

REPORT

ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF

CIECH S.A.

for financial year 2019

Warsaw, March 2020

The Supervisory Board of CIECH S.A. herewith submits its report on its activities in financial year 2019 containing, among others, report on the results of the evaluation referred to in article 382 § 3 of the Code of Commercial Companies, i.e. on the evaluation of: the Separate Financial Statements of CIECH S.A. for 2019, the Consolidated Financial Statements of CIECH Group for 2019, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2019, together with the Non-Financial Report for 2019, and the Management Board's proposal regarding distribution of net profit for 2019.

The scope of this report includes:

- 1. Information on the composition of the Supervisory Board of CIECH S.A. in 2019.**
- 2. Discussion of the activities of the Supervisory Board of CIECH S.A. in the period from 1 January 2019 to 31 December 2019, including information on the issues discussed at the Supervisory Board's meetings.**
- 3. Information on the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2019.**
- 4. Information on the activities of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2019.**
- 5. Assessment of the Separate Financial Statements of CIECH S.A. for the financial year 2019 and the Consolidated Financial Statements of CIECH Group for the financial year 2019, in terms of compliance with the accounting books and documents, as well as the actual state of affairs.**
- 6. Evaluation of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2019, in terms of compliance with the accounting books and documents, as well as the actual state of affairs, and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit of CIECH S.A. for the financial year 2019.**
- 7. Assessment of the situation of CIECH S.A. in 2019, including the assessment of the internal control system and the system to manage any risk which is significant for the company.**
- 8. Recommendations to the Annual General Meeting of Shareholders of CIECH S.A.**

1. INFORMATION ON THE COMPOSITION OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2019

In connection with the resignation from the office of member of the Supervisory Board of CIECH S.A. tendered by Mr Dawid Jakubowicz on 5 December 2018, as at 1 January 2019, the composition of the Supervisory Board of CIECH S.A. was as follows:

1. Sebastian Kulczyk – Chairman of the Supervisory Board
2. Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
3. Mariusz Nowak
4. Artur Olech
5. Piotr Augustyniak.

On 21 January 2019, the Extraordinary General Meeting of Shareholders of CIECH S.A. appointed Mr Marek Kośnik to the office of member of the Supervisory Board of CIECH S.A.

There were no further changes to the composition of the Supervisory Board. Accordingly, as at 31 December 2019, the Supervisory Board performed its functions with the following composition:

1. Sebastian Kulczyk – Chairman of the Supervisory Board,
2. Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board,
3. Piotr Augustyniak,
4. Marek Kośnik,
5. Mariusz Nowak,
6. Artur Olech.

In 2019, Mr Mariusz Nowak tendered his resignation from the Supervisory Board of CIECH S.A. with effect as of 22 January 2020.

In 2019, two committees operated as part of the Supervisory Board of CIECH S.A., i.e.:

- 1) the Audit Committee of the Supervisory Board of CIECH S.A.
- 2) the Remuneration Committee of the Supervisory Board of CIECH S.A.

Information on the activities of the aforementioned committees is presented in the subsequent parts of this Report.

2. DISCUSSION OF THE ACTIVITIES OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2019

Acting on the basis of § 21 section 1 of the Articles of Association of CIECH S.A. and § 3 section 1 of the Regulations of the Supervisory Board, the Supervisory Board of CIECH S.A. exercised continuous supervision over the activities of the Company.

In 2019, 7 meetings of the Supervisory Board of CIECH S.A. were held, during which 24 resolutions were adopted. The Supervisory Board also adopted 22 resolutions using means of distance communication. In 2019, the Supervisory Board adopted a total of 46 resolutions.

The following are some of the major issues dealt with by the Supervisory Board in financial year 2019.

FINANCIAL PLAN FOR 2020

At the meeting of the Supervisory Board on 12 December 2019, the draft Financial Plan of the CIECH Group for 2020 was approved. The Management Board of CIECH S.A. presented and discussed in detail the 2020 Plan with the Supervisory Board. Analysed issues included, among others: impact of external factors, key indicators, key development projects and sources of financing, CAPEX, raw material strategy, fixed costs and the situation in the subsidiary CIECH Soda Romania S.A. and its impact on the planned results in 2020. CIECH Soda Romania S.A. (hereinafter referred to as “**CSR**”), due to the suspension of process steam supply by its only supplier – CET Govora S.A., was forced to limit its production operations, including suspension of soda production, giving rise to dismissal of employees. The 2020 Plan was also discussed in terms of its compliance with the adopted strategy of the CIECH Group for 2019-2021.

The Audit Committee thoroughly analysed the assumptions for the 2020 Plan on 27 November 2019, and discussed forecast results of CIECH S.A. and its individual business units in terms of the expected increase in EBITDA, gross margin, fixed costs, planned CAPEX, ongoing development projects, external factors, personnel costs, sales volumes, for each type of activity, with the Management Board of CIECH S.A. The situation of CIECH Soda Romania and the impact of the costs of maintaining the company in a “suspended” condition on the planned 2020 results were also discussed.

STRATEGY OF CIECH GROUP FOR 2019 - 2021

The strategy of the CIECH Group for 2019-2021 was approved at the meeting of the Supervisory Board on 5 December 2018 (the “2019-2021 Strategy”).

During 2019, the Supervisory Board discussed in detail the progress in implementing the 2019-2021 Strategy, including progress in the implementation of development projects in the soda and salt segments, as well as those focused on the development of specialised businesses in other segments and building a working environment, as well as strengthening the position the CIECH Group as a reliable partner for local communities, caring for the natural environment.

PREPARATIONS FOR THE ANNUAL GENERAL MEETING OF CIECH S.A. FOR FINANCIAL YEAR 2018

At its meeting on 27 May 2019, the Supervisory Board assessed the reports and statements presented by the Company for approval at the Annual General Meeting, i.e.:

1. Separate Financial Statements of CIECH S.A. for financial year 2018, which were assessed by the Supervisory Board as prepared in accordance with the accounting books and records as well as the actual status, and meeting the requirements of the Accounting Act of 29 September 1994.
2. Consolidated Financial Statements of CIECH Group for financial year 2018, which were assessed by the Supervisory Board as prepared in accordance with the accounting books and records as well as the actual status, and meeting the requirements of the Accounting Act of 29 September 1994.
3. Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2018, together with the Non-Financial Report of CIECH Group for 2018, which were assessed by the Supervisory Board as exhaustively presenting the functioning of the Group and the Company in 2018 and as consistent with the financial data included in the Separate Financial Statements of CIECH S.A. for 2018 and the Consolidated Financial Statements of CIECH Group for 2018, and meeting the requirements provided for in article 49 of the Accounting Act of 29 September 1994.

After the aforementioned assessments and evaluations, the Supervisory Board recommended to the Annual General Meeting of CIECH S.A. that the reports and statements indicated under points 1 to 3 above be approved.

In addition, the Supervisory Board also considered further issues to be discussed at the Annual General Meeting of CIECH S.A., including:

- 1) It considered the proposal of the Management Board of CIECH S.A. regarding distribution of net profit of CIECH S.A. earned by the Company in 2018, and then - after analysing and discussing the

financial situation of the Company – it decided to recommend to the Annual General Meeting of CIECH S.A. that the 2018 net profit of **PLN 270,611,852.97** (two hundred seventy million six hundred eleven thousand eight hundred fifty two 97/100 zlotys) be distributed as follows:

- a) to allocate PLN 17,181,990.27 (in words: seventeen million one hundred eighty one thousand nine hundred ninety 27/100 zlotys) to cover the loss recognised as an adjustment to the opening balance,
 - b) to allocate the remaining amount of PLN 253,429,862.70 (in words: two hundred fifty three million four hundred twenty nine thousand eight hundred sixty two 70/100 zlotys) to the supplementary capital.
- 2) In consideration of the reports and statements of the Company for financial year 2018 and its positive opinion on cooperation with the Management Board of the Company in financial year 2018, the Supervisory Board of CIECH S.A. recommended to the Annual General Meeting of CIECH S.A. that the following individuals holding office of Members of the Management Board of CIECH S.A. in financial year 2018, be discharged from their duties, i.e.:
- a) Mr Dawid Jakubowicz with regard to performance of his duties as the President of the Management Board of CIECH S.A. in the period from 5 December 2018 to 31 December 2018 and the temporary term of office as the President of the Management Board as a delegated Member of the Supervisory Board of CIECH S.A., in the period between 10 September 2018 and 5 December 2018,
 - b) Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 10 September 2018 to 31 December 2018,
 - c) Mr Artur Osuchowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2018 to 31 December 2018,
 - d) Mr Maciej Tybura with regard to performance of his duties as the President of the Management Board in the period from 1 January 2018 to 10 September 2018,
 - e) Mr Artur Król with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2018 to 10 August 2018,
 - f) Mr Krzysztof Szlaga with regard to performance of his duties as a Member of the Management Board in the period from 6 March 2018 to 26 November 2018.

The above recommendation of the Supervisory Board was presented in the Report of the Supervisory Board on its activities in 2018.

- 3) It approved the Report of the Supervisory Board on its activities in 2018, containing reports of the results of assessment of the Report on the Activities of CIECH Group and CIECH S.A. for 2018, together with the CIECH Group's Non-Financial Report for 2018, financial statements of CIECH S.A. CIECH Group for tax year 2018, taking into account the assessment of the internal control system and the system of management of risks which are significant for the Company, as well as the results of the assessment of the Management Board's proposal regarding the distribution of net profit of CIECH S.A. for 2018.

The Supervisory Board recommended to the Annual General Meeting of CIECH S.A. that net profit for 2018 be distributed as presented in point 1) above and the Report of the Supervisory Board referred to in item 3) above be approved, including a recommendation for the discharge of members of the Company's Management Board from their duties performed in tax year 2018.

Due to the cancellation of the Annual General Meeting of CIECH S.A. as a result of the need to correct the Consolidated Financial Statements of CIECH Group for 2018 (**Current Report No. 25/2019** of 27.06.2019), consisting in the creation, in the consolidated statements of CIECH Group for 2018, a provision for income tax, and recognising a write-down on a deferred tax asset, and upon review of the Statutory Auditor's Report on the audit of the Consolidated Financial Statements of CIECH Group and CIECH S.A. for 2018, at its meeting on 25 July 2019 – once again evaluated:

- 1) the amended Consolidated Financial Statements of CIECH Group for 2018 and stated that the Consolidated Financial Statements of the CIECH Group for tax year 2018 had been prepared in accordance with the International Financial Reporting Standards and with books and records, as well as the actual status, and met the requirements provided for in the Accounting Act of 29 September 1994 (the "Accounting Act" - Journal of Laws of 2019, item 351, as amended);
- 2) the amended Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2018, and stated that the Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2018 presented, in an exhaustive manner, the functioning of the Company and CIECH Group in 2018 and that it was consistent with the financial data contained in the Separate and Consolidated Financial Statements for 2018, and met the requirements provided for in article 49 of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351) and §§ 70 and 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the law of a non-Member State.

After the aforementioned assessments and evaluations, the Supervisory Board recommended to the Annual General Meeting of CIECH S.A. that the reports and statements indicated under points 1 to 3 above be approved.

ONGOING SUPERVISION OVER FINANCIAL SITUATION AND OPERATING ACTIVITIES

As part of supervision over the current operations of the Company, the financial situation and results of operating activities were the subject of regular analysis of the Supervisory Board.

The basis of analyses carried out by the Supervisory Board was the Financial Plan of CIECH Group for 2019 and the CIECH Group Strategy for 2019 – 2021.

In 2019, the Supervisory Board dealt, among others, with the following issues:

- 1) CIECH Group Long-Term Incentive Plan for 2019-2021 for the key managerial staff of CIECH Group (the "Plan") adopted by the Supervisory Board at its meeting on 26 February 2019. The intention to introduce the Plan is to harmonise the activities of key managers of CIECH Group with the achievement of the objectives set out in the CIECH Group's Strategy for 2019-2021. Additional goals include motivating the managerial staff to carry out activities aimed at further development of CIECH Group after 2021, as well as professionalisation of management and retaining key managerial staff of CIECH Group. As a consequence, the Plan is to ensure a stable increase in the value of CIECH Group for its shareholders.
- 2) Acquisition by the Company of additional long-term financing in the form of revolving credit facilities, as a result of the adopted 2019-2021 Strategy, allowing for flexible use of loan resources and enabling adjustment of the corporate financing structure to implemented investments by replacing part of short-term financing with long-term financing. The Supervisory Board, after a detailed analysis of the financial terms of such revolving credit facilities offered by individual

banks and the resulting financing costs for the Company, granted consent for additional financing to be obtained by the Company.

- 3) CIECH Group Energy Strategy for 2019-2023 defining the directions of energy development in the area of CIECH Soda Polska S.A. including capital expenditure (construction of new gas-fueled production sources), replacement and modernization, which aim to increase the efficiency and availability of the energy sector, which will translate, among others, to increasing the volume of soda production by reducing production losses and obtaining steam production reserves. At the same time, the implementation of the energy mix will reduce CO2 emissions.
- 4) The concept of the Reorganisation of the CIECH Group, including the transfer of rights and obligations related to salt activity from the company CIECH Soda Deutschland GmbH & Co. KG to the special-purpose vehicle - CIECH Salz Deutschland GmbH, by selling assets and real estate related to this area.
- 5) Guarantees for the liabilities of the CIECH Group companies granted by CIECH S.A.
- 6) Intra-group loans for companies of the CIECH Group in the scope of extending loan repayment terms and taking/extending new loans.
- 7) The situation in CIECH Soda Romania S.A. (hereinafter referred to as "CSR") conducting negotiations with S.C. CET Govora S.A. in Romania in arrangement bankruptcy (hereinafter referred to as "CET") - the only supplier of process steam to CSR, which finally terminated the contract for the supply of process steam. Due to the need to "hibernate" the plant and prepare it for re-launching, the required measures and costs, as well as the impact of such "hibernation" on the 2019 results and the Group's planned results for 2020 were also discussed.
- 8) Renovation and replacement investments with values exceeding the limit specified in § 21 section 2 point 10) in relation to point 16) of the Articles of Association CIECH S.A.

FINANCIAL RISK MANAGEMENT

At its meeting on 25 July 2019, the Supervisory Board considered the proposal to change the Market Risk Protection Strategy (hereinafter referred to as the "MRPS"), adopted by Resolution No. 82/IX/2016 of the Supervisory Board of CIECH S.A. of 26 April 2016, as amended by Resolution No. 119/IX/2017 of 19 October 2017 and Resolution No. 147/IX/2018 of 24 May 2018, in the area of currency risk management covering:

- providing security with respect to the total cost of thermal energy, i.e. concluding hedging transactions simultaneously for gas, electricity and CO2 emissions - securing the costs of steam (energy mix), instead of separate transactions for individual markets,
- entering into transactions with a longer maturity (in the 3-year perspective of the strategic plan).

Having discussed the matter, the Supervisory Board issued a positive opinion on the proposed amendment of the MRPS by adopting Resolution No. 58/X/2019, and granted its consent for hedging transactions to be concluded according to the MRPS, with values exceeding the limit specified in § 21 section 2 point 10) of the Articles of Association of CIECH S.A.

PROJECTS RELATED TO GROWTH OF VALUE OF CIECH GROUP

The Supervisory Board analysed in detail the progress of work on the implementation by the CIECH Group companies of the development projects listed below, including their budgets, current status of implementation, costs incurred and their impact on the Group's cash flows, revenues, margin and EBITDA, and discussed the same with the Management Board.

Discussed development projects:

- Grain (initiated at CIECH Soda Deutschland GmbH & Co. KG, Germany and continued at CIECH Salz Deutschland GmbH)
The project aims to develop the salt segment of the CIECH Group, understood as increasing the production capacity and sales of salt products by developing and launching new production capacities with a target capacity of 450 thousand tons per year. The production will be dedicated to the salt products segment including such products as: salt tablets, electrolysis salt, pharmaceutical-grade salt, food-grade salt and granulated salt.
- Golden Eye (CIECH Soda Deutschland GmbH & Co. KG, Germany)
The project aims to increase the production capacity of baking soda with an emphasis on the production of high-grade baking soda product, the quality of which will be suitable for dialysis purposes. The project is divided into 2 stages - 1) construction of a drying facility for the production of dialysis soda and 2) construction of a new DCB column and crystalliser to increase system efficiency and obtain the highest quality product.
- OP-140 Boiler (CIECH Soda Polska S.A. – Janikowo CHP Plant)
The project aims to restore the basic generating unit of the Janikowo CHP Plant (the oldest - commissioned in 1969), which will translate into improved steam production efficiency, increased CHP plant availability and reduced dust emissions.
- DCB installation (CIECH Soda Polska S.A. – Inowrocław CHP Plant)
A project for the construction of the DCB installation and extension of the filtration installation, the purpose of which is to eliminate bottlenecks (filtration and calcinations) and increase production volumes of soda ash while reducing production costs.
- BGT (CIECH R&D Sp. z o.o.)
The project aims to develop an innovative product containing 50% less glyphosate compared to conventional market preparations, while ensuring comparable weed control efficiency. In the global context, glyphosate is the largest molecule in terms of sales value from among all plant protection products.
- Salt licks and granules (CIECH Soda Polska S.A.)
This project involves introduction of salt granules and salt licks to the product portfolio of the Salt Business Unit, using salt dust and tablet crumbs - which are hardly marketable materials (the "waste into product" project").
- Modernisation of the TG-2 turbine setTG-2 (CIECH Soda Polska S.A.)
This project is being implemented as a replacement task (investment), consisting in the major overhaul of a turbine set to maintain its production availability and effective operation.

3. INFORMATION ON THE ACTIVITIES OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2019

The report of the Audit Committee includes:

- information on the composition and tasks of the Audit Committee of the Supervisory Board of CIECH S.A. in 2019;
- discussion of the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2019, including information on the issues raised at Committee meetings; and
- assessment of interim (periodic) reports of CIECH S.A. for 2018 and CIECH Group for 2018.

INFORMATION ON THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2019

In the period between 1 January 2019 and 31 December 2019, there were no changes in the composition of the Audit Committee and was as follows:

- 1) Piotr Augustyniak - Chairman of the Committee
- 2) Mariusz Nowak - Member of the Committee
- 3) Artur Olech - Member of the Committee.

Members of the Audit Committee who meet the criterion of independence are Mr Piotr Augustyniak and Mr Artur Olech.

A member of the Audit Committee, Mr Mariusz Nowak, resigned from his office in the Supervisory Board of CIECH S.A. with effect from 22 January 2020; accordingly, he ceased to be a member of the Audit Committee on the same day.

On 24 February 2020, the Supervisory Board of CIECH S.A. filled a vacancy in the composition of the Audit Committee by appointing Mr Marek Kośnik as its Member.

The tasks of the Audit Committee were defined in the Regulations of the Audit Committee, which were approved by Resolution No. 116/IX/2017 of the Supervisory Board of 19 October 2017, and subsequently amended by Resolution No. 21/X/2018 of 5 December 2018 and Resolution No. 77/X/2020 of 21.02.2020.

In accordance with the Regulations of the Audit Committee, the tasks of the Audit Committee include in particular:

- a) monitoring:
 - financial reporting process,
 - effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,
 - performing auditing activities, in particular conducting an audit by the audit firm, including all proposals and findings of the Audit Oversight Commission resulting from inspections carried out in the audit firm;
- b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when other services than auditing are provided to the Company by the auditor;
- c) informing the Supervisory Board about the results of the audit and explaining how it contributed to the reliability of financial reporting in the Company and the role of the Audit Committee in the audit process;
- d) assessing the independence of the auditor and consenting to the provision of permitted services that are not related to the Company's audit;

- e) developing a policy of selecting an audit firm to conduct the examination;
- f) developing a policy of providing - by the auditing firm, by entities related to such auditing firm and by a member of the auditing firm's network, permitted non-audit services;
- g) determining the procedure for the selection of an audit firm by the Company;
- h) presenting recommendations to the Supervisory Board regarding the appointment of an audit firm in accordance with the policies referred to in points e) and f) above. In the recommendation, the Audit Committee shall:
 - i. identify the auditing company which it proposed to entrust with the statutory audit,
 - ii. declare that the recommendation is free from the influence of third parties,
 - iii. state that the audited entity of public interest did not conclude agreements containing clauses referred to in art. 66 section 5a of the Accounting Act;
- i) where the choice referred to in section 1 h) does not apply to the extension of the contract for auditing the financial statements, the recommendation of the Audit Committee shall contain at least two options for the selection of the audit firm along with justification and indication of the justified preferences of the Audit Committee as to one of them;
- j) an annual review of internal audit programmes;
- k) analysis of the results of internal controls, including internal audits and deadlines for removing identified deficiencies;
- l) review of significant contracts concluded with related entities;
- m) preliminary assessment of the annual financial plan prepared by the Management Board and reports on its implementation;
- n) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

DISCUSSION OF THE ACTIVITIES OF THE AUDIT COMMITTEE IN 2019

In 2019, 10 meetings of the Audit Committee were held.

The main issue of the Audit Committee's work in 2019 was the analysis and assessment of both annual and interim/periodical financial statements of CIECH S.A. and CIECH Group as well as the strategy for market risk hedging.

In addition, due to the new requirements imposed by the Act of 11 May 2017 on statutory auditors, auditing firms and public supervision, in connection with Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, the Audit Committee, after assessing the threats and safeguards of the auditor's independence, made a number of decisions regarding the consent for PwC to provide other permitted non-audit services.

The Audit Committee granted consent for non-audit services to be provided by the statutory auditor of CIECH S.A., pursuant to the Policy of authorised non-audit services provided by the auditing firm responsible for auditing the financial statements, adopted by Resolution No. 118/IX/2017 of the Supervisory Board of CIECH S.A. on 19 October 2017.

This Policy specifies in detail the conditions for the provision of non-audit services by the auditor and the procedure for commissioning such services, as well as the organisation, operating principles and procedure for implementation of activities by the Audit Committee.

Some of the major issues dealt with in 2019 by the Auditing Committee have been presented below.

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

In 2019, the Audit Committee held several meetings with the statutory auditor of CIECH S.A., PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (hereinafter referred to as "PwC"), to discuss the scope of audits and reviews of periodic reports of CIECH S.A. and the CIECH Group on an ongoing basis, including:

- ✓ separate financial statements of CIECH S.A. for financial year 2018 and the consolidated financial statements of the CIECH Group for financial year 2018,
- ✓ extended consolidated report of the CIECH Group for the first half of 2019 and
- ✓ extended consolidated quarterly report of the CIECH Group for the first quarter of 2019,
- ✓ extended consolidated quarterly report of the CIECH Group for Q1-Q3 2019,

with particular emphasis on issues that could have a significant impact on the results achieved in the relevant reporting period.

The Audit Committee granted its consent for the provision of additional non-audit services to the CIECH Group companies by PwC (statutory auditor of CIECH S.A.), including:

- ✓ an authorised non-audit service to be provided by PwC involving verification of the correctness of calculating the excise rate for 2018 for CIECH Soda Polska S.A., for the purposes of a partial tax refund,
- ✓ an authorised non-audit service to be provided by PwC involving verification of the energy consumption intensity for the following companies: CIECH Soda Polska S.A. and CIECH Vitrosilicon S.A. between 2019 and 2021.

• ***Analysis of the statutory auditor's letter to the Management Board of the Company***

The Audit Committee reviewed the Letter to the Management Board of CIECH S.A. prepared by PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością Audyt sp.k. – the statutory auditor of CIECH S.A. - containing its insights on operating and accounting procedures and systems evaluated in terms of their importance for the proper functioning of internal control systems within the Group, which the auditor highlighted during the audit of the consolidated financial statements of the CIECH Group for the financial year ended 31 December 2018, together with the Company's comments to these insights.

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

In 2019, the Audit Committee analysed and discussed the periodic reports submitted by the Company, taking into account the financial risk management method specified in the Market Risk Protection Strategy (hereinafter referred to as the "MRPS") for the CIECH Group, adopted by the Supervisory Board of CIECH S.A. on 26 April 2016, and updated on 19 October 2017, 24 May 2018 and 25 July 2019, which, among others defines the risks for which hedging instruments are used,

determines the principles of identification and quantification, and determines how to deal with market risks, including the maximum allowable values of hedging transactions.

- ***Financing activities of CIECH Group***

When analysing and discussing periodic reports of CIECH S.A. and CIECH Group, the Audit Committee is also acquainted in detail with the sources of financing of CIECH Group's activities, including external debt and indebtedness status resulting from the use of funds under the intercompany loan programmes, financial leases and factoring agreements.

- ***Financial Plan of CIECH Group for 2020***

The Audit Committee thoroughly analysed the assumptions for the 2020 Financial Plan of the CIECH Group for 2020 on 27 November 2019, and discussed forecast results for CIECH S.A. and individual business units with the Management Board of CIECH S.A., in terms of expected EBITDA growth, gross margin, fixed costs, planned CAPEX, ongoing development projects, external factors, personnel costs, sales volumes, for each type of activity. The situation of CIECH Soda Romania S.A. ("CSR") was also discussed, which had to stop/suspend production and reduce employment as a result of the suspension of process steam supply by its only supplier - CET Govora S.A. The impact of costs related to the maintenance of the CSR company until the time when production will resume was also analysed, which is unknown at this moment, and the impact of the costs of maintaining the Company on the 2020 Plan. The Management Board agreed to provide more detailed information on the costs of CSR maintenance planned for 2020 and present them at the next meeting of the Supervisory Board devoted to discussing the 2020 Plan.

- ***Other information***

The Audit Committee also dealt with issues that were subject to inspections carried out by the Internal Audit Department in 2018 and the audit plan for 2019, and also reviewed the activity report of the Internal Audit Department in 2019.

EVALUATION OF PERIODIC REPORTS OF CIECH S.A. AND CIECH GROUP FOR 2018

At its meeting on 25 March 2019, the Audit Committee discussed reports and statements of the Company and CIECH Group presented by the Management Board of CIECH S.A. with regard to financial year 2018, i.e.:

- 1) Separate Financial Statements of CIECH S.A. for 2018,
- 2) Consolidated Financial Statements of CIECH Group for 2018,
- 3) Consolidated Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2018, together with the Non-financial Report for 2018.

The Audit Committee, having familiarised itself with the abovementioned reports and statements, and the auditor's opinion on the separate and consolidated financial statements for 2018, as well as the auditor's information on the issues discussed with the Management Board of CIECH S.A.

during the audit of the aforementioned reports and statements, did not make any comments to the reports that were submitted to the Supervisory Board of CIECH S.A. for assessment.

Due to the cancellation of the Annual General Meeting of CIECH S.A. as a result of the need to correct the Consolidated Financial Statements of CIECH Group for 2018 (**Current Report No. 25/2019** of 27.06.2019), on 16 July 2019, the Audit Committee resumed its discussion with regard to:

- 1) the amended Consolidated Financial Statements of CIECH Group for 2018,
- 2) the amended Consolidated Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2018, together with the CIECH Group's Non-Financial Report for 2018.

Having discussed the events justifying the correction of the reports and the amendments introduced, and after a review of the auditor's report on the audit of the amended consolidated financial statements, the Audit Committee issued a positive opinion on the reports to be submitted to the Supervisory Board of CIECH S.A. for assessment.

4. INFORMATION ON THE ACTIVITIES OF THE REMUNERATION COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2019

The Remuneration Committee of the Supervisory Board of CIECH S.A. submits its report on the activities in financial year 2019 containing, among others:

- information on the composition and tasks of the Remuneration Committee in 2019; and
- details of the activities of the Remuneration Committee in 2019.

INFORMATION ON THE COMPOSITION AND TASKS OF THE REMUNERATION COMMITTEE

The First Remuneration Committee of the Supervisory Board was established by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. dated 16 March 2005.

In 2019, there were no changes in the composition of the Remuneration Committee of the Supervisory Board of CIECH S.A., and was as follows:

- 1) Tomasz Mikołajczak – Chairman of the Committee
- 2) Mariusz Nowak.

A member of the Audit Committee, Mr Mariusz Nowak, resigned from his office in the Supervisory Board of CIECH S.A. with effect from 22 January 2020; accordingly, he ceased to be a member of the Remuneration Committee.

On 24 February 2020, the Supervisory Board of CIECH S.A. filled a vacancy in the composition of the Remuneration Committee by appointing Mr Marek Kośnik as its Member.

In accordance with the Regulations of the Remuneration Committee, adopted by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. dated 16 March 2005, the main task of the Committee is to advise the Supervisory Board on issues related to the determination of the rules for, and amount of, remuneration of members of the Management Board of CIECH S.A., and in particular:

- 1) presentation of proposals regarding the principles of remunerating members of the Management Board of CIECH S.A. to the Supervisory Board, which should include all forms of remuneration, in particular in relation to: fixed remuneration, performance compensation system, pension system and severance pay,
- 2) presentation of proposals regarding the amount of remuneration of each member of the Management Board of CIECH S.A. to the Supervisory Board,
- 3) presentation of draft agreements governing performance of duties by members of the Management Board of CIECH S.A. to the Supervisory Board,
- 4) discussing (with or without the participation of the Company's Management Board) any problems or reservations that may arise in matters related to the remuneration of members of the Management Board of CIECH S.A.,
- 5) considering any other issues identified and emphasised by the Committee or the Supervisory Board,
- 6) informing the Supervisory Board of any significant issues in the general context of the Committee's activities.

DETAILS OF THE ACTIVITIES OF THE REMUNERATION COMMITTEE

In 2019, the Remuneration Committee met in order to prepare, and recommend to the Supervisory Board of CIECH S.A., the CIECH Group 2019-2021 Long-Term Incentive Plan for the key managerial staff, which aims to motivate the managerial staff towards activities focused on the development of CIECH Group in the long term, and to professionalise management and maintain the key management staff of the CIECH Group.

5. & 6. ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS OF CIECH S.A. FOR 2019 AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019, REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CIECH GROUP AND CIECH S.A. IN 2019, TOGETHER WITH THE NON-FINANCIAL REPORT FOR 2019, IN TERMS OF THEIR COMPLIANCE WITH THE ACCOUNTING BOOKS AND RECORDS, AS WELL AS THE ACTUAL STATUS, AND OF THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. REGARDING THE DISTRIBUTION OF THE NET PROFIT OF THE COMPANY FOR 2019

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 point 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Separate Financial Statements of CIECH S.A. for 2019 and the Consolidated Financial Statements for 2019, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2019, together with the Non-Financial Report for 2019, in terms of their compliance with the accounting books and records, as well as the actual status, and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit for 2019.

1. ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY FOR 2019

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Separate Financial Statements of CIECH S.A. for 2019 in terms of their compliance with the books and records, as well as with the actual status.

The audit of the Financial Statement of CIECH S.A. for financial year 2019 was conducted by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (hereinafter also referred to as "**PwC**"). In 2019, representatives of PwC participated in selected meetings of the Supervisory Board and cooperated on an on-going basis with the Audit Committee of the Supervisory Board of CIECH S.A.

The Supervisory Board familiarised itself with the Separate Financial Statements of CIECH S.A. for 2019 (the "**Financial Statements**") and the Report of the statutory auditor on the audit of the Separate Financial Statements, according to which the Financial Statements:

- presented a reliable and clear picture of the asset and financial situation of CIECH S.A. as at 31 December 2019 and its financial result and cash flows for the financial year ended on that day in accordance with applicable International Financial Reporting Standards approved by the European Union, and the adopted accounting principles (policy);
- complied, in terms of form and content, with the laws applicable to the Company and its Articles of Association;
- were prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 (the "Accounting Act" – consolidated text: Journal of Laws of 2019, item 351, as amended).

On 26 March 2020, the Audit Committee of the Supervisory Board of CIECH S.A., having familiarised itself with the Financial Statements and the auditor's report on the audit of the Separate Financial

Statements, did not submit any comments/objections to the Separate Financial Statements of CIECH S.A. for tax year 2019.

At its meeting on 31 March, the Supervisory Board, having reviewed the Separate Financial Statements of CIECH S.A. for 2019 and the auditor's report, concluded that the Separate Financial Statements had been prepared in accordance with the books and records as well as the actual status; presented an accurate and clear picture of the asset and financial position of the Company, and met the requirements provided for in the Accounting Act of 29 September 1994.

Upon assessment of the Separate Financial Statements of CIECH S.A. for tax year 2019, the Supervisory Board of CIECH S.A. recommended their approval to the Annual General Meeting.

2. ASSESSMENT OF CONSOLIDATED FINANCIAL STATEMENTS OF CIECH GROUP FOR 2019

Pursuant to article 382 § 3, in conjunction with article 395 § 5 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Consolidated Financial Statements of CIECH Group for 2019 in terms of their compliance with the books and records, as well as with the actual status.

The audit of the Consolidated Financial Statements of CIECH Group for 2019 was conducted by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (hereinafter also referred to as "**PwC**").

The Supervisory Board familiarised itself with the Consolidated Financial Statements of CIECH Group for 2019 (the "**Financial Statements**") and the Report of the statutory auditor on the audit of the Consolidated Financial Statements, according to which the Financial Statements:

- whose parent entity is CIECH S.A., reflected a reliable and clear picture of the consolidated asset and financial position of CIECH Group as at 31 December 2019 and its consolidated financial result, and the consolidated cash flows for the financial year ended on that day in accordance with applicable International Financial Reporting Standards approved by the European Union, and the adopted accounting principles (policy);
- complied, in terms of form and content, with the laws applicable to CIECH Group and the Articles of Association of the Parent.

On 26 March 2020, the Audit Committee of the Supervisory Board of CIECH S.A., having familiarised itself with the Financial Statements and the auditor's report on the audit of the consolidated financial statements, did not submit any comments/objections to the Consolidated Financial Statements of CIECH Group for 2019.

At its meeting on 31 March, the Supervisory Board, having reviewed the Consolidated Financial Statements of CIECH Group for 2019 and the auditor's report, concluded that the Consolidated Financial Statements of CIECH Group for 2019 had been prepared in accordance with the books and

records as well as the actual status, and met the requirements provided for in the Accounting Act of 29 September 1994.

Upon assessment of the Consolidated Financial Statements of CIECH Group for 2019, the Supervisory Board of CIECH S.A. recommended their approval to the Annual General Meeting.

3. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CIECH S.A. AND CIECH GROUP IN 2019

Pursuant to article 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2018, together with the CIECH Group's Non-Financial Report for 2018, in terms of its compliance with the books and records, as well as the actual status.

The Supervisory Board reviewed the Management Board's Report on the activities of CIECH Group and CIECH S.A. in 2019, and the Statutory Auditor's Report on the audit of the Consolidated Financial Statements of CIECH Group and the Separate Financial Statements of CIECH S.A., which consisted of: opinion on the Report on activities, a statement on the application of corporate governance and a reference to non-financial information.

With reference to the Management Board's Report on the activities of CIECH Group and CIECH S.A. in 2019 (hereinafter referred to as the "Report"), the auditor stated that the Report had been prepared in accordance with the requirements of article 49 of the Accounting Act (Journal of Laws of 2019, item 351) and paragraphs 70 and 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the law of a non-member state (the "Current information regulation" - Journal of Laws of 2018, item 757) and was consistent with the information contained in the financial statements and the consolidated financial statements.

In addition, the statutory auditor stated that given the information on the Parent Company and the Group and their environment obtained during the audit, it had not found any material misstatements in the Joint Activity Report.

On 26 March 2019, having reviewed the Report and the report of the auditor, the Audit Committee of the Supervisory Board of CIECH S.A. did not make any comments to the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2019, together with the CIECH Group's Non-Financial Report for 2019.

At its meeting on 31 March 2020, the Supervisory Board of CIECH S.A. concluded that the Management Board's Report on the activities of the CIECH Group and CIECH S.A. for 2019 showed, in an exhaustive manner, the functioning of the Company and the CIECH Group in 2019. The Report complied with the financial data contained in the Separate and Consolidated Financial Statements for 2019, and met the requirements provided for in article 49 of the Accounting Act of 29 September 1994.

Having assessed the Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2019, the Supervisory Board of CIECH S.A. recommended its approval to the Annual General Meeting of CIECH S.A.

4. EVALUATION OF THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. OF THE DISTRIBUTION OF NET PROFIT FOR THE FINANCIAL YEAR 2019

Having reviewed the proposal of the Management Board of CIECH S.A. of 30 March 2020, submitted to the Annual General Meeting, regarding the distribution of net profit generated by the Company in 2019 in the amount of **PLN 60,436,467.46** (in words: sixty million four hundred and thirty six thousand four hundred and sixty seven and 46/100 zlotys), requesting that the entire net profit for 2019 be allocated to the supplementary capital, and having analysed the financial situation of the Company, the Supervisory Board of CIECH S.A. decided to recommend to the Annual General Meeting of CIECH S.A. that net profit for 2019 in the amount of **PLN 60,436,467.46** (in words: sixty million four hundred and thirty six thousand four hundred and sixty seven and 46/100 zlotys) be allocated to the supplementary capital, as proposed by the Management Board of CIECH S.A.

7. ASSESSMENT OF THE SITUATION OF CIECH S.A. IN 2019 BY THE SUPERVISORY BOARD OF CIECH S.A., TAKING INTO ACCOUNT THE INTERNAL CONTROL SYSTEM AND THE SYSTEM FOR THE MANAGEMENT OF RISKS SIGNIFICANT TO THE COMPANY

The Supervisory Board of CIECH S.A. submits to the Annual General Meeting of CIECH S.A. a concise evaluation of the Company's situation in 2019, including the assessment of the internal control system and the system for the management of risks significant to the company.

1. ASSESSMENT OF THE COMPANY'S SITUATION IN 2019

In 2019, CIECH S.A. generated revenues of PLN 2,286,065 thousand (in 2018, PLN 2,418,534 thousand), operating result of PLN 109,972 thousand (PLN 112,279 thousand in 2018), and a positive net profit of PLN 60,436 thousand (PLN 270,612 thousand in 2018), the balance sheet total was PLN 3,889,932 thousand (PLN 3,927,454 thousand at the end of 2018), and the balance of cash showed an increase by PLN 114,917 thousand, up to PLN 169,983 thousand. Both internal and external factors had a significant impact on the Company's results. The key factors having a positive impact on the operating result include an increase in demand for soda ash and a reallocation of soda sales towards higher margin markets, higher salt sales prices, introduction of new salt products (granules and salt licks for animals). The operating result was negatively affected by factors such as the increase in supply of Turkish soda in Western Europe, problems with maintaining a high production capacity ratio due to threat to the stability of brine supplies, as well as intensification of renovation work in energy assets leading to disruptions in the supply of technological work. The operating result was also negatively affected by lower sales volumes of raw materials for the production of plant protection products and PUR foams.

The net result realised in 2019 was influenced by the creation of a provision for a potential tax liability, interest and a sanction of PLN 5,209 thousand due to the customs and tax audit of VAT settlements for

the period from January to June 2018 (at CIECH Trading S.A.), of which PLN 4,919 thousand was charged to other operating expenses, and PLN 290 thousand was charged to financial expenses.

In 2019, sales revenues of CIECH S.A. amounted to PLN 2,286,065 thousand and were lower (by 5.5%) compared to 2018. The main reasons for this decline included zero volume of soda produced at the Romanian plant and smaller volumes of soda production at the plants in Poland, as well as lower salt sales volumes. As a result of lower sales of plant protection products, there was also a decrease in the sales of raw materials in this segment. Positive factors significantly affecting revenues in this segment included only one factor, i.e. an increase in soda prices.

In 2019, gross profit on sales amounted to PLN 343,256 thousand, and in the same period last year – PLN 389,078 thousand, while operating profit (EBIT) for 2019 stood at PLN 109,972 thousand and PLN 112,279 thousand in the comparative period, which resulted in the EBIT margin for 2019 at the level of 4.8% (in the previous year, 4.6%). Adjusted EBITDA was PLN 119,586 thousand and PLN 120,581 thousand for 2019 and 2018 respectively, which resulted in the adjusted EBITDA margin of 5.2% and 5.0% for 2019 and 2018 respectively.

As at 31 December 2019, equity amounted to PLN 1,463,206 thousand (at the end of 2018, PLN 1,402,701 thousand). As at 31.12.2019, liabilities (the total of long and short-term liabilities) of CIECH S.A. amounted to PLN 2,426,726 thousand, which shows a decrease in liabilities by PLN 98,027 thousand compared to last year. This decrease was mainly due to repayment of the tax liability of PLN 66.4 million.

As at 31 December 2019, net debt of CIECH S.A., calculated as the total of long- and short-term liabilities attributable to loans, borrowings and other debt instruments, less cash and cash equivalents, amounted to PLN 1,632,234 thousand, i.e. it decreased by PLN 124,156 thousand compared to the end of December 2018.

In 2019, operating cash flows were negative and amounted to PLN 62,551 thousand, i.e. PLN 126,783 thousand less than the inflows from this activity generated in 2018. This amount was affected by a lower operating result, higher interest and liabilities paid in connection with the tax liability including interest of PLN 66.4 million.

In 2019, the surplus of investment expenditure over inflows amounted to PLN 135,380. The greatest impact on the balance of cash flows from investing activities was attributable to the repayment of loans granted to subsidiaries.

The positive balance of cash flows from financing activities amounted to PLN 42,089 thousand. The main impact on this activity was the outflow and expenses related to launching credit lines and funds obtained from cash pooling.

2. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM

The control system in the CIECH Group consists of:

- institutional control - exercised by the Internal Audit Department of CIECH S.A.,
- operational and functional control exercised continuously by employees of all organisational units, by following procedures and regulations, and other internal regulations at all stages of activity, in the form of initial, ongoing and follow-up inspections (checking).

In 2019, the Internal Audit Department of CIECH S.A., acting on the basis of the Organisational Regulations of CIECH S.A., carried out a series of audits and inspections on the basis of the Audit Plan, both at CIECH S.A. and at CIECH Group companies. The Department also carried out ad hoc audits at the request of the Management Board and Supervisory Board of CIECH S.A.

Audit and inspection reports, together with proposals, are presented on an ongoing basis to the Management Board of CIECH S.A. and relevant organisational units, and their implementation is monitored.

Both the control and audit plan, as well as information on their implementation and results are presented and discussed at meetings of the Audit Committee of the Supervisory Board of CIECH S.A. As part of the annual review of the internal control and risk management system, this information is presented at the meeting of the Supervisory Board.

CIECH S.A. has an internal control system covering significant areas of activity within the entire CIECH Group, which is adapted to the Group's organisational structure and also includes subsidiaries. However, it requires continuous improvement through regular audits and inspections of areas identified as the most susceptible to various types of irregularities.

3. ASSESSMENT OF THE SYSTEM FOR THE MANAGEMENT OF RISKS SIGNIFICANT FOR THE COMPANY

In CIECH Group, the risk management process is carried out at all levels of strategic and operational management. The related tasks are implemented continuously by organisational units within the Group, coordinated by the Control and Audit Office and the Representative of the Management Board for the Integrated Management System. Effective operation of a comprehensive information security management system, business continuity management and financial risk management is based on series of instructions, procedures and internal regulations.

The method of risk management in CIECH Group is defined in the new CIECH Group Risk Management Policy adopted by the Management Board of CIECH S.A. in 2017, in which the procedures, model, structure and responsibility for the functioning of the risk management system within CIECH Group are described and adopted.

At the strategic level, the Management Board of CIECH S.A. carries out continuous monitoring and assessment of business risks.

At the operational level, tasks are carried out by a number of organisational units. The main areas of activity are:

- 1) Information security protection;
- 2) Ensuring security in the area of business continuity;
- 3) Financial risk management;
- 4) Compliance System within CIECH Group.

1) INFORMATION SECURITY PROTECTION

The Asset Management and Security Department, as well as the IT Department, are responsible for supervising information security. The tasks are carried out in the areas of organisational, legal, physical, personnel and ICT security. The risk management plan governs the relevant procedures and security measures.

2) ENSURING SECURITY IN THE AREA OF BUSINESS CONTINUITY

In the area of ensuring security with regard to business continuity, the analysis and monitoring includes business impact factors, business continuity strategies, business continuity plans, compliance with regulations, and contingency plans. These activities are coordinated by the Risk Department.

3) FINANCIAL RISK MANAGEMENT

The method of financial risk management is defined in the Market Risk Hedging Strategy adopted by the Supervisory Board on 27 April 2016 (the "MRPS") for CIECH Group, with its subsequent updates (last update – 20 February 2020), in which the procedures and division of tasks in the field of risk management with regard to currency risk, interest rate risk and the risk of changes in the prices of raw materials (coal, gas, electricity and CO₂ emission certificates) are described and adopted. This document defines the purpose of market risk management, defines risks for which hedging instruments are applied, defines the principles of identification, quantification and determining the manner of proceeding with market risks, including the maximum allowable value of hedging transactions. The MRPS specifies instruments used for particular types of market risks and the rules of operation of the Market Risk Committee.

4) COMPLIANCE SYSTEM WITHIN CIECH GROUP

The Compliance System, implemented by CIECH Group in 2019, is a set of rules, processes, measures, as well as formal and organisational action, the purpose of which is to enable the Company to avoid the risk of violating any type of compliance obligations applicable to CIECH Group. The Compliance System has been implemented in CIECH Group in order to eliminate any risk of non-compliance with external and internal requirements by continuously examining the conduct of CIECH Group in terms of compliance obligations, understood as any laws, internal regulations and ethical standards applicable to all business processes existing within CIECH Group in connection with its operations.

The Compliance System defines business areas (e.g. Departments within CIECH S.A. or CIECH Group companies) depending on the scope and specificity of compliance obligations managed by members of their executive staff who are responsible for ensuring compliance of the operations of CIECH Group with the requirements, among others, of: competition protection, environmental protection, product quality and safety, capital market law, health and safety at work, counteracting abuse and corruption, preventing conflicts of interest, energy law, personal data protection, protection of company property, infringement of or bypassing accounting and financial reporting rules, preventing and combating such behaviours as discrimination, mobbing and harassment, and protection of intellectual and industrial property rights.

The following tools are applied within CIECH Group in order to ensure efficiency of the Compliance System:

1. Code of Conduct, i.e. a document which identifies the values, mission, vision and rules of conduct adopted by CIECH Group and the need for employees to comply with laws and regulations applicable to the operations of CIECH Group;
2. Policies and procedures, i.e. any documents that specify in detail the rules governed by the Code of Conduct of CIECH Group;
3. Training system. Training programmes are adapted to the risk profile of individual areas and positions. They take various forms: classic training conducted by representatives of the executive staff, CIECH Group's Compliance Officer, owners of business areas or external experts, as well as e-learning methods;
4. A Fully anonymous system for reporting questions and violations, using an external platform: <https://ciech.liniaetyki.com/>, introduced in accordance with the requirements of the Act on public offer and conditions for introducing financial instruments to organised trading, and on public companies, amended on 30 November 2019 (Journal of Laws of 22 February 2019, item 623, as amended). The anonymous reporting system allows contact with a whistleblower without violating the anonymity principle. The amended procedure for reporting irregularities defines situations in which the Supervisory Board of CIECH S.A. exercises supervision over investigation into selected notifications.

As part of the Compliance System, within CIECH Group there is a Compliance Department, CIECH Group's Compliance Officer, responsible, among others, for conducting procedures, and the Ethics Committee, responsible, among others, for investigating violations of CIECH Group's Code of Conduct and cases of conflict of interest.

CIECH Group's Risk Management System allows for effective risk management in the economic activity pursued. However, taking into account the dynamics of global economic processes and the emergence of new risk areas requiring identification and response, this system should be developed and improved in the coming years.

In the opinion of the Supervisory Board, the internal control measures implemented by the Company are adjusted to the level and profile of risk related to the operations of the Company. At the same time, any risks relevant to the Company's operations are adequately managed, with the reservation risk management methods should be improved as part of a continuous process.

In view of the above, the Supervisory Board's assessment of the potential of CIECH S.A. is positive, taking into account the fact that it has appropriate resources to introduce any planned changes to the business model that will ensure the development of the Company and its entire Group in the long term.

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

The assessment of the Separate Financial Statements of CIECH S.A. for 2019 and the Consolidated Financial Statements of CIECH Group for 2019, the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2019, together with CIECH Group's Non-Financial Report for 2019,

made it possible to conclude that the information contained therein is consistent with the books and records, as well as with the actual status, and that their content is consistent.

The Supervisory Board of CIECH S.A., having regard to the above assessment, **recommends that the Annual General Meeting of CIECH S.A. approve:**

- 1) Separate Financial Statements of CIECH S.A. for 2019,
- 2) Consolidated Financial Statements of CIECH Group for 2019,
- 3) Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2019.

The Supervisory Board of CIECH S.A., after the analysis of the financial situation of the Company, positively evaluated the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit of CIECH S.A. for financial year 2019 **and recommends that the Annual General Meeting of CIECH S.A.** allocate the net profit of CIECH S.A. for financial year 2019, in its entirety, amounting to **PLN 60,436,467.46** (in words: sixty million four hundred thirty six thousand four hundred sixty seven 46/100 zlotys), to the supplementary capital.

In addition, the Supervisory Board of CIECH S.A. recommends to the Annual General Meeting of CIECH S.A. that the following individuals holding office of Members of the Management Board of CIECH S.A in financial year 2019, be discharged from their duties:

- 1) Mr Dawid Jakubowicz with regard to performance of his duties as the President of the Management Board of CIECH S.A. in the period from 1 January 2019 to 31 December 2019,
- 2) Mr Mirosław Skowron with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2019 to 31 December 2019,
- 3) Mr Artur Osuchowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2019 to 25 October 2019.

Signatures of the Supervisory Board Members:

1. Sebastian Kulczyk - Chairman of the Supervisory Board
2. Tomasz Mikołajczak - Deputy Chairman
3. Marek Kośnik
4. Łukasz Rędziniak
5. Artur Olech
6. Piotr Augustyniak