

**Justification of the Management Board of CIECH S.A.
to the agenda of the Annual General Meeting of CIECH S.A.
on April 28, 2022**

I. Justification to item no. 19 of the agenda

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

The Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws of 2021, item 1983, as amended) (hereinafter: the 'Act') provides for a public company, the requirement to adopt a resolution on the remuneration policy at least every four years. A significant change in the remuneration policy requires its adoption by resolution by the general meeting.

According to the provisions of § 7 Section 7 of the Remuneration Policy for Members of the Management Board and Supervisory Board of CIECH S.A. with its registered office in Warsaw (hereinafter: the 'Remuneration Policy'), the General Meeting of the Company is obliged to adopt a resolution on updating the Remuneration Policy or leaving the Remuneration Policy unchanged at least once every three years. The Remuneration Policy was adopted in 2020, therefore it was reasonable to review the provisions of the Remuneration Policy before the above-mentioned date and adopt a relevant resolution by the General Meeting of the Company.

Updating the provisions of the Remuneration Policy is dictated by:

- 1) the need to adjust the proportions of variable remuneration to the fixed remuneration of the Company's Management Board Members in connection with the end of the reference period to which the CIECH Group Long-Term Incentive Plan was referring and that will be settled in the subsequent years (2022 - 2024), as well as the adoption of latter Long-Term Incentive Plans, which shall be settled in the years following the above-mentioned period,
- 2) the need to update the information on the term of office for which the Supervisory Board is appointed (in 2021 the term of office of the Supervisory Board was changed from 3 years to 5 years),
- 3) the necessity to adapt the content of the Remuneration Policy to the new remuneration principles for the Members of the Supervisory Board of CIECH S.A. (*i.e.* change of the remuneration calculation model; introduction of a new variable remuneration component – share in net profit; and introduction of the Supervisory Board remuneration indexation mechanism analogous to the one applied to Members of the Management Board of the Company).

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

II. Justification to item no. 20 of the agenda

The change of the method of calculating remuneration of the Supervisory Board Members from the present one, i.e. based on the average remuneration in the enterprise sector announced by GUS (Central Statistical Office), to the quota method shall allow for:

- 1) determination of the gross amount of remuneration in a fixed monthly amount, without the need for monthly recalculations based on the index announced by GUS,
- 2) knowledge of the monthly remuneration to which each Member of the Supervisory Board is entitled,
- 3) preparation of the budget on the basis of actual, not estimated, amounts,
- 4) unification of the amount of remuneration for performing particular functions in the Supervisory Board (definition of clear criteria justifying differentiation of the amount of remuneration).

Remuneration shall be subject to annual valorisation by the index of real growth of average remuneration in relation to the previous year. The change in the approach to valorisation has been proposed on the principles analogous to those in force in the CIECH Group with respect to the Members of the Management Board of CIECH SA.

The remuneration increase is justified by adjusting the net amount to the previously received remuneration, taking into account the changes in the tax system, the so-called Polish Order (Polski Ład). Deduction of the health insurance premium from the income as of 01 January 2022, reduced the remuneration actually received by the Supervisory Board Members.

A significant argument justifying the increase in remuneration is the increased volume of work of the Supervisory Board dictated by the change in the economic situation in the international market and the process of fundamental transformation which the CIECH Group is going through and which will continue in the coming years.

III. Justification to item no. 21 of the agenda

The proposed amendments to the Memorandum of Association of CIECH S.A. (hereinafter as the „**Company**”) aim to achieve the three following main goals:

- (i) protect of the Company value in the ongoing and prolonged period of market uncertainty caused by the SARS-CoV-2 pandemic and its effects on the economy strengthen of the Company's stability operations in the long term. This includes cases of any attempts to use corporate instruments to impact on the Company's operations and decision-making.

and

- (ii) adapting the content of the Company's Articles of Association in order to provide the Management Board (and more broadly - the Company) with a significant scope of flexibility in the process of achieving the Company's strategic goals, as part of its operating activities and development plans (including acquisitions).

Therefore, it is proposed to adopt the following resolutions on matters below.

Under agenda item no. 21 – amendments updating the Memorandum of Association:

Authorization of the Management Board to increase share capital within the authorized capital:

The need to adopt the proposed resolution is dictated by the desire to provide the Company with a flexible instrument for raising capital, which enables fast and efficient access to financing of the Company's operations through the issuance of shares, while allowing them to be offered to new investors (other than the existing shareholders) . The Management Board of the Company, making use of the authorization to increase the share capital within the authorized capital, will be able to adjust the volume and to choose a convenient time for the Company to carry out the issuance of shares, taking into account the current market conditions, the volatility of business conditions of a given transaction (acquisition) - including the one resulting from the competitiveness of the bidding process and the needs of the Company. This entitlement significantly reduces the costs of an issue of shares and shortens the procedure, and thus affects the attractiveness of the Company's acquisition offer, as well as shortening the time needed to carry out the acquisition itself. Funds obtained from the issue of shares may be used to finance mergers and acquisitions conducted by the Company as part of its operating activities, which in turn shall translate into strengthening the Company's market position in relation to entities conducting competitive activity, increasing its credibility and increasing the dynamics of its development.

For the reasons stated above, it is in the Company's best interest to authorize the Management Board to waive the pre-emptive rights, in whole or in part, of the existing shareholders of the Company with respect to any share capital increase within the limits of the authorized capital.

The interests of minority shareholders are adequately protected in the proposed resolution. First, any waiver of their pre-emptive rights by the Management Board will require prior authorization by the Supervisory Board. Secondly, the issue price of shares offered within the scope of the authorized capital will be determined in such a manner so that it is not lower than the price which would be determined pursuant to the principles arising from Article 79 par. 1-3 of the APO, i.e. in a manner analogous to the manner in which the share price is determined in the event of a tender offer for the Company's shares. This solution ensures that the issue price will be a market price. The reference point for determining the minimum issue price for shares offered within the scope of the authorized capital shall be the date of adoption of a resolution by the Management Board on increasing the share capital under the authorization granted to it.

The proposed solution has been adopted by the other listed companies, such as: Datawalk S.A., Dom Development S.A., or FAMUR S.A.

Under agenda item no. 21 – introduction of quorum requirement to the Shareholders' Meeting:

The proposed amendment to the Company's Memorandum of Association is dictated by the need to ensure that a representative group of shareholders decides on the adoption of resolutions at the General Meeting. For this reason, as a rule, resolutions of the Shareholders' Meeting will be valid if adopted in the presence of shareholders representing at least 15% of the Company's share capital. This solution ensures stability of exercise of ownership rights by the shareholders, which is in the Company's interest.

In the current legal state, resolutions passed by the Shareholders' Meeting are valid regardless of how significant the share capital present at the meeting was.

The implementation of this amendment enables the Company to achieve the following benefits:

1. resolutions of the Shareholders' Meeting shall be adopted in the presence of significant shareholders of the Company, which excludes the possibility of their adoption by a randomly gathered minority, and thus will strengthen the influence of significant shareholders on the decision-making process in the Company,
2. quorum eliminates the risk of a temporary seizure of control over the Company by way of sudden changes in the composition of the Supervisory Board by a randomly assembled minority of shareholders,
3. quorum limits the risk of calling two or more simultaneous Shareholders' Meetings in the event of a corporate dispute.

At the same time, the proposed resolution sets the quorum at a relatively low level, significantly lower than 50%, adapted to the nature of a public company as well as to the ownership structure of the Company.

The proposed solution has been adopted by the other listed companies, such as: Dom Development S.A., JSW S.A., or Lotos S.A.

Under agenda item no. 21 – introduction of the right to appoint members of the Supervisory Board:

The proposed amendment grants a shareholder who represents more than 50% of the Company's share capital the right to appoint and dismiss the majority of the Supervisory Board members. This solution is to contribute to strengthening ownership supervision over the Management Board of the Company, which is exercised through the Supervisory Board, as well as to ensure the possibility of quick and effective supplementation of the composition of the Supervisory Board in case of expiry of a mandate (no need to call the Shareholder's Meeting to appoint a member of the Supervisory Board). At the same time, the general competence of the General Meeting to appoint and dismiss the remaining members of the Supervisory Board is preserved.

The above solution does not excessively privilege the dominant shareholder, because the majority shareholder may in any case independently ensure the election of the Supervisory Board at each Shareholders' Meeting, and the proposed solution is limited only to shareholders who hold shares representing a majority of the Company's share capital. The proposed solution does not identify by name the privileged shareholder, using only the criterion of the number (percentage) of shares held, thanks to which the solution is objective and may constitute a permanent rule, irrespective of the current ownership structure of the Company.

The proposed solution has been adopted by the other listed companies, such as: Dom Development S.A., Famur S.A., Globe Trade Centre S.A., Celon Pharma S.A. Additionally, a great number of other listed companies grants individual right to the expressly indicated shareholder.

IV. Justification to item no. 23 of the agenda

Adoption of a resolution on adopting of the new Diversity Policy for the Supervisory Board of CIECH S.A.

Diversity Policy for the Supervisory Board of CIECH S.A. (hereinafter: the 'Diversity Policy') is a response to the requirements provided for in the Best Practice for GPW Listed Companies 2021, hereinafter: 'Best Practice' (in particular those indicated in items 1.3.2., 2.1., 2.2., 6 thereof). In accordance with item 2.1 of the Best Practice, the Company should have a Diversity Policy for the Supervisory Board, adopted by the General Meeting.

The subject of the Diversity Policy are the goals and criteria of diversity, in areas such as gender, academic specialisation, expertise, age, and professional experience. Further to the gender diversity, the condition for ensuring the diversity in the Company's bodies is the participation of a minority in a given body at a level not lower than 30%. The Diversity Policy specifies the term when the Company meets the above-mentioned requirement.

The Diversity Policy indicates the activities that the Company shall undertake to implement the provisions of the Diversity Policy, *i.e.*:

- a) building up a diverse and qualified management staff at all levels of the Company management;
- b) creating equitable employment opportunities;
- c) promoting attitudes that reinforce respect for diversity among employees, associates and management;
- d) building up the atmosphere and organizational culture based on respect for diversity and excluding any forms of discrimination;
- e) applying transparent recruitment criteria, including, in particular, requirements for the management level staff;
- f) building up the supportive work environment that permits the exchange of experience and competencies;
- g) periodic assessment of the diversity principle application.

The Diversity Policy defines the criteria for selecting members of the Supervisory Board, indicating that the composition of the Supervisory Board guarantees a variety of competences, professional experience, knowledge and skills, taking into account the profile of the Company's operations. The Diversity Policy also defines mechanisms for monitoring the implementation of the principle of diversity in the Company.

V. Justification to item no. 24 of the agenda

The CIECH Group intends to spin off salt sales from CIECH S.A. due to its plan to consolidate this sales activity in a new entity after the beginning of operations by CIECH Salz Deutschland, that also sells salt in the market. This would allow better management of communication channels with customers and of salt sales processes.

The current structure of CIECH S.A. (CSA):

Under the current structure of CSA, in addition to the "substantive" departments, responsible for the management of the Group and the substantive services and support of CSA and other Group's



companies (departments of taxes, legal, HR, etc.), there are also two organizational units responsible for sales:

- a) of soda - Soda Sales Department, being part of the Business Unit Soda, comprising two "components" / organized parts of an enterprise (OPE): the production of soda (located in CIECH Soda Deutschland (CSD) and CIECH Soda Polska (CSP)) and its sale (today: in CSA and CSD),
- b) Soli - Salt Sales Division, being part of the Business Unit Salt, comprising two "components" / organized parts of an enterprise: production of salt (located in CIECH Salz and CIECH Soda Polska) and its sale (currently in CSA and CIECH Salz).

Separation of the business activities involving the production and sale of salt (that together form Business Unit Salt) into separate subsidiaries in Poland:

As part of the ongoing projects, it is planned to:

- a) spin-off of a set of assets comprising the production (plant) of salt from CIECH Soda Polska to a wholly-owned subsidiary of CSA - CIECH Sól,
- b) spin-off of a set of assets comprising the activity of the sale of salt on the domestic and foreign markets (the current Salt Sales Department) from CSA to a wholly-owned subsidiary of CSA.

Spin off from CSA of the organized parts of an enterprise covering the sale of salt:

This process will take place in 2 stages:

- a) In the first stage, a new, separate business entity will be spined off within CSA – an organized parts of an enterprise consisting of a set of assets (contracts, customer database, intellectual property, receivables and liabilities) and employees, and covering the salt sales business. This will be done through a formal Management Board's resolution "splitting" the CSA structure into two independent OPEs: Salt Sales and Other Activities (comprising: the management and support functions for the Group and the sale of soda).
- b) In the second stage, following the approval of the General Meeting of Shareholders of CSA, the organized parts of an enterprise comprising the Sale of Salt will be disposed to a wholly-owned subsidiary of CSA. The disposal will take place in one of two legal forms: sale or contribution in kind to cover the shares subscribed for in the share capital. The new company, following the transfer of OPE Salt Sales to it, will take over all contracts and relationships binding CSA and related to the sale of salt; in particular it will purchase salt from the production company (CIECH Sól) and sell it to CSA's existing salt customers.

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The drafts of the proposed resolutions have been already made available publicly along with other materials disclosed for persons interested in the Annual General Meeting of the Company dated April 28, 2022. These materials are available on: <https://ciechgroup.com/relacjeinwestorskie/walne-zgromadzenie/>

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