, the Nominations and Remuneration Committee operates in the following composition:

Nominations and Remuneration Committee	
Name	Function
Roman Stryjski ¹⁾	Chairman
Michał Jaciubek ¹⁾	Member
Paweł Korobłowski ¹⁾	Member
Piotr Mirkowski ¹⁾	Member
Rafał Włodarski	Member

¹⁾ An independent member within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2021.

11.10.4.2.1. Activity of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee should include at least one independent member within the meaning of the European Commission Recommendation, and if more than one person meeting the above mentioned independence criteria are appointed to the Supervisory Board, such a committee should include the highest possible number of independent members.

The Nominations and Remuneration Committee is tasked with supporting the achievement of the Company's strategic objectives by providing the Board with opinions and conclusions regarding the Company's staff employment and remuneration structure, in particular in relation to the management staff. The responsibilities of the Nominations and Remuneration Committee are described in the Rules and Regulations of the ENEA S.A. Supervisory Board.

In particular, the responsibilities of the Committee include:

- analyzing the Management Board's policy regarding nomination, selection and appointment of senior management staff;
- providing the Board with proposals regarding remuneration and forms of employment of Management Board members taking into account their hitherto achievements;
- providing the Supervisory Board with opinions regarding substantiation for awarding performance-based remuneration and incentives in the context of assessment of the degree to which specific Company's tasks and goals are achieved, and with proposals in this regard;
- assessing the human resource management system in the Company;
- performing periodical appraisal of the skills, knowledge and experience of individual members of the Management Board and management staff and presenting the appraisal results to the Board.

11.10.4.2.2. Activity of the Nominations and Remuneration Committee in 2021

Nominations and Remuneration Committee

In 2021, the Nominations and Remuneration Committee held 6 meetings and adopted 18 resolutions. The Committee's meetings focused, among others, on drafting recommendations for the Supervisory Board regarding:

- proposals for Management Objectives for the ENEA S.A. Management Board Members for 2021,
- execution of management contracts with the ENEA S.A. Management Board Members and annexes to management contracts with the ENEA S.A. Management Board Members,
- the achievement of Management Objectives in 2020 and setting the amount of the due Variable Remuneration to be paid out to the ENEA S.A. Management Board,
- adoption of a resolution on setting the remuneration of the ENEA S.A. Management Board Members,

11.10.4.3. Strategy and Investment Committee

The Strategy and Investment Committee is composed of:

Strategy and Investment Committee	
Name	Function
Rafał Włodarski	Chairman
Dorota Szymanek	Member
Michał Jaciubek	Member
Paweł Korobłowski	Member
Tomasz Lis	Member
Maciej Mazur	Member
Mariusz Pliszka	Member

11.10.4.3.1. Activity of the Strategy and Investment Committee

The purpose of the Strategy and Investment Committee is to issue opinions and submit recommendations to the Supervisory Board on planned investments and divestments which exert a significant impact on the Company's assets. In particular, the Committee's responsibilities include:

- assessment of the impact of planned and undertaken investments and divestments on the Company's assets;
- assessment of activities, contracts, letters of intent and other documents related to activities aimed at the acquisition, disposition, encumbrance or other distribution of the Company's material assets,
- issuing opinions on any and all strategic documents submitted to the Supervisory Board by the Management Board,
- issuing opinions on the Company's development strategy, including long-term financial plans,
- monitoring the pursuit of the Company's development strategy and investment projects.

11.10.4.3.2. Activity of the Strategy and Investment Committee in 2021

Strategy and Investment Committee

In 2021, the Strategy and Investment Committee held 6 meetings and adopted 10 Resolutions, regarding, without limitation, the following:

- an opinion on the Investment Plan of ENEA S.A. for 2021, being an integral part of the Material and Financial Plan of ENEA S.A. for 2021;
- an opinion on the Investment Plan of the ENEA Group for 2021, being an integral part of the Material and Financial Plan of the ENEA Group for 2021;
- adoption of the Report of the ENEA S.A. Supervisory Board Strategy and Investment Committee on its activities in 2020;
- an opinion on the draft of the document titled "Implementation of the ENEA Group Development Strategy until 2030 with an outlook to 2040";
- an opinion on the Investment Plan of ENEA S.A. for 2022, being an integral part of the Material and Financial Plan of ENEA S.A. for 2022;
- an opinion on the Investment Plan of the ENEA Group for 2022, being an integral part of the Material and Financial Plan of the ENEA Group for 2022.

12. Non-Financial Statement of ENEA Group for 2021

Table of contents

Non-financial reporting of the ENEA Group	96
Business model and development strategy of the ENEA Group	97
Line of business	97
Creation of shareholder value	97
New ENEA Group development strategy.....	98
Compliance with the EU Taxonomy	103
Key non-financial performance indicators in the ENEA Group	105
Non-financial risks related to the ENEA Group’s business activity	106
Risk management system in the ENEA Group	106
Environmental issues – due diligence policies and procedures and their results	114
Climate policy and oversight of climate-related issues.....	116
Products and services of the ENEA Group with a positive environmental impact	116
Environmental impact of the ENEA Group.....	116
Selected environmental activity in 2021	116
Effects of the implemented environmental protection policies	119
Labor issues – due diligence policies and procedures and their results	122
Regulations in the labor area.....	122
Diversity and equality	124
Freedom of association, social dialog and participation in decision-making	125
Selected events and activities taken in the labor area in 2021	126
Occupational health and safety	126
Selected activities implemented in 2021 in the OHS area	128
Social issues – due diligence policies and procedures and their results	130
Social engagement and volunteerism	130
Human rights issues – due diligence policies and procedures and their results	134
Selected human rights activities in 2021	134
Anti-corruption measures – due diligence policies and procedures and their results	137
Counteracting corruption	137
Selected anti-corruption activities in 2021	137
Conformity of the Statement to the Accounting Act and the TCFD Recommendations	139

Non-financial reporting of the ENEA Group

The publication of this statement (hereinafter referred to as the “Statement”), which forms a separate part of the document entitled *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2021* fulfills the obligation arising from Article 49b and Article 55 of the *Accounting Act of 29 September 1994* (Journal of Laws 2019 item 351), implementing into the Polish legal system *Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*. Moreover, it provides the company’s response to the expectations laid down in the *Supplement on reporting climate-related information (2019/C 209/01)* to that Directive, the *Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment*, the public view of the European Securities and Markets Authority (ESMA) on the supervisory priorities for periodic reports of issuers for 2021 in respect of non-financial reporting, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations on climate-related financial disclosures and in the *ESG reporting guidelines* of the Warsaw Stock Exchange.

The Statement, concerning the period from 1 January to 31 December 2021, pertains to non-financial data of ENEA S.A. as the parent company and all subsidiaries covered by the *Consolidated Financial Statements of the ENEA Group for the financial year ended 31 December 2021*. It is devoted to the matters referred to in Article 49b(2) of the Accounting Act. With regard to the statement for 2020, no corrections or adjustments to the published data have been made.

The document was prepared by the Department for Relations with the Socio-Economic Environment, which forms part of the Group’s PR and Communication Department, being a unit of ENEA S.A., in collaboration with an external expert firm. It has not been subjected to any additional vetting by an independent party. The data presented herein have been developed based on the Core option of the (non-financial) Global Reporting Initiative (GRI) Standards.

Information on the ENEA Group’s corporate governance and its impact on society and the natural environment, collected for the purpose of preparing the Statement, will be presented more comprehensively in the form of the *ENEA Group’s ESG Report for 2021*. Its publication in the form of an online platform, to be made available at <https://raport2021.esg.enea.pl/>, is scheduled for mid-2022.

Business model and development strategy of the ENEA Group

Line of business

The ENEA Group conducts its business in four core areas, tapping into the coordinated collaboration of specialized companies, which are autonomous undertakings in the civil law sense. These areas are as follows:

- **electricity and heat generation** (ENEA Wytwarzanie sp. z o.o., ENEA Ciepło sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Ciepłej sp. z o.o., Miejska Energetyka Ciepła Piła sp. z o.o., ENEA Bioenergia sp. z o.o., ENEA Nowa Energia sp. z o.o.),
- **electricity and gaseous fuel trading** (ENEA S.A. – retail, ENEA Trading sp. z o.o. – wholesale),
- **electricity distribution** (ENEA Operator sp. z o.o., ENEA Pomiar sp. z o.o., ENEA Serwis sp. z o.o., ENEA Logistyka sp. z o.o.),
- **distribution of heat** (Przedsiębiorstwo Energetyki Ciepłej sp. z o.o., Miejska Energetyka Ciepła Piła sp. z o.o., ENEA Ciepło sp. z o.o.).

The Group's leading members are ENEA S.A., ENEA Operator, ENEA Wytwarzanie, ENEA Połaniec Power Plant, ENEA Trading and Lubelski Węgiel Bogdanka. The other companies provide them with auxiliary services.

Lubelski Węgiel Bogdanka, a company controlled by the ENEA Group (holding a total of 66% of votes at the company's General Meeting), is a leader on the domestic market of bituminous coal producers, standing out due to its financial performance, mining efficiency and plans to access new deposits. The buyers of the company's products are for the most part entities operating in the power sector, including electricity generation companies of the ENEA Group.

Electricity is generated in the power plants in Kozienice (11 high-efficiency upgraded power units) and Połaniec (7 coal-fired units and the world's largest biomass-fired unit), in the CHP plants in Białystok, Piła and Oborniki, in the wind farms in Bardy, Darżyno and Baczyna, and in 21 hydro power plants and biogas plants located in Gorzesław and Liszków.

ENEA Operator distributes electricity and expands and maintains related grid infrastructure. The Company is a Distribution System Operation, which involves certain statutory obligations related, among others, to connection of new consumers and expansion of infrastructure in response to the increased power demand.

Retail sales of electricity and gaseous fuel are carried out by ENEA S.A. through Account Managers and trade partners across Poland and through ENEA Centrum on behalf of ENEA S.A., consisting of 31 modern Customer Service Offices, the Showroom, the mobile Customer Service Office (mBOK) and the Electronic Customer Service Center (eBOK). In total, ENEA S.A. provides products and services to approx. 2.6 million individual and institutional customers.

Creation of shareholder value

The ENEA Group develops its market position based on a collection of tangible and intangible benefits offered to its customers. The acquisition of customers and the maintenance of their satisfaction level are pursued, among others, by combining the Group's products and services into attractive bundles and persistently striving to ensure failure-free supplies of energy.

Both the adopted model of increasing the Group's value and the manner in which the Group creates value for its customers are derived directly from the mission and vision adopted by the company, redefined on 15 December 2021 in the *ENEA Group Development Strategy until 2030 with an outlook to 2040*.

MISSION

ENEA, while carrying out the transformation of the Polish energy sector in a reasonable and efficient manner, provides reliable products and services to customers by building lasting relationships based on respect for the environment and shared values.

VISION

ENEA is a leading supplier of integrated products and services, setting new trends during energy transition.

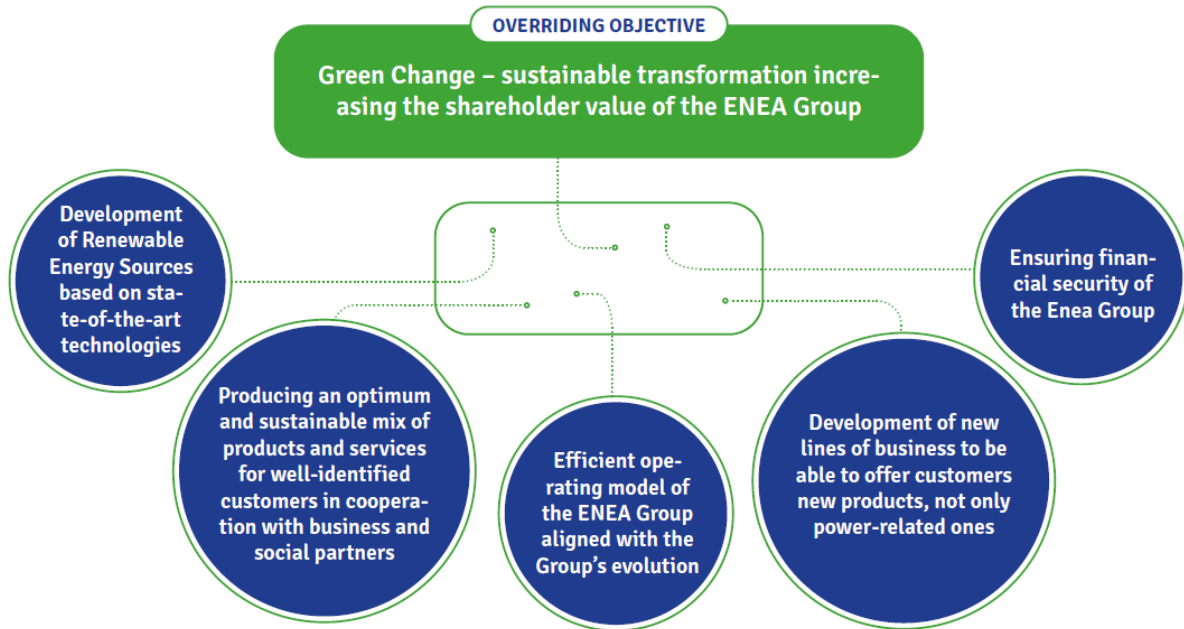
According to the new development strategy, in the coming years the ENEA Group will increase its value above all by developing renewable energy sources based on modern technologies. It will specialize in operating energy storage facilities, which are of key significance for ensuring RES stability and solidifying energy security.

Additional information on the creation of corporate value is included in the *New lines of business* section hereof.

New ENEA Group development strategy

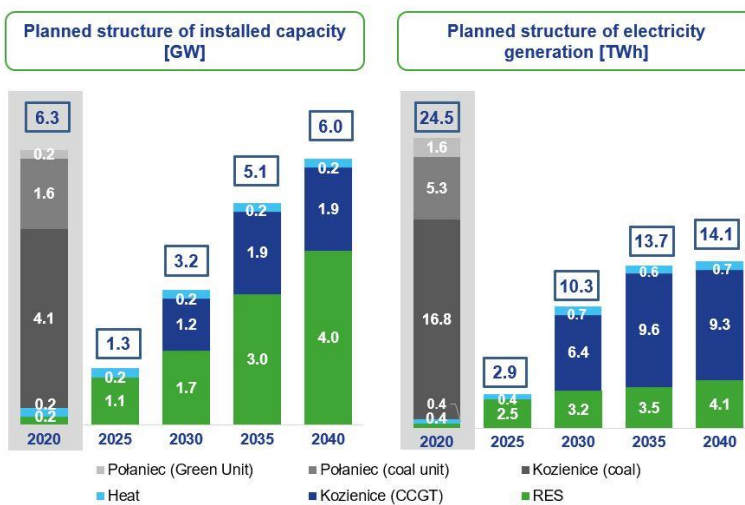
Striving to be ready for the challenges faced by Polish power sector companies at present, in 2021 the ENEA Group made efforts to update its strategy so that it fully corresponded to the new external conditions and enabled a reliable and effective transition of the organization. Announced in December 2021, the *ENEA Group Development Strategy until 2030 with an outlook to 2040* is well aligned with Poland's energy transition goals.

The primary objective of the document is the *Green Change*, understood as a sustainable transition of the Group leading to an increase in its value, while pursuing a long-term goal of achieving climate neutrality by 2050.



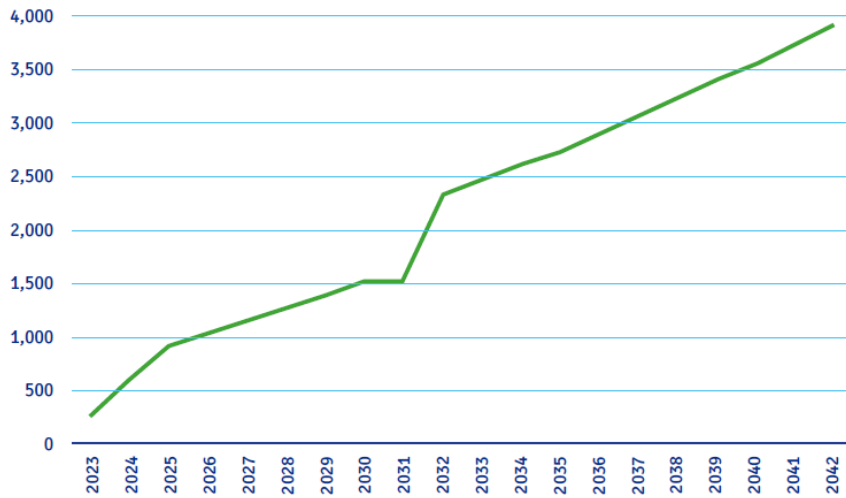
The ENEA Group intends to achieve climate neutrality by developing renewable energy sources. The increase in the installed RES capacity will be achieved through acquisitions, the development of own projects and in collaboration with business partners. At the same time, actions were taken to spin off assets related to electricity generation in conventional coal- and lignite-fired units from the Group structure to the National Energy Security Agency (NABE), while retaining Lubelski Węgiel Bogdanka S.A.¹ in the organization's structure. Nevertheless, in the initial phase of its efforts aimed at reaching climate neutrality, the Group intends to use gas as a low-carbon transition fuel in order to maintain energy security. Investments in this area will be confined to the replacement of some generation capacities (approx. 1.9 GW) based on the existing infrastructure. Conventional low-carbon sources will stabilize the developing RES capacity.

Planned evolution of the energy generation structure in the ENEA Group



¹ Pursuant to the agreement signed in July 2021 by the largest energy companies with the State Treasury. The whole process is described in the government's draft titled *Transformation of the power sector in Poland. Spin-off of coal assets from companies with a State Treasury shareholding*, adopted on 17 February 2022 by the Standing Committee of the Council of Ministers, which is published on the Ministry of State Assets website.

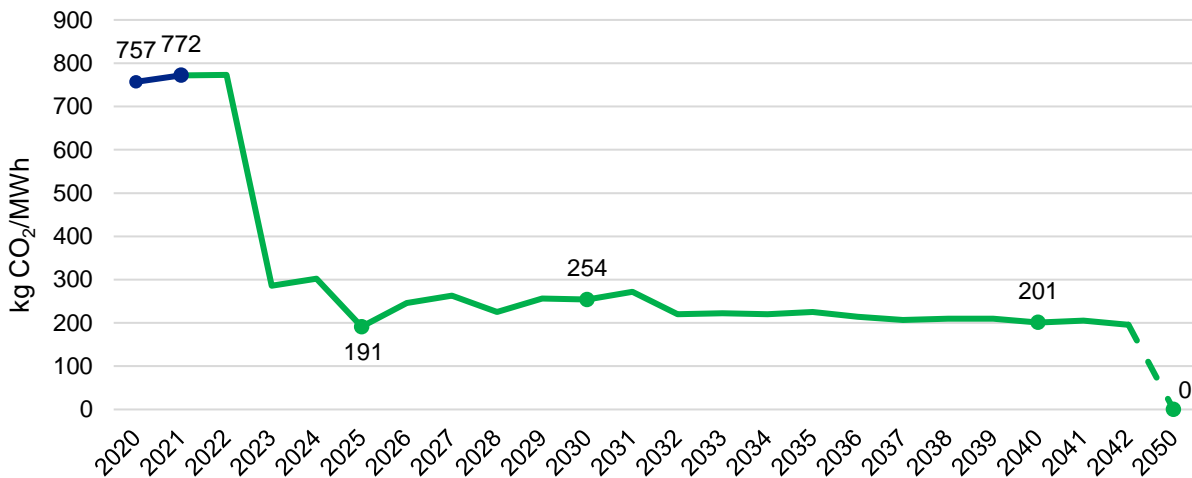
Planned increase in RES installed capacity in the Enea Group in MWe



Schedule of achievement of climate neutrality

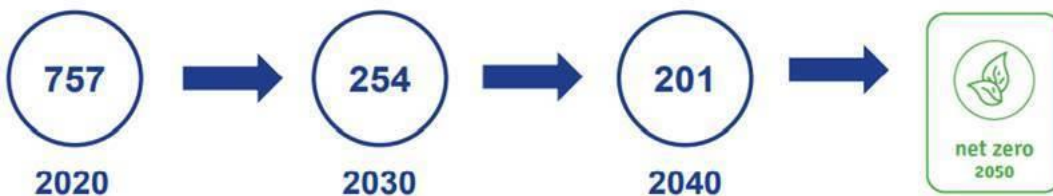
While preparing an update of the development strategy and the business model, the following reduction of CO₂ emission intensity was assumed, taking into account both the planned spin-off of selected bituminous coal based generation assets of the ENEA Group to NABE and the engagement of the Group in new RES installations and investments in combined cycle power units in Koziencice Power Plant:

Estimated CO₂ emissions*



* Actual values are presented for 2020 and 2021 (CO₂ emissions directly linked to electricity production), and estimates are provided for 2022 and subsequent years.

Unit CO₂ emission indicator [kg CO₂/MWh] arising from the ENEA Group's development strategy:



Model of transfer of conventional assets to NABE

The main assumption of the ENEA Group's program of bituminous coal fired generation asset spin-off is to allocate coal-fired power plants to NABE, at the same time retaining district heating and cogeneration units in the Group's structure, which will be gradually replaced with gas fired units that are suited to be supplied with zero-emission fuels in the future. A detailed executive concept of the Group reorganization will be prepared in the course of further work.

Key development directions

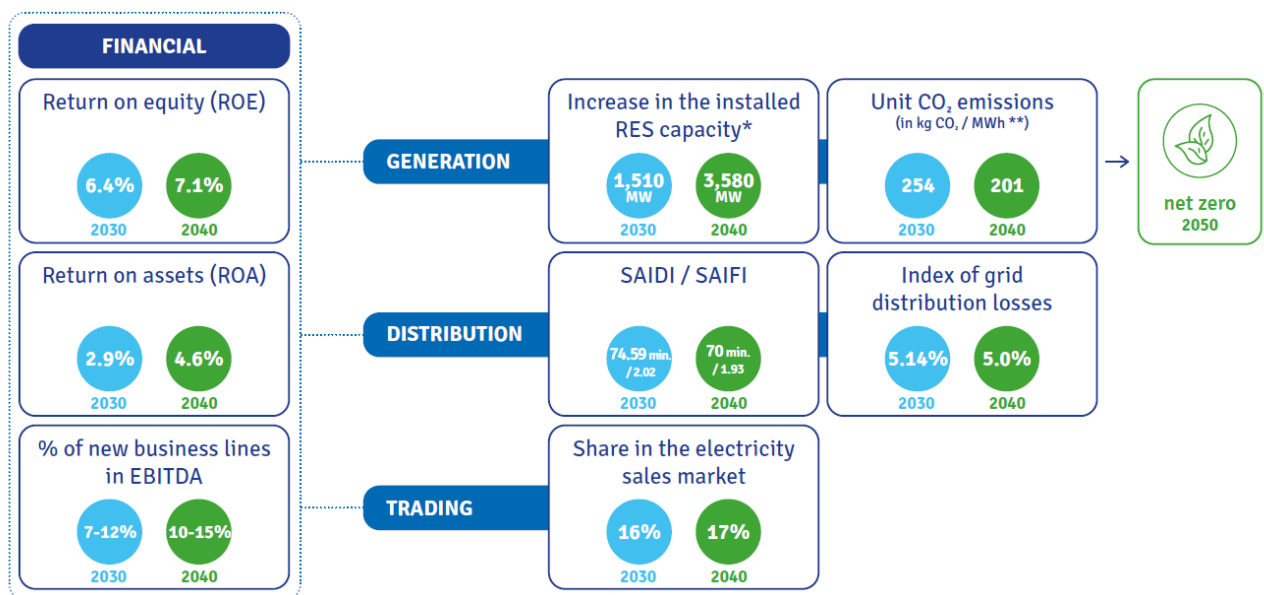
The Strategy identifies 13 key development directions, which constituted a foundation used to define strategic objectives for the Group.

THE GROUP'S KEY DEVELOPMENT DIRECTIONS:

1. Development of energy storage projects and provision of services to third parties;
2. Involvement in offshore wind energy generation;
3. Intensification of activities aimed at gaining access to green energy through the execution of projects included in the ENEA Group's RES portfolio;
4. Development of hybrid installations;
5. Conventional energy generation based on low-carbon sources (gas – as a transition fuel; biomass; RDF);
6. Development of a smart power grid;
7. Changed operation of the DSO in the new power market model;
8. Development of the ENEA Group's wholesale trade area (prop-trading, origination);
9. Construction of multi-energy products, including supply chain management;
10. Expansion of sales and enhancing customer loyalty;
11. Development of New Lines of Business;
12. Development of a modern offering for prosumers, including cooperation with local governments and urban development NGOs, and participation in the creation and management of energy islands (energy clusters);
13. Increase in the efficiency of customer service across the ENEA Group.

Key measures of achievement of development strategy objectives

The document contains the objectives that the Group is to achieve in the short- and long-time horizon (up to 2030 and 2040, respectively).



* Counted in relation to 2020, excluding the Green Unit of Polaniec Power Plant and energy storage.

** Counted excluding the bituminous coal fired generation capacities and the Green Unit of Polaniec Power Plant, due to the planned spin-off of coal fired generation assets from the ENEA Group's structure.

The ENEA Group's Strategy takes into account the objectives and findings stipulated in three sectoral arrangements, which were concluded in 2021 and are aimed to strengthen the national economic, environmental, technological, energy and social benefits from the development of the offshore wind power, hydrogen power and photovoltaic industries.

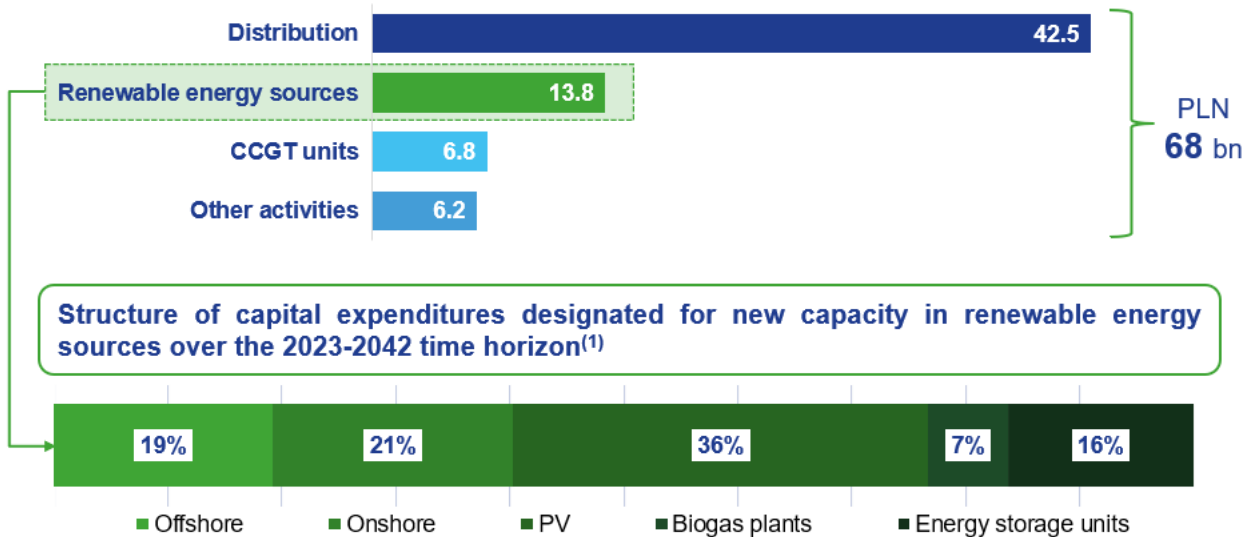
New lines of business

In line with the development strategy updated in December 2021, the ENEA Group intends to develop and implement new lines of business, not only based on own resources but also in cooperation with partners from other industries. Actions that will be taken will focus on developing new product and service bundles and on introducing them to the Group's trade offer. A key new line of business will be energy storage facilities as a necessary technology for ensuring RES stability and solidifying energy security.

Subsequent new lines of business will be related to management of components left after worn out RES installations and energy storage facilities. The ENEA Group intends also to become involved in management of combustion by-products coming from the industry, including in particular conventional power generation and district heating, both from the ongoing activity and from the existing landfill sites. The plans provide also for creation of a modern offering for prosumers, including cooperation with local governments and urban development NGOs, and participation in the creation and management of energy islands (energy clusters).

Necessary capital expenditures and their financing

Capital expenditures for the period 2023–2042 in all areas of activity of the ENEA Group are estimated at more than PLN 68 billion.



In the structure of capital expenditures for renewable sources, about 0.03% will be designated for hydro power plants; due to rounding error, the capital expenditures for individual technologies may not add up to 100%.

It will be possible to finance the planned investments with both ENEA Group's own funds and with capital raised by the Group companies from external sources, while preserving the safe value of the net debt/EBITDA ratio. Refundable and non-refundable public funds, both from the EU and Poland, will be a significant source of financing:

- Cohesion Policy,
- Recovery and Resilience Facility,
- Just Transition Fund,
- ReactEU,
- funds supporting the energy system transition in Poland, such as Modernization Fund for 2021–2030 and Energy Transition Fund,
- other instruments (e.g. priority programs of the National Fund for Environmental Protection and Water Management and Common Agricultural Policy funds).

Pursuant to the current draft of the European Commission's *Climate, Energy and Environmental State aid guidelines*, public support of natural gas fired generation units with EU and national funds will be possible only in the short term and moreover with a considerable limitation of the scope of costs eligible for subsidy.

The development strategy assumes that about 50% of the RES investments will be financed using the joint venture structures and 50% on ENEA Group's balance sheet (other than offshore projects, which will be implemented entirely in the joint venture formula).

Strategic actions in the distribution area

In line with the updated Group development strategy, ENEA Operator will focus in the coming years in particular on transforming its infrastructure into a smart grid and adjusting the distribution grid to the changes caused by the dynamic increase in the quantity and capacity of distributed sources, in particular by converting the passive (unidirectional) grid to an active (bidirectional) one. This will make it possible to provide new services by the power grid users, including energy sellers, and additionally improve the reliability of supply thanks to, among others, decentralization of the system and enhanced energy storage and remote grid monitoring capabilities. Important directions of actions will include also development of the distribution grid for the purpose of satisfying the demand for capacity and electricity and connecting new entities to the grid, as well as reduction of grid losses.

Human capital management in the context of the ENEA Group transition

One of the key components of the ENEA Group's transition will be preparation and implementation of an end-to-end human resource management program. The aim will be to manage the generation gap and the expertise gap as well as to create such conditions that are beneficial to the development of expertise in the whole organization and increase the employee engagement and alignment with its objectives. The program provides for both support of the development of the present employees by training and retraining and acquisition of new staff, in cooperation with secondary schools and universities.

The whole process of the Group's transition will be carried out in dialog with representatives of the employees, in consideration of interests of both parties.

Impact of climate change on the ENEA Group's development strategy

No analysis of resilience of the existing business model and strategy taking into account various climate-related scenarios has been carried out for the purposes of works on the ENEA Group's new development strategy.

According to the present strategy of the Group, the key development drivers will consist in switching from coal fired power generation to zero-emission renewable energy sources. This process will be determined not only by economic and technological factors but also to an equal extent by the Group's strive for sustainable development. The Group intends to consciously implement latest solutions, at the same time considering the stakeholders' opinions. A special role in the context of development of new generation assets will be played by local communities and rural areas. The pursuit of the strategy presents not only an outlook for the ENEA Group, but also an opportunity to respond to key challenges faced by various facets of society and the economy, such as agriculture, which is an area particularly susceptible to unscheduled interruptions in the supply of electricity and the low quality of air. These activities will stimulate the economic rebound and pave the way for the deployment of the principles of the circular economy, thereby enabling the achievement of the climate goals set forth in *Poland's Energy Policy until 2040*.

Key pillars of growth of the ENEA Group in the social and climate area:

- reclamation of post-mining areas,
- synergies between new investment areas, in particular photovoltaic farms, and agricultural operators,
- intensification of pro-environmental activities in areas covered by new investment projects,
- development of renewable energy sources underpinned by energy storage solutions,
- development of cooperation with local communities (urban activists and local governments),
- global Sustainable Development Goals supported by the ENEA Group,
- propping up the role of the ENEA Foundation in the context of sustainable development.

More information on the Group's growth strategy is provided on pages 17-18 of the *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2021*.

Compliance with the EU Taxonomy

On 18 June 2020, *Regulation 2020/852/EU of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment* was adopted, followed by the adoption, on 21 April 2021, of the classification of environmentally sustainable activities based on the said Regulation, commonly referred to as the Taxonomy. The Taxonomy defines which categories of economic activity, provided that they fulfill certain additional criteria, including in the technical and social domains, may be considered environmentally friendly. Every company that is required to disclose its non-financial information under Directive 2014/95/EU (Non-Financial Reporting Directive or NFRD) must also disclose in its reports how and to what extent its business involves economic operations that may be classified as environmentally sustainable. The extent of reporting duties in this area will gradually increase, starting with the reports for 2021.

In fulfilling the requirements for this Statement, the ENEA Group has identified its business activities that are eligible for classification as environmentally sustainable. In the next step, the following aspects were analyzed:

- percentage share of revenue generated from products and services related to these lines of business in the total revenue generated by the ENEA Group,
- percentage share of the Group's capital expenditures and operating expenditures corresponding to the assets or processes related to these activities.

As a result, it was ascertained that in 2021:

- 18.7% of the ENEA Group's total revenue was generated in lines of business eligible for the EU classification of sustainable economic activities,
- 53.8% of the Group's capital expenditures (CAPEX) and 48.9% of the Group's operating expenses (OPEX) were eligible for classification as related to such activities.

The calculation of the share of revenue, CAPEX and OPEX eligible for inclusion in the taxonomy was based on the following principles:

- For the revenue ratio, consolidated net revenue from sales was used the basis for the calculation (as the denominator). In turn, the numerator reflects consolidated revenue from all lines of business eligible for the taxonomy.
- For the CAPEX ratio, the basis for the calculation (denominator) is reflected by the consolidated capital expenditures presented in this document in the section containing key operating data and indicators in the ENEA Group. The capital expenditures pertaining to activities eligible for the taxonomy are inserted in the numerator.
- The OPEX ratio is based on all expenses incurred in the day-to-day handling of the company's assets and aimed at keeping them in proper working condition. These expenses include: costs of labor related to maintenance and repairs, expenses related to repairs and overhauls of equipment, cleaning expenses, fire protection expenses, media control expenses, building security expenses, expenses related to the legalization of devices, such as fire extinguishers, etc. The ratio numerator reflects the portion of operating expenses related to the activities eligible for the taxonomy.

As regards the revenue and CAPEX ratios, the pertinent identifiable consolidated items referred to in the financial portion of this document serve as the basis for calculating the share of activities eligible for the taxonomy. As regards the OPEX ratio, due to its specific definition in the Taxonomy, this action turned out unfeasible. In this context, it should be noted that the denominator of the OPEX ratio for the purposes of the Taxonomy is not equal to the sum of operating expenses incurred by the Group. The OPEX ratio denominator identified for the purposes of the Taxonomy was less than PLN 600 million, while the Group's tax-deductible expenses totaled almost PLN 19 billion, which means that the basis for the OPEX calculation for the purposes of the Taxonomy was only 3.16% of all operating expenses (without taking any other operating business into account).

Revenue eligible for the taxonomy

Item	Taxonomy code	Revenue [PLN 000s]	% share
A. Business eligible for the taxonomy	-	3,964,907	18.7%
Electricity transmission and distribution	4.9.	3,135,374	14.8%
Electricity generation from bioenergy	4.8.	542,108	2.6%
Electricity generation from wind energy	4.3.	57,432	0.3%
Electricity generation from hydro energy	4.5.	49,285	0.2%
Cogeneration of heat/cooling energy and electricity from bioenergy	4.20.	82,412	0.4%
Distribution in heating/cooling systems	4.15.	98,296	0.5%
B. Business not eligible for the taxonomy	-	17,231,764	81.3%
TOTAL (A+B)	-	21,196,671	100%

CAPEX eligible for the taxonomy

Item	Taxonomy code	CAPEX [PLN 000s]	% share
A. Business eligible for the taxonomy	-	1,065,102	53.8%
Electricity generation using photovoltaic technology	4.1.	9,578	0.5%
Distribution in heating/cooling systems	4.15.	44,111	2.2%
Cogeneration of heat/cooling energy and electricity from bioenergy	4.20.	4,768	0.2%
Installation, maintenance and repair of equipment for improving energy efficiency	7.3.	2,959	0.1%
Electricity generation from bioenergy	4.8.	698	0.0%
Electricity generation from hydro energy	4.5.	4,086	0.2%
Electricity transmission and distribution	4.9.	998,903	50.4%
B. CAPEX on business not eligible for the taxonomy	-	915,265	46.2%
TOTAL (A+B)	-	1,980,367	100%

OPEX eligible for the taxonomy

Item	Taxonomy code	OPEX [PLN 000s]	% share
A. Business eligible for the taxonomy	-	292,866	48.9%
Electricity transmission and distribution	4.9.	256,897	42.9%
Electricity generation from hydro energy	4.5.	1,843	0.3%
Electricity generation from wind energy	4.3.	6,423	1.1%
Electricity generation from bioenergy	4.8.	17,250	2.9%
Cogeneration of heat/cooling energy and electricity from bioenergy	4.20.	7,879	1.3%
Distribution in heating/cooling systems	4.15.	10	0.0%
Renovation of existing buildings	7.2.	2,564	0.4%
B. OPEX on business not eligible for the taxonomy		306,592	51.1%
TOTAL (A+B)	-	599,459	100%

As required by the Regulation, further disclosures related to sustainable activities will be included in subsequent annual non-financial reports. This concerns, in particular, a review of significant contributions to specific environmental goals defined in the Regulation and efforts made to prevent any harm to the pursuit of other goals as well as a review of compliance with the technical criteria adopted for the Taxonomy and minimum social and labor guarantees.

Key non-financial performance indicators in the ENEA Group

Area	Ratio	2019	2020	2021	Change 2021/2020
Economic	Taxes paid internationally, nationally and locally ²	PLN 765 million	PLN 734 million	PLN 986 million	+34%
	Payments to the state budget by virtue of dividends	0	0	0	-
	Payroll and employee benefits	PLN 1.9 billion	PLN 2.0 billion	PLN 2.1 billion	+5%
	Confirmed incidents of corruption	2	0	0	-
Environmental	Direct greenhouse gas emissions (Scope 1)	22,039,576 t CO ₂ ³	18,671,299 t CO ₂	22,415,951 t CO ₂ e	-
	Indirect greenhouse gas emissions (Scope 2)	None reported	None reported	292,410 t CO ₂ e	-
	Intensity of greenhouse gas emissions ⁴	774 kg/MWh	757 kg/MWh	772 kg/MWh	+2%
	Generation of energy from renewable sources	2,279 GWh	2,392 GWh	2,415 GWh	+1%
	Amount earmarked for investments in the environmental area	PLN 238 million	PLN 272.5 million	PLN 156 million	-43%
	Amount earmarked for investments in the energy efficiency area	None reported	None reported	PLN 49.6 million	-
	Amount of significant penalties imposed on for non-compliance with environmental protection laws or regulations	0	0	0	-
Social	Total value of pecuniary and in-kind donations made ⁵	None reported	None reported	PLN 5.0 million	-
	Number of fatalities involving the Group's employees and subcontractors	2	1 ⁶	0 ⁶	-100%
	Number of discriminatory incidents and corrective actions taken	0	0	0	-
customer-related	Trading Segment: number of individual customers (electricity and gaseous fuel consumers) ⁷	2,535 thousand	2,565 thousand	2,615 thousand	+2%
	Distribution Segment: number of customers/energy consumers ⁷	2,626 thousand	2,661 thousand	2,703 thousand	+2%
	Sales of electricity and gaseous fuel to retail customers	20.3 TWh	21.1 TWh	24.5 TWh	+16%
	SAIDI – System Average Interruption Duration Index ⁸	98 min.	77 min.	77 min.	+1%
	SAIFI – System Average Interruption Frequency Index ⁸	2.43	2.06	1.94	-6%
	Customer data breaches that qualified for reporting to the President of the Personal Data Protection Authority	0	0	3	-

² Items from the consolidated statement of comprehensive income: Taxes and charges, Current tax.

³ Total emissions related to the generation of energy by the Koźienice Power Plant, the Połaniec Power Plant, the Białystok CHP Plant, the "Zachód" Heat Plant, MEC Piła and PEC.

⁴ Ratio of CO₂ emissions directly related to electricity generation to total gross electricity generation. In the case of the power plants in Koźienice and Połaniec as well as Elektrociepłownia Białystok and MEC Piła, the calculations are based on total CO₂ emissions from electricity and heat generation processes, i.e. for sources that generate electricity only or those that cogenerate electricity and heat. Accordingly, the calculation of the ratio does not take into account any CO₂ emissions from units that generate heat only, because these emissions are not related to electricity generation.

⁵ Total amount of funds provided by Group companies to the ENEA Foundation, the "Solidary Miners" Foundation and directly to other entities.

⁶ No data available for employees of ENEA Serwis' subcontractors.

⁷ As at the end of the reporting period.

⁸ Reflects scheduled and unscheduled interruptions in electricity supply for high and medium voltages.

Non-financial risks related to the ENEA Group's business activity

Risk management system in the ENEA Group

The key companies of the ENEA Group manage risks related to their activity in a systematic and coordinated manner to ensure the maximum possible protection against their effects, should they occur.

The process of managing enterprise risks in key companies of the ENEA Group is coordinated by the Group Risk Management Department, which is a unit within the ENEA S.A. structure consisting of the teams responsible for the management of financial risk, business risk, business continuity and insurance. The companies covered by the ENEA Group's enterprise risk management system have units within their structures that are in charge of this area and cooperate with the Group Risk Management Department.

The enterprise risk management process is augmented by the Group's business continuity management system. Within its confines, the Group's key companies identify critical processes and resources necessary for their deployment and roll out mechanisms and procedures to ensure the continuity of operation of these processes in emergency situations.

The processes applied by the ENEA Group to manage identified risks (including non-financial risks) is governed by the respective policies, procedures and methodologies. The overriding document governing the whole risk management area is the *ENEA Group Enterprise Risk Management Policy*.

The reliability of the enterprise risk management process is ensured by observing the guidelines defined in the policies, procedures and methodologies governing the management of specific risk areas, in particular:

- ongoing identification and assessment of risks at the level of the Group's key companies,
- monitoring of and reporting on existing risks,
- operational management of distinct risks by individual companies within the assigned limits (in terms of financial risks), in line with the terms laid down in the documents approved by the ENEA Group Risk Committee.

The cyclical assessment of enterprise risks is carried out in accordance with the requirements of the ENEA Group Enterprise Risk Management Methodology by risk owners in consultation with risk managers. It involves updating the assessment of the likelihood of risk materialization and the potential implications in the financial and reputational dimensions, in terms of health and safety impact, and since 15 November 2021, also in terms of environmental impact.

The estimation of the likelihood of risk materialization and the assessment of potential implications enable the classification of risks as critical, key, medium and low. Risk owners define plans to deal with the distinct risks, which for all risk categories include the taking of mitigating actions aimed at reducing the likelihood of their occurrence and of the effects of risk materialization, and in the case of key and critical risks – also a response plan in the event of risk materialization.

All identified and assessed risks related to the operations of the respective Group company are entered in the so-called Risk Register. Members of the companies' management boards are notified of all new risks, potential operational events related to the identified risks and the current progress in the risk assessment process. Moreover, these management boards and the ENEA S.A. Management Board receive periodic reports on the status of enterprise risks.

More information on the risk management model in the ENEA Group is provided on pages 26-28 of the *Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2021*.

Non-financial risks

Listed below are non-financial risks for key ENEA Group companies that may exert an adverse impact on the labor, social, environmental, human rights and anti-corruption areas.

Labor area:

- risk of a generation gap,
- risk of a loss of competence,
- risk of social turmoil, deterioration of relations with social partners associated with the pursuit of significant organizational or business changes,
- risk of disputes with employees, groups of employees or trade unions,
- risk of accidents at work or occupational diseases,
- risk of unavailability of employees as a result of an epidemic,
- risk of information leaks by unauthorized employees,
- risk of inflicting personal injury on employees or third parties.

Social area:

- risk of social unrest, additional trade union demands and deterioration of relations with social partners,
- risk of the absence of communication between internal and external customers and/or delays in the provision of necessary documents/information due to e-mail failure,
- risk of improper management of information in a crisis situation (failure to adapt the content of the message and communication channels to stakeholders, provision of false information),
- risk of a breach of stock exchange disclosure obligations,
- risk of delays in issuing or a failure to issue connection decisions that are of crucial importance to customers,

- risk of delays in the completion of key connection investments.

Human rights area:

- risk of breaching personal data protection laws and internal regulations,
- risk of breaching competition and consumer protection laws.

Environmental area:

- risk of failure to adapt the technology to the requirements of environmental legislation (IED),
- risk of unavailability of FGD, SCR and/or electrostatic precipitators due to a failure of these units, which may cause an increase in atmospheric emissions,
- risk of reducing or ceasing the activity due to a failure to obtain valid environmental decisions and permits,
- risk of failure to conform to the terms and conditions of the applicable permissions with respect to:
 - o water and sewage management (including the instream flow requirements and the permitted temperature of spent cooling water),
 - o waste management, including sludge from flue-gas desulfurization installations,
 - o atmospheric emissions, including NO_x, SO₂ and particles,
- risk of causing damage to elements of natural environment in connection with the operation of or execution of investment projects,
- risk of improper management of hazardous waste,
- risk of biomass fire,
- risk of the spontaneous combustion of coal due to oxidation.

Climate-related risks and opportunities

The methodology of identification and assessment of enterprise risks in the ENEA Group is not focused directly on assessing the company's impact on the climate or the impact of the climate on the company's business. Climate-related risks are selected from the pool of enterprise risks that are identified, prioritized and periodically assessed by their owners within the framework of the enterprise risk management process, in compliance with the assumptions of the ENEA Group Enterprise Risk Management Policy in the ENEA Group Enterprise Risk Management Methodology. These risks, like other types of enterprise risks, are subject to ongoing and cyclical monitoring and reporting for the benefit of both the respective company and the ENEA Group as a whole. Mitigating measures are taken for all risk categories.

As at the publication date of this Statement, the ENEA Group has not defined any official goals for the purpose of managing climate-related risks and opportunities. A comprehensive review of such opportunities and risks, along with a plan for their proper management, will be conducted as part of the ENEA Group's endeavors devoted to climate policy, which began in 2021. Within the framework of the non-financial reporting process carried out in respect of the said year, the Group updated its preliminary list of risks arising from climate change that have the potential of exerting a major impact on its business, revenues or expenses, which was originally prepared for the 2020 report, and, for the first time, the Group also identified climate-related opportunities. The reviews covered the short term (until the end of 2023), the medium term (until the end of 2026) and the long term (until the end of 2035).

For the purposes of this Statement, the ENEA Group's climate-related risks have been assigned to the categories consistent with the standards described in the ESG Reporting Guidelines, a guide published in May 2021 by the Warsaw Stock Exchange, which have identified the following types of risk:

- **transition risk** resulting from the transition towards a low-carbon economy, including: legal and regulatory risk (resulting from current or upcoming regulations), technological risk (the need to invest in innovative technologies), market risk (resulting from changing consumer behaviors, increasing prices of raw materials, etc.), reputational risk;
- **physical risk** resulting from the changing climate, including acute risk (from extreme weather phenomena such as droughts, floods and fires) and chronic risk (from long-term processes such as changes in temperature and rising ocean levels).

It should be pointed out that the risk management model described in this Report identifies risk categories other than those specified in the said guidelines.

Business area of the ENEA Group	Climate-related risks	Description of the risk factor	How the risk affects the ENEA Group	Methods applied in risk management
DISTRIBUTION	<p>Risk of catastrophic damage to elements of infrastructure as a result of extreme weather phenomena</p> <p>Risk category: physical</p> <p>Perspective: long term.</p>	<p>An increased frequency of extreme weather phenomena (gusty storms, hurricane winds, icing) may result in catastrophic damage to elements of network infrastructure</p>	<p>Physical damage translating into increased operating expenses</p>	<ol style="list-style-type: none"> 1. Visual inspections, check-ups and operational procedures in compliance with the due dates specified in the annual Maintenance Procedure Plans. 2. Ongoing removal of the effects of failures and damage to power lines and devices. 3. Capital expenditure endeavors related to the restoration of grid assets in compliance with the Capital Expenditure Plan.
	<p>Risk of the consolidation of a strong upward trend on the EUA market, with simultaneous disproportionate increases in electricity prices</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>High prices of CO₂ emission allowances may result in a low or negative value of the clean dark spread (CDS)</p>	<p>Decline in or loss of profitability in electricity generation</p>	<ol style="list-style-type: none"> 1. Substitution of coal with low-carbon fuels, including a greater share of biomass co-firing.
GENERATION	<p>Risks related to extreme weather phenomena</p> <p>Risk category: physical</p> <p>Perspective: short, medium and long term</p>	<p>An increased frequency of extreme weather phenomena (droughts, floods affecting the water level on the Vistula River, heavy snowfalls, frosts, icing, hurricanes) may disrupt energy generation</p>	<p>Interruption of business continuity, loss of revenue and significant additional costs</p>	<ol style="list-style-type: none"> 1. Vistula River water level monitoring system. 2. Annual assessment of the technical condition of power plant facilities. 3. Continuous supervision of staff over the operation of the power plant. 4. Flood protection system in the event of an increase in the water level on the Vistula River (stoplogs). 5. Ongoing supervision of devices and optimal overhaul management.
	<p>Risk of construction disasters in hydro power plants</p> <p>Risk category: physical</p> <p>Perspective: medium to long term</p>	<p>Factors such as torrential rains may increase the adverse impact of water on hydrotechnical facilities</p>	<p>Partial or complete damage to hydrotechnical equipment</p>	<ol style="list-style-type: none"> 1. Inspections of the technical condition and safety of buildings in accordance with legal requirements. 2. Execution of the required renovation and capital expenditure tasks to ensure that hydrotechnical equipment is kept in at least good technical condition.
	<p>Risk of construction disasters on wind farms</p> <p>Risk category: physical</p> <p>Perspective: medium to long term</p>	<p>Extreme weather phenomena, such as strong winds, hurricanes and tornadoes, may pose a threat to selected elements of farm infrastructure</p>	<p>Partial or complete damage to generation facilities</p>	<ol style="list-style-type: none"> 1. Inspections of the technical condition and safety of buildings in accordance with legal requirements.
	<p>Risk of construction disasters in cogeneration plants</p> <p>Risk category: physical</p> <p>Perspective: medium to long term</p>	<p>Changing weather conditions throughout the year necessitate the transport of fuel on belt conveyors in cogeneration plants in 'covered' technological facilities (tunnels, galleries, etc.), thereby increasing the risk of an explosion of coal dust or biomass</p>	<p>Partial or complete damage to generation facilities</p>	<ol style="list-style-type: none"> 1. Inspections of the technical condition and safety of buildings in accordance with legal requirements. 2. Execution of required maintenance, repairs and capital expenditure tasks to ensure that facilities are kept in at least good technical condition.
	<p>Risk of construction disasters in cogeneration plants</p> <p>Risk category: physical</p> <p>Perspective: medium to long term</p>	<p>Changing weather conditions throughout the year necessitate the transport of fuel on belt conveyors in cogeneration plants in 'covered' technological facilities (tunnels, galleries, etc.), thereby increasing the risk of an explosion of coal dust or biomass</p>	<p>Partial or complete damage to generation facilities</p>	<ol style="list-style-type: none"> 1. Inspections of the technical condition and safety of buildings in accordance with legal requirements. 2. Execution of required maintenance, repairs and capital expenditure tasks to ensure that facilities are kept in at least good technical condition.

<p>Risk related to the uncertainty of the legislative environment</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>Amendments to EU or national regulations may result in the non-recognition of biomass as a zero-emission energy source</p>	<p>Loss of revenue or increased costs related to changing the company's business context</p>	<p>1. Monitoring of and participation in legislative work.</p>
<p>Risk of a decline in sales of heat</p> <p>Risk category: physical</p> <p>Perspective: short, medium and long term</p>	<p>The trend of an increase in average temperatures during the heating season may lead to a significant decline in demand for heat</p>	<p>Decline in revenue from sales of heat</p>	<p>1. Diversification of revenue sources through the development of cogeneration.</p>
<p>Risk of an increase in environmental fees, in particular, in the cost of CO₂ emission allowances</p> <p>Risk category: transition</p> <p>Perspective: short term</p>	<p>Due to ongoing climate change, environmental regulations are tightened, resulting in increased fees and penalties</p>	<p>Increase in environmental fees resulting in higher costs of generation processes</p>	<p>1. Ongoing monitoring of regulations.</p> <p>2. Ongoing monitoring of the validity of decisions held, thereby enabling an early preparation of requests for changes.</p> <p>3. Ongoing supervision over the manner of implementation and compliance with the conditions specified in the decisions held.</p>
<p>Risk of suspending electricity/heat generation as a result of technological misalignment with the requirements of environmental protection regulations</p> <p>Risk category: transition</p> <p>Perspective: short term</p>	<p>Need to adapt generation units to the applicable legal requirements, including the IED</p>	<p>Suspension of electricity/heat generation as a result of technological misalignment</p>	<p>1. Regular upgrades of and investments in:</p> <ul style="list-style-type: none"> – units for generation of energy from renewable sources, – heat accumulation systems, – flue gas heat recovery units, – flue gas desulphurization units, – boilers. <p>2. Upgrade of transmission infrastructure and heating nodes, gradual extension of the extent of application of telemetric systems.</p> <p>3. Use of proper cooling systems in electricity and heat generation.</p> <p>4. Taking care of the proper technical condition of equipment using fluorinated gases.</p>
<p>Risk of non-continuity of fuel supplies</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>1. Natural disasters such as hurricanes, floods, droughts or freezing conditions may result in a limited availability or lack of biomass</p> <p>2. Natural disasters in the mining sector or in the supply process may cause a limited availability or lack of coal</p>	<p>Interruption or curtailment of the continuity of fuel supplies and the related loss of revenue</p>	<p>1. Optimization of fuel supplies.</p> <p>2. Diversification of the fuel portfolio.</p> <p>3. Emergency fuel purchases.</p> <p>4. Gradual shift of all or part of the fuel shipment process to the supplier.</p> <p>5. Performance monitoring with deviation analysis and update of plans for the performance of contracts for the supply of generation fuels and logistics services.</p>
<p>Risk of an increase in biogas production expenses</p> <p>Risk category: physical</p> <p>Perspective: medium term</p>	<p>A hydrological drought may potentially affect the availability and prices of corn silage, which is the key input substrate in biogas production</p>	<p>Deterioration of the economic profitability of biogas production from plant-based substrates</p>	<p>1. Adoption of and early preparation for a comprehensive substrate procurement action.</p> <p>2. Ongoing monitoring of the substrate market.</p>

<p>Risk of an increase in the cost of raising capital and/or property insurance</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>Global climate crisis making it increasingly difficult for fossil fuel-based businesses to access finance, insurance undertakings treating coal-based power generation as a high-risk industry</p>	<p>Increase in operating costs associated with higher cost of raising capital and/or property insurance</p>	<ol style="list-style-type: none"> 1. Use of the Group's transformation strategy in consultations with the reinsurance market. 2. Search for new methods of securing assets. 3. Spin-off of coal-fired generation assets from the ENEA Group's structures
<p>Risk related to activities pursued by environmental organizations</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>Activities of environmental organizations conducting aggressive campaigns against power plants by:</p> <ul style="list-style-type: none"> – appealing against and demanding the cancellation of integrated permits or environmental decisions held by power plants, – referring to the public interest and joining proceedings aimed at amending integrated permits, thereby delaying or preventing the issue of favorable decisions 	<p>Operational slowdown or shutdown of power plants due to difficulties in obtaining or maintaining decisions or permits related to environmental protection</p>	<ol style="list-style-type: none"> 1. Cooperation with leading law firms. 2. Cooperation with environmental organizations.
<p>Risk of losses in capacity caused by hydrologic conditions</p> <p>Risk category: physical</p> <p>Perspective: short, medium to long term</p>	<p>The country's unfavorable hydrological or meteorological translates into a deterioration in the hydrological conditions for the operation of power plants</p>	<p>Low surface levels and high water temperatures of the Vistula River may cause power losses due to problems with the provision of the necessary amount of cooling water (resulting from the need to maintain its uninterrupted flow) or abiding by the permissible temperature of the discharged cooling water</p>	<ol style="list-style-type: none"> 1. Execution of a project aimed at modernization of the cooling water system in a power plant.

TRADING

<p>Risk of adopting outdated assumptions for long-term financial projections</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>The progressing climate change affecting the climate policy of various countries and organizations may potentially shape the operating principles of the system and the price of CO₂ emission allowances</p>	<p>Unexpected costs caused by outdated assumptions for long-term financial projections</p>	<ol style="list-style-type: none"> 1. Periodic updates of price paths.
<p>Risk of commodity price volatility on the forward market</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>If the actual temperatures in the summer and winter seasons are different from the forecasts, this may cause deviations in electricity and gas prices on the Polish Power Exchange compared to the prices contracted in the previous months</p>	<p>Additional costs and/or lower revenue as a result of the volatility in commodity prices on the forward market</p>	<ol style="list-style-type: none"> 1. Maintaining and developing risk management competences within the ENEA Group applicable to this area 2. Internal risk optimization procedures. 3. Monitoring and analysis of factors affecting prices on the Polish Power Exchange. 4. Adjustment of orders placed, both in terms of price and volumes, to the current market situation.
<p>Risk of commodity price volatility on the spot market</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>Meteorological conditions:</p> <ul style="list-style-type: none"> – in the winter season (December-February), monthly average temperatures above the long-term norm, – in the summer season (June-August), monthly average temperatures above the long-term norm, <p>may generate financial losses on open positions</p>	<p>Additional costs and/or lower revenue as a result of the volatility in commodity prices on the spot market</p>	<ol style="list-style-type: none"> 1. Maintaining and developing competences in managing this risk within the company. 2. Internal procedures governing optimization on the spot market. 3. Ongoing analysis of factors affecting prices. 4. Monitoring and forecasting of factors affecting prices. 5. Adjustment of orders placed, both in terms of price and volumes, to the current market situation.

<p>Risk of disturbances/failures in energy generation</p> <p>Risk category: physical</p> <p>Perspective: short, medium and long term</p>	<p>Climate change may cause:</p> <p>a) in the winter season:</p> <ul style="list-style-type: none"> – lower wind generation due to lower wind speeds, – very low photovoltaic generation due to heavy clouds, – lower generation in hydro power plants due to low water levels; <p>b) in the summer season:</p> <ul style="list-style-type: none"> – lower wind generation due to lower wind speeds, – low levels of surface/ground waters resulting in the inability to use them for technological purposes in power plants, – extreme weather phenomena (violent storms, gusty winds, flash floods), resulting in limited access to energy over a large area 	<p>Additional costs associated with disturbance/failure management</p>	<ol style="list-style-type: none"> 1. Maintaining and developing competence within the company to manage this risk. 2. Internal procedures governing optimization on the spot market. 3. Ongoing analysis of factors affecting prices. 4. Monitoring and forecasting of factors affecting prices. 5. Adjustment of orders placed, both in terms of price and volumes, to the current market situation.
<p>Risks related to the need to change the way the company's operations are run</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>Climate change causing an increasingly restrictive EU climate policy, directly and indirectly translating into a number of more stringent environmental standards imposed on mines</p>	<p>Additional costs associated with increasing environmental standards</p>	<ol style="list-style-type: none"> 1. Ongoing supervision over compliance with environmental standards. 2. Continuous monitoring of changes in the EU's climate policy and the resulting amendments to national regulations. 3. Active participation in consultations on new regulations. 4. Continuous search for technical and organizational solutions minimizing the company's impact on the climate, e.g. by energy efficiency improvements.
<p>Risk of a decline in demand for steam coal in Poland and globally</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>Changes in the country's energy mix, including the ENEA Group's energy mix, and from a decrease in demand for electricity generated from coal (e.g. as a result of measures favoring energy efficiency, elimination of retail customers from the portfolio, more frequent switching to own sources of energy and heat generation, higher average atmospheric temperatures in winter) is likely to cause a gradual decrease in demand for the products offered to date</p>	<p>Restricting the possibility to sell mined coal</p>	<ol style="list-style-type: none"> 1. Implementation of a new business strategy, including through diversification of revenues towards the extraction of coking coal, which is a strategic commodity in the EU. 2. Taking into account the forecasts of climate models in determining the scope of contracts with customers.
<p>Risk of an increase in operating costs due to the need to pay greater compensations for losses in grasslands and agricultural land caused by the need to repair of mining damage to the environment</p> <p>Risk category: physical</p> <p>Perspective: short, medium and long term</p>	<p>The conduct of mining activities is associated with the occurrence of mining damage and may lead to the formation of subsidence basins and disruption of local water relations, thus causing occasional local flooding</p>	<p>Increase in operating costs due to the need to pay greater compensations for losses in grasslands and land caused by the need to repair of mining damage to the environment</p>	<ol style="list-style-type: none"> 1. Effective mining damage management policy. Ongoing dialog with local communities. 2. Continuous monitoring of rock mass movements using of modern measurement methods. 3. Monitoring of environmental aspects through the Integrated Quality, Environment and Safety Management System. 4. Ongoing reclamation of areas adversely affected by mining activities.

<p>Risk of an increase in the cost of raising capital and/or property insurance</p> <p>Risk category: transition</p> <p>Perspective: short, medium and long term</p>	<p>Global climate crisis making it increasingly difficult for fossil fuel-based businesses to access finance, insurance undertakings treating the mining sector as a high-risk industry</p>	<p>Increase in operating costs associated with higher cost of raising capital and/or property insurance</p>	<ol style="list-style-type: none"> 1. Use of the Group's transformation strategy in consultations with the reinsurance market. 2. Search for new methods of securing assets - the attitude of banks to providing financing to the company is monitored on an ongoing basis.
<p>Risks associated with the activities of non-governmental environmental organizations</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>The activities of environmental organizations, including potential protests related to investment and development activities, may affect the social acceptance of the company</p>	<p>Obstruction in the progress of various administrative procedures conducted with the participation of environmental organizations</p>	<ol style="list-style-type: none"> 1. Execution of projects in partnership with environmental organizations. 2. Ongoing communication of activities aimed at improving environmental safety. 3. Increasing the company's environmental efficiency, e.g. through investments. 4. Respecting state-imposed forms of nature protection (e.g. no mining and no future mining plans under the Polesie National Park).
<p>Reputation risk related to the conduct of business in the fossil fuel industry</p> <p>Risk category: transition</p> <p>Perspective: medium to long term</p>	<p>Due to the climate crisis, the EU's policy and the activities of environmental organizations, the mining industry may be perceived as the perpetrator of climate change</p>	<p>Damage to the image</p>	<ol style="list-style-type: none"> 1. Participation in business initiatives. 2. Involvement in local socio-economic development initiatives. 3. Intensive communication activities, focusing chiefly on demonstrating the role played by the company in the Lublin region along with its environmental efficiency and openness to change.

Business area of the ENEA Group	Sphere of activity	Source of development opportunity	How the opportunity affects the ENEA Group
TRADING	<p>Wholesale and retail energy trading</p> <p>Opportunity category: market/technology</p> <p>Perspective: short, medium and long term</p>	<p>Implementation, by the ENEA Group and its environment, of modern technological solutions supporting the fight against climate change</p>	<p>Possibility to trade in "green energy" including in foreign markets.</p> <p>Increased liquidity in the market, with a wide range of generators, prosumers, and virtual asset management players, allowing for optimization of own assets, better hedging of the product portfolio, and generation of more stable and better financial results.</p> <p>Possibility to prepare advanced, low-carbon products and services, including multi-product and customized offers for business or individual customers (e.g. electricity, CO₂, fuels, portfolio management).</p> <p>Possibility to build competitive edge and/or customer loyalty by creating an offer of participation in pro-environmental investments carried out by them, e.g. modernization of industrial CHP plants and expansion and modernization of connections or plant networks.</p> <p>Multidimensional benefits of installing and managing energy storage facilities, e.g. price arbitrage, time-shifting of peaks and valleys of demand, load balancing, balancing market services, contingency power supply and offtake, support and stabilization of a system saturated with RES and prosumers, system reserves, emergency power supply, compensation for losses in power plants and CHP plants, balancing of island grids and energy clusters, support for the use of industrial waste energy.</p> <p>The need to recycle used and damaged photovoltaic panels and used traction batteries from electric cars.</p> <p>The possibility of utilizing the blades of used windmills in new projects, in line with the circular economy concept. They can find application, among others, as parts of power line poles and emergency housing roofs, in the production of polymer fibers and low-cost housing from materials containing polymer granules, and in co-processing cement and making pellets or boards.</p> <p>Developing cooperation with local communities and building modern, comprehensive solutions, e.g. in connection with the implementation of the concept of energy clusters (energy cooperatives, self-sufficient energy communities).</p>

DISTRIBUTION	<p>Distribution of electricity</p> <p>Opportunity category: market/technology</p> <p>Perspective: medium to long term</p>	<p>Implementation, by the ENEA Group and its environment, of modern technological solutions supporting the fight against climate change</p>	<p>Potential approvals by the ERO President (due to development of the prosumer energy sector) for rebuilding low-voltage (LV) lines using safe and reliable insulated conductors or through cabling.</p> <p>Potential approvals of the ERO President (in connection with RES development) for the cabling of medium voltage (MV) grids, which will significantly improve their reliability.</p> <p>Gradual transformation of the passive (unidirectional) network into a more flexible active (bidirectional) one, in order to increase its flexibility to allow for the development of distributed energy and the popularization of prosumer energy and the installation of charging points and energy storage.</p> <p>Potential approvals by the ERO President (in connection with the development of the active network) for intensive implementation of smart grid solutions, including smart meters, control and automatic reconfiguration elements, network operation diagnostic and analysis devices, electricity quality monitoring and management.</p> <p>Development of cooperation between DSOs and TSOs in order to ensure security and reliability of the Polish Power System taking into account distributed generation from RES.</p> <p>Development of cooperation between DSOs and local governments to ensure that the correlation of the expansion and modernization of the power grid with the environmental needs and plans of the townships, e.g. in the energy cluster model for the construction of PV farms and energy storage facilities and the production of green hydrogen.</p> <p>Improvement of energy efficiency of substation buildings by installing PV panels on them.</p> <p>Development of energy storage facilities for peak leveling and load leveling, frequency control, voltage control, reactive power compensation, backup power supply, and grid planning support - deferring transmission and distribution grid investments, supporting weak grids, supporting smart grids, relief of transmission congestion.</p>
GENERATION	<p>Production of electricity and heat</p> <p>Opportunity category: market/technology</p> <p>Perspective: short, medium and long term</p>	<p>Investments in own renewable energy sources</p>	<p>Reduction of energy production costs and ensuring business continuity while reducing greenhouse gas emissions.</p> <p>Adaptation of conventional energy sources to blend coal with zero- or low-carbon fuels.</p> <p>Replacement of coal-fired energy sources with gas-fired, alternative fuel and biomass sources.</p> <p>Development of offshore wind energy.</p> <p>Reduction of raw material (e.g. water) consumption, greenhouse gas emissions and waste production.</p> <p>Securing access to land and infrastructure so that the ENEA Group can build gas-steam units or other generation assets not based on coal in place of coal-fired units.</p> <p>The possibility of using waste to produce heat and electricity.</p> <p>Possibility of using combustion by-products (fly ash, FGD gypsum, slag, ash-slag mixture) for road construction and production of construction materials.</p>
MINING	<p>Coal mining</p> <p>Opportunity category: market/technology</p> <p>Perspective: short, medium and long term</p>	<p>Investments in own renewable energy sources</p>	<p>Securing post-mining sites for future RES development.</p>
GENERATION, TRADING, DISTRIBUTION	<p>R&D&I</p> <p>Opportunity category: technology</p> <p>Perspective: short, medium and long term</p>	<p>Implementation, by the ENEA Group and its environment, of modern technological solutions supporting the fight against climate change</p>	<p>Development of energy technologies and R&D investments, including energy storage technologies, smart metering and energy management systems, electromobility, alternative fuels, hydrogen technologies, participation in the development and operation of energy islands.</p>

As at the date of publication of the Statement, no analysis of climate risks and opportunities in the whole supply chain has been performed.

Environmental issues – description of due diligence policies and procedures and their results

Generation and supply of electricity and heat to customers in a way that is safe for the environment and compliant with the law is one of the main priorities for the ENEA Group. It also strives to rationally manage natural resources and to ensure biodiversity and sustainability of environmental processes in its surroundings.

The Group has in place a number of policies and procedures referring to environmental matters. The *ENEA Group Code of Ethics* states, among other things, that the company:

- takes environmental factors into account when developing new services and products,
- invests in solutions satisfying stringent environmental standards,
- works on technological solutions to increase production of energy from renewable sources,
- makes rational use of energy and natural resources and strives to reduce generated waste and pollution,
- initiates and actively participates in educational campaigns for environmental protection and building environmental awareness,
- prevents any breakdowns that may be dangerous for the environment.

The commitment to sustainable development and natural environment is also embedded in the *Code of Ethics for LW "Bogdanka" S.A. Group and ENEA Group Compliance Policy*, which among others requires the Group to:

- take actions to minimize pollution emissions and to ensure reasonable management of natural resources,
- undertake initiatives to retain the balance between the Group's operations and the natural environment,
- carry out capital expenditures using environmentally friendly technologies,
- support renewable energy sources,
- cooperate with environmental organizations.

The *ENEA Group Procurement Policy* contains a rule that, when selecting suppliers of products and services, non-price criteria should be taken into account, including environmental factors such as energy efficiency of the subject of contract. However, bid evaluation criteria are defined individually for each tender procedure and selected environmental aspects are included only when deemed suitable for the subject of contract. At the same time, contracts with all suppliers contain an undertaking to observe the provisions of the ENEA Group's *Code of Conduct for Contractors*, which contains the Group's expectations, among others in respect to environmental protection.

The *ENEA Group Communication Policy* contains provisions stating that the Group's communication is conducted in a manner that promotes environmentally friendly values and that the Group's sponsorship activities will focus, without limitation, on the domain of environmental protection.

The individual companies have and update on an ongoing basis their own policies, procedures, instructions and regulations, which are suitable to their unique character, obligating them to protect the environment and use it in a sustainable way. In addition, some of the principles, e.g. the ones setting out the requirements for handling the waste produced, must be observed by external entities performing work on the sites of and for Group companies. Additionally, the Group companies apply methodologies for monitoring and documenting specific environmental impacts and effects of their pro-environmental activities.

Selected due diligence policies, standards and procedures in the area of environmental management in selected ENEA Group companies

ENEA S.A.	- <i>ENEA S.A. Environmental Policy</i>
ENEA Wytwarzanie	<ul style="list-style-type: none"> - <i>Policy of the Integrated Quality, Environmental and OHS Management System</i> - <i>Book of the Integrated Quality, Environmental and OHS Management System</i> based on the requirements of the standards PN-EN ISO 9001:2015, PN-EN ISO 14001:2015 and PN-N-18001:2004/OHSAS 18001:2007 - <i>Procedure "Supervision over legal and other requirements"</i> - <i>Procedure "Identification and evaluation of environmental aspects"</i> - <i>Procedure "Environmental monitoring"</i> - <i>Procedure "Identification of potential accidents and emergencies and responding to their occurrence at ENEA Wytwarzanie sp. z o.o. at the Świerże Górze site"</i> - <i>Rescue plan in case of a threat to life and human health and property or the environment at ENEA Wytwarzanie sp. z o.o. in Świerże Górze (Kozienice Power Plant)</i> - <i>Emergency preparedness and response procedure at the Koronowo site</i> - <i>Procedure "Goal management"</i> - <i>Procedure "Management review, analysis and improvement"</i> - Other detailed procedures and instructions governing conduct setting out the principles of performing operations that impact the environment, monitoring, performing measurements and exercising metrological oversight over devices used to monitor the effects of environmental activity
ENEA Ciepło, ENEA Ciepło Serwis	<ul style="list-style-type: none"> - <i>Environmental Management System Policy</i> and the following procedures based on this policy: <ul style="list-style-type: none"> ><i>Supervision over documentation (SZŚ)</i> ><i>Supervision over records (SZŚ)</i> ><i>Process monitoring (SZŚ)</i> ><i>Goal management (SZŚ)</i> ><i>Internal audits (SZŚ)</i> ><i>Handling non-compliance – corrective actions (SZŚ)</i>

- >Periodic evaluation of compliance with legal and other requirements (SZŚ)
- >Management review (SZŚ)
- Procedure PŚ-4.3-01 “Identification of environmental aspects”
- Procedure PŚ-4.4-01 “Responding to danger and failure”
- Procedure PŚ-4.4-02 “Waste management”
- Procedure PŚ-4.5-01 “System of monitoring and measuring parameters affecting the environment”
- Quality instruction QI-7.5-11 “Program for prevention of severe industrial accidents relating to the storage and use of hazardous substances and materials at the Zachód Heat Plant”
- Internal instructions on monitoring and reporting CO₂ emissions:
 - > Instruction I-OŚ-01 “Management of records and documentation”
 - > Instruction I-OŚ-02 “Determination of changes affecting the allocation of emission allowances for installations”
 - > Instruction I-OŚ-03 “Calculation of CO₂ emissions”
 - > Instruction I-OŚ-04 “Quality of the information system used for data flow activities”
 - > Instruction I-OŚ-05 “Estimation of fuel consumption during a belt weigher and gas flow meter breakdown”
 - > Instruction I-OŚ-06 “Monitoring of outsourced processes”
 - > Instruction I-OŚ-07 “Identification of installed devices used to determine data values”
 - > Instruction I-OŚ-08 “Staff management for ETS purposes”
 - > Instruction I-OŚ-09 “Evaluation of the adequacy of the monitoring methodology plan/Evaluation of the adequacy of the monitoring plan”
 - > Instruction I-OŚ-10 “Management of data flow activities”
 - > Instruction I-OŚ-11 “Implementing corrections and rectifying measures”
 - > Instruction I-OŚ-12 “Supervision over metering equipment for monitoring CO₂ emissions”
 - > Instruction I-OŚ-13 “Internal reviews and validation of data”
 - > Instruction I-OŚ-14 “Uncertainty assessment”
 - > Instruction I-OŚ-15 “Analysis of CO₂ emission monitoring risk”
 - > Instruction I-OŚ-16 “Analysis of the risk of the PMM monitoring methodology plan”
 - > Instruction I-OŚ-17 “Monitoring of basic data and audit activities related to the application for free allocation of CO₂ emission allowances”

Enea Ciepło – Białystok Division	<ul style="list-style-type: none"> – Biomass purchasing policy – Sustainable Development Criteria System Book (SDC) – Environmental Management System Policy and the following procedures based on this policy: <ul style="list-style-type: none"> ▪ Supervision over documentation (SZŚ) ▪ Supervision over records (SZŚ) ▪ Process monitoring (SZŚ) ▪ Goal management (SZŚ) ▪ Internal audits (SZŚ) ▪ Handling non-compliance – corrective actions (SZŚ) ▪ Periodic evaluation of compliance with legal and other requirements (SZŚ) ▪ Management review (SZŚ) – Procedure “Identification of threats and responses to environmental emergencies at the Białystok CHP Plant” – Procedure “Prevention and mitigation of emergencies on the environment at the Białystok CHP Plant” – Procedure “Conduct in the event of environmental emergencies at the Białystok CHP Plant” – Procedure “Monitoring CO₂ emissions in the Białystok CHP Plant” – Instruction on the organization of rescue operations at the site of ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division – Procedure “Identification of threats and determining how to respond to environmental emergencies at ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division” – Procedure “Prevention and reduction of the impact of emergencies on the environment at ENEA Ciepło sp. z o.o. – Białystok CHP Plant Division” – Procedure “Conduct in the event of environmental emergencies at the Białystok CHP Plant” – Instruction on managing dangerous and hazardous substances and mixtures – Instruction on handling waste at the Białystok CHP Plant
Miejska Energetyka Ciepła Piła	<ul style="list-style-type: none"> – Instruction “Waste management” – Procedures referred to in the CO₂ emissions monitoring plan
Przedsiębiorstwo Energetyki Ciepłej	<ul style="list-style-type: none"> – Environmental Policy
Enea Operator	<ul style="list-style-type: none"> – Company Environmental Pollution Bank Program SOZAT – Procedure for fulfillment of obligations towards entities financing the investments of ENEA Operator sp. z o.o. – Procedure for registering power devices containing at least 6 kg of SF₆ gas and operations performed on them – Procedure for management of dismantling materials and waste in ENEA Operator sp. z o.o.
Enea Oświetlenie	<ul style="list-style-type: none"> – Waste management at ENEA Oświetlenie sp. z o.o.
Enea Elektrownia Połaniec, Enea Bioenergia	<ul style="list-style-type: none"> – Procedure for identification and evaluation of environmental aspects – Environmental monitoring procedure – Environmental management program
Lubelski Węgiel “Bogdanka”	<ul style="list-style-type: none"> – Policy of the Integrated Quality, Environmental and OHS Management System with related environmental procedures

In 2021, ENEA Group companies recorded no significant non-financial penalties or sanctions for non-compliance with environmental protection laws or regulations.

Climate policy and oversight of climate-related issues

At the time of publication of the Statement works were underway on the preparation of a comprehensive climate policy common for the entire ENEA Group. The document will identify key risks and opportunities associated with climate change, define ways and principles for managing them, and set the company climate goals and indicators for attaining them.

Since 16 February 2021 the person responsible in the ENEA Group for climate-related issues is the Vice-President of the Management Board for Operational Matters – Mr. Marcin Pawlicki. Since 20 April 2021, the unit responsible for this area in ENEA S.A. is the Innovation and Climate Transition Office, which is part of the Strategy Division at the Group Strategy and Development Management Department.

By the publication date of the Statement, the method of oversight of the Supervisory Board over climate matters has not been agreed upon. Also, no committees have been established to monitor and supervise over the progress in the implementation of climate-related goals and tasks. Both of these issues are to be addressed during the work on the Group's climate policy.

Products and services of the ENEA Group with a positive environmental impact

In 2021, the ENEA Group offered the following products with a positive environmental impact to its individual customers:

- **Enea Eco** – offering of lower rates for electricity used at night provided it is used for the purpose of ecological heating of the home or charging an electric car,
- **Mađra Energia [Smart Energy]** – consulting, audit and sale of storage heaters or heat pumps, or a discount on the purchase of air purifiers, or help in analyzing the needs and technical options, audit and installation of photovoltaic panels, along with support with connection to the grid and obtaining government grants and the modernization tax relief;
- **Photovoltaics for Large Families** – special discount for holders of Large Family Card for purchasing photovoltaic installation from the Group's partner;
- **Enea Smart** – electricity as part of the package of solutions which will allow for more effective use of electricity and protection of the home against fire, flooding or burglary.

The offering for business customers included:

- **ENERGIA+ Professional** – electricity as part of a package with professional consulting services making it possible to optimize its consumption;
- **Enea Smart Business** – electricity as part of the package of smart devices which will allow for a more efficient use of electricity and additionally secure the company against fire, flooding or burglary.

The following is planned in 2022:

- introduction of an offer for households and smaller business customers entailing a purchase of guarantees of origin certifying the origin of energy from renewable sources,
- extension of the Smart Energy product line by adding new devices such as energy storage systems and electric vehicle charging stations, or allowing the customers to purchase the widest possible range of products from a single partner.

Environmental impact of the ENEA Group

The ENEA Group does not have an environmental impact that is greater than the average use of resources shared with local communities, or an impact on shared resources.

All environmental impacts of the Group are monitored and minimized by the units responsible for environmental protection within companies. They are mitigated also through Circular Economy activities promoting optimization of resource consumption. However, even though all legal requirements are met and due diligence exercised, it is still impossible to completely eliminate the impacts of mining and generation activities on the environment; therefore, corrective measures are taken and/or compensation is paid as necessary. The organization also runs a number of diverse social projects targeted at local communities.

ENEA Group's operations may expose local communities to e.g.:

- limitations in access to water,
- destruction of biodiversity in places where mining and generating units are located,
- production of combustion waste (ash, slag),
- production of large quantities of mining waste,
- withdrawal and discharge of considerable quantities of water from the Vistula river for cooling purposes,
- subsidence of land caused by coal mining using the top coal caving method, which may lead to degradation of arable land,
- impact of the mining operations on water management (among others discharge of mineralized mine water to the Świnka river),
- impact of linear construction projects on the landscape of the neighboring agricultural and forest areas
- disruption of the morphological continuity of rivers through the use of damming of water for hydroelectric purposes,
- impact related to the transportation (exhaust fumes, noise, dust).

Selected environmental activity in 2021

In 2021, the ENEA Group conducted numerous activities aimed at reducing its negative impact on the environment. They included large capital expenditures and minor changes in daily operations in individual companies. Continuous efforts were also made to increase environmental awareness of our employees and their knowledge about the rational use of the environment. It also executed environmental education projects in its communities and executed projects to actively protect the nature.

In 2021, the ENEA Group allocated a total of PLN 155.9 million for environmental investments.

ENEA Group's environmental investments in 2021

Investment	Actuals 2021 [PLN million]
Adaptation to BAT conclusions (Połaniec Power Plant)	91.6
Construction of a cogeneration source in Piła (MEC Piła)	33.4
Adaptation to BAT conclusions (Kozienice Power Plant)	10.4
Other	20.5
Total environmental investments	155.9

The Group allocated PLN 49.6 million for investments in the area of energy efficiency⁹.

Environmental investments, organizational changes, etc.

ENEA S.A. signed an agreement with PGE Polska Grupa Energetyczna S.A. under which both companies will jointly apply for location permits for the construction of offshore wind farms in the Polish Exclusive Economic Zone in the Baltic Sea. The company has also changed its headquarters to a LEED Platinum-certified building with implemented solutions that reduce energy and water consumption.

ENEA Elektrownia Połaniec modernized absorbers of the flue gas desulphurisation installation and its waste water treatment plant (and also extended the monitoring of industrial wastewater from that installation), as a result of which it satisfied the BAT conclusion requirements. It also modernized electrostatic precipitators in units 2-7 and installed and replaced catalytic layers of its nitrogen oxide reduction system. In addition, studies were initiated on the impact on ichthyofauna of the Vistula River and the impact of the open cooling system on the river's flow in the power plant area. The Company underwent a post-implementation energy efficiency audit for the modernization of two cooling water pumps and upgraded the lighting of power unit 6, as a result of which it obtained energy efficiency certificates from the ERO President with the values of 805.712 toe and 77.204 toe, respectively. Moreover, in 2021 State Forests made pilot deliveries of energy willow to the Połaniec Power Plant. They were carried out based on transactions concluded through the e-drewno application in keeping with the terms of sales in effect in the State Forests. The cooperation with the State Forests fits within the assumptions of the *Directive of the European Parliament and of the Council no. 2018/2001 on the promotion of the use of energy from renewable sources (REDII)* and *Poland's Energy Policy until 2040*, which envisage development of the local biomass market. The power generation area utilizes only the fuel willow that is not suitable for other industrial sectors.

ENEA Wytwarzanie has completed the project of installing the catalytic flue gas denitrification installation (SCR) for the 500 MW Units 9 and 10, and construction of the ammonia water dosing, unloading and storage station II for Units 9 and 10. As part of the program of adapting the company to the BAT conclusions, 2 electrostatic precipitators of the 200 MW class units 3 and 8 were modernized along with three flue gas desulphurisation plants (FGD I for the 500 MWe unit 9 and FGD II, FGD IV for 200 MWe units nos. 1-8), while four FGD wastewater treatment plants were automated and optimized (FGD II and FGD IV for 200 MWe Units 1-8), FGD I (500 MW Unit 9), FGD V (1000 MWe Unit 11) and 5 automatic emergency mercury emission control/reduction systems were installed on FGD I, II, III, IV, V. The company also streamlined and sealed the closed municipal waste collection system on its site. As part of energy efficiency initiatives, the company modernized its lighting installations (warehouses M1 and M2 of the mazut pumping station No. 2 and ash retention tanks 1, 2, 3) and cooling water pumps PC5-8 of the 200 MW units. These measures will allow it to save approx. 1000.3 toe of final energy per year.

ENEA Ciepło modernized the heat plant's Control and Supervision System, one of effects of which will be the optimization of pollution emissions through better control over the combustion process. It also undertook measures to increase energy efficiency in heat transmission and distribution, for example by upgrading duct networks to pre-insulated ducts, modernizing heat distribution hubs, dividing group hubs into individual hubs and installing telemetric devices on heat distribution hubs. At the Białystok CHP Plant, a new System of Sustainability Criteria was implemented for production of heat and electricity from biomass, described by the standards of the Oil and Gas Institute consistent with the EU RED II Directive requirements, and three air conditioners were replaced at power switching stations C1A and C1B, which is important for reducing the intensity of greenhouse gas emissions.

ENEA Nowa Energia cooperated with the Regional Directorate for Environmental Protection in Szczecin and the Drawa National Park to unblock the Drawa River. A fish ladder was built and work was performed to ensure correct functioning of the fish ladder at "Kamienna" Hydroelectric Plant and that its effectiveness is correctly monitored.

ENEA Operator modernized lines and changed the cross-sections and configuration of the grid, which allowed it to reduce transmission losses, and replaced transformers with reduced loss models. What is important, the company's grid investments have increased the capacity available for RES investments. The company additionally introduced a procedure for managing materials from dismantling tasks and waste. By reviewing and reusing dismantled materials it will reduce the amounts of generated waste. It also supported businesses with RES capacity by offering them the Generator Portal (<https://www.operator.enea.pl/dlawytworcow>), a free proprietary IT tool that makes it easy to observe the reporting obligations for electricity generation and injection into the grid (SOGL Guidelines).

MEC Piła finalized the start-up of a new CHP plant based on three gas sources and solar collectors. This cogeneration heat source commissioned in January 2022 will allow the company to reduce coal consumption by 7474 t annually, which will help reduce emissions and combat smog. The company also eliminated old sections of the district heating network, which reduced its heat

⁹ ENEA Centrum, ENEA Trading, MR "Bogdanka" and RG "Bogdanka" are not included, for which data was not available.

losses. In order to increase energy efficiency, it also reconstructed and automated the thermo-hydraulic system of the KR-Zachód heat plant and installed energy-efficient equipment and automatic control systems.

ENEA Pomiarzy purchased two electric cars, replaced light sources with LEDs at its location in Maszewo and carried out thermal modernization of the roof at its Poznań location.

ENEA Trading replaced part of its vehicle fleet, with 2 hybrid cars and 4 gasoline cars taking the place of diesel vehicles.

At ENEA Centrum and Lubelski Węgiel "Bogdanka", lighting was gradually replaced with LED light sources.

Łęczyńska Energetyka reduced losses on heat transmission by replacing insulation of the district heating network (overhead and in channels).

Social environmental projects

#BalticForGenerations

ENEA and UN Global Compact Network Poland launched a national education campaign entitled #BalticForGenerations (#BałtykDlaPokoleń) to raise awareness of the threat for the Baltic Sea ecosystem posed by sunken munitions and chemical weapons from World War II, and to build the broadest possible coalition (comprised of national institutions, local governments, NGOs and businesses in Poland and abroad) supporting this initiative in order to increase effectiveness of appeals to the European Commission for funds to solve this problem. Action taken in this respect is critical for the life and health of people but also for the economic development of whole seaside regions, not only tourism and fishing, but also for the offshore wind energy developed by the Group.

Active nature conservation projects

ENEA Operator installed 65 platforms for stork nests and 7 platforms for osprey nests.

Lubelski Węgiel Bogdanka cooperated with the Polish Society for the Protection of Birds on the conservation of peat ecosystems in the Łęczyńsko-Włodawskie Lake District to restore a suitable habitat for the Aquatic Warbler, a globally threatened species of passerine bird. In this geographic area the company also carried out joint actions with the Foundation for Nature: the project of creating new breeding sites for rare owl species launched in 2020 and the program for protection of cranes (implemented in partnership with the Voivodship Fund for Environmental Protection and Water Management in Lublin, Marshal's Office in Lublin and Polesie National Park).

Educational activities were also carried out together with the Foundation for Nature: lessons on rare owl species for pre-schoolers and children from elementary schools, printing of the album entitled "Rare and disappearing species of animals of Lublin region", contest for children on knowledge of nature and educating participants of the cyclical event "Farewell to the cranes".

Together for Bees

ENEA educated its customers on the importance of bees for humans and inspired them to create meadows for them. As part of the project, packets of seeds of nectar-rich flowers were prepared and supplied to Customer Service Offices in the form of biodegradable leaflets.

Bird lookout

Through cooperation with the State Forests, a bird lookout was built in the Biskupice forest district to enable observation of water and marsh birds. During the opening, a nature photography workshop was conducted by a recognized nature photographer, Hubert Gajda, whose photographs can be admired inside the facility.

Environmental volunteering among employees

As part of the campaign named "We plant the next generation of forest", volunteers from ENEA Połaniec and other Group companies planted one hectare of forest – 8 thousand oak seedlings – in the Staszów forest district. In the Osowo forest district, the Group's volunteers together with representatives of the Lipka forest inspectorate planted around one and a half thousand seedlings of honey-growing species (including linden trees, hawthorns, cherry plums, guelder-roses), which will be beneficial for pollinating insects, as well as birds and some mammal species.

During the celebration of the World Fish Migration Day ENEA Elektrownia Połaniec worked with "Tygodnik Nadwiślański" to conduct an educational campaign, in which it engaged school children from neighboring areas of the plant, while its employees joined in a fish stocking campaign organized by anglers. For the third year in the row, volunteers from the company took up the task of cleaning up the Czarna River – during a canoeing trip they collected waste strewn along the river. On the eve of the Earth Day, they also organized a cleaning campaign for a bank of the Vistula river, in which children from local kindergartens participated. The cleanup was preceded by educational presentations on segregation of waste and protection of the environment. Volunteers from the Połaniec Power Plant also joined the initiative of the Clean Poland Association and the United Nations Global Compact – a great clean-up of Baltic beaches.

Help animals survive through winter

The ENEA Foundation invited schools from Poznań, Staszów, Zielona Góra, Połaniec, Piła and Szczecin to participate in the campaign entitled "Help animals survive through winter". Pupils learned how to protect and help birds in frosty weather and 30 elementary schools received feeders and nearly one ton of feed. Each school was also provided with educational materials and instruction for feeding birds.

Competitions

In December 2021 a competition on knowledge of Koziencice Power Plant's natural environment was launched. It was organized by the Mazowieckie-Świętokrzyskie Ornithological Society and the ENEA Wytwarzanie Communications Department and held under

the following motto: “ENEA Wytwarzanie employees learn about the nature, species, habitats, animals and plants of their workplace”.

In 2021 a “Master of eco-photography” competition was organized for children up to 12 years of age from the counties of: Tarnobrzeg, Sandomierz, Staszów, Opatów, Stalowa Wola, Nisko, Mielec and Kolbuszowa. The contestants took photographs presenting environmentally-friendly behavior, such as saving water.

ŁęcznaLab

Lubelski Węgiel Bogdanka worked with the Landscapes Foundation and the Łęczna township to organize art and ecology workshops (for children) and floristic workshops (for seniors) held in Łęczna. In five towns of Lubelskie Voivodeship (Uścimów, Cyców, Zamość, Ludwin, Wierzbica) they organized training workshops for children and youth, devoted to ornithology, beekeeping and to the unique features of the Uściwierskie Lakes Natura 2000 area. The ŁęcznaLab project also included educational and workshop activities addressed to the residents of the Łęczna township, during which flower meadows were sown and marked in towns and flowerbeds with shrubs were created.

Soil - agricultural space. Sustainable agriculture in LWB’s mining areas

Lubelski Węgiel Bogdanka, together with the Institute of Soil Science and Plant Cultivation – State Research Institute in Puławy, organized a consultation and training meeting for farmers who leased farmland from the Company, for owners of plots within the Company’s area of impact and for interested employees of the Company. The meeting was devoted to the improvement of plant production technology in order to obtain crops of the desired quality in an environmentally-friendly manner, and taking into account the rules of the Common Agricultural Policy and the expected climate changes.

Effects of the implemented environmental protection policies

According to the current development strategy, the key environmental indicators for the ENEA Group include:

- increase of the installed RES capacity¹⁰,
- unit CO₂ emissions¹¹,
- index of grid losses in the distribution area¹².

As at the publication date of the Statement, no measures have been adopted for the purpose of managing climate-related risks and opportunities. Their list and target levels will be recorded in the ENEA Group Climate Policy, which is currently being developed.

Selected figures reflecting the effects of the pursued environmental protection policies are presented below.

CO ₂ emissions related to electricity generation [Mg]	2019	2020	2021	Change 2021/2020
Kozienice Power Plant	14,883,264	13,786,235	15,855,536	+15%
Połaniec Power Plant	6,751,791	4,555,879	6,030,838	+32%
Białystok CHP Plant	253,522	174,755	312,696	+79%
“Zachód” Heat Plant (Białystok)	12,254	14,588	18,138	+24%
MEC Piła	80,450	81,089	89,811	+11%
PEC Oborniki	13,597	13,490	15,443	+14%
Łęczyńska Energetyka	44,697	45,263	53,083	+17%
Biogas-fired power plants (ENE A Nowa Energia)	5,647	10,287	9,235	-10%

Unit CO ₂ emissions related to electricity generation [kg/MWh] ¹³	2019	2020	2021
	774	757	772

The ENEA Group reports direct greenhouse gas emissions (Scope 1)¹⁴ and starting from 2021 also its indirect greenhouse gas emissions (Scope 2) calculated using the location-based method. Both emission categories are expressed in metric tons of carbon dioxide equivalent.

¹⁰ See Section *Planned evolution of the energy generation structure in the ENEA Group* in this Statement.

¹¹ See Section *Schedule of achievement of climate neutrality* in this Statement.

¹² See Section *Security of electricity supply* in this Statement.

¹³ Ratio of CO₂ emissions directly related to electricity generation to total gross electricity generation. In the case of the power plants in Kozienice and Połaniec as well as Elektrociepłownia Białystok and MEC Piła, the calculations are based on total CO₂ emissions from electricity and heat generation processes, i.e. for sources that generate electricity only or those that cogenerate electricity and heat. Accordingly, the calculation of the ratio does not take into account any CO₂ emissions from units that generate heat only, because these emissions are not related to electricity generation..

¹⁴ In previous years – only for generating entities – see table *CO₂ emissions related to electricity generation*.

Company	Scope 1 [t CO ₂ e]	Scope 2 [t CO ₂ e]
ENE A S.A.	Data not available ¹⁵	Data not available
ENE A Ciepło – Head Office	18,314	4,040
ENE A Ciepło – Białystok Division	338,100	0
ENE A Elektrownia Połaniec	6,030,838	Data not available
ENE A Bioenergia	Data not available	Data not available
ENE A Nowa Energia	9,235	923
ENE A Wytwarzanie	15,855,536	34,816
PEC Oborniki	Data not available	Data not available
MEC Piła	92,024	Data not available
ENE A Połaniec Serwis	Data not available	Data not available
ENE A Ciepło Serwis	211	64
ENE A Operator	7,580	Data not available
ENE A Trading	Data not available ¹⁵	Data not available
ENE A Innowacje	Data not available ¹⁵	Data not available
ENE A Serwis	1,258	Data not available
ENE A Centrum	Data not available ¹⁵	Data not available
ENE A Pomiary	68	183
ENE A Logistyka	999	505
ENE A Oświetlenie	26	251
Lubelski Węgiel "Bogdanka" Group	61,763	251,628
Total	22,415,951	292,410

Company	Biogenic CO ₂ emissions [t]
ENE A Elektrownia Połaniec	2,148,476
Lubelski Węgiel "Bogdanka" Group	283
Total	2,148,759

As at the publication date of the Statement, no management decisions have been made regarding the schedule of implementing the reporting of other indirect emissions created in the company's supply chain (Scope 3).

Generation of energy using renewables [GWh]	2019	2020	2021	Change 2021/2020
Total production from renewable energy sources, including:	2,279	2,392	2,415	1.0%
ENE A Nowa Energia ¹⁶ : hydro power plants	130	130	114	-12.0%
ENE A Nowa Energia ¹⁶ : wind farms	185	183	157	-14.4%
ENE A Nowa Energia ¹⁶ : biogas plants	5	9	9	-9.4%
ENE A Ciepło: biomass firing	204	255	227	-11.0%
ENE A Połaniec Power Plant: biomass co-firing	314	371	326	-12.2%
ENE A Połaniec Power Plant: biomass firing	1,441	1,442	1,582	9.7%

¹⁵ The company runs an administration and office business.

¹⁶ In previous years: ENE A Wytwarzanie – RES Segment.

Consumption of electricity [MWh] ¹⁷	2019	2020	2021
	2,660,204	2,415,110	2,893,177
		including from renewable sources	67,776

Water withdrawal [M ³] ^{18,19}	2019	2020	2021
Total water withdrawal by ENEA Group companies:	2,851,675	2,521,563	3,582,082

Generated waste [Mg] ²⁰	2019	2020	2021
Total mass of waste generated in the ENEA Group:	7,486,683	6,328,559	5,973,746
including hazardous waste ²¹	5,464	833	976
of which: non-hazardous waste	7,481,219	6,327,726	5,972,769

¹⁷Real properties for which there are no detailed data on electricity consumption (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) and the network needs of ENEA Operator have not been taken into account. Data not available for RG "Bogdanka" and MR "Bogdanka".

¹⁸Real properties for which there are no detailed data on water consumption (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) have not been taken into account. Data not available for RG "Bogdanka" and MR "Bogdanka".

¹⁹ 99% of the water withdrawal by the Kozenice Power Plant and the Polaniec Power Plant is the intake/return of water from the Vistula river for cooling purposes.

²⁰Real properties for which there are no detailed data on generated waste (e.g. because the respective companies settle their accounts with administrators on a lump sum basis) have not been taken into account. Data not available for RG "Bogdanka" and MR "Bogdanka".

²¹ This includes waste collected by ENEA Logistyka from other ENEA Group entities and those resulting from the provisions of the Act on worn-out electric and electronic equipment.

Labor issues – description of due diligence policies and procedures and their results

Regulations in the labor area

The ENEA Group's approach to its employees is based on strict observance of their rights, equal treatment, transparent criteria in recruitment, compensation and promotion, support in professional and personal development and care for a friendly atmosphere that is conducive to cooperation.

Labor issues within the Group level are governed primarily by:

- internal collective bargaining agreements,
- *ENEA Group Code of Ethics* setting out, among others, the Group's values, as well as the *Code of Ethics for LW "Bogdanka" S.A. Group*,
- *ENEA Group Compliance Policy*, a document describing, among others, desired employee behaviors and attitudes, as well as the *Compliance Policy of Lubelski Węgiel Bogdanka S.A.*,
- *Procedure for implementing human capital development activities in the ENEA Group*, which unifies the approach to improvement of professional qualifications of employees,
- *Estimate Budgets of Common Social Activity in the ENEA Group*, setting out the scope and the principles for awarding social benefits to employees for the year,
- *Procedure of the ENEA Group Management Committee on the personnel policy for appointing Management Boards and Supervisory Boards of Companies*.

Additionally, each company has adopted policies and procedures suitable to their characteristics. They define, among others, the recruitment process, rules of adaptation, rules for awarding bonuses, registration of work time, registration and settlement of business trips or the rules for parting with employees. The accepted internal regulations ensure compliance of the companies with provisions of the Labor Code and other laws relating to employee rights and obligations.

Additionally, every year managers of the organizational units, in consultation with employees, prepare lists defining the need for training improving the competence of the staff.

Material internal regulations in the labor area adopted in selected ENEA Group companies

ENEA S.A.	<ul style="list-style-type: none"> - <i>Intercompany Collective Bargaining Agreement for the Employees of the Energy Industry</i> - <i>Internal Collective Bargaining Agreement for the Employees of ENEA S.A. and its Subsidiaries listed in the Appendix no. 10 to the Agreement</i> - <i>ENEA S.A.'s Work Rules and Regulations</i> - <i>Policy against mobbing, discrimination and other unacceptable behaviors in ENEA S.A.</i> - <i>Rules of Bonuses for the Employees of ENEA S.A.</i> - <i>Rules and Regulations for Awarding Bonuses to ENEA S.A. Employees based on the Management by Objectives System</i> - <i>ENEA S.A. Competence Model</i> - <i>ENEA S.A. Recruitment Procedure</i> - <i>ENEA S.A. Employee Development Procedure</i> - <i>Rules of adaptation in ENEA S.A.</i> - <i>Rules of procedure in connection with termination of employment relationship with Employees in ENEA S.A.</i>
ENEA Operator	<ul style="list-style-type: none"> - <i>Intercompany Collective Bargaining Agreement for the Employees of the Energy Industry</i> - <i>Internal Collective Bargaining Agreement for the Employees of ENEA S.A. and its Subsidiaries listed in the Appendix no. 10 to the Agreement</i> - <i>Work Rules and Regulations for Employees of ENEA Operator sp. z o.o.</i> - <i>Policy against mobbing, discrimination and other unacceptable behaviors at ENEA Operator sp. z o.o.</i> - <i>Recruitment Procedure</i> - <i>Rules and Regulations of the Management-by-Objectives System in ENEA Operator sp. z o.o.</i> - <i>Rules and Regulations for Organizing Business Trips in ENEA Operator sp. z o.o.</i> - <i>Rules and Regulations for Managing Risk of spread of SARS-CoV-2 coronavirus among ENEA Operator sp. z o.o. employees</i>
Lubelski Węgiel "Bogdanka"	<ul style="list-style-type: none"> - <i>Work Rules and Regulations</i> - <i>Internal Collective Bargaining Agreement</i> - <i>Rules and Regulations of the Company Social Benefit Fund</i> - <i>Policy of conduct in the process of employee recruitment and selection at Lubelski Węgiel "Bogdanka" S.A. for production jobs and for managerial and specialist positions</i> - <i>Code of Ethics for LW "Bogdanka" S.A. Group</i> - <i>Compliance Policy of Lubelski Węgiel Bogdanka S.A.</i> - <i>Procedure for Reporting Breaches in Lubelski Węgiel "Bogdanka" S.A.</i> - <i>Policy of access to development programs for LW "Bogdanka" S.A. employees</i>
ENEA Centrum	<ul style="list-style-type: none"> - <i>Intercompany Collective Bargaining Agreement for the Employees of the Energy Industry</i> - <i>Internal Collective Bargaining Agreement for the Employees of ENEA S.A. and its Subsidiaries listed in the Appendix no. 10 to the Agreement²²</i> - <i>Work Rules and Regulations in ENEA Centrum sp. z o.o.</i> - <i>Policy against mobbing, discrimination and other unacceptable behaviors at ENEA Centrum sp. z o.o.</i> - <i>Rules and Regulations for Granting Bonuses to Employees of ENEA Centrum sp. z o.o. based on the Management by Objectives System</i> - <i>Rules for parting with Employees in ENEA Centrum sp. z o.o.</i>
ENEA Elektrownia Polaniec	<ul style="list-style-type: none"> - <i>Work Rules and Regulations for ENEA Elektrownia Polaniec S.A. Employees</i> - <i>Internal Collective Bargaining Agreement for ENEA Elektrownia Polaniec S.A. Employees</i> - <i>Rules and Regulations for Compensating Management Staff</i> - <i>Health Protection Program and agreement on its performance</i>

²² Applicable based on the agreement on the application of the Internal Collective Bargaining Agreement for ENEA S.A. Employees, which means that the company may amend it by itself (though it is bound by its interpretation).

- Policy against mobbing, discrimination and other unacceptable conduct in ENEA Elektrownia Połaniec S.A.
- Agreement with Trade Unions of 30 December 1999 on principles of cooperation
- Agreement on the participation in costs of trade union activities signed with Companies spun-off in the restructuring process
- Agreement on the participation in costs related to the conduct of PKZP signed with Companies spun off in the restructuring process
- Rules and Regulations of the Company Social Benefit Fund and the Agreement on Common Social Activity
- Instruction for employee evaluation
- Company agreement regarding the Employee Pension Plan
- Rules and Regulations for giving awards and distinctions in ENEA Elektrownia Połaniec S.A.

ENEA Wytwarzanie	<ul style="list-style-type: none"> – Intercompany Collective Bargaining Agreement for the Employees of the Energy Industry – Internal Collective Bargaining Agreement for Employees of ENEA Wytwarzanie sp. z o.o., Social Agreement for Employees of ENEA Wytwarzanie sp. z o.o. – Work Rules and Regulations for Employees of ENEA Wytwarzanie Sp. z o.o. – Rules and Regulations of the Company Social Benefit Fund – Policy against mobbing, discrimination and other unacceptable behaviors in ENEA Wytwarzanie Sp. z o.o. – ENEA Wytwarzanie sp. z o.o. Personnel Management Procedure – Rules and Regulations for Granting Bonuses to Employees of ENEA Wytwarzanie sp. z o.o. – Rules and Regulations for Granting Annual Bonuses to Employees of ENEA Wytwarzanie sp. z o.o. – Recruitment Procedure
------------------	--

The regulations governing the prevention of mobbing and discrimination are discussed in the Chapter of this Statement entitled *Human rights issues – description of due diligence policies and procedures and their results.*

Headcount

As at 31 December 2021, the companies comprising the ENEA Group employed a total of 17,461 staff under an employment contract.²³

Total number of staff employed under employment contracts	17,461
full-time employees – women	3093
full-time employees – men	14,313
part-time employees – women	26
part-time employees – men	29
persons employed under employment contracts for an indefinite term – women	2,845
persons employed under employment contracts for an indefinite term – men	12,786
including other contract types (probationary period, fixed term, traineeship and replacement contracts) – women	290
including other contract types (probationary period, fixed term, traineeship and replacement contracts) – men	1,540

Additionally, in 445 cases, work was provided to the ENEA Group under a different type of contract than employment contract signed with a Group company (managers under management contracts²⁴, persons providing work under civil law agreements, persons hired by work agencies and trainees).

Gender diversity of groups of positions	Number of employees ²⁵
senior management – women	22
senior management – men	90
directors – women	40
directors – men	168
junior managers – women ²⁶	244
junior managers – men ²⁶	941
operational staff – women	339
operational staff – men	9,754
administrative staff – women	2,571
administrative staff – men	3,404

²³ In this entire section, the number of staff under an employment contract is understood as the number of all employment contracts in the ENEA Group companies as at 31 December 2021, including individuals with a temporary suspension of employment, i.e. on parental leaves, unpaid leaves above 30 days and those receiving rehabilitation benefits. Employees on an unpaid leave in one Group company and at the same time working with another company under employment contracts are calculated twice in the presented statements (there are 19 such persons in the Group).

²⁴ Including individuals who are simultaneously on unpaid leaves in the same or another Group company.

²⁵ Includes individuals working under employment contracts and in the case of senior managers, also under management contracts.

²⁶ Including head foremen and dispatchers.

Men and women under an employment contract, by age group	Number of employees
Employees under 30 – women	392
Employees under 30 – men	1,877
Employees aged 30-50 – women	1,923
Employees aged 30-50 – men	8,321
Employees over 50 – women	804
Employees over 50 – men	4,144

Diversity and equality

The ENEA Group has not developed a separate diversity policy but for years it has made efforts to ensure that diversity among its employees, e.g. diversity of experience, knowledge or interests, is taken into account in its practices. The principle of equal treatment is observed with respect to gender, age, financial status and political opinions. Provisions governing diversity are included in the following documents: *ENEA Group Code of Ethics*, *the Code of Ethics for LW “Bogdanka” S.A. Group* internal collective bargaining agreements, *Policy against mobbing, discrimination and other unacceptable behaviors* and *ENEA Group Compliance Policy*. No diversity figures are reported to the management boards and supervisory boards of the companies.

Gender pay gap

For the purposes of the non-financial reporting process for 2021, to address the expectations of its stakeholders, market trends and proposed new regulations, the ENEA Group analyzed for the first time the ratio between salaries paid to women and men. The results of the analysis are presented in the table below.

Ratio of average remuneration²⁷ of women to men employed in selected ENEA Group companies, by employee category

Employee group	Ratio of average remuneration of women to men				
	ENEA S.A.	ENEA Operator	ENEA Wytwarzanie	ENEA Elektrownia Polaniec	ENEA Trading
Senior management					
Employees under 30	-	-	-	-	-
Employees aged 30-50	115%	106%	119%	0%	0%
Employees over 50	140%	100%	70%	0%	93%
Average	114%	93%	94%	0%	50%
Middle management					
Employees under 30	-	0%	-	-	0%
Employees aged 30-50	91%	96%	88%	96%	73%
Employees over 50	83%	98%	97%	74%	99%
Average	92%	96%	87%	83%	60%
Other employees					
Employees under 30	85%	87%	86%	60%	99%
Employees aged 30-50	85%	86%	80%	94%	88%
Employees over 50	91%	93%	77%	90%	0%
Average	85%	87%	78%	89%	50%

Companies in the ENEA Group observe the principle of equal pay for the same job. The differences in average remuneration between men and women reported in the table above are driven mainly by a different employment structure in individual positions, which is caused, among other things, by the specific nature of the energy and mining sector and related professions.

²⁷ Basic salary plus additional amounts, such as seniority, bonuses including cash and share-based bonuses, benefit payments, overtime, equivalents, and any additional reimbursements or allowances (e.g., for commuting, child care, housing allowance).

Freedom of association, social dialog and participation in decision-making

The ENEA Group respects the right of its employees to associate in trade unions and to be actively involved in their activities.

Trade unions operating in key companies and in companies with the largest headcounts in the ENEA Group	
ENE A S.A.	<ul style="list-style-type: none"> – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie Sp. z o.o. – Inter-Company Trade Union of the ENE A Group Employees – “Synergia” Inter-Company Trade Union of the ENE A Group Employees – NSZZ “Solidarność” Inter-Company Organization of ENE A
ENE A Operator	<ul style="list-style-type: none"> – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie Sp. z o.o. – Inter-Company Trade Union of the ENE A Group Employees – Inter-Company Trade Union of Continuous Operation Employees of ENE A S.A. Group – “Synergia” Inter-Company Trade Union of the ENE A Group Employees – NSZZ “Solidarność” Inter-Company Organization of ENE A
ENE A Elektrownia Połaniec	<ul style="list-style-type: none"> – “Energetyk” Inter-Company Trade Union Organization in Połaniec – NSZZ “Solidarność” Inter-Company Trade Union of Employees of the Połaniec Power Plant and the Companies – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant – Inter-Company Trade Union of Continuous Operation Employees in Połaniec – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant in Zawada – “Synergia” Inter-Company Trade Union of the ENE A Group Employees
ENE A Wytwarzanie	<ul style="list-style-type: none"> – NSZZ “Solidarność” Company Commission at ENE A Wytwarzanie sp. z o.o. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie Sp. z o.o. – Inter-Company Trade Union of Shift Workers of ENE A Wytwarzanie sp. z o.o.
ENE A Centrum	<ul style="list-style-type: none"> – National Union of Heat Sector Employees, Inter-Company Trade Union Organization at ENE A Ciepło sp. z o.o. in Białystok – Inter-Company Trade Union Organization of the Trade Union of Engineers and Technicians in ENE A S.A. – Inter-Company Power Engineering Trade Union of ENE A Wytwarzanie Sp. z o.o. – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant – Inter-Company Trade Union of the ENE A Group Employees – Inter-Company Trade Union of Supervision Employees of the Połaniec Power Plant in Zawada – “Synergia” Inter-Company Trade Union of ENE A Group Employees – NSZZ “Solidarność” Inter-Company Organization of ENE A
Lubelski Węgiel “Bogdanka”	<ul style="list-style-type: none"> – NSZZ “Solidarność” Inter-Company Organization of Lubelski Węgiel „Bogdanka” S.A. – Trade Union of Miners in Poland at Lubelski Węgiel Bogdanka S.A. – “Kadra” Trade Union at Lubelski Węgiel Bogdanka S.A. – “Przeróbka” Trade Union of Employees of Mechanical Coal Processing Plants in Poland at Lubelski Węgiel “Bogdanka” S.A.

The management boards of ENEA Group companies are engaged in continuous dialog with trade unions. In 2019, a social contract was signed, which among others set out the rules of stabilization of employment. Additionally, in response to postulates of trade unions in respect to salary growth, annual salary negotiations are conducted, unless the parties agree otherwise. The year 2021 was such a case, when a salary growth agreement was signed for 2021 and 2022. Social stakeholders actively cooperate with employers in amendments to internal labor regulations.

Lubelski Węgiel “Bogdanka” S.A. has appointed a permanent Committee on Amendments to the Internal Collective Bargaining Agreement, through which it conducts the process of the employer’s continuous negotiations with trade unions. In other companies, task forces are appointed when the bargaining agreements need amending.

ENE A Group companies, in which Employees are covered by internal collective bargaining agreements:

Company	% of employees ²⁸ covered by collective bargaining agreements
ENE A Operator	99.5%
ENE A Ciepło – Białystok Division	99.5%
ENE A Ciepło Serwis	99.3%
ENE A Wytwarzanie	98.9%
ENE A Elektrownia Połaniec	98.9%
ENE A Ciepło – Head Office	98.9%
ENE A Połaniec Serwis	98.6%
Lubelski Węgiel “Bogdanka”	98.0%
ENE A Pomiary	96.4%
ENE A Serwis	95.7%
ENE A Logistyka	94.9%
ENE A S.A.	94.5%
ENE A Oświetlenie	94.2%
PEC Oborniki	93.3%
ENE A Centrum	88.7%
ENE A Nowa Energia	84.0% ²⁹
ENE A Trading	67.3% ²⁹

²⁸Persons employed under employment contracts and providing work for a company under a civil law contract or a management contract, as well as persons employed by employment agencies and trainees (as at 31 December 2021).

²⁹Employees who transferred between companies on the basis of 23¹ retained their rights to privileges arising from the collective bargaining agreement of the company from which they transferred.

Collective bargaining agreements do not cover employees of: ENEA Bioenergia, ENEA Innowacje, MEC Piła, Łęczyńska Energetyka RG “Bogdanka” and MR “Bogdanka”.

ENEA Group employees influence the operation of their companies and the Group also by electing their representatives to supervisory boards (of most of the Group companies³⁰) and through the possibility of electing employee representatives to employee councils (currently in ENEA Elektrownia Połaniec S.A.).

Selected events and activities taken in the labor area in 2021

ENEA S.A. amended its internal collective bargaining agreement in the part regarding medical packages. The amendments adapted the provisions of the internal collective bargaining agreement to the existing agreement on medical benefits.

In ENEA Ciepło, in June 2021, an additional protocol to the internal collective bargaining agreement introduced a new remuneration component: an annual bonus constituting 1% of the annual salary fund from the previous year. Then, starting in August 2021, a bonus amounting to 15% of basic salary (previously 10%) was introduced.

In ENEA Innowacje, the remuneration regulations were implemented for the first time, setting out the rules for awarding annual bonuses, awards and salary allowances.

In ENEA Trading, remuneration rules were unified by introducing a uniform internal collective bargaining agreement.

In ENEA Serwis, the *Procedure for the Implementation of Development Activities for ENEA Serwis sp. z o.o. Employees* was adopted and the provisions of the internal collective bargaining agreement were amended. Among other things, the amendments related to the employer’s obligation to cover the costs of medical check-ups, preventive examinations and other tests ordered by an occupational medicine physician, and the offering of additional medical benefits to Employees.

In RG “Bogdanka”, a salary agreement was negotiated and annexes to the remuneration regulations and the regulations of the company social benefits fund were adopted.

Occupational health and safety

As regards occupational health and safety, the ENEA Group operates in accordance the applicable regulations while constantly adjusting its internal policies in this respect to the regulatory environment. Group companies strive to eliminate accidents at work and occupational diseases and to raise awareness of occupational hazards among Employees (among others through training and knowledge contests), as well as to increase their responsibility and involvement in improving safety at work. They also introduce further ergonomic improvements (e.g. equipping workstations with footrests or wrist pads, replacing office chairs with ones with adjustable armrests).

Because of the ongoing epidemic, a Crisis Management Center was established to monitor the COVID-19 situation on an ongoing basis, assesses risks, issues recommendations on work organization and communicates with Employees on the existing hazards through information guides, instructions, and messages. Work in the office was organized in accordance with the sanitary restrictions and the possibility of remote work was provided. All OHS orders, indications and guidelines relating to the ongoing epidemic are drawn up by the COVID-19 prevention, containment and combat staff operating at the level of individual companies. In addition, the risks associated with the disease and protection measures are taken into account in occupational risk assessment processes.

The Group monitors new technical solutions affecting the OHS level. The state of Occupational Health and Safety is continuously monitored and improved, which is guaranteed by the accepted policies, procedures and instructions. They require, among others, regular inspections of tools and equipment, ongoing monitoring of working conditions and observance of regulations by employees. Some units have social labor inspectors appointed in accordance with the *Rules and Regulations for appointing Social Labor Inspectors in the ENEA S.A. Group*, who inspect the OHS conditions on behalf of employees and put forward improvement proposals. Employee representatives also sit on OHS committees operating in some of the companies.

OHS documents in leading ENEA Group companies which are important in this area

ENEA S.A.	–	<i>ENEA S.A.’s Work Rules and Regulations</i>
	–	OHS training programs for ENEA S.A.
	–	Occupational risk assessment
	–	Other instructions (<i>Instruction on occupational risk assessment and documentation</i> ; first aid instructions; fire safety instructions)

³⁰In ENEA S.A. and ENEA Wytwarzanie this right is derived directly from the *Act on commercialization and certain employee rights*.

Enea Operator	<ul style="list-style-type: none"> - Procedure of occupational risk assessment and documentation in ENEA Operator Sp. z o.o. - Fire safety procedure in ENEA Operator Sp. z o.o. - Procedure defining the principles of cooperation in OHS area between ENEA Operator Sp. z o.o. and Contractors - Periodic OHS training procedure in ENEA Operator Sp. z o.o. - Training procedure for live-line working in ENEA Operator Sp. z o.o. - Fall protection procedure for working at height in ENEA Operator Sp. z o.o. - Procedure for the organization of safe work with power generators in ENEA Operator sp. z o.o. - Procedure of work organization during tree, branch and undergrowth removal in ENEA Operator sp. z o.o. - Procedure for granting authorization to issue orders on live working with power devices in ENEA Operator Sp. z o.o. - Procedure for record-keeping and inspection of electrical insulation protective equipment and voltage indicating devices in ENEA Operator sp. z o.o. - Document circulation procedure for specialist instructions on the fall protection and evacuation rules while working at height in ENEA Operator Sp. z o.o. - First Aid Procedure in ENEA Operator Sp. z o.o. - Premedical Rescue Organization Procedure in ENEA Operator Sp. z o.o. - Rules and Regulations for professional preparation of new Energy Post employees - Rules and Regulations for managing risk of spread of SARS-CoV-2 coronavirus among ENEA Operator sp. z o.o. employees - Instructions (Instruction on organization of safe work with power devices in ENEA Operator Sp. z o.o.; Instruction on organization of work installing and replacing balancing meters and communication modules in MV/LV transformer stations for the AMI project, operating instructions of power facilities and devices, job instructions) - Other instructions (Standard equipment for Energy Posts and vehicles of Energy Posts teams; Methods and rules of fall protection for works at height in ENEA Operator Sp. z o.o.; Notification to the National Labor Inspectorate / District Prosecutor's Office of a fatal, serious, collective accident; Notification of an accident; Standardization – safety tables and signs and rules of their use in ENEA Operator Sp. z o.o.)
Enea Elektrownia Polaniec	<ul style="list-style-type: none"> - Integrated Management System including the Occupational Health and Safety Management System - Instruction on Safe Work Organization in ENEA Elektrownia Polaniec S.A. - Instruction on conduct in case of accidents and sudden illnesses and post-accident procedure - Instruction on conducting and documenting OHS training - Instruction on the assignment of working clothes and footwear, personal protective equipment and cleaning products to employees - Fire safety instruction in ENEA Elektrownia Polaniec S.A. - Instruction on the tobacco smoking ban, including novel tobacco products and electronic cigarettes - Occupational health and safety monitoring procedure - Procedure to identify hazards, assess occupational risk and other risks for the OHS management system
Enea Wytwarzanie	<ul style="list-style-type: none"> - Policy of Integrated Quality, Environmental and OHS Management System - OHS Monitoring Procedure - Procedure Identification of hazards and evaluation of OHS risks and opportunities - Instructions (Instruction on the assessment of occupational risk at workplace; Instruction on the investigation of accidents at work, occupational diseases and potential occurrences; Instruction on the Safe Work Organization; job and OHS instructions, OHS instructions on the operation of devices) - Work Rules and Regulations for Employees of ENEA Wytwarzanie Sp. z o.o. - Policy against mobbing, discrimination and other unacceptable behaviors in ENEA Wytwarzanie Sp. z o.o. - Ordinance on the employer's responsibility for OHS - Induction, on-the-job and regular training programs for employees, - Rules and Regulations of Organizational Units of ENEA Wytwarzanie Sp. z o.o.
Lubelski Węgiel "Bogdanka"	<ul style="list-style-type: none"> - Mine Safety Document - PZ/S/05/01 Accidents at work and near-accident events - PZ/S/05/02 Accidents on the way to or from work - PZ/S/05/03 Management of occupational risk - PZ/S/05/04 Monitoring of OHS area - PZ/S/05/05 Monitoring of legal regulations and standards in OHS area - PZ/S/05/06 Highly hazardous work - PZ/S/05/07 Dealing with suspected occupational diseases - PZ/S/05/08 Plans to improve OHS conditions - PZ/S/05/09 Management of the Safety Document - PZ/S/05/10 Work environment monitoring - Work Rules and Regulations - Guidelines and instructions of the Integrated Quality, Environmental and Safety Management System - Code of Ethics for LW "Bogdanka" S.A. Group - Internal Collective Bargaining Agreement - Ordinance of the Management Board and the Mining Operations Manager. - Orders of the Management Board and the Mining Operations Manager.
Enea Pomiary	<ul style="list-style-type: none"> - Procedure for reporting accidents at work - Warehouse OHS instructions (Instruction on the use of a forklift truck; Instruction on the use of a mobile platform; Instruction on manual transportation activities) - Instruction on the operation and maintenance of shelving racks - Instruction on the use of a pneumatic table sealer - Instruction on spraying electricity meters with a spray gun - Fire emergency instruction - Other instructions (Instruction on the use of a computer with a display screen and a printer; Instruction on the use of a shredder)
Enea Serwis	<ul style="list-style-type: none"> - Procedure for reporting accidents at work and accidents while traveling to or from work in ENEA Serwis Sp. z o.o. - Procedure for live-line working - Instructions (Office/administrative job instruction; Wireman job instruction; other job instructions)

ENEA Oświetlenie	–	<i>Work Rules and Regulations for ENEA Oświetlenie Sp. z o.o. Employees</i>
	–	<i>Procedure for live-line working with power devices in ENEA Operator sp. z o.o.</i>
	–	– OHS-related instructions (among others: <i>Instruction on the organization of safe work with power devices in ENEA Oświetlenie sp. z o.o.</i> ; <i>Electrical equipment installer job instruction</i> ; <i>Non-electrician job instruction</i> ; <i>Instruction on the use of lines and road lighting devices in ENEA Oświetlenie sp. z o.o.</i> ; <i>Electrical equipment installer job instruction on measurement of power devices of a portable measuring laboratory</i> ; instructions on marking of road lane works; <i>OHS instruction on transport, unloading/loading, storage and assembly of lighting poles</i> ; <i>OHS instruction on warehousing and storage of materials</i> ; <i>OHS instruction on transport works</i> ; <i>OHS instruction on the ladder use</i> ; <i>OHS instruction on the use of a computer and a printer</i>)
	–	OHS instruction on the use of office equipment (e.g. binder machines, photocopiers) and OHS instruction on the use of other equipment (e.g. drills, circular saws for wood cutting, grinders)
	–	<i>Rules of operation of power devices in ENEA Operator Sp. z o.o.</i>

OHS issues are also taken into consideration in internal collective bargaining agreements.

Selected activities implemented in 2021 in the OHS area

In connection with the epidemic situation in the previous year, the Group companies adopted regulations for managing the risk of spreading the SARS-CoV-2 virus, defining the security rules regarding work organization (remote work, work on a rotating basis), rules for movement of people and technical measures reducing the risk of COVID-19. Furthermore, activities commenced in 2020 were continued to protect employers against being infected with SARS-CoV-2. The epidemic situation was monitored and where possible, remote work or rotation system for employees were introduced to prevent them from gathering in large groups. Limits for the number of people in each room were also maintained as well as disinfections of rooms. Employees were continued to be supplied with personal protection equipment (face masks, antibacterial gels and gloves).

Employees were regularly provided with key information on infection prevention methods in and outside the workplace, including vaccinations against COVID-19. Via text messages and internal communication channels, including e-mails, posters and a separate tab on the intranet website, employees were continuously provided with information by the PR and Communication Department about the epidemic situation within the Group, decisions made by crisis centers and new guidelines issued by the government and sanitary inspection services. Employees were encouraged to ask questions about COVID-19 using a dedicated e-mail address.

In January 2022, it was decided to make employees return to offices in accordance with the rules of sanitary regime. But in connection with fast-changing epidemic situation, decisions are made on an ongoing basis. Because of a dramatic increase in infections associated with the fifth wave of infections, remote work was recommended again. At the beginning of March 2022, the outbreak situation improved, so starting on 7 March 2022, employees returned to stationary work while observing the safety regime, i.e. maintaining 1.5m of distance between workstations and using protective masks.

ENEA Bioenergia, in cooperation with the Central Institute for Labor Protection – a State Research Institute, performed quantitative and qualitative tests of harmful microbiological factors in selected sampling points within the plant. The company also conducted a survey among employees concerning various aspects of workplace safety.

ENEA Centrum performed an inspection of working conditions in all units, in which people employed by the company perform work, and purchased lux meters, range finders and decibel meters for the OHS team.

ENEA Nowa Energia adopted OHS procedures used in ENEA Wytwarzanie.

ENEA Elektrownia Połaniec developed an OHS improvement program and conducted educational activities (e.g. the “OHS Leader” competition for employees, 23rd edition of the OHS knowledge contest). Training and inspections under the campaign named “We only engage in safe work” was continued to improve the work safety of contractors. Moreover, as part of the National Fire-Fighting and Rescue System exercises, the preparation of rescue services and the power plant for cooperation in emergencies was tested, and a training for employees was delivered by a representative of the Central Institute for Labor Protection, to raise awareness of the hazards, in particular electromagnetic hazards, existing in their work environment.

ENEA Operator carried out an education campaign on risks related to the movement of employees. As part of prevention activities, 12 issues of the monthly “Safe Work Bulletin” were published, of which 6 were related directly to the campaign; information signs were put up along pedestrian routes, and posters warning of the risks mentioned during the training were prepared and put up. Additionally, two medical air purifiers were purchased as part of COVID-19 prevention.

The personnel at ENEA Wytwarzanie was vaccinated with a flu vaccine.

ENEA Oświetlenie improved the ergonomics and comfort of office work (by purchasing new armchairs and upgrading air conditioners), and purchased safety equipment for working at heights.

Lubelski Węgiel “Bogdanka” introduced the obligation for subcontractors to prepare and deliver the so-called “safe work performance instructions” before they commence work. A guide for contractors was also prepared, containing basic information on the required personal protection equipment, existing hazards and instructions on how to move within the facility. The company continued its collaboration with the Medical University of Lublin – the Medical Simulation Center, on specialized first aid and advanced medical assistance training for employees. The company also prepared and displayed, on screens located in places where the crews gathered before entering the lift underground, reconstructions of occupational accidents and how work can be performed properly. It also organized for its employees a COVID-19 voluntary vaccination campaign and an OHS knowledge contest.

Łęczyńska Energetyka updated its *Instruction on safe organization of work at power equipment* and purchased large quantities of equipment, including multi-gas meters and dust suits.

MR “Bogdanka” established a team to improve OHS conditions and organization of work, conducted a training on safe welding methods, which also provided a platform for employees to express their opinion on the personal protection equipment they used. Equipment to improve work safety was also purchased, including an overhead crane radio-controlled from the working level.

RG "Bogdanka" also developed and implemented a safety improvement plan, updated the post-accident procedure and created numerous new instructions (e.g. for inspecting the equipment for working at heights, for the operation of power tools, OHS in electric welding, OHS in gas welding). It also conducted an OHS knowledge contest for employees.

ENEA Połaniec Serwis developed and implemented internal technological instructions and instructions for the safe performance of maintenance and repair work. It also purchased personal protection equipment for working at heights and material handling equipment was purchased (including winches and chain hoists, assembly cranes, carts, manipulators). 20 employees were trained in first aid and a company OHS knowledge contest was held.

At ENEA Pomory, occupational risk assessment forms for subcontractors were updated.

At ENEA Trading, audits of offices were carried out with respect to OHS, including the risk of infection with COVID-19.

At ENEA Ciepło, in workshop rooms collective protection equipment was installed in the form of mechanical extractors and ventilators. In work rooms, notices were placed with key information about threats of SARS-CoV-2 virus and security principles.

At ENEA Ciepło Sp. z o.o., Białystok CHP Plant Division, the document was introduced entitled *Cardinal OHS Rules at ENEA Ciepło Sp. z o.o., Białystok CHP Plant Division*. Furthermore, regulations were modified with regard to secure work organization, examination of causes and circumstances of accidents at work, occupational risk assessment and standards for protective footwear and clothes. Numerous organizational initiatives also took place, including assembly of additional guards around conveyors, inclusion of new factors in referrals for medical tests, adding new signs to further workstations/devices informing about failure or shutdown or replacing high temperature warning with new ones.

At ENEA Ciepło Serwis, heavy construction machines were purchased for earthworks. Also, tick-borne encephalitis vaccinations were provided to employees working with biomass and cutting down bushes along the railway siding.

Among employees of ENEA Centrum, a survey was conducted on the basis of which initiatives were prepared and implemented to minimize the sense of isolation for people working remotely.

Accidents at work in the ENEA Group in 2021						
	Number of fatalities			Number of all the reported accidents		
	2019	2020	2021	2019	2020	2021
Employees	0	1	0	176	163	162
Subcontractors	2	0 ³¹	0 ³¹	129	9531	10 731

³¹ No data available for employees of ENEA Serwis' subcontractors.

Social issues – description of due diligence policies and procedures and their results

Social engagement and volunteerism

The ENEA Group pursues various initiatives in response to the needs and expectations of its stakeholders, locally, regionally and nationally.

The key documents regulating the rules of the Group's social involvement include:

- *Rules for handling applications for support in the community engagement area in the ENEA Group,*
- *Rules for conducting public relations activities and social partnership activities in the ENEA Group,*
- *Rules and Regulations of Employee Volunteerism in the ENEA Group,*
- *LWB Social Engagement Policy (updated in 2022).*

Social involvement is coordinated by the Corporate Social Responsibility Office, which is part of the Group's PR and Communication Department. The ENEA Foundation, which is a public benefit organization, is the competence center for the Group's social initiatives; it provides financial support for social objectives using donations received from Group companies. Its goals and principles of operation are defined by:

- *Charter of the ENEA Foundation,*
- *Organizational Rules and Regulations of the ENEA Foundation,*
- *Rules and Regulations on granting support by the ENEA Foundation.*

The ENEA Foundation implements the Group's corporate social responsibility policy by conducting activities that have lasting social effects. For this purpose, it organizes well thought-out and innovative projects in areas such as safety, education for children and youth, protection of the environment, assistance for the needy and sports, culture and art. In emergencies, such as epidemics or natural disasters, the Foundation provides direct support to the victims and to health care establishments. Apart from conducting its own activities, the ENEA Foundation supports socially beneficial initiatives pursued by other parties and supports current and former employees.

Another entity conducting active social involvement activities is the "Solidarni Górniczy" [Solidary Miners] Foundation established by Lubelski Węgiel "Bogdanka" S.A. Its objective is to support financially employees of LWB Group companies and their families, victims of accidents, people suffering from illnesses or those in a difficult financial situation. The organization also supports talents, cultural, environmental and health promotion initiatives.

Group companies hold various charitable campaigns and educational projects in areas that include the promotion of a healthy lifestyle or the dissemination of knowledge about the nature. The Group's employees are also involved in the life of local communities and the Group supports their activities undertaken, among others, in the form of employee volunteerism.

Social engagement of the ENEA Group in 2021

Due to the epidemic situation in 2021, ENEA Foundation donated funds mainly for health protection and promotion projects: post-COVID-19 rehabilitation, hospital retrofitting, psychological assistance following long-term isolation, and promotion of vaccination. In the reporting period, ENEA Foundation donated nearly PLN 1.9 million for combating COVID-19 and for rehabilitation after the disease.

Another important area of support continued to be initiatives addressed to employees, such as health prevention programs and financing of grassroots activities by employee groups. The Foundation also supported, among others, integration and professional and social integration and reintegration of people at risk of social exclusion, physical exercise and sports (including Paralympic and amateur sports), as well as historical and environmental education.

The "Solidary Miners" Foundation also focused on social problems caused by the epidemic: financing the purchase of necessary medical and rehabilitation equipment for people in a difficult life situation, and providing organizational, material and financial support to health care, educational and nursing institutions, for example in the purchase of medical equipment and medicines, or renovations.

The total value of cash and in-kind donations made by the ENEA Group in 2021 amounted to nearly PLN 5 million.

Cash and in-kind donations [PLN 000s]	2021
Total value of cash and in-kind donations made by the ENEA Group:	4 986.2
of which funds transferred by Group companies to the ENEA Foundation	3 956.6
of which funds transferred by Group companies to the "Solidary Miners" Foundation	251.5
of which funds transferred by Group companies directly to other entities	778.1

Selected social projects implemented by the ENEA Group in 2021

Together let's rush to the table

This campaign encouraged selected local communities in the area of the Group's activity to take care of physical fitness. Its participants recorded physical activity such as walking, running, sightseeing tours, Nordic walking, cycling, scooter riding. Five local governments, which recorded the largest numbers of kilometers, received two professional table tennis tables, which will be available to the public, and more than one hundred most active residents received individual prizes related to sports, including electric scooters and table tennis sets. Overall, more than 1600 people took part in the challenge, covering in total 429,173 kilometers.

Mission: Prevention. Health begins in your head

The ENEA Foundation has become the partner of the 13th edition of the campaign entitled "Faces of depression. I don't judge. I accept". As part of the campaign, through financial support of the Foundation, free remote psychological assistance was provided to those who needed it in the area of operation of the ENEA Group, for nearly 100 days. The project also included prophylactic activities for employees, including a webinar on the treatment of depression, a meeting with a psychologist and stress management workshops attended by more than 230 Group employees.

#OgarnijHejt Campaign

ENEA S.A. teamed up with the Stanislaw Lem Poland of the Future Institute to carry out educational activities on how to use the Internet safely and how to prevent cyberbullying, i.e. how to handle problems that have become increasingly common in the lives of teenagers and that intensified during the remote learning period. During the #OgarnijHejt campaign, students, parents and teachers in 30 schools, which qualified for the program, participated in free workshops, learning how to use the Internet and the social media safely and responsibly.

ENEA for women

A part of the campaign was a social initiative aimed at minimizing adverse effects of the coronavirus epidemic on women. Due to the support of the ENEA Foundation and the organized collection, from 8 to 31 March 2021, women were able to take advantage of psychological care free of charge. The aid was used by 51 women and psychologists provided telephone support for 68 hours. The initiative was accompanied by a charity concert organized in cooperation with the Development Ladder Foundation.

A cytomammobus of the Holy Cross Cancer Center parked in front of the Połaniec Power Plant to offer its female employees cytology and mammography and all employees initial qualification for preventive head, neck and lung cancer screening. The examinations in the cytomammobus were taken by around 100 women.

Support for the Chief Sanitary Inspectorate

Between January and August 2021, ENEA Centrum supported the Chief Sanitary Inspectorate by seconding a group of consultants from the Contact Center for the operation of the hotline dedicated to the COVID-19 epidemic and vaccination. The consultants were on duty from Monday to Friday between 8 a.m. and 4 p.m., ready to manage the increased hotline traffic. The effects of the support included, among others, effective registration of more than 22 thousand people for vaccination.

Historical education

In cooperation with the Educational Project Society Foundation, ENEA S.A. executed a historical and educational project about the Greater Poland Uprising titled "From Greater Poland to Independent Poland. The youth speaks about 27 December 1918". As part of the project, educational materials (for teachers and students respectively) and teaching aids necessary to conduct lessons on the uprising as well as a website dedicated to the campaign (<https://1918pamietamy.enea.pl>) were developed. Additionally, two historical and teaching conferences, a knowledge contest with awards and a large-format exhibition for schools were organized. ENEA Wytwarzanie, in turn, in cooperation with the Kozienice Association of Historical Reconstructions, conducted a local history knowledge contest among its employees.

Exempt From Theory

For the second time, ENEA S.A. joined the partners of the nationwide contest for students called "Exempt from theory". In 2021, the projects supported by the company as part of the Energy in Education cycle, attracted 315 participants, who implemented 33 projects, supporting 752 thousand beneficiaries. The projects included, among others, initiatives in the area of health prevention, educational activities relating to mental disorders and the fight against obesity and excess weight, or a project supporting the unemployed on the job market. The company's representatives sat on the Jury and took part in meetings with students and last-year high-school students telling them about their work for the ENEA Group.

Cooperation with the United Nations Association – Poland (UNAP)

ENEA S.A. established cooperation with the United Nations Association – Poland (UNAP), an association which supports and popularizes the knowledge of the United Nations. As part of the partnership, the company will engage in actions for education in the area of global Sustainable Development Goals. One of them is the Sustainable Development Ambassador program, which was joined by the company as a strategic partner. As part of the project, high-school students prepare projects related to education and promotion of the Goals.

Education for safety

Volunteers taught preschoolers how to handle electricity safely, how to alert rescue service if necessary, etc. They also ran a preventive lesson in road safety.

Positive ENERGY is flowing in us

ENEA Wytwarzanie and Stefan Czarniecki High School No. 1 in Kozienice executed a project for homeless pets, addressed to educational establishments, public agencies and work establishments from Kozienice county. It consisted in a pet food collection and educational actions promoting pet adoption and their proper treatment.

Projects for the natural environment are described in the section *Selected environmental activity in 2021*.

Security of electricity supply

One of the strategic objectives of the ENEA Group is action for energy security of the country: to ensure continuity of electricity and heat supply and reliable operation of the distribution network.

In order to ensure reliability of energy supply to Clients, ENEA Group companies:

- introduce the latest technical standards,
- operate strictly in accordance with procedures,
- maintain the required state of the infrastructure,
- perform preventive diagnostic measurements,
- invest in the development of production assets,
- modernize and automate power grids,
- constantly improve qualifications of their teams,
- appropriately plan shutdowns during modernization works,
- analyze the causes of failures.

The regulations of activities to improve reliability of energy supply are in effect in ENEA Operator include the following:

1. the *Business Continuity Plan*, on which emergency procedures are based
2. *Procedure for planning and requesting work on the HV, MV and LV network for investing and operating purposes and for operational management of the network in ENEA Operator sp. z o.o.*
3. *Procedure for live-line working with power devices in ENEA Operator sp. z o.o.*
4. *Procedure for live-line working on 15 and 20 KV overhead grids in ENEA Operator Sp. z o.o.*
5. *Procedure for recording work performed in the live-line working technology and calculating electricity supplied to users during live-line working in ENEA Operator sp. z o.o.*
6. *Procedure of exchanging information and reporting events in the electric power grid by the ENEA Operator sp. z o.o.'s maintenance services and cooperation with crisis management teams in case of extensive failures*
7. *Procedure for managing the removal of trees and bushes within the zones under ENEA Operator sp. z o.o.'s power lines*
8. *Catalog of standard operating activities for HV, MV and LV grids in ENEA Operator sp. z o.o.*
9. *Procedure for eliminating collisions*
10. detailed regulations on correct operation of power installations
11. *Standards for the application of measurement and diagnostic equipment for medium voltage cable lines as well as measurement and diagnostics of high and medium voltage cable lines*
12. standards for technical solutions used for building power lines and power installations

As part of the measures applied to improve the reliability of grid operation, especially of the MV grid, which has the greatest influence on the indicators of duration and frequency of interruptions in electricity supply, the following program and supporting activities are carried out, among others:

- adjusting the needs of own substations to ensure 24-hour power backup,
- adjustment of automation of AFO (automatic load-shedding),
- implementation of the MV Grid Development Concept, which takes into account development of automated solutions within the grid,
- cables of MV grids passing through forest areas,
- removal of equipment constraints,
- implementation of the FDIR (Fault Detection, Isolation & Restoration) function in selected MV line sections,
- liquidation of the 6 kV grid in the Poznań urban area,
- activities in respect to measurements and diagnostics of medium voltage cable lines,
- systemic measures related to the removal of trees and bushes within the zones under power lines.

ENEA Operator makes all efforts to limit the consequences of failures and restore power supply to customers as quickly as possible. For this purpose, it supplies energy to a separate electric power grid using electricity generators, provided that it is technically feasible, and cooperates with other operators of distribution systems and the transmission system. In order to limit interruptions in power supply to users to the minimum, the company also regularly increases the scope of work performed in the live-line working technology (MV and LV) and carries out preventive diagnostic measurements. The work on locating damage in the grid, making the necessary switching and repairs to restore power supply to the consumers is undertaken immediately after the failure occurs, by ENEA Operator employees or by external contractors. For each failure, a cause analysis is conducted as an element of the assessment of the technical condition and forms the basis for devising the scope of an upgrade/replacement of devices under the modernization and capital expenditure programs implemented by the company or its operating decisions.

The safety of electricity supply to customers is also significantly improved by introducing standards for any materials used and works performed on the company's distribution network. The use of standardized network equipment enables a faster removal of failures. During the process aimed at developing such standards, each solution is subjected to an in-depth analysis and technological tests. All standards are then subjected to annual analyses enabling their detailed formulation and updating in a manner that makes the requirements and guidelines contained therein reflect the changing needs of the power grid operation. Additionally, every year tests of the correctness and speed of response to a mass failure are conducted in selected business units of the company.

Due to a large number of power failures caused by cable damage during construction works, the company conducts a campaign to raise awareness of this issue among building contractors. As a result, construction companies have been reporting cable damage much more frequently and identify the exact location of the incident. This allows us to reach the place of damage and repair it faster.

In 2021, ENEA Operator continued its efforts aimed at improving the operational reliability of the distribution grid. To this end, it primarily carried out planned diagnostics of MV cable lines and ongoing modernization of power facilities and equipment in line with the existing modernization programs. It also maintained the regular strengthening of the support infrastructure for distribution activities, i.e. purchase of specialist equipment (including vehicles) and construction and modernization of support facilities.

Overall, in 2021 the company allocated more than PLN 1 billion for investments that directly or indirectly increased the reliability of electricity supply³².

Grid reliability indicators

The pace of improvement of the electricity supply reliability indicators is a result of a consistent implementation of extensive efforts in the areas of capital expenditures, operation and work organization.

	2019	2020	2021	target for 2030 ³³	target for 2040 ³³
SAIDI – System Average Interruption Duration Index ³⁴	98 min.	77 min.	77 min.	74.59 min.	70 min.
SAIFI – System Average Interruption Frequency Index ³⁴	2.43	2.06	1.94	2.02	1.93

³² Total amount of ENEA Operator's capital expenditures in 2021. The investment projects resulted not only in improved reliability of electricity supply, but also, among other things, a change of the grid structure to bidirectional.

³³ Set in the updated Group Development Strategy.

³⁴ Reflects scheduled and unscheduled interruptions in electricity supply for high and medium voltages.

Human rights issues – description of due diligence policies and procedures and their results

In the area of human rights, the ENEA Group gives priority to:

- strict observance of the principle of equal treatment irrespective of gender, age, origin, social status, health, sexual orientation or beliefs,
- implementation of the uniform mobbing prevention policy,
- providing all support to employees who feel they suffer from mobbing to clarify the case objectively and applying corrective measures if the allegations are confirmed,
- promoting the right attitudes in the organization and identifying prohibited conduct (via training, e-learning, webinars, etc.).

Group companies also try to guarantee the observance of civil rights (such as the right to freedom of expression or the right to privacy) and social rights (basic employee rights, the right to social protection and health protection).

The model conduct for all Group employees is defined primarily by:

- *ENEA Group Code of Ethics*, which defines the values that should guide employees, specified by them in a survey (honesty, competence, responsibility and safety); it also presents the expected rules of conduct, which are based on equal treatment and respect for human dignity. The document introduces standards for relations with customers, business partners, shareholders, local communities and associates;
- *ENEA Group Compliance Policy*, which emphasizes, among others, the need for building a friendly working environment and commitment to the protection of employee health and safety as well as respect for their personal life and time off;
- *Policy against mobbing, discrimination and other unacceptable behaviors*, which identifies unacceptable conduct, the procedures for reporting it and handling the reports, as well as preventive measures in this area and the obligations of the employer and employees;
- *Policy for reporting breaches and protecting whistleblowers in the ENEA Group*, whose main goal is to ensure that any reports received by the organization about violations, i.e. actions or omissions contrary to generally applicable laws, the law of the European Union, acts adopted by the ENEA Group and ethical principles, are accepted, thoroughly analyzed, identified in terms of potential violations, assessed from the risk standpoint and properly managed, and the person who reports them trusting in their veracity is protected against potential retaliation for reporting the violation;
- *Code of Conduct for Contractors*, which reflects the fundamental values and rules of conduct adopted by the ENEA Group in the *ENEA Group Code of Ethics*. The terms of cooperation specified in the above document have been made available to contractors in the form of a brochure posted on ENEA Group's website; the resulting rules have been implemented in detail in the Group's acts governing in particular the areas of contracting, procurement, giving and receiving gifts and counterparty verification.

The following units are responsible for the implementation of and supervision over the foregoing regulations:

- in the field of counteracting mobbing and compliance with the ethical principles included in the *ENEA Group Code of Ethics* – the Group's Human Resources Management Department;
- in the field of observance of the *Code of Conduct for Contractors of the ENEA Group* and execution of the *Policy for reporting breaches and protecting whistleblowers in the ENEA Group* – the Group's Legal and Organizational Management Department, whose director also serves as the ENEA Group Compliance Officer.

All employees are also obligated to monitor their surroundings in the context of the applicable standards.

Additionally, up until 6 January 2022, the ENEA Group had the Ethics Committee in place, which resolved any ethical concerns reported by employees and ensured objective investigation of suspected violations of the Code of Ethics. The Committee operated on the basis of its rules and regulations, which define, among others, the procedures for reporting concerns and violations, as well as the handling of investigations. As of 7 January 2022, the Ethics Committee was liquidated; its powers and responsibilities were taken over by the ENEA Group Compliance Committee operating as of 15 July 2021 – a dedicated team reviewing reports on violations of generally applicable law, internal acts of the ENEA Group and ethical standards. In 2021, the Ethics Committee did not receive any report.

Most Group companies have in place their own special teams to prevent mobbing, discrimination and other unacceptable conduct. Their task is to provide fair and impartial investigation of all the circumstances of the allegations reported by employees and to issue recommendations regarding the above occurrences.

Due to the diversity of the Group, additional documents or measures have been implemented at the level of each company, consistent with the rules adopted for the whole organization. The "Bogdanka" Group has its internal *Code of Ethics for LW "Bogdanka" S.A. Group*. The person in charge of monitoring its regulations is the Ethics Officer, who is also responsible for ethical education of employees, and the CSR Inspector. Lubelski Węgiel "Bogdanka" also has a Compliance Policy Division.

In 2021, there were no confirmed cases of discrimination in the ENEA Group.

Selected human rights activities in 2021

In 2021, the Group companies were adopting the *Policy against mobbing, discrimination and other unacceptable behaviors* updated at the end of 2020 and on 1 January 2021, adapting it to their own unique circumstances. The amendments to this document included, among others, the obligation to observe its provisions for the individuals working for the Group's companies under civil law contracts, allowing not only the person suffering from the unacceptable conduct, but also any other employee witnessing such

conduct, to provide any information on a suspicion of mobbing, discrimination or other unacceptable conduct to the ENEA S.A. Team on preventing mobbing, discrimination and other unacceptable conduct, and also ensuring that various channels are open for confidential and anonymous reports, which at the same time automatically transmit such information to the authorities of the companies. It was also emphasized that it is unacceptable to take any retaliatory action against an Employee who makes a report in good faith, or against Employees participating in the investigation procedure in good faith.

ENEA S.A. has undergone an external audit of the functioning of the Anti-Mobbing System SPM MOB 2.0, as a result of which the company was awarded, for the third time, the "Company without mobbing" certificate, which confirms the high level of protection of Employees against all forms of psychological violence and discrimination, as well as the correctness of prevention, information and education activities. Newly hired employees were obliged to undergo an e-learning training entitled "Building a friendly working environment for ENEA S.A. employees", which was delivered to all employees in 2020.

Members of the anti-mobbing team at ENEA Trading participated in a training course on "Counteracting mobbing and discrimination" and members of similar teams in selected Group companies³⁵ – in a training course devoted to mediation.

Customer privacy protection

The ENEA Group respects the privacy of its customers and protects the security of stored data, guided by the applicable laws and internal procedures in this area. In the area of personal data security, the Group relies on ENEA Centrum, which ensures comprehensive support for the IT processes, among others it verifies updates security tools and systems.

ENEA Group companies comply with the requirements of the GDPR and the *Act on the National Cybersecurity System*. The organization has deployed advanced IT solutions enabling quick and efficient responding to cybersecurity incidents and counteracting risks in this area, with particular emphasis on the newest threats resulting from the need to adapt the security of systems to operation in a pandemic period ((among others, orientation cybersecurity training, which includes the principles of safe remote work; each employee was additionally provided with company computer equipment with tools necessary for safe work). Furthermore, pursuant to the GDPR requirements, Data Protection Officers have been appointed in Group companies. They monitor compliance with personal data protection regulations and are contact persons for any matters in that area, also for customers.

The following internal regulations ensure the correct protection of Customer data:

- *ENEA Group Information Security Policy,*
- *Personal Data Protection Policy in the ENEA Group,*
- *ICT Security Principles in the ENEA Group,*
- *Information Processing Principles in the ENEA Group,*
- *Personal Data Processing Principles in the ENEA Group,*
- *Risk Management Methodology for Cybersecurity of Key Services in the ENEA Group*
- *Personal Data Processing Risk Methodology in the ENEA Group.*

Moreover, the companies adopt their own regulations, an example of which is the *Information Security Policy for ICT Systems at Lubelski Węgiel "Bogdanka" S.A.*

Both employees and external entities cooperating with the Group companies sign non-disclosure agreements (or confidentiality clauses) and personal data processing agreements. Employees' access to customers' personal data is limited to a necessary extent resulting from the discharged functions; physical access to rooms where documents with personal data are stored is also restricted. Documents which include personal data sent by electronic mail are password-protected and in the case of traditional mail, they are sent by registered letter with receipt confirmation. IT systems processing personal data operate only in internal networks such as intranet (without access to the Internet) and have necessary safeguards to protect the data.

Security of IT systems is subject to regular internal and external audits, which also cover identification and mitigation of risk connected with keeping the data confidential. In the companies, training courses are conducted on personal data protection and information security – for employees, trainees and people cooperating with the companies based on civil law agreements.

In connection with the continuing COVID-19 epidemic and common use of remote/hybrid working systems, IT services of ENEA Centrum ensured for the Group's employees the possibility of secure (encrypted) remote connections with resources and systems used by the companies employing them. Among other things, PKI cards were implemented to increase security and make it possible to sign electronic documents while doing work and exchange correspondence.

In the reported period, no sanctions, financial or non-financial, were imposed on the ENEA Group companies in connection with breaching protection of customers' personal data. At the beginning of 2021, the President of the Personal Data Protection Authority (PUODO) issued a decision to impose a penalty of approx. PLN 136 thousand on ENEA S.A. in connection with suspicion of an incident where personal data protection was violated. The company filed an appeal against the decision to the court, in compliance with law. Until the moment of publishing this Representation, the case has not been formally resolved and the penalty has not been paid either.

³⁵ With the exception of: ENEA Polaniec Serwis, ENEA Ciepło, MEC Piła, PEC Oborniki, ENEA Nowa Energia.

Incidents of customer privacy breaches	2021
Total number of breaches not eligible for reporting to the President of the Personal Data Protection Authority ³⁶	274
Total number of breaches eligible ³⁷ for reporting to the President of the Personal Data Protection Authority pursuant to Article 33 GDPR	3
Total number of identified customer privacy breaches	277

Selected activities in 2021

ENEA S.A. launched an internal audit of personal data protection in individual organizational units in order to examine whether the processing of personal data in the company conforms to the rules set forth in GDPR.

In ENEA Ciepło, an audit was conducted to verify compliance of the process of contracting with heat consumers with the EU Data Protection Regulation; the resulting plan of corrective action has already been implemented.

ENEA Serwis conducted a refresher e-learning training on personal data protection for all employees that have access to enea.pl domain. It also carried out a remote audit of compliance with data processing agreements with processors included on the company's list of qualified contractors.

ENEA Bioenergia and ENEA Połaniec Serwis implemented two new instructions: one regulating the issuance and update of personal data processing authorizations and one focusing on the reporting and handling of data protection breaches.

³⁶ Lower level breaches that, due to their scope or mitigating measures taken by the company, are not eligible for reporting to the President of the Personal Data Protection Authority.

³⁷ Breaches that are more than unlikely to result in a risk to the rights or freedoms of natural persons.

Anti-corruption measures – description of due diligence policies and procedures and their outcomes

Counteracting corruption

Issues related to counteracting corruption have also been standardized in the *ENEA Group Compliance Policy* and the *ENEA Group Code of Ethics* and also in the corresponding documents in place in the LW Bogdanka S.A. Group.

The ENEA Group does not tolerate any form of corruption and does not make decisions on the basis of such actions. Employees of the ENEA Group companies as a matter of principle do not give or accept gifts from colleagues, business partners, social partners, potential customers or contractors.

The giving and acceptance of financial and personal benefits by ENEA Group employees is governed by the *Rules for Offering and Receiving Gifts in the ENEA Group*. These rules specify the circumstances under which a gift may be given or accepted and the possible steps, which must be taken in order to give and accept it. Each instance, in which a gift is given or accepted is considered an exception to the general rule and must be carried out in accordance with the procedure set forth in the regulation.

Anti-corruption provisions are contained, among others, in the following documents:

- *Policy for reporting breaches and protecting whistleblowers in the ENEA Group*, whose main goal was to ensure that any violation reports received by the organization are accepted, thoroughly analyzed, identified in terms of potential violations, assessed from the risk standpoint and properly managed, and the person who reports them trusting in their veracity is protected against potential retaliation for reporting the violation;
- *ENEA Group Code of Conduct for Contractors*, defining the fundamental requirements for contractors in terms of their compliance with the law and with ethical and market standards.

A particularly significant component of the anti-corruption system is the building of a proper organizational culture within the ENEA Group by the ENEA S.A. Compliance Office. This objective is pursued, among other measures, through direct and e-learning training for employees, promoting ethical and lawful behaviors, and through information campaigns aimed at continuous development of knowledge and awareness of ENEA Group's Employees regarding compliance with legal and market requirements, but also with moral standards. The Rules for Offering and Receiving Gifts and endeavors aimed at preventing conflicts of interest and corruption offenses are elements of the mandatory initial training in all Group companies. In addition, training courses on this topic are regularly updated and repeated, especially when a document that governs anti-corruption issues is amended or when a new one comes into life.

The ENEA S.A. Compliance Office actively participates in drafting internal regulations and issuing opinions on them from the compliance perspective, cooperates with the individuals involved in this area in ENEA Group companies and identifies and assesses potential risks of non-compliance, corruption and conflict of interest. The elimination of breaches in this area is also expedited by appropriate provisions of internal acts of ENEA Group companies, such as the rules for awarding contracts (they include a requirement that persons performing activities in a procedure or who may influence its outcome or persons awarding contracts, in particular persons acting as managers of the contracting entity, members of the tender committee and experts, submit statements confirming the absence of any relations on their part with contractors participating in the tenders), the *Rules for evaluating contractors in the General Purchasing Procurement Area* or the work regulations.

The ENEA Group's anti-corruption system is compliant with the *Standards recommended for the compliance management system on counteracting corruption and the whistleblower protection system in companies listed on markets organized by the Warsaw Stock Exchange*.

Selected anti-corruption activities in 2021

ENEA Group companies continuously undertake various measures to increase the awareness of employees in the anti-corruption area. They also introduce or amend regulations to systematize and strengthen the Group's requirements applicable to itself and to its contractors in this matter.

The *ENEA Group Compliance Policy*, which is in effect in all ENEA Group companies, was supplemented with provisions introducing the requirement to observe specific work criteria that applies to employees holding key positions in the company's structure and who have significant influence on its correct functioning, such as directors and managers. These specific work criteria are defined as the obligation to maintain independence, impartiality, neutrality and objectivity in the performance of official duties, which in particular means that they should not take action or should refrain from performing any function that could give rise to a conflict of interest or raise doubts about their freedom to act in the sole and best interest of the company.

Amendments were made to the *Policy for reporting breaches and protecting whistleblowers in the ENEA Group*, which comprehensively regulated the matters associated with reports of violations, including corruption. The ENEA S.A. Management Board also appointed a dedicated team to process whistleblowing reports in the ENEA Group.

ENEA Operator developed a brochure, customized to its specific situation, concerning the *ENEA Group Code of Conduct for Contractors*, and the obligation to observe its provision was added as a clause in the contracting regulations. The Company also adopted the *Regulations for preventing, identifying, addressing and reporting conflicts of interest involving employees of ENEA Operator sp. z o.o.*, which identified the areas, in which conflict of interest prevention mechanisms had already been implemented

and defined the procedure to be followed if a risk of a conflict of interest arises in other instances. Additionally, the Company also introduced an obligation to submit a declaration of absence of conflict of interest for employees carrying out public relations, social partnerships and sponsoring activities, and an obligation to submit a declaration of fairness, impartiality and objectivity for any individuals taking part in the preparation of tender proceedings and the contracting manager, as well as for any employees participating in technical acceptances/guarantee checks.

ENEA Serwis updated, among others, *the Rules and Regulations for conducting proceedings, awarding contracts for construction work, deliveries and services and exercise of functional oversight in ENEA Serwis sp. z o.o.* The amendments to this document, among others: introduced an obligation for a contractor to submit, together with the bid, an acknowledgment of the *ENEA Group Code of Conduct for Contractors* and to comply with the rules contained in that document in business relations with the ENEA Group; introduced an obligation to exclude from the procedure the members of the tender committee and other persons performing activities related to the procedure if a conflict of interest arises or in case of a final conviction for a crime committed in connection with a procurement procedure; introduced a mandatory obligation for members of a tender committee to provide a statement on the existence or non-existence of the circumstances mentioned above; introduced an obligation to conduct procedures in IT systems; specified when a bidder must be excluded from a tender (e.g. when a bidder has committed a breach of the *ENEA Group Code of Conduct for Contractors*).

ENEA Group has conducted an anti-corruption information campaign among its employees; in 2021 additional companies, i.e. ENEA Elektrownia Połaniec, ENEA Połaniec Serwis and ENEA Centrum, launched an anti-corruption e-learning course for employees.

ENEA Elektrownia Połaniec, ENEA Bioenergia and ENEA Połaniec Serwis developed joint Contracting Regulations, which featured, among others, a prohibition of maintaining direct e-mail correspondence with bidders during the bidding stage. The contractors of ENEA Elektrownia Połaniec and ENEA Połaniec Serwis were informed that the *ENEA Group Code of Conduct for Contractors* was applicable among others by contract clauses or by publishing the code on the company website. ENEA Elektrownia Połaniec additionally introduced a Due Diligence System for biomass purchases. The *Policy for local credit assessment of contractors of ENEA Elektrownia Połaniec S.A.* was updated and renamed as the *Policy for reviewing fuel contractors in ENEA Elektrownia Połaniec S.A.*

ENEA Innowacje introduced instructions establishing formal and legal requirements, which must be satisfied to obtain a positive decision on the implementation or purchase of a service or product.

Indicators of the effectiveness of anti-corruption policies	2019	2020	2021
Number of confirmed cases of corruption in ENEA Group companies	2	0	0 ³⁸

³⁸ No data available for ENEA Logistyka.

Conformity of the Statement to the Accounting Act and the TCFD Recommendations

Table of conformity of the Statement to the Accounting Act

Requirement of the Accounting Act	Chapter
Business model (Article 49b sec. 2 item 1)	Business model and development strategy of the ENEA Group
Key non-financial performance indicators (Article 49b sec. 2 item 2)	Key non-financial performance indicators in the ENEA Group
Non-financial policies and their results (Article 49b sec. 2 item 3)	
Policies in the environmental area	Environmental issues – description of due diligence policies and procedures and their results
Policies in the labor area	Employee issues – description of due diligence policies and procedures and their results
Policies in the social area	Social issues – description of due diligence policies and procedures and their results
Policies in the human rights area	Human rights issues – description of due diligence policies and procedures and their results
Policies in the anti-corruption area	Anti-corruption issues – description of due diligence policies and procedures and their results
Due diligence procedures model (Article 49b sec. 2 item 4)	Non-financial risks related to the ENEA Group's business activity
Material non-financial risks and risk management (Article 49b sec. 2 item 5)	Non-financial risks related to the ENEA Group's business activity

Table of conformity of the Statement to TCFD Recommendations

TCFD Recommendations	Chapter
GOVERNANCE	
Describe the board's oversight of climate-related risks and opportunities	Environmental issues – description of due diligence policies and procedures and their results
Describe management's role in assessing and managing climate-related risks and opportunities	Environmental issues – description of due diligence policies and procedures and their results
STRATEGY	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Non-financial risks related to the ENEA Group's business activity
describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Non-financial risks related to the ENEA Group's business activity
describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Business model and development strategy of the ENEA Group
RISK MANAGEMENT	
Describe the organization's processes for identifying and assessing climate-related risks	Non-financial risks related to the ENEA Group's business activity
Describe the organization's processes for managing climate-related risks	Non-financial risks related to the ENEA Group's business activity
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Non-financial risks related to the ENEA Group's business activity
METRICS AND TARGETS	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Environmental issues – description of due diligence policies and procedures and their results
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Environmental issues – description of due diligence policies and procedures and their results
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Environmental issues – description of due diligence policies and procedures and their results

13. Appendices

Appendix 1 - Statement of profit and loss of ENEA Operator – FY 2021

[PLN 000s]	2020	2021	Change	% change
Revenue from sales of distribution services to end users	2,897,237	2,978,998	81,761	2.8%
Revenue from additional fees	3,277	4,547	1,270	38.8%
Revenue from non-invoiced sale of distribution services	-6,040	24,211	30,251	500.8%
Settlement of the balancing market	39,707	3,522	-36,185	-91.1%
Grid connection fees	131,163	90,823	-40,340	-30.8%
Revenue from illegal consumption of electricity	5,835	8,074	2,239	38.4%
Revenue from services	27,144	27,964	820	3.0%
Revenue from sales of distribution services to other entities	26,631	25,199	-1,432	-5.4%
Revenue from sales of goods and materials and other revenue	1,619	2,210	591	36.5%
Revenue from sales	3,126,572	3,165,548	38,976	1.2%
Depreciation of fixed assets and amortization of intangible assets	624,892	659,975	35,083	5.6%
Employee benefit costs	506,378	519,185	12,807	2.5%
Consumption of materials and supplies and cost of goods sold	32,921	35,813	2,892	8.8%
Purchase of energy for own needs and grid losses	352,982	297,354	-55,628	-15.8%
Costs of transmission services	464,819	435,415	-29,404	-6.3%
Other third-party services	294,329	292,764	-1,565	-0.5%
Taxes and charges	229,681	242,982	13,301	5.8%
Tax-deductible expense	2,506,002	2,483,488	-22,514	-0.9%
Other operating revenues	124,785	62,822	-61,963	-49.7%
Other operating costs	63,592	36,185	-27,407	-43.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(7,700)	(1,774)	5,926	77.0%
Operating profit / (loss)	674,063	706,923	32,860	4.9%
Finance income	4,057	25,341	21,284	524.6%
Finance costs	86,358	61,720	-24,638	-28.5%
Profit / (loss) before tax	591,762	670,544	78,782	13.3%
Income tax	116,451	132,846	16,395	14.1%
Net profit / (loss) for the reporting period	475,311	537,698	62,387	13.1%
EBITDA	1,298,955	1,366,898	67,943	5.2%

ENEA Operator – EBITDA drivers in 2021 (up by PLN 68 million):

(+) revenue from sales of distribution services to end users up by PLN 112 million, largely due to a higher volume of distributed energy. The consequences of the pandemic and restrictions in the business sector did not significantly affect total demand for electricity. Moreover, we are constantly observing the impact of end users working from home on the level of demand for electricity in Tariff Groups G.

(+) costs of purchasing transmission and distribution services down by PLN 29 million, in particular as a consequence of a decline in contractual capacity, higher volume of energy consumed and lower variable and fixed fee rates in settlements with PSE SA and neighboring DSO, respectively.

(-) revenues from grid connection fees down PLN 40 million as a result of the settlement, in 2020, of a connection which entailed a large connection fee in Connection Group II.

(+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 19 million, chiefly as a result of a decline in wholesale prices with delivery in 2021.

(-) higher operating costs by PLN 27 million resulting mainly from higher employee benefit costs and higher costs of taxes and charges.

(-) lower result on other operating activities by PLN 29 million resulting mainly from lower revenue from contractual penalties and indemnities, lower revenues from the removal of collisions and changes in impairment losses offset by the change in provisions for grid assets.

Appendix 2 - Statement of profit and loss of ENEA Operator in Q4 2021

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Revenue from sales of distribution services to end users	753,541	755,399	1,858	0.2%
Revenue from additional fees	1,325	1,284	-41	-3.1%
Revenue from non-invoiced sale of distribution services	-7,475	5,101	12,576	168.2%
Settlement of the balancing market	13,378	685	-12,693	-94.9%
Grid connection fees	18,398	27,271	8,873	48.2%
Revenue from illegal consumption of electricity	1,863	1,461	-402	-21.6%
Revenue from services	6,784	6,879	95	1.4%
Revenue from sales of distribution services to other entities	7,022	6,142	-880	-12.5%
Revenue from sales of goods and materials and other revenue	666	871	205	30.8%
Revenue from sales	795,501	805,093	9,592	1.2%
Depreciation of fixed assets and amortization of intangible assets	162,555	164,744	2,189	1.3%
Employee benefit costs	135,594	132,906	-2,688	-2.0%
Consumption of materials and supplies and cost of goods sold	10,778	11,077	299	2.8%
Purchase of energy for own needs and grid losses	90,990	77,781	-13,209	-14.5%
Costs of transmission services	116,030	110,976	-5,054	-4.4%
Other third-party services	92,435	85,781	-6,654	-7.2%
Taxes and charges	56,087	63,077	6,990	12.5%
Tax-deductible expense	664,469	646,342	-18,127	-2.7%
Other operating revenues	38,787	33,152	-5,635	-14.5%
Other operating costs	15,227	10,083	-5,144	-33.8%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(3,806)	(501)	3,305	86.8%
Operating profit / (loss)	150,786	181,319	30,533	20.2%
Finance income	519	20,349	19,830	3820.8%
Finance costs	19,430	17,387	-2,043	-10.5%
Profit / (loss) before tax	131,875	184,281	52,406	39.7%
Income tax	25,640	36,583	10,943	42.7%
Net profit / (loss) for the reporting period	106,235	147,698	41,463	39.0%
EBITDA	313,341	346,063	32,722	10.4%

ENEA Operator – EBITDA drivers in Q4 2021 (up by PLN 33 million):

(+) revenue from sales of distribution services to end users up by PLN 14 million, largely due to a higher volume of distributed energy

(+) costs of purchasing transmission and distribution services down by PLN 5 million, in particular as a consequence of a decline in contractual capacity, higher volume of energy consumed and lower variable and fixed fee rates in settlements with PSE SA and neighboring DSO, respectively

(+) revenues from grid connection fees up by PLN 9 million

(+) costs of purchasing electricity to cover the balancing difference (balance) down by PLN 1 million, chiefly as a result of a decline in wholesale prices with delivery in 2021

(+) lower operating costs by PLN 2 million resulted mainly from lower employee benefit costs and lower costs of third-party services, offset by higher costs of taxes and charges.

(+) higher result on other operating activities by PLN 3 million resulting mainly from a remeasurement of provisions for grid assets, change in impairment allowances and higher liquidation result, offset by lower revenue from contractual penalties and indemnities, offset by a higher liquidation result.

Appendix 3 - Statement of profit and loss of ENEA Wytwarzanie in 2021

[PLN 000s]	2020 ¹⁾	2021	Change	% change
Revenue from sales of electricity	5,315,790	5,403,391	87,601	1.6%
generation license	4,505,753	5,218,593	712,840	15.8%
trading license	720,723	151,166	-569,557	-79.0%
Regulatory System Services	89,314	33,632	-55,682	-62.3%
Revenue from the Capacity Market	0	613,931	613,931	100.0%
Revenue from certificates of origin	22,613	91	-22,522	-99.6%
Revenue from sales of heat	984	5,792	4,808	488.6%
Revenue from sales of other products and services	6,150	5,329	-821	-13.3%
Revenue from sales of goods and materials	14,574	27,620	13,046	89.5%
Net revenue from sales	5,360,111	6,056,154	696,043	13.0%
Revenue from leases and operating subleases	348	560	212	60.9%
Revenue from sales and other income	5,360,459	6,056,714	696,255	13.0%
Depreciation of fixed assets and amortization of intangible assets	405,220	226,823	-178,397	-44.0%
Employee benefit costs	269,971	284,373	14,402	5.3%
Consumption of materials and supplies and cost of goods sold	3,256,605	4,203,572	946,967	29.1%
Purchase of energy for subsequent sale	654,304	450,640	-203,664	-31.1%
Transmission services	1	4	3	300.0%
Other third-party services	114,194	139,816	25,622	22.4%
Taxes and charges	75,041	80,247	5,206	6.9%
Tax-deductible expense	4,775,336	5,385,475	610,139	12.8%
Other operating revenues	36,195	27,518	-8,677	-24.0%
Other operating costs	12,062	11,209	-853	-7.1%
Profit / (loss) on the sale and liquidation of property, plant and equipment	360	939	579	160.8%
Impairment loss allowance on non-financial non-current assets	3,403,996	0	-3,403,996	-100.0%
Operating profit / (loss)	(2,794,380)	688,487	3,482,867	124.6%
Finance income	582	51,467	50,885	8743.1%
Finance costs	143,955	116,075	-27,880	-19.4%
Dividend income	152	121	-31	-20.4%
Profit / (loss) before tax	(2,937,601)	624,000	3,561,601	121.2%
Income tax	-554,101	118,867	672,968	121.5%
Net profit / (loss) for the reporting period	(2,383,500)	505,133	2,888,633	121.2%
EBITDA	1,014,836	915,310	-99,526	-9.8%

¹⁾ data for 2020 do not include the RES Segment spun-off from ENEA Wytwarzanie as of 1 December 2020

ENEA Wytwarzanie – key EBITDA drivers in Q1 2021 (down by PLN 99.5 million):

- (-) trading and Balancing Market margin down by PLN 371.5 million.
- (-) generation margin down by PLN 221.8 million.
- (-) revenue from Regulatory System Services down by PLN 55.7 million.
- (-) fixed costs up by PLN 49.4 million.
- (-) decrease in other drivers by PLN 15.0 million, including revenue from sales of property rights down by PLN 22.5 million, result on other operating activities down by PLN 7.8 million, result on sales of materials up by 14.6 million.
- (+) revenue from the Capacity Market of 613.9 million.

Appendix 4 - Statement of profit and loss of ENEA Wytwarzanie in Q4 2021

[PLN 000s]	Q4 2020 ¹⁾	Q4 2021	Change	% change
Revenue from sales of electricity	1,325,260	1,505,234	179,974	13.6%
generation license	1,160,496	1,460,784	300,288	25.9%
trading license	151,438	34,620	-116,818	-77.1%
Regulatory System Services	13,326	9,830	-3,496	-26.2%
Revenue from the Capacity Market	0	155,128	155,128	100.0%
Revenue from sales of heat	342	4,623	4,281	1251.8%
Revenue from sales of other products and services	1,277	1,283	6	0.5%
Revenue from sales of goods and materials	3,867	7,311	3,444	89.1%
Net revenue from sales	1,330,746	1,673,579	342,833	25.8%
Revenue from leases and operating subleases	96	135	39	40.6%
Revenue from sales and other income	1,330,842	1,673,714	342,872	25.8%
Depreciation of fixed assets and amortization of intangible assets	99,667	56,366	-43,301	-43.4%
Employee benefit costs	74,527	81,417	6,890	9.2%
Consumption of materials and supplies and cost of goods sold	815,786	1,143,319	327,533	40.1%
Purchase of energy for subsequent sale	198,713	136,982	-61,731	-31.1%
Transmission services	0	1	1	100.0%
Other third-party services	26,404	40,820	14,416	54.6%
Taxes and charges	18,648	20,737	2,089	11.2%
Tax-deductible expense	1,233,745	1,479,642	245,897	19.9%
Other operating revenues	-1,419	10,989	12,408	874.4%
Other operating costs	3,740	1,736	-2,004	-53.6%
Profit / (loss) on the sale and liquidation of property, plant and equipment	167	875	708	424.0%
Impairment loss allowance on non-financial non-current assets	2,881,174	0	-2,881,174	-100.0%
Operating profit / (loss)	(2,789,069)	204,200	2,993,269	107.3%
Finance income	106	43,802	43,696	41222.6%
Finance costs	37,697	50,121	12,424	33.0%
Profit / (loss) before tax	(2,826,660)	197,881	3,024,541	107.0%
Income tax	-532,913	36,490	569,403	106.8%
Net profit / (loss) for the reporting period	(2,293,747)	161,391	2,455,138	107.0%
EBITDA	191,772	260,566	68,794	35.9%

¹⁾ data for 2020 do not include the RES Segment spun-off from ENEA Wytwarzanie as of 1 December 2020

ENEA Wytwarzanie – key EBITDA drivers in Q4 2021 (up by PLN 68.8 million):

- (+) revenue from the Capacity Market of 155.1 million.
- (+) contribution of other drivers up by PLN 21.6 million, including a PLN 14.4 million increase in the result on other operating activities, a PLN 5.1 million increase in the result on sales of materials.
- (+) generation margin up by PLN 8.0 million.
- (-) revenue from Regulatory System Services down by PLN 3.5 million.
- (-) fixed costs up by PLN 25.9 million.
- (-) trading and Balancing Market margin down by PLN 86.5 million.

Appendix 5 - Statement of profit and loss of ENEA Elektrownia Połaniec in 2021

[PLN 000s]	2020	2021	Change	% change
Revenue from sales of electricity	2,208,905	2,755,638	546,733	24.8%
generation license	1,723,479	2,043,471	319,992	18.6%
trading license	460,359	701,443	241,084	52.4%
Regulatory System Services	25,067	10,724	-14,343	-57.2%
Revenue from the Capacity Market	0	247,458	247,458	100.0%
Revenue from certificates of origin	237,166	312,180	75,014	31.6%
Revenue from sales of heat	51,446	68,615	17,169	33.4%
Revenue from sales of other products and services	5,417	5,402	-15	-0.3%
Revenue from sales of goods and materials	3,451	1,899	-1,552	-45.0%
Excise duty	57	57	-	-
Revenue from sales and other income	2,506,328	3,391,135	884,807	35.3%
Depreciation of fixed assets and amortization of intangible assets	67,512	84,505	16,993	25.2%
Employee benefit costs	77,446	79,737	2,291	3.0%
Consumption of materials and supplies and cost of goods sold	1,439,192	1,794,378	355,186	24.7%
Purchase of energy for subsequent sale	356,512	871,254	514,742	144.4%
Transmission services	328	403	75	22.9%
Other third-party services	229,680	237,893	8,213	3.6%
Taxes and charges	35,241	33,747	-1,494	-4.2%
Tax-deductible expense	2,205,911	3,101,917	896,006	40.6%
Other operating revenues	18,353	30,994	12,641	68.9%
Other operating costs	20,077	2,633	-17,444	-86.9%
Profit / (loss) on the sale and liquidation of property, plant and equipment	56	0	-56	-100.0%
Operating profit / (loss)	298,749	317,579	18,830	6.3%
Finance income	170	3,906	3,736	2197.6%
Finance costs	6,441	10,771	4,330	67.2%
Dividend income	2,643	3,624	981	37.1%
Profit / (loss) before tax	295,121	314,338	19,217	6.5%
Income tax	55,533	58,484	2,951	5.3%
Net profit / (loss) for the reporting period	239,588	255,854	16,266	6.8%
EBITDA	366,261	402,084	35,823	9.8%

ENEA Elektrownia Połaniec – key EBITDA drivers in 2021 (up by PLN 35.8 million):

System Power Plants Segment (EBITDA down by PLN 33.0 million):

- (-) trading and Balancing Market margin down by PLN 273.7 million.
- (-) generation margin down by PLN 5.3 million.
- (-) revenue from sales of Regulatory System Services down by PLN 14.3 million.
- (+) revenue from the Capacity Market of 247.5 million.
- (+) fixed costs down by PLN 12.8 million.

RES Segment (EBITDA up by PLN 62.1 million):

- (+) RES energy production margin up by PLN 87.1 million.
- (-) Green Block's margin on sales of green certificate inventories down by PLN 20.8 million.
- (-) fixed costs up by PLN 4.2 million.

Heat Segment (EBITDA up by PLN 6.7 million)

- (+) margin on heat up by PLN 7.3 million due to: higher volume of heat production PLN +2.0 million, higher sale price of heat PLN +8.1 million, lower cost of fuel PLN +4.5 million, higher cost of CO₂ PLN -7.4 million.
- (-) fixed costs up by PLN 0.6 million.

Appendix 6 – Statement of profit and loss of ENEA Elektrownia Połaniec in Q4 2021

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Revenue from sales of electricity	562,816	870,317	307,501	54.6%
generation license	435,704	665,718	230,014	52.8%
trading license	123,338	203,039	79,701	64.6%
Regulatory System Services	3,774	1,560	-2,214	-58.7%
Revenue from the Capacity Market	0	62,098	62,098	100.0%
Revenue from certificates of origin	61,131	97,004	35,873	58.7%
Revenue from sales of heat	16,665	18,151	1,486	8.9%
Revenue from sales of other products and services	1,383	1,442	59	4.3%
Revenue from sales of goods and materials	614	354	-260	-42.3%
Excise duty	17	15	-2	-11.8%
Revenue from sales and other income	642,592	1,049,351	406,759	63.3%
Depreciation of fixed assets and amortization of intangible assets	17,984	24,216	6,232	34.7%
Employee benefit costs	22,185	22,964	779	3.5%
Consumption of materials and supplies and cost of goods sold	363,955	534,740	170,785	46.9%
Purchase of energy for subsequent sale	109,490	261,181	151,691	138.5%
Transmission services	89	98	9	10.1%
Other third-party services	47,803	62,342	14,539	30.4%
Taxes and charges	9,333	8,134	-1,199	-12.8%
Tax-deductible expense	570,839	913,675	342,836	60.1%
Other operating revenues	8,458	10,004	1,546	18.3%
Other operating costs	18,630	1,622	-17,008	-91.3%
Operating profit / (loss)	61,581	144,058	82,477	133.9%
Finance income	18	3,079	3,061	17005.6%
Finance costs	1,704	3,673	1,969	115.6%
Dividend income	8	10	2	25.0%
Profit / (loss) before tax	59,903	143,474	83,571	139.5%
Income tax	11,738	26,740	15,002	127.8%
Net profit / (loss) for the reporting period	48,165	116,734	68,569	142.4%
EBITDA	79,565	168,274	88,709	111.5%

ENEA Elektrownia Połaniec – key EBITDA drivers in Q4 2021 (up by PLN 88.7 million):

System Power Plants Segment (EBITDA up by PLN 97.3 million):

- (+) generation margin up by PLN 104.8 million.
- (+) revenue from the Capacity Market of 62.1 million.
- (+) fixed costs down by PLN 4.6 million.
- (-) revenue from sales of Regulatory System Services down by PLN 2.2 million.
- (-) trading and Balancing Market margin down by PLN 72.0 million.

RES Segment (EBITDA down by PLN 7.6 million):

- (-) Green Block's margin on sales of green certificate inventories down by PLN 19.9 million.
- (-) fixed costs up by PLN 7.4 million.
- (+) RES energy production margin up by PLN 19.7 million.

Heat Segment (EBITDA down by PLN 1.0 million)

- (-) fixed costs up by PLN 0.8 million.
- (-) margin on heat down by PLN 0.2 million.

Appendix 7 - Statement of profit and loss of LW Bogdanka Group in 2021

(data from the LW Bogdanka consolidation package)

[PLN 000s]	2020	2021	Change	% change
Net revenue from sales	1,812,825	2,363,141	550,316	30.4%
Revenue from leases and operating subleases	9,287	8,171	-1,116	-12.0%
Revenue from sales and other income	1,822,112	2,371,312	549,200	30.1%
Depreciation of fixed assets and amortization of intangible assets	336,549	401,462	64,913	19.3%
Employee benefit costs	621,634	735,178	113,544	18.3%
Consumption of materials and supplies and cost of goods sold	329,225	368,975	39,750	12.1%
Other third-party services	325,812	372,409	46,597	14.3%
Taxes and charges	47,819	55,614	7,795	16.3%
Tax-deductible expense	1,661,039	1,933,638	272,599	16.4%
Other operating revenues	8,238	6,953	-1,285	-15.6%
Other operating costs	6,378	12,562	6,184	97.0%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(29,345)	(35,252)	-5,907	-20.1%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	6,161	652	-5,509	-89.4%
Operating profit / (loss)	127,427	396,161	268,734	210.9%
Finance income	7,537	675	-6,862	-91.0%
Finance costs	9,588	8,345	-1,243	-13.0%
Profit / (loss) before tax	125,376	388,491	263,115	209.9%
Income tax	26,329	76,441	50,112	190.3%
Net profit / (loss) for the reporting period	99,047	312,050	213,003	215.1%
EBITDA	470,137	798,275	328,138	69.8%

LW Bogdanka Group – key EBITDA drivers in 2021 (up by PLN 328.1 million):

- (+) higher revenue from sales of coal: higher sales by volume (+2,366 thousand tons; +30.8%) at a lower sales price.
- (-) higher mining output (+2,409 thous. tons, +20.2%) – increase in production costs; increase in prices of factors of production.
- (-) In 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic – reduced burden on the company; Due to the limited coal output in 2020, some employees were relocated to preparatory (excavation) works originally intended to be performed by external contractors - higher value of capitalized salaries; in 2020 – the company was granted the subsidy of PLN 33.2 million to the compensations from FGŚP [effect of a lower base].
- (-) higher costs of third-party services - in 2021 a greater number of mining Saturdays (higher costs of work by external companies), different scope of work contracted to external companies.
- (-) higher costs of consumption of materials - higher mining output - increase in production costs.
- (-) higher costs of taxes and charges - higher mining fee (higher production of coal).
- (-) in 2021, a decrease in coal inventories¹⁾ by PLN 21.3 million (increase in operating costs of the period); while in 2020 the value of inventories fell by PLN 6.3 million (increase in operating costs of the period).

¹⁾ impact on presented costs = technical coal production cost allocated according to the current structure * change of coal inventory volume in the analyzed period

Appendix 8 - Statement of profit and loss of LW Bogdanka Group in Q4 2021

(data from the LW Bogdanka consolidation package)

[PLN 000s]	Q4 2020	Q4 2021	Change	% change
Net revenue from sales	466,386	700,840	234,454	50.3%
Revenue from leases and operating subleases	2,192	1,990	-202	-9.2%
Revenue from sales and other income	468,578	702,830	234,252	50.0%
Depreciation of fixed assets and amortization of intangible assets	86,110	106,164	20,054	23.3%
Employee benefit costs	136,417	190,121	53,704	39.4%
Consumption of materials and supplies and cost of goods sold	78,017	110,950	32,933	42.2%
Other third-party services	94,397	115,136	20,739	22.0%
Taxes and charges	10,261	13,226	2,965	28.9%
Tax-deductible expense	405,202	535,597	130,395	32.2%
Other operating revenues	3,742	4,351	609	16.3%
Other operating costs	3,664	6,629	2,965	80.9%
Profit / (loss) on the sale and liquidation of property, plant and equipment	(4,356)	(3,286)	1,070	24.6%
Impairment loss/(reversal of impairment loss) on non-financial non-current assets	6,999	565	-6,434	-91.9%
Operating profit / (loss)	52,099	161,104	109,005	209.2%
Finance income	4,973	427	-4,546	-91.4%
Finance costs	1,869	1,879	10	0.5%
Profit / (loss) before tax	55,203	159,652	104,449	189.2%
Income tax	10,910	30,384	19,474	178.5%
Net profit / (loss) for the reporting period	44,293	129,268	84,975	191.8%
EBITDA	145,208	267,833	122,625	84.4%

LW Bogdanka Group – key EBITDA drivers in Q4 2021 (down by PLN 122.6 million):

- (+) higher revenue from sales of coal: higher sales by volume (+822 thousand tons; +41.7%) at a higher sales price of coal.
- (-) higher mining output (+334 thous. tons, +10.1%) – increase in production costs; increase in prices of factors of production.
- (-) employee benefit costs: in 2020, an increase in the number of employees taking advantage of the benefits introduced by the “anti-crisis shield” in connection with the current pandemic; in 2020 – the company was granted the subsidy of PLN 33.2 million to the compensations from FGŚP [effect of a lower base].
- (-) higher costs of third-party services - in 2021 a greater number of mining Saturdays, different scope of work contracted to external companies.
- (-) higher costs of taxes and charges - higher mining fee (higher production of coal).
- (-) in Q4 2020, an increase in coal inventories¹⁾ by PLN 21.4 million (decrease in costs of the period); in Q4 2021 a decrease in coal inventories by PLN 63.6 million (increase in costs of the period).

¹⁾ impact on presented costs = technical coal production cost allocated according to the current structure * change of coal inventory volume in the analyzed period

14. Glossary of terms and abbreviations

This is a glossary of terms and abbreviations used in this report. Definitions and calculation methodologies of alternative performance measures are the same as the definitions and calculation methodologies of the same measures used in the activity reports / additional information forming part of ENEA Group's previous periodic reports. Some of the definition may are also included in the glossary of terms and abbreviations available on the Company's website at <https://ir.enea.pl/slownik>. Information on the individual measures calculated for respective reporting periods is monitored on a regular basis and presented in the Company's successive periodic reports. The presented measures are typical ratios used in financial analysis with special consideration of the industries, in which the ENEA Group operates.

Financial ratios	Item
Current receivables turnover in days	Average balance of trade and other receivables x days / Revenue from sales and other income
Trade and other payables turnover in days	Average balance of trade and other payables x days / Cost of goods and materials sold
Inventory turnover in days	Average balance of inventories x days / Cost of goods and materials sold
Net debt / EBITDA	(Loans, borrowings and non-current and current debt securities + non-current and current finance lease liabilities + non-current and current financial liabilities measured at fair value - cash and cash equivalents - non-current and current financial assets measured at fair value - non-current and current debt financial assets measured at amortized cost) / EBITDA LTM
EBITDA	Operating profit (loss) + depreciation and amortization + impairment losses on non-financial non-current assets
EBITDA LTM	EBITDA for the last 12 months
EBIT	Operating profit (loss)
External financing	Sum of the following Statement of cash flows items: Loans and borrowings received, Issue of bonds, Repayment of loans and borrowings, Redemption of bonds
Operating expenses	Depreciation and amortization; Employee benefit costs Consumption of materials and supplies and cost of goods sold; Purchase of energy and gas for subsequent sale; Transmission services; Other third-party services; Taxes and charges
Cost of goods and materials sold	Consumption of materials and supplies and cost of goods sold; purchase of energy for resale; transmission services; other third-party services; taxes and charges; excise duty
Fixed costs	Costs that are independent of the electricity production volume. In a power plant, these costs include: payroll costs and charges, depreciation and amortization, costs of consumption of materials and supplies, costs of third-party services, costs of taxes and charges and other fixed costs
Own costs	Direct and indirect selling costs of ENEA S.A. and ENEA Trading
Margin on heat	Margin on sales of heat calculated as the difference between revenue from sales of heat and its variable production costs
Margin on trading	Difference between revenue from sales of electricity purchased in trading operations and the costs of purchasing electricity incorporating the result on sales of CO ₂
Margin on RES energy production	Margin on sales of energy and production of green certificates from the Green Unit, calculated as the difference between revenue from sales of energy and from the valuation of certificates produced and the variable costs of producing them

Financial ratios	Item
Margin on the Balancing Market	Difference between revenue from sales of electricity purchased on the balancing market and the costs of purchasing that electricity incorporating the result on CO ₂ sales
Margin on generation	Difference between revenue from sales of electricity produced and revenue from certificates, and the variable costs related to production of that electricity
Margin from licensed activities	<p>Margin from licensed activities is a management indicator incorporating revenues and costs related to business activity involving distribution of electricity to customers located in a specified area. Those include primarily:</p> <ul style="list-style-type: none"> • revenue from sales of distribution services to end users • costs of transmission and distribution services • costs of electricity purchased to cover the balancing difference and for own needs • revenue from grid connection fees for connection to ENEA Operator's grid
Green Block's margin on sales/remeasurement of green certificate inventories	Margin on the sale of green certificates from the Green Block calculated as a difference between revenue from sales and the cost of sales of the certificates, which takes into account the updated inventories of green certificates, i.e. the updated average weighted price of the inventory of certificates to market price in case their market price drops significantly
Coverage of non-current assets with equity	Equity / Non-current assets
Operating profitability	Operating profit (loss) / Revenue from sales and other income
Return on equity (ROE)	Net profit (loss) for the reporting period / Equity
Return on assets (ROA)	Net profit (loss) for the reporting period / Total assets
Net profitability	Net profit (loss) for the reporting period / Revenue from sales and other income
EBITDA profitability	EBITDA / Revenue from sales and other income
Adjusted first contribution margin	Margin on retail trading of electricity and gaseous fuel earned by ENEA S.A., presented together with wholesale sales of ENEA Trading adjusted for presentation by other conditional factors, such as costs of provisions for claims of terminated PMOZE agreements, revenues and costs from sales and purchases of CO ₂ emission allowances, valuation of CO ₂ contracts, forward transactions for energy, gas and property rights presented in operating activities.
Result on other operating activities	Change in the following items: other operating revenue, other operating costs, profit/loss on a change, sale and liquidation of property, plant and equipment
Current liquidity ratio	Current assets / Current liabilities
Total debt ratio	Total liabilities / Total assets
Change in working capital	An item from the statement of cash flows

Abbreviation/term	Full name/definition
ACER	European Union Agency for the Cooperation of Energy Regulators
AMI, Advanced Metering Infrastructure	Smart meters
AMI	Advanced Metering Infrastructure, advanced metering and billing systems with two-way metering and billing.
Capacity auction	A mechanism introduced by the Capacity Market Act of 8 December 2017 (Journal of Laws 2020, Item 247). In capacity auctions, electricity producers offer the operator a capacity obligation for the duration of a delivery period, which means that they undertake to maintain readiness in the delivery period to deliver the specified electric power output to the system and to deliver the specified electric power output to the system in emergency periods.
BAT	Best Available Techniques – a document drawing conclusions on best available techniques for the installations concerned and indicating the emission levels associated with the best available techniques.
OHS	Occupational health and safety
CAPEX	Capital expenditures on property, plant and equipment, intangible assets and right-to-use asset
CDS (Clean dark spread)	Difference between revenue from sales of electricity produced and the variable costs related to production of that electricity (unit CO ₂ cost and unit cost of coal including transportation).
Price of euro-peak ("PEAK")	Contract price for delivery of the same volume of electricity in euro-peak (i.e. from 7:00 a.m. to 10:00 p.m. on business days)
Baseload price (BASE)	Contract price for delivery of the same volume of electricity in each hour of the day
CER	Certified Emission Reduction – the unit of certified emission reduction
CO	Carbon monoxide
CO ₂	Carbon dioxide
Compliance	Assurance of compliance of the organization's activities with the applicable law and internal regulations.
CSR (Corporate Social Responsibility)	Corporate Social Responsibility. Responsibility of an organization for the impact exerted by its decisions and actions on society and the environment; it is ensured by transparent and ethical conduct, which: <ul style="list-style-type: none"> – contributes to sustainable development, including wellbeing and health of the society, – takes stakeholder expectations into account, – complies with the applicable law and consistent with international standards of conduct, – is integrated with the organization's activities and is practiced in its relations.
IED	Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 concerning industrial emissions. It tightens the standards for emissions of sulfur dioxide, nitrogen oxides and dust from combustion plants
Employer branding	Activities undertaken by a company to build its image as an attractive employer.
ENTSO-e	European Network of Transmission System Operators for Electricity (ENTSO-E), which is an association of 43 electricity transmission system operators (TSOs) from 36 countries in Europe. The organization was created in December 2008 and operates on the basis of the Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003
EUA	EU Emission Allowance - emission allowance under the European Emissions Trading System
EU ETS European Emissions Trading System	A European scheme to promote the reduction of greenhouse gas emissions
FDIR	Fault Detection, Isolation, Restoration, a system enabling automatic detection of faults, isolation of the damage site and restoration of power supply.
Circular economy (GOZ)	A concept, in which products, materials and raw materials remain in economy for as long as possible and waste, if created, is treated as secondary resource.
GWh	Gigawatt-hour
HCL	Hydrogen chloride
HF	Hydrogen fluoride
Hg	Mercury
HR	Human resources
ICE	Platform for trading EU CO ₂ Emission Allowances (EUAs) and Certified Emission Reduction units (CERs) on the futures market
ICT	Information and Communication Technologies.
SCR installation	Catalytic flue gas denitrification installation
Stakeholder	A person or group of persons interested in decisions or activities of an organization. A stakeholder is anyone who influences an organization and anyone influenced by it.

Internet of Things	A concept according to which various items, such as household appliances, lighting and heating products, may directly or indirectly collect, process or exchange data via a power installation or a computer network. The purpose of this concept is to create smart cities, transport, products, buildings, power supply systems, health systems or daily life systems.
FGD	Flue gas desulfurization and heavy metal reduction installation.
IT	Information technology. Computer hardware and software as well as tools and other techniques related to the collection, processing, transmission, storage, protection and presentation of information.
Combined heat and power generation	A technological process of simultaneous generation of electricity and useful thermal energy in a CHP plant
Polish Power System	A collection of devices used to generate, transmit, distribute, store and use electricity, connected together in a functional system supporting continuous and uninterrupted supply of electricity in Poland.
Supply chain	A sequence of actions or parties supplying products or services to an organization.
Value chain	A sequence of actions taken by a company to develop, create, sell and deliver a product or service and then provide after-sales services.
Mg	Megagram, or a ton.
Mobbing	Bullying, persistent harassment and intimidation, psychological violence against a subordinate or co-worker in the workplace.
MWe	Megawatt of electrical power
MWh	Megawatt-hour (1 GWh = 1,000 MWh)
MW_t	Megawatt of thermal power
NH₃	Ammonia.
Nm³	Normalized cubic meter of gas, i.e. the number of cubic meters that the gas would occupy in normal conditions.
LV	Low voltage grid supplying individual users with 50 Hz alternating current at 230 V phase voltage.
NO_x	Nitrogen oxides
Transmission System Operator	Polskie Sieci Elektroenergetyczne S.A., a company wholly-owned by the State Treasury, which owns highest voltage grids and therefore is the operator of the power transmission system.
Origination	Activity pursued by ENEA Trading, in which the company extends its wholesale trading business by adding non-standard products, i.e. it generates revenue based on, among others, electricity purchase agreements signed by ENEA Trading with RES electricity producers (where electricity purchased by ENEA Trading is subsequently sold on the wholesale electricity market – mainly on the power exchange).
DSO	Distribution System Operator
DSOn	A Distribution System Operator, whose distribution network has no direct connection with the TSO's transmission network.
TSO	Transmission System Operator
RES	Renewable energy sources
PKPZ	Employee Loan and Benefit Fund
“White” Property Rights	Common name of PMOZE-BIO instruments
“Blue” Property Rights	Common name of PMEF, PMEF_F, PMEF-XXXX instruments
“Green” Property Rights	Same as PMOZE
PMOZE	Property rights under certificates of origin for energy from renewable sources
PMOZE - BIO	Property rights under certificates of origin of electricity from agricultural biogas plants
PSCMI 1	Reflects the price level of class 20-23/1 fine steam coal in sales to commercial and industrial energy sector.
Energy Law	Act of 10 April 1997 - Energy Law (Journal of Laws 2019 Item 755).
Prop – Trading	Activity pursued by ENEA Trading, in which profit is earned on contracts traded on the company's own account on exchange markets.
Prosumer	A person who generates electricity from renewable energy sources for own needs using a micro-installation, capable of storing energy and transferring surplus energy to the power grid
PV	Photovoltaics
Employee Council	Employee representation body established by the Act of 7 April 2006 on Informing Employees and Consultations with Them (Journal of Laws 2006 No. 79 Item 550). Employee Council should be established in employers who conduct business activity and have at least 50 employees. This obligation does not apply among others to employers subject to the provisions of the Act who had signed, by 24 May 2006, an agreement with employee representatives ensuring the degree of information and consultation at least equal to the conditions required by the act.
RDF	Refuse Derived Fuel - fuel produced from waste with a high calorific value.
WP Regulations	Winter Package

DAM	Day-Ahead Market (DAM) has been operating since 30 June 2000. It is a spot electricity market in Poland. Since the beginning of quotation, DAM prices are a benchmark for energy prices in bilateral contracts in Poland. The DAM is intended for the companies that want to actively and safely close their electricity purchase/sales portfolios on an ongoing basis at particular hours of the day
Balancing market	Technical market operated by TSOs. Its objective is to ensure real-time balancing of demand for electricity and its production in the Polish Power System (NPS)
SPOT market	Cash market (spot)
Forward market	Electricity market where forward products are listed
SAIDI	System Average Interruption Duration Index – index of the system average duration of a long and very long interruptions (expressed in minutes per Customer)
SAIFI	System Average Interruption Frequency Index – indicator of the system average frequency of long interruptions in energy supply (expressed in the number of interruptions per Customer)
SCoTA	Standard Coal Trading Agreement – a standard agreement used on the international coal market
SCR (Selective Catalytic Reduction)	Catalytic flue gas denitrification installation – it operates based on the principle of reduction of nitrogen oxides to atmospheric nitrogen on the surface of a catalyst, using substances containing ammonia.
Smart Grid	Smart electrical grids, which feature communication between all the participants on the energy market, in order to supply energy services at lower costs, enhance efficiency and integrate dispersed energy sources, including renewable energy sources.
MV	Medium voltage grid, in which the phase-to-phase voltage ranges from 1 kV to 60 kV
SO₂	Sulfur dioxide
Social labor inspection	Social service provided by employees to ensure that the company ensures safe and healthy working conditions and to protect employee rights specified in labor law. Social labor inspectors cooperate with the National Labor Inspectorate and other authorities overseeing and inspecting working conditions. The principal scope of their activity is defined in the Social Labor Inspection Act of 24 June 1983 (Journal of Laws 2015, Item 567).
FIP Tariff	The FIP System is intended for producers of electricity from renewable sources in RES plants with total installed electric capacity of no less than 0.5 MW up to 1 MW, who are or will be selling unused electricity to a selected entity other than the obliged offtaker.
PPE	Polish Power Exchange
TWh	Terawatt-hour
ERO	Energy Regulatory Office
Energy Law	Act of 10 April 1997 entitled Energy Law
HV	High voltage grid. An electric power transmission grid, in which the phase-to-phase voltage ranges from 60 to 200 kV (in Poland: 110 kV). This grid is used to transmit electricity over large distances.
RAB	Regulatory Asset Base
RAB AMI	Regulatory Asset Base for AMI projects
Scope 1	Direct CO ₂ emissions resulting from fuel combustion in stationary or mobile sources owned by an organization or under its control, emissions resulting from manufacturing or processing or fugitive emissions of coolants.
Scope 2	Electricity indirect CO ₂ emissions resulting from the generation of consumed electricity, heat, processing steam and cooling, purchased or supplied from outside.
Scope 3	Other indirect CO ₂ emissions created in the company's entire value chain, e.g. in the production of raw materials, semi-finished products, management of waste, transportation of raw materials and products, business trips of employees or the use of products by final users.
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs and considers the expectations of the surrounding communities and societal, environmental and economic challenges. It enables permanent increase of the value of an organization and rational management of resources.
Internal Collective Bargaining Agreement	An agreement between an employer and trade unions, which defines, among others, duties of the employer towards employees and guaranteed employee rights.

Signatures of the Management Board

Date of approval and publication of the "Management Board Report on the Activity of ENEA S.A. and the ENEA Group in 2021"

- 23 March 2022

Signed by:

President of the Management Board Paweł Szczeszek

Vice-President of the Management Board for Commercial Affairs Tomasz Siwak

Vice-President of the Management Board for Corporate Affairs Tomasz Szczegielniak

Vice-President of the Management Board for Operational Affairs Marcin Pawlicki

Vice-President of the Management Board for Financial Affairs Rafał Marek Mucha

Vice-President of the Management Board for Strategy and Development Lech Adam Żak