



LUBELSKI WĘGIEL „BOGDANKA”

SPÓŁKA AKCYJNA

BOGDANKA, 21-013 PUCHACZÓW

**REPORT OF THE SUPERVISORY BOARD
OF LUBELSKI WĘGIEL BOGDANKA S.A.
FOR THE FINANCIAL YEAR 2020**

Table of Contents

I. Term of office and composition of the Supervisory Board.....	3
II. Meetings of the Supervisory Board, material issues and the number of resolutions adopted	4
III. Information on the activities of the Supervisory Board Committees	10
IV. Composition of the Management Board	12
V. Information on appointing a chartered auditor	14
VI. Assessment of the Company's situation, as well as the internal control, risk management, and compliance systems.....	15
VII. Report on the assessment of the Directors' Report on Operations of LW Bogdanka S.A. and of the LW Bogdanka Group in 2020, containing the statement on non-financial information, the separate financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020, the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2020, and the motion of the Management Board regarding distribution of profit for the financial year 2020	27
VIII. Relations of the Management Board with trade unions.....	28
IX. Cooperation of the Supervisory Board and the Management Board of the Company	29

I. Term of office and composition of the Supervisory Board

The Supervisory Board of Lubelski Węgiel Bogdanka S.A. (hereinafter referred to as the "Supervisory Board", or the "Board") exercises permanent supervision over LW Bogdanka S.A. (hereinafter LWB S.A., LW Bogdanka S.A., the Company) in all areas of the Company's operations.

The Supervisory Board is appointed for a three-year joint term of office. In accordance with the Company's Articles of Association, the Supervisory Board is composed of 5 to 9 members. The members of the Supervisory Board are appointed and removed by the General Shareholders Meeting; in accordance with the Company's Articles of Association, one member of the Supervisory Board is appointed by the Minister of State Assets. The Supervisory Board operates on the basis of the following legislation:

- The Polish Commercial Companies Code,
- The Articles of Association of Lubelski Węgiel Bogdanka S.A.,
- The Rules of Procedure of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.

While performing its activities, the Supervisory Board also complies with the rules of corporate governance including those set out in the "Code of Best Practice for WSE Listed Companies 2016".

The Supervisory Board performs its tasks on the basis of special powers granted to it by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board.

In 2020 the Company's Supervisory Board operated in the following composition:

Composition of the Supervisory Board of the 10th term of office from 1 January to 29 July 2020

- | | |
|------------------------------|-----------------------------------------------|
| 1. Mirosław Kowalik | - Chairperson of the Supervisory Board |
| 2. Izabela Antczak-Bogajczyk | - Deputy Chairperson of the Supervisory Board |
| 3. Szymon Jankowski | - Secretary of the Supervisory Board |
| 4. Ewa Nowaczyk | - Member of the Supervisory Board |
| 5. Kamil Patyra | - Member of the Supervisory Board |
| 6. Mariusz Romańczuk | - Member of the Supervisory Board |
| 7. Anna Spoz | - Member of the Supervisory Board |
| 8. Michał Stopyra | - Member of the Supervisory Board |

Ms Anna Spoz and Mr Michał Stopyra fulfilled the independency criteria within the meaning of Article 15.1 of the Company's Articles of Association.

On 29 July 2020 the Annual General Shareholders Meeting appointed, as of 30 July 2020, members of the Supervisory Board of the 11th term of office:

1. Izabela Antczak-Bogajczyk
2. Dariusz Batyra
3. Anna Chudek
4. Szymon Jankowski
5. Bartosz Rożnawski
6. Michał Stopyra

On 27 August 2020 the Extraordinary General Shareholders Meeting appointed Mr Krzysztof Gigol and Mr Marcin Jakubaszek as members of the Supervisory Board.

On 1 October 2020 the Company's Management Board received a notification from the Minister of State Assets of appointing Mr Grzegorz Wróbel to the Supervisory Board of Lubelski Węgiel Bogdanka S.A.

On 14 October 2020 the Company's Management Board received from Ms Izabela Antczak-Bogajczyk a statement of resignation from the position of the member of the Supervisory Board with effect from 25 October 2020.

On 27 October 2020 the Extraordinary General Shareholders Meeting appointed Ms Iwona Golden as member of the Supervisory Board.

As at 31 December 2020 and as at the day this Report was submitted, the composition of the Supervisory Board of the 11th term of office was as follows:

- | | |
|----------------------|-----------------------------------------------|
| 1. Anna Chudek | - Chairperson of the Supervisory Board |
| 2. Marcin Jakubaszek | - Deputy Chairperson of the Supervisory Board |
| 3. Szymon Jankowski | - Secretary of the Supervisory Board |
| 4. Dariusz Batyra | - Member of the Supervisory Board |
| 5. Krzysztof Gigol | - Member of the Supervisory Board |
| 6. Iwona Golden | - Member of the Supervisory Board |
| 7. Bartosz Rożnawski | - Member of the Supervisory Board |
| 8. Michał Stopyra | - Member of the Supervisory Board |
| 9. Grzegorz Wróbel | - Member of the Supervisory Board |

The independency criteria within the meaning of Article 15.1 of the Company's Articles of Association are fulfilled by:

- Anna Chudek,
- Krzysztof Gigol,
- Michał Stopyra,
- Grzegorz Wróbel.

II. Meetings of the Supervisory Board, material issues and the number of resolutions adopted

The first meeting of the Supervisory Board of the 11th term of office, in accordance with Par. 5.2 of the Rules of Procedure of the Supervisory Board was convened by the Company's Management Board. Other meetings of the Supervisory Board in 2020 were convened by the Chairman of the Supervisory Board. Dates of holding meetings were each time agreed by all of the members of the Supervisory Board.

In the reporting period the Supervisory Board held 7 meetings. Resolutions were also adopted in a manner other than at a meeting (with the use of means of direct remote communication). During the reporting year, the Supervisory Board of Lubelski Węgiel Bogdanka S.A. adopted in total 59 resolutions.

In 2020, the Supervisory Board worked on the following issues (without limitation):

- the Company's and the LWB Group's current situation as regards economic, financial and social issues;
- the Management Board's information on costs incurred by the Company and its subsidiaries in 2020 related to operation of these companies and to management of LW Bogdanka Group companies;
- the information on costs incurred by the Company as a result of management services agreements concluded with the members of the Company's Management Board;
- the Management Board's information on adjusting the allocation of classes of cars to particular job titles as per the Policy of Integrated Car Fleet Management at the ENEA Group;
- the Management Board's information on costs of events organised for the Company's employees along with the budget/plan for the abovementioned events for 2019 and the first half of 2020;

- the information on business consultancy services and legal services in the second half of 2019 and the first half of 2020;
- the Management Board's information on the report describing the possibility to use the findings of the external technical audit to increase the Company's efficiency in mining and financial aspects;
- the Management Board's members' motions on refinancing the costs of individual training courses;
- changing the "Rules of appointing and removing members of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. elected by the Company's employees";
- ordering elections of members of the Supervisory Board elected by the Company's employees;
- appointing Central Election Committee to carry out elections of members of the Supervisory Board elected by the employees;
- independent auditor's report on the audit of the Company's and the Group's financial statements for 2019;
- the Company's and the Group's financial statements for 2019;
- Director's Reports on Operations of the Company and of the Group for 2019;
- approving the Company's Technical and Economic Plan for 2020 and updating the Technical and Economic Plan of Lubelski Węgiel Bogdanka S.A. for 2020;
- defining Management Objectives (KPIs) for 2020 for members of the Company's Management Board and updating them;
- the Management Board's information on activities undertaken by the Company in relation to the epidemic introduced by virtue of the Regulation of the Minister of Health on 20 March 2020 on announcing the epidemic in the territory of the Republic of Poland (Dz. U. (Journal of Laws) of 2020, item 491), in relation to SARS-CoV-2 infections in Poland;
- the Management Board's information on licences held by the Company along with a timetable of the planned actions to be taken under individual licences;
- the Management Board's information on the costs related to the Company employees using their private cars for professional purposes between 2017 and 2019;
- the Management Board's information on the costs related to the miner's day celebrations between 2018 and 2019;
- the Management Board's information on the costs incurred for post-graduate studies and the MBA studies in 2017-2019 and the rules governing qualifying the employees to additional education forms;
- the Management Board's information on the activity of the Audit and Internal Control Department within the Company's organisational structure and scheduled changes in the functioning of the Audit and Internal Control Department;
- the Management Board's information on Remuneration policy as regards the Management Board and the Supervisory Board;
- the Management Board's information on the procedure of anonymous reporting of law violations by the employees to a selected member of the Management Board (whistleblower procedure);
- approving the uniform text of the Company's Articles of Association;
- distribution of net profit for the financial year 2019;
- matters to be covered by resolutions of the Annual General Shareholders Meeting;
- report on operations of the Audit Committee in 2019;
- report of the Supervisory Board for 2019;
- report on hospitality expenditure, legal services expenditure, marketing services expenditure, expenditure on public relations and social communication as well as management consulting services, and the Report for 2019 regarding the application of the best practices referred to in Article 7.3 of the Act on the principles of management of state-owned assets dated 16 December 2016;

- providing opinion on Remuneration policy as regards the Management Board and the Supervisory Board;
- the Management Board's information on the case of CARBOSPEC M. Jaśniok Spółka Jawna;
- procedure for the selection of an audit firm for Lubelski Węgiel Bogdanka S.A., approving the contents of the announcement, expressing consent for this procedure to be carried out along with the subsidiaries of Lubelski Węgiel Bogdanka S.A. and ENEA S.A. and its subsidiaries, as well as expressing consent for authorising ENEA S.A. to prepare and conduct the procedure;
- forming the Supervisory Board – selection of the Chairperson, Deputy Chairperson, and Secretary of the Supervisory Board;
- appointing the members of the Audit Committee;
- amendments to the Rules of Procedure of the Supervisory Board;
- report on commercial coal production performance for September of this year and explanation of reasons behind the failure to achieve the planned production level;
- timetable of activities to be taken with a view to catching up the mining levels and achieving the planned coal production in 2020;
- plan of action to ensure coal supplies to customers, in line with the signed agreements;
- analysis of achievement of the Management Objectives for 2019 by members of the Management Board of LW Bogdanka S.A., and determination of the amount of Variable Remuneration due to members of the Company's Management Board;
- adoption of a "Procedure for periodic assessment of transactions with related entities";
- motion of the Management Board regarding a change in the Sponsorship Strategy for Lubelski Węgiel Bogdanka S.A. – 1 July 2018 - 31 December 2021;
- the Management Board's information on the performance of the Sponsorship Strategy for Lubelski Węgiel Bogdanka S.A. from 1 July 2018 to 31 December 2021 in H2 2019 and in H1 2020 and donations made by the Company and its subsidiaries in that period;
- the Management Board's information on the proposal to ensure safety of electronic communication between the members of the Supervisory Board and the Company;
- approval of the development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2030 (under the 2040 framework);
- conclusion of legal services agreements between the Company and entities selected through a tender procedure;
- the Management Board's information on the compliance, by LWB S.A.'s subsidiaries, with the provision of the Act on the principles of management of state-owned assets (as amended) dated 16 December 2016, and the Act on the rules for determining the remuneration of persons managing certain companies (as amended) dated 9 June 2016;
- information on fulfilling, by the Management Board's Members, the requirement to notify the purchases of shares in public companies and obtaining the Supervisory Board's consent for the planned acquisition of shares in other commercial companies;
- consent for taking a function, by a Management Board's Member, in a governing body of another commercial company;
- consent for signing a cash donation agreement for the purpose of fighting the SARS-CoV-2 virus;
- consent for signing an annex to the agreement on the sale of thermal coal with Enea Elektrownia Połaniec S.A.

Resolutions adopted by the Supervisory Board in 2020:

Minutes No.	Date	Resolution No.	Resolution on:
32/X/2020	7 Feb. 2020	184/X/2020	granting consent for incurring costs of an individual training course for the President of the Management Board, Mr Artur Wasil
By corresp.	25 March 2020	185/X/2020	approval of the Separate Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2019
By corresp.	25 March 2020	186/X/2020	approval of the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for the financial year 2019
By corresp.	25 March 2020	187/X/2020	assessment of the Directors' Report on Operations of Lubelski Węgiel Bogdanka S.A. and the Lubelski Węgiel Bogdanka Group for the financial year 2019
By corresp.	25 March 2020	188/X/2020	approving the Rules of appointing and removing Supervisory Board members selected by the Company's employees
By corresp.	25 March 2020	189/X/2020	granting consent to Mr Dariusz Dumkiewicz to take and fulfill the function of a Supervisory Board Member in Krajowa Spółka Cukrowa S.A. with registered office in Toruń
By corresp.	1 Apr. 2020	190/X/2020	granting consent to conclude a donation agreement between the Company and the "Solidary Miners" Foundation with its registered office in Bogdanka regarding an amount of PLN 500,000
By corresp.	16 Apr. 2020	191/X/2020	granting consent to conclude a donation agreement between the Company and the "Solidary Miners" Foundation with its registered office in Bogdanka regarding an amount of PLN 200,000
33/X/2020	30 Apr. 2020	192/X/2020	approving the uniform text of the Company's Articles of Association
		193/X/2020	amending the Rules of appointing and removing Supervisory Board members selected by the Company's employees
		194/X/2020	ordering elections of members of the Supervisory Board elected by the Company's employees
		195/X/2020	appointing Central Election Committee to carry out elections of members of the Supervisory Board elected by the employees
		196/X/2020	approval of the Technical and Business Plan of Lubelski Węgiel Bogdanka S.A. for 2020 as preliminary budget
		197/X/2020	defining the Management Objectives (KPIs) for 2020 for the President of the Management Board, Mr Artur Wasil
		198/X/2020	defining the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Employee and Social Affairs, Mr Adam Partyka
		199/X/2020	defining the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Economic and Financial Affairs, Mr Artur Wasilewski
		200/X/2020	defining the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Development, Mr Dariusz Dumkiewicz
by corresp.	22 May 2020	201/X/2020	consent for signing Annex No. 22 to the Agreement on the sale of thermal coal No. 3/W/2012 [LW 853/W/2012] of 12 July 2012 concluded with ENEA Elektrownia Połaniec S.A. with registered office in Zawada
34/X/2020	25 May 2020	202/X/2020	assessment of the Management Board's motion regarding the distribution of net profit for the financial year 2019
		203/X/2020	motion to the Annual General Shareholders Meeting to grant discharge to a member of the Management Board, Mr Artur Wasil, for the performance of his duties in the financial year 2019
		204/X/2020	motion to the Annual General Shareholders Meeting to grant discharge to a member of the Management Board, Mr Adam Partyka, for the performance

			of his duties in the financial year 2019
		205/X/2020	motion to the Annual General Shareholders Meeting to grant discharge to a member of the Management Board, Mr Dariusz Dumkiewicz, for the performance of his duties in the financial year 2019
		206/X/2020	motion to the Annual General Shareholders Meeting to grant discharge to a member of the Management Board, Mr Artur Wasilewski, for the performance of his duties in the financial year 2019
		207/X/2020	motion to the Annual General Shareholders Meeting to grant discharge to a member of the Management Board, Mr Marcin Kapkowski, for the performance of his duties in the financial year 2019
		208/X/2020	approval of the Report of the Supervisory Board for the financial year 2019
		209/X/2020	providing opinion in the Report on hospitality expenditure, legal services expenditure, marketing services expenditure, expenditure on public relations and social communication as well as management consulting services, and the Report for 2019 regarding the application of the best practices referred to in Article 7.3 of the Act on the principles of management of state-owned assets dated 16 December 2016
		210/X/2020	providing opinion on the project "Remuneration policy for the members of the supervisory body and the managing body of Lubelski Węgiel Bogdanka Spółka Akcyjna"
1/XI/2020	7 Aug. 2020	1/XI/2020	selecting the Chairperson of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.
		2/XI/2020	selecting the Deputy Chairperson of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.
		3/XI/2020	selecting the Secretary of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.
		4/XI/2020	adopting uniform text of the Articles of Association of Lubelski Węgiel Bogdanka S.A.
by corresp.	1 Sep. 2020	5/XI/2020	instigating a procedure for the selection of an audit firm for Lubelski Węgiel Bogdanka S.A., approving the contents of the announcement, expressing consent for this procedure to be carried out along with the subsidiaries of Lubelski Węgiel Bogdanka S.A. and ENEA S.A. and its subsidiaries, as well as expressing consent for authorising ENEA S.A. to prepare and conduct the procedure
2/XI/2020	6 Oct. 2020	6/XI/2020	appointment of a member of the Audit Committee of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. (hereinafter the "Audit Committee") and selecting a chairperson of the Audit Committee
		7/XI/2020	adopting amended Rules of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka
		8/XI/2020	approval of the Technical and Business Plan of Lubelski Węgiel Bogdanka S.A. for 2020
		9/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Employee and Social Affairs, Mr Adam Partyka
		10/XI/2020	changing the Management Objectives (KPIs) for 2020 for the President of the Management Board, Mr Artur Wasil
		11/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Economic and Financial Affairs, Mr Artur Wasilewski
		12/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Development, Mr Dariusz Dumkiewicz
		13/XI/2020	the Supervisory Board's assessment of its cooperation with the Management Board

		14/XI/2020	performance of Management Objectives and determination of the amount of Variable Remuneration due to President of the Management Board, Mr Artur Wasil, for the financial year 2019
		15/XI/2020	performance of Management Objectives by the Vice-President of the Management Board responsible for Development, Mr Marcin Kapkowski, and determination of the amount of his Variable Remuneration, for the financial year 2019
		16/XI/2020	performance of Management Objectives by the Vice-President of the Management Board responsible for Economic and Financial Affairs, Mr Artur Wasilewski, and determination of the amount of his Variable Remuneration, for the financial year 2019
		17/XI/2020	performance of Management Objectives by the Vice-President of the Management Board responsible for Employee and Social Affairs, Mr Adam Partyka, and determination of the amount of his Variable Remuneration, for the financial year 2019
		18/XI/2020	adoption of a "Procedure for periodic assessment of transactions with related entities"
		19/XI/2020	granting consent to incurring costs of an individual training course for the Vice-President of the Management Board responsible for Development, Mr Dariusz Dumkiewicz
		20/XI/2020	approval of changes in the Strategy for LW Bogdanka S.A. – 1 July 2018 – 31 December 2021
3/XI/2020	5 Nov. 2020	21/XI/2020	selecting the Chairperson of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.
		22/XI/2020	selecting the Deputy Chairperson of the Supervisory Board of Lubelski Węgiel Bogdanka S.A.
		23/XI/2020	appointment of Members of the Audit Committee of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. (hereinafter the "Audit Committee")
By corresp.	12 Nov. 2020	24/XI/2020	repealing Resolution No. 5/XI/2020 dated 1 September 2020 (on starting a procedure for the selection of an audit firm for Lubelski Węgiel Bogdanka S.A., approving the contents of the announcement, expressing consent for conducting the procedure together with the subsidiaries of Lubelski Węgiel Bogdanka S.A. as well as ENEA S.A. and its subsidiaries, and regarding expressing consent for authorising ENEA S.A. to prepare and conduct the procedure); as well as re-instigating the procedure for the selection of auditing company for Lubelski Węgiel Bogdanka S.A., defining the terms and conditions for participation in the procedure and the criteria of assessment of bids for auditing the Company's financial statements, expressing consent for this procedure to be carried out along with the subsidiaries of Lubelski Węgiel Bogdanka S.A. and ENEA S.A. and its subsidiaries, approval of the content of the announcement, as well as expressing consent for authorising ENEA S.A. to prepare and conduct the procedure.
4/XI/2020	16 Dec. 2020	25/XI/2020	approval of the updated Technical and Business Plan of Lubelski Węgiel Bogdanka S.A. for 2020
		26/XI/2020	changing the Management Objectives (KPIs) for 2020 for the President of the Management Board, Mr Artur Wasil
		27/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Employee and Social Affairs, Mr Adam Partyka
		28/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Development, Mr Dariusz Dumkiewicz
		29/XI/2020	changing the Management Objectives (KPIs) for 2020 for the Vice-President of the Management Board responsible for Economic and Financial Affairs, Mr Artur Wasilewski

	30/XI/2020	approval of the "Development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2030 (under the 2040 framework)"
	31/XI/2020	consent for the Company to sign legal services agreements
	32/XI/2020	granting consent to Mr Dariusz Dumkiewicz to take and fulfill the function of a Supervisory Board Member in PGNIG Serwis Sp. z o.o. with registered office in Lublin

III. Information on the activities of the Supervisory Board Committees

In 2020, the composition of the Audit Committee was as follows:
from 1 January to 29 July 2020

1. Anna Spoz – Chairperson of the Audit Committee,
2. Izabela Antczak-Bogajczyk – Member of the Audit Committee,
3. Michał Stopyra – Member of the Audit Committee.

From 6 October 2020

1. Krzysztof Gigol – Chairperson of the Audit Committee,
2. Michał Stopyra – Member of the Audit Committee,

Effective from 5 November 2020

1. Krzysztof Gigol¹⁾ – Chairperson of the Audit Committee,
2. Anna Chudek¹⁾ – Member of the Audit Committee,
3. Iwona Golden²⁾ – Member of the Audit Committee,
4. Michał Stopyra^{1) 3)} – Member of the Audit Committee.

¹⁾ independent member within the meaning of Article 129.1.3 of the Act on Statutory Auditors, Audit Firms and Public Regulators of 11 May 2017,

²⁾ a member having knowledge and skills with respect to accountancy or auditing financial statements,

³⁾ a member having knowledge and skills regarding the industry in which the issuer operates.

In 2020, 8 meetings of the Audit Committee were held on the following dates:

- 7 February 2020
- 23 March 2020
- 25 March 2020,
- 29 April 2020
- 25 May 2020,
- 15 July 2020,
- 5 November 2020,
- 16 December 2020.

In 2020, the Audit Committee adopted 8 resolutions (including resolutions via e-mail voting in accordance with Article 18.2 of the Articles of Association, and Articles 8.10 and 10.8 of the Rules and Regulations of the Supervisory Board), which concerned the following:

- issuing an opinion on the Separate Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2019,
- issuing an opinion on the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for the financial year 2019,
- giving opinion on the Directors' Report on Operations of Lubelski Węgiel Bogdanka S.A. and the Lubelski Węgiel Bogdanka Group for the financial year 2019

- accepting information for the Supervisory Board on the results of the audit of financial statements of Lubelski Węgiel Bogdanka S.A. and the the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2019,
- approval of the Report on the performance of audits and internal controls carried out in 2019 by the Audit and Internal Control Department in the Lubelski Węgiel Bogdanka Group,
- approval of the Report on operations of the Audit Committee of Lubelski Węgiel Bogdanka S.A. for 2019,
- granting consent to a review whether the excise tax indicator for 2019 has been correctly calculated by Lubelski Węgiel Bogdanka S.A., by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k.,
- approval of the Policy for selecting an audit firm to conduct an audit of Lubelski Węgiel Bogdanka S.A., the Policy for providing permitted non-audit services by the audit firm and a Procedure for selecting an audit firm,
- granting consent to performing a service involving verification and auditor’s certification of the calculation of the Company’s electricity consumption ratio by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers Sp. z o.o.),
- giving opinion on the Audit Plan for 2021.

The Audit Committee has read the information provided by the Audit and Internal Control Department and the Management Board, in particular on matters concerning:

- reports on the audits and controls submitted by the Audit and Internal Control Department, performed by it in H2 2019 and H1 2020 (and implementation of recommendations),
- risk management – update of material risks as at 31 December 2019, and then as at the end of Q1 and Q3 2020,
- report for the Audit Committee of Lubelski Węgiel Bogdanka S.A. on the audit of financial statements for the financial year 2019 prepared by an auditor of PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k.,
- information on independent assessment of the function of the internal audit at LW Bogdanka S.A. and reading the Report containing recommendations of changes or enhancements following an audit carried out by KPMG, a consulting company,
- information on the process of implementing changes and enhancements in the Audit and Internal Control Department according to the actual condition (following the KPMG’s post-audit recommendations).

For the purpose of monitoring the financial reporting process, each time before the periodic reports were published, the Audit Committee read and reviewed the relevant financial statements and Directors’ Reports on Operations.

In 2020, the Audit Committee held 5 meetings (7 February 2020, 23 March 2020, 25 March 2020, 15 July 2020, 16 December 2020) with the audit firm PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k.

At the Audit Committee meeting on 7 February 2020, PricewaterhouseCoopers sp. z o.o. Audyt sp.k. discussed the strategy and plan for auditing the financial statements of Lubelski Węgiel Bogdanka S.A. and the consolidated financial statements of the Group for the financial year ended on 31 December 2019, the identified key legal and regulatory risks were discussed, and the conclusions arrived at as a result of meetings between the auditor and the Management Board. Discussions also covered the impact of implementing standard IFRS 16 “Leases” as well as its impact on the financial statements. The application, as of 1 January 2019 of this standard resulted in the recognition of additional lease assets and lease liabilities in the balance sheet. Due a to a relatively small scope and number of contracts treated so far as operating leases, the ultimate impact on the Company’s financial statements is limited. It was also confirmed that the Company, as far

as whistleblowing requirements are concerned, has - on the basis of the applicable Code of Ethics - channels for notifying possible abuses.

At the Audit Committee meeting on 23 March 2020, the audit firm PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. presented key assumptions adopted in the process of auditing financial statements and conclusions drawn following the review works. Discussions also included the agenda of a meeting of the Audit Committee, to be held in the form of a conference call on 25 March 2020, for the purpose providing opinions on the financial statements for 2019.

During the meeting of the Audit Committee held in the form of a conference call on 25 March 2020 the representatives of the chartered auditor summed up the results of the audit. The Audit Committee received from the auditor a Report on the audit of the financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2019 and the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2019. The Audit Committee gave its opinion on the financial statements of the Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2019 - separate and consolidated [financial statements] and the Directors' Report on the Operations of Lubelski Węgiel Bogdanka S.A. and the Lubelski Węgiel Bogdanka Group for 2019.

At a meeting on 15 July 2020 the audit firm PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. presented a schedule of work related to the interim review of the condensed separate financial statements of Lubelski Węgiel Bogdanka S.A. and the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the six months ended 30 June 2020.

At the Audit Committee meeting on 16 December 2020, PricewaterhouseCoopers Polska sp. z o.o. Audyt sp.k. presented the status of the audit of the financial statements of Lubelski Węgiel Bogdanka S.A. and the consolidated financial statements of the Group for the financial year 2020. PwC notified the Company that the initial audit had been carried out on an on-line basis in the second half of November, and the final audit was scheduled for the second half of January.

Furthermore, the auditor informed the Company that material changes in reporting would be introduced. One of them will be the obligation to prepare a Report on remuneration paid to the Management Board and the Supervisory Board for 2019 and 2020. This Report must be subject to evaluation of a chartered auditor, which is a permitted service.

The second change involves reporting in the SF/XBRL format, which will be obligatory starting 2021. In case of statements for 2020 it is voluntary, but if the Company applies voluntary reporting in the ETF format, the auditor is also obliged to check whether the XBRL tags have been applied correctly, in accordance with the IFRS taxonomy.

For the purpose of monitoring the effectiveness of the audit and internal control systems, the Audit Committee met with the Head of the Audit and Internal Control Department with a view to learning about the findings of audits and controls carried out for respective quarters, as well as the pace and scope of implementation of post-audit recommendations. Reports on the current assessment of risks in the Company and of risk management systems were presented at Audit Committee meetings by the Vice-President of the Management Board responsible for Development.

IV. Composition of the Management Board

In 2020, the Management Board of the 10th term of office was as follows:

- Artur Wasil – President of the Management Board,
- Dariusz Dumkiewicz – Vice-President of the Management Board, Development,
- Adam Partyka – Vice-President of the Management Board, Employee and Social Affairs,
- Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs,

It was also the composition of the Management Board as at the day of submitting the Report.

Rules governing remuneration and bonus payments to the members of the Management Board

The rules of remuneration of the members of the Management Board of LW Bogdanka S.A. which applied in 2020 were introduced by virtue of the Resolutions of the Extraordinary General Shareholders Meeting of LW Bogdanka S.A. of 7 March 2017 and 17 October 2019, and of the Supervisory Board of the Company of 30 July 2018 and 4 October 2018 as well as the Remuneration policies for the members of the supervisory body and management body at Lubelski Węgiel Bogdanka S.A., introduced on the basis of a resolution of the Annual General Shareholders Meeting of the Company of 29 July 2020.

All members of the Management Board (the Managers) entered into Management services agreements, on the following terms and conditions:

1. In consideration of the management services and other obligations resulting from the Agreement, the Manager is entitled to receive total remuneration comprising the following elements:
 - lump sum monthly (for a calendar month) basic remuneration (Fixed Remuneration); and
 - supplementary remuneration for a given financial year (Variable Remuneration) which will depend on the degree of accomplishment of the Management Objectives determined by the Supervisory Board.
2. The resolution of the Supervisory Board specifying in detail the Management Objectives, the weights of those goals as well as the objective and measurable criteria for implementing and accounting for the goals in a given financial year will each time be adopted no later than on 30 April of the financial year in which such criteria will be in force.
3. The Variable Remuneration may not exceed 50% of the Manager's annual Fixed Remuneration. The annual Fixed Remuneration referred to above will be calculated in accordance with the following formula: the amount of the Fixed Remuneration in the previous financial year multiplied by 12.
4. The payment of the Variable Remuneration to a member of the Management Board is subject to the performance of the Manager of Management Objectives, after approval of the Directors' Report on Operations of the Company and financial statements of the Company for the previous financial year and after discharging the Manager of their duties as the Management Board member by the General Shareholders Meeting. If a Manager fulfills the function for a period shorter than one full financial year, this shall not deprive the Manager of the right to Variable Remuneration, however provided that the time over which the function was held by the Manager in the Company's Management Board in the financial year under assessment was longer than 6 (six) months. The Variable Remuneration is calculated on a pro rata basis, depending on the number of days on which the Manager provided services in the financial year.
5. The Manager is entitled to a severance pay in the amount of the three-fold Fixed Remuneration on condition that the Manager holds their function for a period of at least 12 months prior to termination of the Agreement except for the following situations:
 - the Agreement is terminated, dissolved or amended as a result of change of the function held by the Manager on the Management Board,
 - the Agreement is terminated, dissolved or amended as a result of appointment of the Manager for the next term of office of the Management Board,
 - they are appointed as a member of the management board of within the Group within the meaning of Article 4.14 of the Act on the protection of competition and consumers of 16 February 2007,
 - they resign from the function held,
 - the Agreement is terminated by the Company with an immediate effect in the event of a gross breach of the Agreement by the Manager.
6. For compliance with the Non-Compete Agreement after the Manager ceases to hold their function, the Manager is entitled to compensation in the total amount to be calculated as follows: 0.5-fold of the monthly Fixed Remuneration multiplied by 6 to be paid in 6 equal monthly

instalments by the 10th day of the following month. Any instalment of the compensation will be paid provided that the Manager submits a written statement on compliance with the Non-Compete Agreement after they ceased to hold their function at the Company by the 5th day of the month following the month for which the compensation is due. In case of a breach of the Non-Compete Agreement after the Manager ceased to hold their function during the term of the Non-Compete Agreement, the Company will have the right to demand that the Manager pay liquidated damages of 100% of the total compensation specified above.

The members of the Management Board have taken out, at their own expense, third-party liability insurance in case of non-performance or improper performance of the Management Contract.

V. Information on appointing a chartered auditor

In order to review the financial statements of the Company and the consolidated financial statements of the LW Bogdanka Group for the first halves of 2018, 2019 and 2020 and to audit the financial statements of the Company and the consolidated financial statements of the LW Bogdanka Group for 2018, 2019 and 2020 as well as to prepare written opinions and reports on whether the financial statements are correct and present in a reliable and clear manner the financial standing and financial results of the Company and the Group, having conducted a tender, the Supervisory Board, following a recommendation of the Audit Committee, by virtue of Resolution No. 46/X/2018 of 5 January 2018, appointed PricewaterhouseCoopers Sp. z o.o. (currently PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audytor sp.k.) with registered office in Warsaw (hereinafter: PwC) as auditor.

PwC, since 16 February 1995, has been entered in the list of entities authorised to audit financial statements, maintained by the National Chamber of Chartered Auditors, under registration number 144.

The Company has previously used the services of PricewaterhouseCoopers Sp. z o.o. and PwC network entities with respect to: advisory services and preparation of a report regarding an issue prospectus of LWB S.A. shares, published in 2009; review and audit of separate and consolidated financial statements of financial years 2009-2011; advisory services regarding first application of IAS/IFRS; advisory services and audit regarding the scope of budget preparation (2011-2012); workshops on different subjects (2010); legal consultancy (2012); tax advisory in 2014-2017 regarding, for example, excise tax; and reviewing the correctness of Excise Ratio calculations made by the Company for 2016.

In the opinion of the Auditor the separate financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020 and the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2020 in all material aspects were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and the adopted accounting principles (policies).

The financial statements under assessment comply in form and contents with the binding provisions of law and the Company's Articles of Association. The financial statements subject to assessment were prepared on the basis of properly kept accounting books, in compliance with the provisions of Chapter 2 of the Act of 29 September 1994 on Accounting ("the Accounting Act", consolidated text in Journal of Laws [Dz.U.] of 2019, item 351, as amended), and present fairly and clearly all information material for evaluating the Company's profitability and profit (loss) on its operations in 2019, as well as the Company's financial and economic situation as at 31 December 2020. Both the Directors' Report on Operations of Lubelski Węgiel Bogdanka S.A. and the Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group for 2020 contain information on the Company that is true, consistent with the data contained in the financial statements, and they present fully and fairly the Company's situation, including all important events.

At the time of performance of the above activities, PwC, as an entity authorised to audit financial statements, as well as chartered auditors performing auditing activities for Lubelski Węgiel Bogdanka S.A. were independent of Lubelski Węgiel Bogdanka S.A. as referred to in Articles 69-73 of the Act on Statutory Auditors, Audit Firms and Public Regulators of 11 May 2017.

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k., in 2020, in addition to auditing the separate financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020, and the consolidated financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020 and a review of interim financial statements, also performed:

- other attestation services (audit and review of a group package for the purposes of ENEA),
- review of the correctness of Excise Ratio calculations made by Lubelski Węgiel Bogdanka S.A. for 2019,
- service involving verification and auditor's certification of the calculation of the Company's electricity consumption ratio for 2018-2020.

Further, in 2021 PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. provided also the following services:

- review of the Group's consolidated financial statements for 2020, prepared in the XBRL format,
- assessment of the Report on remuneration paid to the Management Board and the Supervisory Board of the Parent for 2019-2020.

On 24 March 2021 the Supervisory Board adopted resolution regarding selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k, as an entity authorised to review and audit the financial statements of the Company and the consolidated financial statements of the Group for 2021 and 2022.

VI. Assessment of the Company's situation, as well as the internal control, risk management, and compliance systems

1. Financial results

During 2020, LW Bogdanka S.A.'s revenue amounted to PLN 1,818,543,000 and was lower by PLN 335,966,000 (15.6%) compared to the revenue figure for 2019.

The main source of the Company's revenue was the production and sale of thermal coal. Between 1 January 2020 and 31 December 2020 this activity generated 98.0% of the Company's revenue (98.2% in the same period of the previous year).

2. Profitability ratios

The Company's profitability ratios stood at lower levels in 2020 compared to 2019. Gross sales margin of LW Bogdanka S.A. dropped from 16.4% (2019) to 5.0% (2020).

EBIT margin in 2020 was 4.9%, i.e. it was lower by 12.3 p.p. than in the previous year.

For 2020, Company's EBITDA margin amounted to 24.7%, i.e. less by 10.2 p.p. compared to the same period of 2019.

3. Coal production and sales

Lubelski Węgiel Bogdanka S.A. is a domestic leader on the market of thermal coal producers. In the period from January to December 2020, the production of commercial coal was 7,612,000 tonnes, i.e. it was lower by 19.5% than in the same period of 2019.

In the period from 1 January 2020 to 31 December 2020, the sale of commercial coal was 7,670,000 tonnes, i.e. less by 18.0% than in the same period of 2019.

4. Strategy

Development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2030 (under the 2040 framework)

On 16 December 2020, LW Bogdanka S.A. announced key elements of the Development Strategy. The adopted Strategy is well in line with the Poland's energy policy until 2040 project.

Vision:

"Bogdanka is the efficiency leader in the mining sector with the highest work safety standards, who flexibly adjusts to environmental requirements and market conditions, and builds "Green Deal" as part of diversification of business activity."

Mission:

"Bogdanka proves that it is a reliable supplier of coal for commercial power plants, able to maintain its competitive advantage and to ensure continuous increase in the value of the Company, while improving its work safety and environment protection standards, and implementing innovative solutions."

Strategic objectives:

- Maintaining the position of the market leader in thermal coal supplies for commercial power plants in Poland, who successfully competes with importers.
- Maintaining high efficiency and profitability of production due to innovative organizational as well as technical and technological solutions.

Based on developed forecasts (Poland's 2040 Energy Policy, The National Energy and Climate Plan for the period 2021-2030), LW Bogdanka S.A. will aim to become the most cost-efficient producer of thermal coal in Poland, who can successfully compete with other coal producers and suppliers while maintaining the current production potential under the 2040 framework.

In order to complete the abovementioned assumptions, LW Bogdanka S.A. will take the following optimization actions:

1. Increasing the number of products due to selective extraction (type 34).
2. Broadening operating areas (diversification) – use of technical and human potential with a view to launching efficient initiatives outside of the core business.
3. Identifying, recognizing and documenting new coal reserves (coking coal – type 35).
4. Implementing own innovative solution programs (technical and technological, work safety) which allow competitive advantage to be maintained.
5. Implementing key strategic initiatives defined for the Mining Area of the Enea Group Strategy.

In terms of diversification, LW Bogdanka focuses on the following development initiatives which will constitute key areas of business transformation of the Company:

1. Production of components for renewable energy sources and recycling.

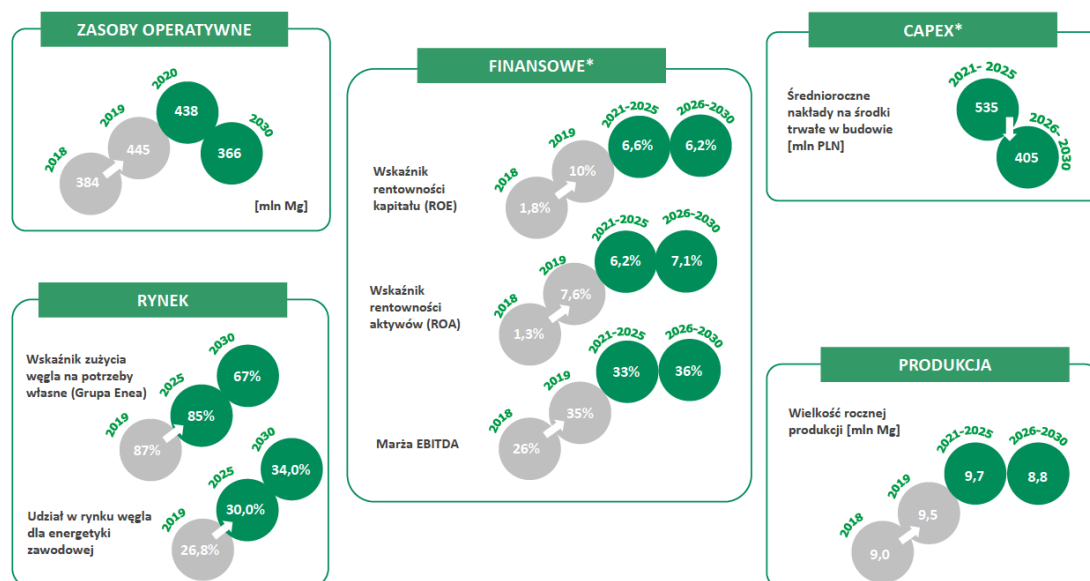
2. Construction of a photovoltaic farm in the Bogdanka mining area.
3. Residual heat utilisation.
4. Unmanned aerial vehicles.
5. Post mining areas development.
6. IGCC Power Plant - a state-of-the-art technology that uses a high pressure gasifier to turn coal and other carbon based fuels into pressurised gas, defined as IGCC (Integrated Gasification Combined Cycle).
7. Hazardous waste utilisation.
8. Other ways of coal processing.
9. Rail transportation.
10. Industrial water treatment.

Additionally, outside the operations diversification area, LW Bogdanka pursues an array of strategic initiatives:

1. Bogdanka acts for climate and environment:
 - a) Balanced use of heaps,
 - b) Post-mining waste management technologies,
 - c) Support of local natural environment,
 - d) Just transformation of mining regions.
2. Bogdanka cares for safety:
 - a) Programme to improve work safety,
 - b) Programme to improve technical work safety,
3. Bogdanka is a good place to work in:
 - a) Pro-employee activities,
 - b) Solutions reducing nuisance of work,
 - c) Investments in employee competence development.
4. Bogdanka is efficient:
 - a) Independent bolted support,
 - b) Geomechanical model,
 - c) Mining pit monitoring based on state-of-the-art technological solutions,
 - d) Development of resource base.
5. Bogdanka is a Smart Mine:
 - a) Research, development and innovation work,
 - b) Process-based technical and management standards,
 - c) Industrial revolution 4.0 / Internet of Things.

The information shown below present the planned technical and economic indicators in line with the new development strategy as well as the performance of strategy measures for 2020.

New Development Strategy of LW Bogdanka:



* Wartości mierników nie uwzględniają nakładów inwestycyjnych i efektów z wdrożenia inicjatyw strategicznych. Do analizy przyjęto zbliżoną cenę węgla energetycznego i koksowego wyrażoną w zł/GJ.

ZASOBY OPERATYWNE	OPERATING RESOURCES
FINANSOWE*	FINANCIAL*
CAPEX*	CAPEX*
RYNEK	MARKET
PRODUKCJA	OUTPUT
[mln Mg]	[million tonnes]
Wskaźnik rentowności kapitału (ROE)	Return on Equity (ROE)
Wskaźnik rentowności aktywów (ROA)	Return on Assets (ROA)
Marża EBITDA	EBITDA margin
Wskaźnik zużycia węgla na potrzeby własne (Grupa Enea)	In-house coal consumption ratio (Enea Group)
Udział w rynku węgla dla energetyki zawodowej	Share in coal market for commercial power plants
Średnioroczne nakłady na środki trwałe w budowie [mln PLN]	Average annual expenses for construction in progress [PLN million]
Wielkość rocznej produkcji [mln Mg]	Annual output [million tonnes]
* Wartości mierników nie uwzględniają nakładów inwestycyjnych i efektów z wdrożenia inicjatyw strategicznych. Do analizy przyjęto zbliżoną cenę węgla energetycznego i koksowego wyrażoną w zł/GJ.	* Measures do not include expenditure and results of implementing strategic initiatives. Approximated price of thermal and coking coal in PLN/GJ was assumed for analysis.

Pursuance of LW Bogdanka S.A.'s strategy in 2020:

- Operating resources – 438 million tonnes
- Annual output – 7.6 million tonnes
- Return on Equity (ROE) – 2.2%
- Return on Assets (ROA) – 1.6%
- EBITDA – PLN 450 million
- UMCC trend relative to 2015 – 32%
- In-house coal consumption ratio (Enea Group) – 86%
- Share in fine coal market (commercial pp) – 25.3%

Corporate Social Responsibility (CSR)

Because of its crucial importance to the region, one of the Company's goals, as always, is to run its business operations in compliance with the rules of sustainable growth. The currently implemented Corporate Social Responsibility (CSR) Strategy is based on four overriding goals: ensuring the highest work safety standards, environmental effectiveness, the protection of local biodiversity, the stimulation of development and a guarantee of security for local communities. The goals can be attained through efficient management of relations with all stakeholders groups. The Company redoubles its involvement in the social development of the region through the implementation of cross-sectoral programs and initiatives such as Socially Involved Bogdanka, as well as gradually increases the extent and range of pro-environmental activities, intensifying positive impact on the environment. Such multi-sectoral projects include Urban Laboratory in Łęczna or a project for sustainable agriculture on the areas adjacent to Bogdanka pursued in partnership with the Institute of Cultivation, Fertilisation and Pedology - State Research Institute in Puławy (IUNG).

Capital expenditure

Assumed CAPEX for core activity in 2021-2040 will amount to PLN 4.1 billion PLN 2.7 billion of the total expenditure will be spent on longwall galleries. Average expenditure in 2021-2030 will amount to approx. PLN 470 million.

The quoted amounts do not include possible cost of making the Ludwin Field – Ostrów deposit vertically available (PLN 2.1 billion) but they do include expenditure on initial exploration of new deposits.

In 2020, the investment expenditure amounted to PLN 606,659,000. The Company's plan for the investment expenditure for 2021 assumes the amount of PLN 590,106,000.

Dividend policy

In the future, the Management Board of LW Bogdanka S.A. intends to request the General Shareholders Meeting for approval of dividend up to 50% of the net profit shown in the Company's separate financial statements, prepared in accordance with the International Financial Reporting Standards.

Each time, the dividend recommended by the Management Board will depend on:

- current market situation;
- generated operating cash flows;
- planned capital expenditure and investments;
- projected debt of the Company.

In 2020, LW Bogdanka S.A. did not pay out dividend. At the Annual General Shareholders Meeting on 29 July 2020, the Shareholders of the Company adopted a resolution on distribution of profit for 2019, under which the entire net profit of the Company amounting to PLN 306,184,000 was allocated for reserve capital.

5. Assessment of the internal control system

The internal control system at LW Bogdanka S.A. is intended to ensure effective and efficient operation of the organisation, reliable financial reporting and LWB S.A.'s compliance with the law, internal rules and regulations, and market standards.

The internal control system at LWB supports business processes and shapes and defines the principles of cooperation, information flow and monitoring of activities within the organisation. The internal control system is defined in particular by:

- the Company's organisational rules;
- accounting policy;
- document workflow instruction;
- internal regulations and procedures;
- Rules of Internal Audit;
- Policy for Safety of Information in the IT Systems;
- LWB Protection Plan.

One of the key elements of control in the process of preparing the Company's and the Group's financial statements is a review carried out by independent chartered auditors. The chartered auditor is selected from a group of renowned auditing companies which guarantee independence and a high standard of the provided services. The independence factor of the chartered auditor is fundamental for ensuring the correctness of the audit. The body supervising the financial reporting process at the Company is the Audit Committee appointed within the Supervisory Board.

LW Bogdanka S.A. keeps accounting books and prepares financial statements on the basis of the International Financial Reporting Standards and related interpretations announced in Regulations of the European Commission, as endorsed by the European Union ("IFRS EU").

In compliance with the provisions of Directive 2004/109/EC dated 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, and in relation to the Regulation of the European Commission No. 2019/815 dated 17 December 2018 with regard to regulatory technical standards on the specification of a single electronic reporting format, LWB also prepares annual report in compliance with the European Single Electronic Format (ESEF) for the financial year starting on 1 January 2020. At the moment this obligation refers to the consolidated financial statements, and the first ones covered with the ESEF compliance requirement are the annual consolidated financial statements of the LWB Group for 2020.

Under the above regulations the issuers are obliged to prepare annual financial statements in the XHTML format, and in the event that the annual financial statements include the consolidated financial statements prepared in accordance with the IFRS – which is the case of LWB – the issuers must embed XBRL tags into these statements; currently the tagging requirement refers to basic components of the financial statements, i.e. statement of financial position, profit and loss account and the statement of comprehensive income, statement of changes in equity and statement of cash flows. Preparing statements in the XHTML format allows each type of report to be read through a standard Internet browser, and embedding tags from the uniform taxonomy ensures higher usability and better comparability of financial information.

The Company's internal control system is a multi-step system based on the employees' self-control and functional control at all of the Company's management levels. The most important coordination and supervisory role is played by the Company's governing bodies, i.e. the Management Board and the Supervisory Board.

The financial data that serves as a basis for the preparation of periodic reports is derived from the Company's monthly financial reporting. Once the books for each calendar month are closed, the data is analysed by the Management Board in terms of the financial results for the individual operating areas and the achievement of the Company's business objectives.

The accounting books of Lubelski Węgiel Bogdanka S.A. are maintained using the FINANSE IT finance and accounting system, forming part of the INTEGRA Integrated Management System. It provides conformity of accounting records and legislative regulations. Methods of controlling IT systems ensure comprehensiveness and certainty of undisturbed accounting information, and authorisation of all transactions. The systems used are password protected against access by unauthorised persons and have functional access restrictions. Source documents, on which entries in the accounting books are based, are checked as part of the so-called functional supervision performed by units substantively responsible for the transactions executed. This procedure is handled

with the use of Electronic Document Circulation system. Prior to recording a document, the accounting and finance personnel conduct the final check.

The process of drawing up the Company's financial statements is supervised by the Vice-President for Economic and Financial Affairs, in charge of the finance and accounting personnel responsible for verification and recording of business events in the Company's accounting books and for generating the data required for the financial statements.

The internal control system and the risk management system are subject to assessment by a separate organisational unit, i.e. the Internal Audit Department, to be carried out during audit and control activities. The Internal Audit Department operates under conditions which guarantee objectivity and independence. It is directly supervised by the President of the Management Board, and is independent of operational functions.

Audit tasks at LW Bogdanka S.A. are carried out in compliance with the Audit Plan adopted by virtue of a resolution of the Management Board and approved by the Supervisory Board. The Plan has been developed on the basis of the risk assessment conducted in relation to individual areas of the Company's operations.

Audit results, recommendations and reports on the implementation of such recommendations (covered by the effective monitoring process by the Internal Audit Department) are submitted to the Company's Management Board on an ongoing basis and periodically (at least twice a year) to the Audit Committee of the Supervisory Board. Audit reports contain an assessment of control mechanisms, a risk analysis and a recommendation regarding streamlining of control mechanisms.

In addition to scheduled audits also review audits are carried out in relation to recommendations from earlier audits as well as ad-hoc audits on a motion of the Management Board or the Supervisory Board's Audit Committee.

As a result of the audit tasks carried out in 2020, the Company's Management Board has taken appropriate actions to remove any discovered irregularities, implemented remedial actions to eliminate ineffective control mechanisms and minimise potential risks to the processes that were covered by the audit, and enforced the necessary disciplinary measures.

The Supervisory Board is of the opinion that the risk management and internal control systems in place at LW Bogdanka S.A. in 2020 ensured security of the Company's operations. The Management Board accurately identified the risks related to the activities of LW Bogdanka S.A., monitored them on an ongoing basis and managed them effectively, and the activities carried out by the Internal Audit Department contribute to enhancing the internal control system and its constant development.

6. Assessment of the risk management system

Risk management process means:

- ensure security of the Company's operation, and
- ensure effectiveness of decisions focused on the maximisation of profit at an acceptable level of risk.

The basic documents of the corporate risk management system in place at the Company include the following:

- Corporate Risk Management Policy at the ENEA Group,
- Corporate Risk Management Methodology at the ENEA Group,
- LW Bogdanka Corporate Risk Register,
- Reports of Risk owners at LW Bogdanka - Key and Major Risks (with a Plan to Handle Corporate Risk).

As part of the integration process within the Enea Group, LW Bogdanka S.A., in line with the relevant Group regulations, i.e. the applicable "Secondary Documents", has implemented since January 2018 the ERM system to be applied in the Group companies.

In accordance with the rules applicable within the Group, on 1 January 2021, LWB S.A. updated, once again, the LWB S.A. Risk Register in which, as at 31 December 2020, 234 risks were recorded in all areas of business operations pursued by the enterprise, including 7 key risk, 55 major risks, and 172 minor risks. The Company provides the Supervisory Board and the Audit Committee with information – the Report on LWB Risk Update, in accordance with the Enea Group's ERM Method.

In subsequent periods, the system will be further adapted to the needs, its role and effectiveness will be increased based on the existing experience and outcome of the system.

The risk management system of the Company includes:

- the ENEA Group Risk Committee,
- the Supervisory Board of the Company,
- the Management Board of the Company,
- the Audit Committee,
- Managers/Heads of the Company's organisational units – Risk Owners,
- The Risk Management Department of LW Bogdanka S.A.

The process of managing the Company's corporate risk is divided into:

1. Business environment – the risk management system of the Company covers all areas of the business.
2. Goals and tasks – the system is aimed at identifying potential risks and opportunities for the enterprise.
3. Risk identification – risks are identified by Risk Owners (persons holding managerial/head positions in the organisation).
4. Risk analysis – risks are evaluated in accordance with predetermined scales of probability and potential impact of risk materialisation in three areas.
5. Risk estimation – risks that received a total score in excess of a certain value are considered key risks – significant for the Company's business.
6. Risk handling – for the key risks, actions/plans aimed at minimising them and mitigating the possible effects of their occurrence are established and accepted by the Management Board.

According to the Supervisory Board, the Company properly manages, using the currently applicable system, the risks significant from the point of view of its objectives, correctly identifying and monitoring significant threats to the achievement of the Company's tasks, as well as taking proper actions aimed at minimising them.

7. Assessment of the compliance system

The Compliance Policy Department of Lubelski Węgiel Bogdanka S.A. manages the risk of non-compliance with laws, internal regulations and ethical standards. The mission of the Compliance Policy Department is to constantly promote organisational culture in the Company, which will reduce possible legal and reputational risks to a minimum.

In 2020 the following updated, compliance-related documents were introduced for application in the Company:

- Compliance Policy of Lubelski Węgiel Bogdanka S.A.,
- Policy of reporting breaches at Lubelski Węgiel Bogdanka S.A.

The compliance system covers three main areas:

- acting in compliance with the law,
- acting in compliance with internal regulations,
- observing ethical standards and values.

Compliance with the law is ensured in the Company by making third-party legal advice available to employees performing their duties. The Company provides legal assistance via lawyers specialising in matters related to the current operations of the Company, such as tendering, labour law and social security, and other strategic areas of the Company's operations. The Company's employees shall appoint: the Company's employees, in order to act in accordance with the law, are obliged to consult all legal matters with lawyers, who, importantly, remain at their disposal during legal clinics on Company premises.

Compliance with the Company's internal regulations is ensured via an electronic internal BPM document database, which can be accessed by all employees of the Company. The system is managed by the Compliance Policy Department, which is obliged to immediately enter documents into the system, update their status, handle submitted requests for changes to documents, and coordinate the review of current documents. The Compliance Policy Department also maintains a register of documents made available in the BPM system. Electronic access to the Company's internal documents allows employees to read them; employees are notified as soon as a new internal regulation is introduced.

Compliance with the ethical values followed by the Company is particularly important for minimising the risk of compromising the Company's reputation and good name, as well as ensuring proper relations between the Company's employees based on mutual respect. In connection with the above, the Compliance Policy Department undertakes a number of actions aimed at consolidating and reminding employees about the ethical standards in force at the Company through employee training, articles in internal newspapers and posters.

In addition, the Compliance Policy Department conducts explanatory proceedings with respect to reported breaches mainly regarding relations between the supervisor and the employee, difficult relations and communication between employees within a team, inappropriate behavior, disruptions to crew returns to the surface, use of obscenities, disagreements between managers.

In 2020, the reported incidents were in majority resolved through meetings, disciplinary discussions and dialogue between the resolving teams and the interested parties. The results of the conducted explanatory procedure were presented to the Vice-President of the Management Board responsible for Employee and Social Affairs.

Further, the Company uses external support, which involves preparation of documents regulating the compliance system and updating existing procedures to adapt them to, among other things, the Best Practice of WSE Listed Companies and the standards recommended for the compliance management system in the field of anti-corruption and whistleblower protection in companies listed on markets organised by the Warsaw Stock Exchange.

In the opinion of the Supervisory Board of Lubelski Węgiel Bogdanka S.A., the Compliance Policy Department, as part of the introduced compliance system, correctly manages the risk of non-compliance with the law, internal regulations, and ethical standards.

8. Information on periodic assessment of Exempt Transactions

In the reporting period Exemptions referred to in the "Procedure of periodic assessment by the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of transactions with related entities" were not applied, therefore the Management Board of LW Bogdanka S.A. applied for consent to the Supervisory Board in relation to all Material Transactions concluded with the related entities, hence the Register which was positively assessed by the Supervisory Board by way of Resolution No. 46/XI/2021 of 24 March 2021 contains only the transactions which were notified to and approved by the Supervisory Board based on documentation presented by the Management Board. At its meeting held on 29 April 2021 the Supervisory Board reviewed the "Procedure of periodic assessment by the Supervisory Board of Lubelski Węgiel Bogdanka S.A. of transactions with related entities", which confirmed the compliance of the Procedure with applicable laws.

9. Reasonableness of the current sponsorship policy

In 2020 the Company conducted sponsorship operations based on the document applicable at the Company: Sponsorship Strategy for LW Bogdanka S.A. – 1 July 2018 – 31 December 2021

Sponsorship activities pursued by LW Bogdanka in 2020 were significantly affected by epidemic situation in Poland as a result of detection of the SARS-Cov-2 virus and its dissemination. Limitations and restrictions imposed by the government to a significant extent hindered and reduced marketing activity, and the sponsorship value for 2020 was reduced by PLN 700,000. It was a result of transferring the amount of PLN 700,000 to the donations budget to allocate it to fighting COVID-19, which has been confirmed by Resolution of the Supervisory Board No. 19/XI/2020 of 6 October 2020.

The main strategic goal of activities in the area of sponsorship is to support the implementation of CSR strategy by strengthening the image of a cultural and sports patron, i.e. a socially responsible enterprise with a presence in valuable initiatives that are crucial for the local community.

The strategic goal is implemented by focusing activities on the Lublin region, in particular the Company's immediate geographical environment; strengthening the Company's reputation as an active patron of socially significant undertakings and initiatives; and building public support for the Company's business activities.

Projects are selected, reviewed, and accounted for in terms of their efficiency and usefulness. The Company undertakes activities in the form of sports sponsorship (projects with the highest commercial potential) and social and cultural sponsorship (projects with the highest social potential).

In 2020, the total amount spent on sponsorship was PLN 6,141,000, while the planned amount was PLN 6,145,000. The sponsorship budget was used in 99.9%. In total, 28 projects were implemented throughout the year, including 12 from the sports budget and 16 from the social & cultural budget.

All sponsorship projects pursued in 2020 translates into advertising, media attention, and building a positive image of the brand and the enterprise.

The sponsorship strategy of LW Bogdanka S.A. includes the following sub-areas:

Sports sponsorship – a tool for the Company's impact on local communities, i.e. getting support from broader social circles. The Company is aware that sports clubs and sport events are key for strengthening the sense of community, and that traditions related to particular events tighten social bonds. Furthermore the projects are selected in such a manner that the sports fans are also key stakeholders of the Company (mostly the employees and local community from the area of impact). In 2020 the Company completed the total of 12 projects in the field of sports sponsorship, including with key entities:

- a) Górnik Łęczna S.A. (along with the Górnik Łęczna Foundation) – the club participating in men's football matches at the 'Fortuna' level in the 1st League. In 2020 the club advanced to the second match level. The entity has historical relationships with the mine, the town and the powiat, and the team fans are, in majority, the employees of the LW Bogdanka Group. This club also runs the Sports Academy, teaching more than 500 children from Łęczna and the region of Łęczna, and a Sports Championship School (having the status of a secondary school - a secondary school with a football profile), the first school of this kind in the Lublin province.
- b) MGKS Gwarek Łęczna, which is an amateur boxing sports club for children and teenagers only, representing boxers who have a good success rate in boxing tournaments on national level. More than 50 boxers, male and female, participate in the club .

- c) Local motor sports projects, popular and well received on a regional scale, i.e. the speedway team Motor Lublin which takes part in PGE Ekstraliga speedway events and 17-years-old Szymon Ładniak, one of the most talented drivers of the young generation.
- d) Miejski Klub Sportowy Avia Świdnik – club participating in the events of the Tauron 1st League matches of men’s volleyball In 2020 the club advanced to the second tier of the highest match class. The sponsorship project includes training for children and youth.

Social and cultural sponsorship – the Company’ tool for impacting local communities in the region through support of opinion leaders as well as the sponsorship of important social, cultural, scientific, technical and other events of significance for the social image of the brand. In 2020, the Company completed 16 projects in the field of social and cultural sponsorship cooperating two known and praised cultural institutions from the Lublin area, namely: H. Ch. Andersen Theatre and Musical Theatre. Moreover, the Company completed sponsorship projects cooperating with various institutions, including Lublin Radio, Wirydarz Art Gallery, and the Maria Curie-Skłodowska University.

The correct execution of the sponsorship strategy was supervised in 2020 by the Vice-President of Management Board responsible for Employee and Social Affairs, along with the reporting Marketing Department, and all decisions regarding the Company’s involvement in sponsorship projects were taken by the Company’s Management Board via adequate resolutions.

Payments to beneficiaries are monitored on an on-going basis through the following measures: any sponsorship money is paid out either in instalments or upon the completion of a given project, the sponsor is presented a detailed breakdown of expenses (as earmarked) and reports (an overview of project execution and promotional activities benefiting the Company), the Company is entitled to terminate sponsorship contracts unilaterally.

Effectiveness of sponsorship activities

In 2020, the Company contracted Pentagon Research Konrad Pudło of Wrocław to study the effectiveness of its sponsorship activities. The report “*Value of Lubelski Węgiel Bogdanka brand exposure*” shows that key sponsorship projects of 2020 were profitable. The total value of the Lubelski Węgiel Bogdanka brand exposure in the context of sponsorship projects under analysis was PLN 13,837,651, and the total number of instances when the LW Bogdanka brand was made visible was 123,516.

- The main beneficiary of funds from the Budget, Górnik Łęczna S.A. (2020 contract value: PLN 4,800,000) achieved ROI at a level of 1.93. The total value of the LW Bogdanka brand exposure in the context of sponsorship projects of Górnik Łęczna was PLN 9,278,183.
- The most efficient sponsorship project was the sponsorship of the Motor Lublin speedway team. Funds paid in 2020 amounted to PLN 400,000, while the value of brand exposure was PLN 3,068,625, and ROI achieved 7.67.
- Only one sponsorship project turned out not to be profitable, namely boxing club MGKS Gwarek Łęczna. From the moment of its foundation, Gwarek Łęczna has been the sole amateur boxing club in the Łęczna powiat, providing training for young boxing adepts, often coming from poor or difficult environment, for whom boxing is a chance for normal functioning within the society.

The Supervisory Board is of the opinion that the Company’s sponsorship policy pursued in 2020 complies with the adopted guidelines, including the Sponsorship strategy documents and guarantees performance of the Company’s sponsorship and CSR objectives.

10. The assessment of the manner in which the Company fulfills disclosure requirements regarding corporate governance, as defined in the WSE's Rules of Procedure and in the regulations regarding current and periodic information provided by the issuers of securities

In 2020, LW Bogdanka S.A. complied with the new "Best Practice for WSE Listed Companies" (hereinafter: "Best Practice for WSE Listed Companies"), attached as an appendix to Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 13 October 2015. The Best Practice for WSE Listed Companies is available on the WSE website devoted to corporate governance: <https://www.gpw.pl/dobre-praktyki>.

Due to the fact that the Prime Minister did not define any good practices in the field of corporate governance, as referred to in Article 7.3 of the Act on the principles of management of state-owned assets, in 2020 the Company did not use any practices other than those indicated in the Best Practice for WSE Listed Companies.

The Company applies most of the corporate governance principles. However, due to the fact that some of the rules may cause excessive financial strain on LW Bogdanka S.A. that would dominate the potential benefits arising from market needs, in 2020 the Company departed from the application of some of the corporate governance rules and one recommendation as specified below.

In 2020 the Company did not apply the following rules:

1. Part. I. Information policy and communication with the investors - I.Z.1.15. – "information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website".
2. Part. IV. General Shareholders Meeting and relations with shareholders - IV.R.2 – "If justified by the shareholding structure or expectations of Shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a General Shareholders Meeting to proceed efficiently using electronic communication means, the company should enable its Shareholders to participate in a General Shareholders Meeting using such means, in particular through:
 - transmitting the session of the General Shareholders Meeting in real time,
 - two-way communication in real time, allowing Shareholders to make statements during the General Shareholders Meeting whilst being in a different place from the venue of the General Shareholders Meeting,
 - exercise of the right to vote during the General Shareholders Meeting either in person or through a plenipotentiary." IV.R.2

Apart from communicating through the EBI system, LW Bogdanka S.A. also maintains a website where all the information regarding the Code of Best Practice for WSE Listed Companies is posted. In order to facilitate access to information, any Corporate Governance-related items are published on a separate subpage.

In accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent, the Company in 2018 published an annual "Statement on Application of Corporate Governance" in its website <http://ri.lw.com.pl/lad-korporacyjny> and in the Directors' Report on Operations of LW Bogdanka S.A. and of the LW Bogdanka Group for 2020.

The Supervisory Board monitors, on an ongoing basis, the correct execution by the Company of disclosure requirements with respect to the application of Corporate Governance principles.

The Supervisory Board has positively assessed the application by the Company of Corporate Governance principles as provided for in the Code of Best Practice for WSE Listed Companies 2016 and finds that the Company duly fulfils relevant disclosure requirements.

11. Summary

LW Bogdanka S.A. stands out in the industry as regards its financial performance and efficiency, therefore the Supervisory Board evaluates the situation of the Company as stable. As one of the most efficient hard coal mines in Poland and domestic leader on the market of thermal coal producers, LW Bogdanka S.A. is in a situation enabling it to further strengthen its strategic position, increase profitability and create value for the shareholders. Due to significant alteration of conditions on domestic and international markets in 2020, the Company decided to verify the assumptions made with respect to strategy adopted in 2017 by revising it until 2030 under the 2040 framework. On 16 December 2020 the Company adopted a "Development Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2030 (under the 2040 framework) which reflects Poland's 2040 Energy Policy and constitutes a link in the 2030 Development Strategy of the Enea Group (under the 2035 framework) as it covers, among other things, activities to meet the assumed demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group.

VII. Report on the assessment of the Directors' Report on Operations of LW Bogdanka S.A. in 2020 and of the LW Bogdanka Group in 2020, containing the statement on non-financial information, the separate financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020, the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2020, and the motion of the Management Board regarding distribution of net profit for the financial year 2020

Pursuant to the provisions of Article 382.3 of the Commercial Companies Code and Article 17.1.1 of the Articles of Association, the Supervisory Board of Lubelski Węgiel Bogdanka S.A. made a review and an assessment of:

1. Directors' Report on Operations of Lubelski Węgiel Bogdanka S.A. and of the Lubelski Węgiel Bogdanka Group for 2020, containing a statement on non-financial information.
2. Separate Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020, including:
 - statement of financial position (balance sheet) prepared as of 31 December 2020, showing a balance-sheet total under assets and equity and liabilities in the amount of PLN 4,328,189,000;
 - income statement for the period from 1 January 2020 to 31 December 2020, showing net profit in the amount of PLN 70,050,000;
 - statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 showing a total comprehensive income in the amount of PLN 68,497,000;
 - statement of movements in the equity for the period from 1 January 2020 to 31 December 2020, showing an increase in the equity by PLN 68,497,000;
 - statement of cash flows for the period from 1 January 2020 to 31 December 2020, showing a net decrease in cash and its equivalents by PLN 150,117,000;
 - notes, detailing for the adopted accounting policy, as well as additional information.
3. Consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2020, including:

- consolidated statement of financial position (balance sheet) prepared as of 31 December 2020, showing a balance-sheet total under assets and equity and liabilities in the amount of PLN 4,375,263,000;
- consolidated income statement for the period from 1 January 2020 to 31 December 2020, showing net profit in the amount of PLN 72,962,000;
- consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 showing a total comprehensive income in the amount of PLN 71,325,000;
- consolidated statement of movements in the equity for the period from 1 January 2020 to 31 December 2020, showing an increase in the equity by PLN 71,325,000;
- consolidated statement of cash flows for the period from 1 January 2020 to 31 December 2020, showing a net decrease in cash and its equivalents by PLN 141,130,000;
- notes, detailing for the adopted accounting policy, as well as additional information.

As a result of the analysis and on the basis of the auditor's report conducted by chartered auditors, as well as the opinion of the Audit Committee, the Supervisory Board states as follows:

The separate financial statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2020 and the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2020 in all material aspects were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The financial statements subject to assessment comply, in form and content, with the applicable provisions of law and the Company's Articles of Association, and clearly and reliably present all information necessary for evaluating the Company's profitability and operating profit (loss) for the 2020 financial year, as well of the Company's financial and economic situation as at 31 December 2020. Both the Directors' Report on Operations of Lubelski Węgiel Bogdanka S.A. and the Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group for 2020, including a statement on non-financial information, contain information on the Company that is true, consistent with the data contained in the financial statements, and they fully and reliably present the Company's situation, including all important events.

Considering the above, the Supervisory Board gives a positive assessment to the abovementioned reports, and recommends that the Annual General Shareholders Meeting of Lubelski Węgiel Bogdanka S.A. approves them.

The Supervisory Board positively assesses the Management Board's motion to the Annual General Shareholders Meeting regarding the distribution of net profit for 2020, according to which the net profit generated by the Company in 2020 in the amount of PLN 70,049,565.74 will be in full allocated to the Company's reserve capital.

VIII. Relations of the Management Board with trade unions

Four union organisations operate at the Company.

As at 31 December 2020, the size of the individual trade unions was as follows:

- Trade Union of Miners in Poland – 1,561 members,
- "Solidarność" Independent Self-Governing Trade Union – 1,007 members,
- "Przeróbka" Trade Union – 347 members,
- "Kadra" Trade Union – 335 members

At the end of 2020, the number of staff employed at the Company amounted to 4,922 persons. In total, 3,164 employees were members of trade union organisations, which constitutes 64.3% of the total

head count at the Company. Cooperation of the Management Board of LW Bogdanka S.A. with the management boards of union organisations is constructive.

Union organisations participate in decision-making to the extent provided for by the law.

IX. Cooperation of the Supervisory Board and the Management Board of the Company

Within the framework of rights and powers held, the Supervisory Board monitored the Management Board's implementation of the Company's goals for 2020, analysing and assessing issues raised at meetings by the Company's Management Board.

The Supervisory Board has a positive opinion of its work with the Company's Management Board in 2020 and of the administrative and organisational aspects of the work of both the Supervisory Board as well as of the Audit Committee.

The Supervisory Board has assessed positively the operations of the Company's Management Board within the audited period, and moves to the General Shareholders Meeting that discharge be granted to the members of the Company's Management Board in respect of their duties. The grounds for such opinion are formed by the Company's performance and its implementation of investment goals.

In the reporting period, the Supervisory Board exercised continuous supervision over the Company's activities in all areas of its operations. Its activities included the analysis of the financial results, and the analysis of information concerning the Company's operations, provided by the Management Board.

Members of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. exercised due diligence in performance of their duties, using knowledge and experience within the scope of running and supervising commercial companies. Due to their high competence and engagement of individual Board members and efficient organisation, the Supervisory Board effectively performed its duties provided for in the Articles of Association.

Remuneration of the Supervisory Board members was:

- defined by virtue of Resolution No. 5 of the Extraordinary General Shareholders Meeting of 7 March 2017;
- amended by virtue of Resolution No. 30 of the Annual General Shareholders Meeting of 26 June 2017;
- and Resolution No. 4 of the Extraordinary General Shareholders Meeting of 17 October 2019.

In accordance with the adopted resolutions, the monthly remuneration of the members of the Supervisory Board is a product of the calculation basis referred to in the Act on the rules for determining the remuneration of persons managing certain companies dated 9 June 2016, with due account taken of the applicable detailed provisions of law having impact on the amount thereof, and the multiplier 1.2.

Moreover, in relation to the Enea Group regulations, the representatives of the Enea Group in the Supervisory Board of the Company are not entitled to remuneration.

In 2020 no changes were introduced to the basis of calculation of LW Bogdanka S.A. Supervisory Board members' remuneration, which was related to the introduction of the Act on specific solutions serving the implementation of the budget act for 2020, dated 13 February 2020 (Article 31).

Additionally, the Annual General Shareholders Meeting of the Company by virtue of its Resolution of 29 July 2020, adopted Remuneration policies for the members of the supervisory body and management body at LW Bogdanka S.A., which specified the rules of remuneration of the Company's Supervisory Board.

A total gross remuneration paid to the Supervisory Board Members for performing their duties in the Company in 2020 amounted to PLN 490,900. The Company shall cover the costs incurred by the members of the Supervisory Board in connection with their performance of duties, and in particular the cost of travel to take part in the Supervisory Board's meeting, accommodation and subsistence. In 2020, the total costs mentioned above amounted to PLN 4,888.73.

The Supervisory Board applies to the Annual General Shareholders Meeting for reviewing and approving this Report and granting discharge to the members of the Supervisory Board in respect of performance of their duties in the financial year 2020.

The Supervisory Board of Lubelski Węgiel Bogdanka S.A. with registered office in Bogdanka:

- | | | |
|----------------------|---------------------------------------------|-------|
| 1. Anna Chudek | Chairperson of the Supervisory Board | |
| 2. Marcin Jakubaszek | Deputy Chairperson of the Supervisory Board | |
| 3. Szymon Jankowski | Secretary of the Supervisory Board | |
| 4. Dariusz Batyra | Member of the Supervisory Board | |
| 5. Krzysztof Gigol | Member of the Supervisory Board | |
| 6. Iwona Golden | Member of the Supervisory Board | |
| 7. Bartosz Rożnawski | Member of the Supervisory Board | |
| 8. Michał Stopyra | Member of the Supervisory Board | |
| 9. Grzegorz Wróbel | Member of the Supervisory Board | |

Bogdanka, 27 May 2021