
Representation on the application of corporate governance

11.1. The set of principles followed

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 in 2020 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 Practices of WSE Listed Companies 2016" (BPLC, corporate governance principles), published on the WSE website under <https://www.gpw.pl/dobre-praktyki>, in the section devoted to corporate governance of listed companies. Because the Prime Minister did not define best practices in the field of corporate governance referred to in Article 7(3) of the Act on the Rules for Managing State Property, in 2020 the Company did not, in respect of best practices, apply any practices other than those specified in the BPLC.

11.2. Waived rules and recommendations for corporate governance

The intention of the Management Board of ENEA S.A. is to apply all the principles of corporate governance. Due to the fact, however, that some principles may make it necessary to incur excessive burdens by the Company which could exceed potential benefits resulting from market needs, in 2020 the Company waived the application of some principles and recommendations of corporate governance indicated below.

I. Management Board and Supervisory Board

II.Z.5. A supervisory board member submits to the remaining members of the supervisory board and to the company's management board a statement that he/she meets the criteria of independence set out in rule II.Z.4.

Company's comment: The Company would like to explain that pursuant to the Company's Statute, an independent member of the Supervisory Board is obliged to make a written statement to the Company about meeting all the criteria of independence – together with an obligation to immediately inform the Company whenever he/she ceases to meet such criteria. However, the Statute of ENEA S.A. does not provide for a duty to make such statements to the remaining members of the Supervisory Board. However, the Management Board declares that it considers the circumstances mentioned in the content of this rule as good corporate practice. Therefore, the Management Board declares that it may request the Company's competent bodies to consider making appropriate changes to the Company's internal instruments with a pertinent recommendation.

II.Z.7. As regards the tasks and operation of the committees operating in the supervisory board, the provisions of Annex I to the European Commission Recommendation referred to in rule II.Z.4 shall apply. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

Company's comment: The Company wishes to clarify that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the rule in question, with the reservation that the Company's internal documents do not strictly require the majority of members of the Nominations and Remuneration Committee to meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

II.Z.8. Chair of the audit committee meets the independence criteria set out in rule II.Z.4.

Company's comment: The Company explains that in accordance with the Rules and Regulations of the Supervisory Board in effect in the Company, the majority of members of the Audit Committee, including its Chair, is independent of the Company within the meaning of Article 129 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, while the Company's internal documents do not provide for the requirement that the Chair of the Audit Committee should meet the independence criteria indicated in principle II.Z.4. The Management Board declares that it considers the circumstances referred to in this rule as good corporate practice and does not exclude that it may in future request the Company's competent bodies to consider making appropriate changes to the Company's internal instruments.

IV. General Meeting and shareholder relations

IV.R.2. If this is justified due to the shareholding structure or due to the shareholders' expectations communicated to the company, as long as the company is able to ensure the technical infrastructure necessary for the efficient conducting of the general meeting with the use of electronic communication means, the company should enable its shareholders to participate in the general meeting with the use of such means, in particular through:

- 1) broadcast of the general meeting in real time,
- 2) bilateral communication in real time as part of which the shareholders may take the floor during the general meeting while staying in a place which is different from the location of holding the general meeting,

3) exercising, either personally or via a proxy, voting rights at the general meeting.

Company's comment: In accordance with the applicable laws, participation in a general meeting via means of electronic communication is not mandatory, and a decision in this respect is made by the person convening the meeting. In principle, the Company's Management Board is of a favorable opinion about the possibility of enabling the Company's shareholders in the future to participate in the General Meeting via means of electronic communication, provided that any potential legal risks related to this form of the General Meeting are minimized.

IV.Z.2. If this is justified due to the company's shareholding structure, the company ensures the real-time transmission of the general meeting sessions available to the public.

Company's comment: The Company wishes to clarify that it currently does not provide real-time transmission of its general meeting sessions. However, the image and sound recording of the general meeting sessions is each time made and it is subsequently rendered available by the Company via the corporate website.

V. Conflict of interest and transactions with related parties

V.Z.5. Before the conclusion by the company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or a related entity, the management board shall request the supervisory board to grant a consent for such transaction. Before granting such consent, the supervisory board shall conduct the assessment of the impact of such transaction on the company's interest. The above obligation shall not refer to conventional transactions concluded on an arm's length basis as part of the operating activity carried on by the company with member entities of the company's capital group. In the case where a decision on the conclusion by the company of a significant agreement with a related entity is made by the general meeting, the company, before making such decision, shall ensure for all shareholders the access to such information as may be necessary to conduct the assessment of the impact of such transaction on the company's interest.

Company's comment: The current wording of the Company's Statute does not stipulate that prior to the conclusion by the Company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the company or an related entity, the Supervisory Board shall give its consent to such a transaction. The possibility of a potential conflict of interest is secured by, among others, the provisions of the Company's Statute which require the consent of the Supervisory Board to conclude the agreements referred to in § 20(3) of the Company's Statute. Moreover, since June 2020, the Company has had in place the Procedure for periodic assessment of transactions with related parties by the Supervisory Board, according to which the execution of a material transaction within the meaning of Article 90h of the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies requires the consent of the company's Supervisory Board.

VI. Remuneration

VI.R.1. The remuneration of members of the company's bodies and of the key managers should result from the remuneration policy adopted.

Company's comment: The Company wishes to clarify that until 30 July 2020 ENEA S.A. had no formal remuneration policy in place, but in connection with the provisions of the Act on Rules for Setting the Remuneration of Persons Managing Certain Companies, the Extraordinary General Meeting of ENEA S.A. held on 19 December 2019 amended the existing corporate documents regarding the rules for remunerating Members of the Management Board and Supervisory Board. In turn, on 30 July 2020, the Company's Ordinary General Meeting adopted a document entitled the "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna", which came into force on 30 July 2020, since which date has been applicable to the payment of remuneration to Management Board and Supervisory Board members.

VI.R.2. The remuneration policy should be closely related e to the company's strategy, its short- and long-term objectives, long-term interests, and results, and it should also take into account the solutions contributing to avoidance of discrimination on any grounds.

Company's comment: Subject to the comment on recommendation VI.R.1, the Company wishes to clarify that until 30 July 2020 ENEA S.A. had no formal remuneration policy in place. However, the document in force since 30 July 2020 entitled "Remuneration policy for members of the supervisory body and management body at ENEA Spółka Akcyjna" provides that the solutions adopted in the policy have been established in a manner intended to contribute to the pursuit of the business strategy as well as the long-term interests, stability and growth of ENEA S.A. The key principle underlying the policy is to ensure the competitive level and effectiveness of remuneration and its transparency depending on the achieved performance. The general remuneration policy framework serves the purpose of ensuring consistency of remuneration components while keeping them aligned with risk management and the long-term strategy.

VI.R.3. If the remuneration committee operates in the supervisory board, the scope of its operation shall be governed by rule II.Z.7.

Company's comment: The Company wishes to clarify that with respect to the tasks and functioning of the committees operating in the Supervisory Board, it generally applies the provisions of Annex I to the European Commission Recommendation referred to in the rule in question, with the reservation that the Company's internal documents do not strictly require the majority of members of the Nominations and Remuneration Committee to meet the independence criteria. The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more

than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

11.3. Description of the key features of the issuer's internal control and risk management systems in relations to the process of preparing 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 and monthly management and operating reporting applied by ENEA S.A. ("Company") are based on data derived from the financial and bookkeeping system of the Company. 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. In relations to the completed reporting periods, not only financial results of the Company are subject to a detailed analysis, but also particular business areas. The Company also carries out annual reviews of business and financial strategies and plans. 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 applies coherent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the 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. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2020 there were no irregularities that could significantly affect the effectiveness of internal control as it relates to financial reporting.

As part of the risk management process related to the procedure of preparing financial statements, one of the basic elements of the external control is verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the nonconsolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the accounts book, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The internal audit function, performed by the Audit Management Division is an important element of the internal control system. The internal audit in ENEA Group is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. The basic tasks of the internal audit include e.g. supporting the effectiveness of internal control system, risk management and Compliance system, through: independent evaluation of the above mentioned systems, examination and evaluation of control mechanisms in the processes implemented by ENEA Group companies, recommending improvements, inter alia, in the area of corporate governance, and monitoring the effectiveness of implementation of the issued recommendations. 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 on shares and shareholding

The detailed description of the structure of the share capital, shareholding structure, changes in its structure in 2020 and potential changes within its structure is presented in Section 8 "Shares and shareholding".

11.5. Securities with special control rights

Till the date of preparation of this report, ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

11.6. Restrictions on exercising vote rights

As at the date of preparation of this report there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

11.7. Restrictions on 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 on the basis of the Commercial Company Code and ENEA S.A.'s Statute and the Rules and Regulations of the General Meeting, taking into account the principles adopted by the Company through the application of the "Best Practices for WSE Listed Companies 2016".

In accordance with ENEA S.A.'s Statute, the Management Board of the Company convenes the General Meeting in the cases specified in the law and the provisions of the Statute, as well as in the case of a written request submitted by the main shareholder, i.e. the State Treasury, which, as long as it remains a shareholder of the Company, regardless of its share in the Company's share capital, may request pursuant to Article 400 § 1 of the Commercial Company Code that an Extraordinary General Meeting be convened, as well as to place certain matters on the agenda of the next General Meeting.

The State Treasury shall submit such a request in writing to the Management Board no later than one month prior to the proposed date of the General Meeting. If the request is submitted after the General Meeting, is convened, it shall be treated as a request to convene another Extraordinary General Meeting.

As stated in § 29(3) of the Company's Statute, if the General Meeting is not convened within two weeks from the date of filing the request, the State Treasury shareholder may obtain the right to convene the General Meeting pursuant to Article 354 § 1 of the Commercial Company Code.

Apart from the matters specified in the mandatory provisions of law and other provisions of the Company's Statute, the powers of the General Meeting include in particular:

- appointing and dismissing members of the Supervisory Board, subject to the provisions of the Company's Statute entitling the State Treasury shareholder to appoint and dismiss one member of the Supervisory Board (pursuant to Article 354 § 1 of the Commercial Company Code), in a situation where the State Treasury ceases to be the Company's sole shareholder,
- adoption of the Rules of Procedure of the General Meeting setting forth detailed rules for conducting the meeting and for adopting resolutions,
- issue of convertible or exchangeable bonds and other instruments carrying the right 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, the right to participate in the general meeting of the Company is vested in persons who are shareholders of the Company sixteen days prior to the date of the general meeting (registration date of participation in the general meeting). Moreover, the right to participate in the General Meeting of ENEA S.A. with the right to speak is vested in members of the Management and Supervisory Boards in the composition enabling them to provide substantial answers to questions asked during 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 voting rights in person or by proxy.

11.8.3. Shareholders' 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 item of the agenda, should be submitted to the ENEA S.A. Management Board not later than 21 days prior to the date of the General Meeting.

A shareholder or shareholders of the Company representing at least one twentieth of the share capital may, prior to the date of the General Meeting of ENEA S.A., submit draft resolutions concerning matters included in the agenda of the General Meeting or matters which are to be included in the agenda.

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

11.8.4. Rules on amending the Company's Statute

Pursuant to the provisions of the Commercial Company Code, an amendment to the Company's Statute requires a resolution adopted by a specified majority of votes and an 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 2020, no formalized diversity policy was implemented by ENEA S.A. with respect to the Company's governing bodies (members of the Management Board or Supervisory Board) 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 candidates, 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. Personal composition

Pursuant to the Company's Statute, the Management Board of the Company is composed of 3 to 8 persons, including the President of the Management Board. The number of members of the Management Board shall be determined by the Supervisory Board. Currently, the ENEA S.A. Management Board is composed of five 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

Pursuant to the Company's Statute, members of the Management Board or the entire Management Board shall be appointed and dismissed by the Supervisory Board, subject to the possibility of election of one person by the Company's employees in accordance with the provisions of § 14 of the Company's Statute. § 14 of the Company's Statute stipulates that if the average annual employment in the Company exceeds 500 employees (such situation does not currently occur in ENEA S.A.), the Supervisory Board shall appoint one person to the Management Board elected by the Company's employees for the term of the Management Board. When appointing Members of the Management Board, the Supervisory Board shall comply 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 member of the Management Board 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 manages and represents the Company. The powers, organization and principles of operation of the Management Board are defined by the provisions of the Commercial Company 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:

- adoption of the organizational regulations of the Company's enterprise, subject to approval by the Supervisory Board
- establishment and winding-up of branches
- appointment of an authorized signatory or an authorized representative, except for an attorney ad litem, where appointment of an authorized signatory requires consent of all members of the Management Board
- taking out loans and credit facilities
- adoption of annual material and financial plans, including investment plans, as well as strategic long-term plans, subject to approval by the Supervisory Board
- incurring contingent liabilities, including granting by the Company guarantees, sureties and issuing bills of exchange
- 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
- leasing, renting, hiring, lending, using or any other use of the Company's real estate
- assuming the leasing, lease, rent, usufruct or other use of real property on the basis of one or more legal acts during twelve consecutive months, with the value of the rent 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
- issues related to leasing, renting, hiring, lending, usufruct or any other use of non-current assets,
- matters which the Management Board requests the Supervisory Board or the General Meeting to consider
- determination of the manner of exercising the voting right by the Company at the general meeting or at the shareholders meeting of 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 represents the Company in all court and out-of-court activities and conducts the Company's affairs.

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 25 November 2020.

Two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy shall be authorized 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 shall be 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. Participation in the meetings of the Management Board is obligatory. A member of the Management Board shall give reasons for his/her absence at a meeting of the Management Board in writing or by means of remote communication. Absence from a Management Board meeting shall be excused by the Chairperson of the meeting. The Management Board may invite the Company's employees, experts and external advisors to its meetings. The agenda and necessary documents for the Management Board meeting shall be delivered by the Service Office for the Company's Bodies at least two business days prior to the Management Board meeting. For important reasons, the meeting may be convened immediately and without any materials being handed over. In order to hold an ad hoc meeting, all members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board related to the management of the Company's affairs, referred to in § 11(2) of the Company's Statute, shall require a resolution by the Management Board. The Management Board adopts resolutions if at least half of its members are present at the meeting and all members have been properly notified of the meeting. In the case of equal number of votes, the President of the Management Board has the casting vote at the adoption of a resolution by the Management Board.

The Management Board may adopt resolutions in writing or using means of direct remote communication. Adoption of a resolution in this manner requires justification and prior presentation of a draft resolution to all members of the Management Board. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Management Board with the result of voting.

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

11.10. Supervisory Board of ENEA S.A.

11.10.1. Personal composition

In accordance with the Company's Statute, the Supervisory Board is composed of 6 to 15 members appointed by: (i) the General Meeting, (ii) the Company's employees, and (iii) the State Treasury. The Supervisory Board should be composed of at least one person appointed by the General Meeting from among persons meeting the independence criteria specified in the corporate governance rules adopted by the WSE Supervisory Board. Currently, the Supervisory Board of ENEA S.A. is composed of nine 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 release of this report, together with information on changes in 2020 and as at the date of preparation of this report, is presented in Section 9 "Governing bodies".

11.10.2. Principles of operation

The Supervisory Board acts 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 resolution of the Supervisory Board on 15 December 2009, as amended. The Supervisory Board conducts constant oversight over the Company's operations 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.

Furthermore, the Supervisory Board is responsible for evaluating the Management Board's motions concerning profit distribution or loss coverage, as well as for submitting an annual written report on the results of such assessment to the General Meeting. The Supervisory Board shall hold its meetings at least once every two months. Meetings of the Supervisory Board shall be convened by Chairman or Vice-Chairman, who shall present a detailed agenda. A meeting of the Supervisory Board should be convened at the request of any member of the Supervisory Board or at the request of the Management Board. Participation in a meeting of the Supervisory Board shall be the duty of a member of the Supervisory Board. A member of the Supervisory Board shall state in writing the reasons for his/her absence. An excuse for the absence of a Supervisory Board member shall require a resolution of the Supervisory Board.

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

A meeting of the Supervisory Board shall be convened within two weeks of the date of receipt of the request. In order to convene a meeting of the Supervisory Board it is required to invite in writing all members of the Supervisory Board at least 7 days prior to the meeting of the Supervisory Board. For important reasons, Chairman of the Supervisory Board may shorten this period to 2 days, specifying the manner of issuing the invitation. In the invitation to a Supervisory Board meeting, Chairman shall specify the date of the meeting, the place of the meeting and a detailed draft agenda. The invitation shall be accompanied by materials relating to the items on the agenda.

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 Supervisory Board shall be chaired by Chairman of the Supervisory Board, and in his absence by the Vice Chairman or another member of the Supervisory Board elected at the meeting.

Chairman of the Supervisory Board, and in his absence Vice-Chairman or another member of the Supervisory Board presiding over the meeting, shall ensure efficient and correct course of the meetings of the Supervisory Board, in accordance with the adopted agenda, the provisions of law, the Statute and the Rules and Regulations of the ENEA S.A Supervisory Board, and in particular shall have an exclusive right:

- to open, manage and closing the meetings of the Supervisory Board
- to grant and withdraw the right to speak to members of the Supervisory Board
- to issue procedural orders
- to order votes, ensure that they are taken properly and announce their results
- to settle procedural points
- to adjourn the meetings of the Supervisory Board
- to issue instructions to the person recording the course of the Supervisory Board meeting
- to distribute written resolutions of the Supervisory Board
- to take any other actions as may be necessary for the efficient operation of the Supervisory Board

While considering each submitted matter, Supervisory Board members have the right to evaluate draft resolutions and propose amendments to their content in the form of discussion, and the discussion should take place in accordance with the following rules:

- a member of the Supervisory Board may take the floor only in matters included in the agenda within the scope of the currently considered item of the agenda
- when considering each issue on the agenda, depending on its subject, Chairman may determine the amount of time per speaker
- Chairman may draw the attention of a speaker who departs from the subject under consideration, exceeds the speaking time allowed to him or speaks in an unauthorized manner
- Chairman shall have the right to take back the floor from speakers who do not follow Chairman's instructions or who take the floor in a manner inconsistent with the Rules and Regulations
- Chairman shall decide on the conclusion of the discussion after having heard the members of the Supervisory Board who have requested to speak.

The proposed agenda may be amended if all members of the Supervisory Board are present at the meeting and no one objects to the agenda. An item other than those appearing on the agenda shall be placed on the agenda of the next meeting.

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

In the case of equal number of votes, Chairman has the casting vote at the adoption of a resolution by the Supervisory Board.

Notwithstanding the cases described in the Commercial Company Code, the Supervisory Board may adopt resolutions: (1) without holding a meeting by placing signatures on the same copy (copies) of the draft resolution or on separate documents of the same content, or (2) by telephone or other means of remote communication, in a manner enabling direct communication between all the Members participating in it.

Adoption of a resolution in the mode referred to in item (1) requires prior preparation of its justification and presentation of a draft resolution to all members of the Supervisory Board together with the justification. Resolutions adopted in writing or using means of direct remote communication shall be presented at the next meeting of the Supervisory Board with the result of voting. The Supervisory Board may adopt resolutions in writing or via means of direct remote communication also in matters for which the company's Statute provides for a secret vote unless an objection is made by any Supervisory Board member. Supervisory Board members may participate in adopting resolutions 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

Pursuant to 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

The committee consists of at least three members appointed by the Supervisory Board from among its members for a period corresponding to the term of office of the Board. Members of the committee shall elect Chair of the committee from among themselves. Chair of the committee manages the work of the committee and supervises the work of the committee, in particular the organization and course of the committee's meetings.

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
Ireneusz Kulka ^{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, auditing firms and public supervision and within the meaning of the corporate governance principles included in the Best Practice for WSE Listed Companies 2016,

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. Operation of the Audit Committee

A detailed description of the powers of the Audit 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.

Chair of the Audit Committee and most of its members should meet the independence criteria within the meaning of Article 129(3) of the Act of 11 May 2017 on certified auditors, audit companies and public supervision; moreover, at least one member of the Audit Committee should have the knowledge and skills in the scope of accountancy or auditing financial statements. The Audit Committee members have the knowledge and skills in the field of the industry in which the Issuer operates. This condition is deemed met, if at least one member of the Audit Committee has the knowledge and skills in the field of this industry or if individual members in specific scopes have the knowledge and skills in the field of this industry.

The responsibilities of the Audit Committee include advising the Supervisory Board on the internal policy and budget procedures adopted by the Company and their control, and advising on the Company's contacts with a certified auditor, including:

- 1) monitoring of:
 - a) the Company's financial reporting process,
 - b) the effectiveness of internal audit systems and risk management systems and the internal audit, including in the scope of financial reporting,
 - c) performing the financial revision operations, including, without limitation, conducting the audit by an audit company, taking into consideration any conclusions and findings of the Audit Supervision Commission resulting from the control conducted in the audit company;
- 2) controlling and monitoring of independence of the certified auditor and the audit company, also in the case where any services other than audit are provided by the audit company for the Company;
- 3) informing the Supervisory Board of the audit results and explaining how the audit contributed to the reliability of financial reporting in the Company and what was the Audit Committee's role in the audit process;
- 4) performing the assessment of the certified auditor's independence and granting a consent for the provision by such auditor of permitted services other than audit services in the Company;
- 5) developing the policy of selecting the audit company to conduct the audit;

- 6) developing the policy of provision of permitted services other than auditing by the audit company conducting such audit, by the entities related to such audit company, and by a member of the audit company's network;
- 7) determining the procedures for selecting audit company by a public interest unit;
- 8) presenting to the Supervisory Board the recommendation on the appointment of certified auditors or audit companies, pursuant to the policies referred to in items 5 and 6;
- 9) making the recommendations aimed to ensure the reliability of the financial reporting process in the Company;
- 10) monitoring the reliability of financial information presented by the Company, including, without limitation, by way of the review of adequacy and consequences of applying the accountancy methods adopted by the Company and its group (including the criteria for consolidation of financial statements of companies in the group);
- 11) providing an opinion on and submitting to the Supervisory Board for approval the annual internal audit plan;
- 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 with the Company's certified auditors, before commencement of each audit of the annual financial statements, the character and scope of the audit and monitoring coordination of works among the Company's certified auditors;
- 16) review of the Company's periodic and annual financial statements (standalone and consolidated);
- 17) analysis of 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, the internal audit and risk management systems in terms of ensuring that key risks (including those related to compliance with 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 character and scope of extra-auditing services, including, without limitation, the control on the basis of disclosure by the external auditor of the sum total of all fees paid by the Company and its group to the audit company and its network, in terms of preventing any significant conflict of interest in this respect;
- 23) conducting the review of effectiveness of the external control process and monitoring the Company's Management Board reaction to the recommendations given by external auditors in the letter to the Management Board;
- 24) examination of the issues being the reasons for resignation from the external auditor's services and giving instructions on the required operations;
- 25) cooperating with the Group's Audit and Internal Control Department and periodically assessing their work;
- 26) review of the Company's managerial accounting system.
- 27) consideration of 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 the audit company

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

The audit firm selection policy applicable in ENEA S.A. mainly assumes the avoidance of any conflicts of interests in such a way that, prior to the acceptance or continuation of audit engagement, the audit firm declares whether the independence requirements are fulfilled (both with regard to the audit firm and statutory auditor), and in particular whether any threats to independence arise in relation to ENEA S.A. The audit firm confirms annually to the audit committee its independence and discusses any threat to its independence as well as the safeguards applied to mitigate those threats. In addition, when selecting an audit firm, the audit team's experience in auditing, its competence, financial criteria and human resources are taken into account. The selection of an audit firm shall respect the principle of impartiality and independence of the audit firm, in accordance with the legal provisions on mandatory rotation of audit firms and key statutory auditors, mandatory grace periods and results of audit firm inspections contained in the annual report published by the Audit Supervision Authority.

The audit firm selection policy shall also ensure the rotation of audit firms and statutory auditors in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089, as amended) ("Act on Statutory Auditors").

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

ENEA S.A. and its subsidiaries may use acceptable services (defined in Article 136 of the Act on Statutory Auditors) provided by an audit firm conducting an audit of ENEA S.A.

The policy of providing acceptable services other than audits by an audit firm includes a closed catalogue of acceptable services, the provision of which shall be possible only in the scope not related to the tax policy of the companies belonging to ENEA Group. The acceptable service other than audit may be provided by an audit firm conducting an audit of ENEA S.A. provided that it has

been previously approved by the audit committee following an assessment of threats to and safeguards for the audit firm, the key statutory auditor and other audit team members. Additionally, should the audit firm conducting an audit of ENEA S.A. provide acceptable services other than audits for at least three consecutive financial years, then the remuneration for the provision of such services is limited to 70% of the average remuneration over the last three consecutive financial years paid for the statutory audit of ENEA S.A. and, where appropriate, its subsidiaries and consolidated financial statements of this group of companies. In case of prohibited services, i.e. services other than acceptable services, they cannot be provided directly or indirectly in ENEA S.A. and its subsidiaries by the audit firm conducting an audit of ENEA S.A. from the beginning of the audited period until the issuance of a report from the audit.

In 2020, the Group received acceptable services other than audits provided by the audit firm examining the financial statements, and the approval by the audit committee of the Supervisory Board of ENEA S.A. of acceptable services other than audits followed the assessment of threats to and safeguards for the independence. The recommendation of the audit committee of the Supervisory Board of ENEA S.A. on the selection of the audit firm to conduct an audit satisfied the applicable conditions and was drawn up following the Company's selection procedure meeting the applicable conditions.

11.10.4.1.3. Activity of the Audit Committee in 2020

Audit Committee

In 2020, the Audit Committee held 6 meetings and adopted 11 Resolutions, regarding, without limitation, the following:

- amendments to the document: "I. Policy for the selection of an audit firm to conduct an audit in ENEA S.A. II. Policy for the provision of acceptable services other than audits by an audit firm III. Procedure for the selection of an audit firm.",
- approval, by the Audit Committee of the ENEA S.A. Supervisory Board, of final report no. 1/2020 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,
- approval of information for the Supervisory Board on the results of the audit of financial statements of ENEA S.A. and the ENEA Group for the financial year ended 31 December 2019,
- approval of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on its activities in 2019,
- consent to the provision of services by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audit sp.k. (formerly: PricewaterhouseCoopers) in Lubelski Węgiel "Bogdanka" S.A. as a permitted non-audit service,
- assessment of the methods of auditing the Condensed Interim Standalone Financial Statements of ENEA S.A. for the period from 1 January 2020 to 30 June 2020 and the Condensed Interim Consolidated Financial Statements of the ENEA Group for the period from 1 January 2020 to 30 June 2020,
- approval of the Report of the Audit Committee of the Supervisory Board of ENEA S.A. on its activities in H1 2020,
- issuing an opinion on the Annual Audit Plan for 2021 and the Budget of the Group's Audit and Control Department for 2021 and submitting these documents together with an opinion to the Supervisory Board of ENEA S.A. for approval,
- issuing an opinion on the amended Derivative Document entitled Internal Audit Policy of the ENEA Group by the Audit Committee of the ENEA S.A. Supervisory Board and provision of this document 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
Mariusz Fistek ¹⁾	Member
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 2016.

11.10.4.2.1. Activity of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee should be composed of at least one independent member within the meaning of the EC Recommendation, and if more than one person meeting the above independence criteria is appointed to the Supervisory Board, this committee should be composed of the largest possible number of independent members.

The responsibilities of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. 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 concerning the nomination, election and appointment of senior managerial personnel;
- presenting proposals to the Supervisory Board concerning the remuneration and forms of employment of members of the Management Board, taking into account their performance;
- presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realization of tasks and goals of the Company and proposals in that respect;
- evaluation of the human resources management system in the Company;
- periodical assessment of the skills, knowledge and experience of individual members of the Management Board and management personnel, and presenting the results of the assessment to the Supervisory Board.

11.10.4.2.2. Activity of the Nominations and Remuneration Committee in 2020

Nominations and Remuneration Committee

The Nominations and Remuneration Committee held 9 meetings and adopted 14 resolutions. The subject matter of the meetings of the Committee was, inter alia, development of recommendations for the Supervisory Board, regarding:

- proposals for Management Objectives for members of the ENEA S.A. Management Board for 2020,
- execution of management contracts with Members of the ENEA S.A. Management Board and annexes to management contracts with Members of the ENEA S.A. Management Board,
- achievement of Management Objectives in 2019 and setting the amount of the due Variable Remuneration to be paid out to the Management Board of ENEA S.A.,
- adoption of a resolution on defining remuneration of Management Board Members of ENEA S.A.,

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
Ireneusz Kulka	Member
Maciej Mazur	Member
Mariusz Pliszka	Member

11.10.4.3.1. Activity of the Strategy and Investment Committee

The Strategy and Investment Committee was established by the Supervisory Board on 9 July 2020.

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 responsibilities of the Committee 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 2020

Strategy and Investment Committee

The Strategy and Investment Committee held 1 meeting and adopted 1 resolution on the election of the Committee Chairman. The subject matter of the Committee's meeting was the provision of information by the Management Board on:

- monitoring the ENEA Group Development Strategy in the form of a report for 9 months of 2020 entitled "Monitoring of the pursuit of the ENEA Group Development Strategy until 2030 with an outlook until 2035".
- execution of material investment projects in the ENEA Group, the degree of their progress in relation to the plan.

In connection with the obligation of the Management Board under § 11(4)(2) of the Company's Statute 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 Code of Best Practice for WSE Listed Companies, in 2020 the Company did not apply best practices other than the "Code of Best Practice for WSE Listed Companies 2016".