




PGE Polska Grupa Energetyczna S.A.



Report on the remuneration
of the Members of the Management
Board and the Supervisory Board
of PGE Polska Grupa Energetyczna S.A.
for the years 2019-2020

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1. Introduction

Pursuant to Article 36 of the Act of 16 October 2019 amending the Act on public offering, conditions governing the introduction of financial instruments to an organised trading system and public companies, as well as certain other acts, the Supervisory Board of PGE Polska Grupa Energetyczna S.A. presents this report on remuneration referred to in Article 90g(1) of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to an organised trading system and public companies (the Public Offering Act) for the years 2019-2020.

In force in PGE Polska Grupa Energetyczna S.A., the policy of remuneration of Members of the Management Board and the Supervisory Board (the Policy) was adopted by resolution no. 9 of the Ordinary General Meeting of the Company of 26 June 2020. This is the first Policy adopted in the Company within the meaning of the Public Offering Act. Before the date of adoption of the Policy, the Company had not had a remuneration policy for Members of the Management Board and the Supervisory Board within the meaning of the Public Offering Act.

The previous principles of determining remuneration of Members of the Management Board were established by way of resolution no. 4 adopted by the Extraordinary General Meeting on 2 December 2019 and concerning the principles of determining remuneration of Members of the Management Board and the revocation of resolution no. 4 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 14 December 2016 and concerning the principles of determining remuneration of Members of the Management Board, as well as the revocation of resolution no. 37 adopted by the Ordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 27 June 2017 and concerning an amendment to resolution no. 4 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna S.A. on 14 December 2016.

The previous principles of determining remuneration of Members of the Supervisory Board were established by way of resolution no. 5 adopted by the Extraordinary General Meeting on 2 December 2019 and concerning an amendment to resolution no. 5 adopted by the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna on 14 December 2016 as well as the principles of determining remuneration of Members of the Supervisory Board.

The aforementioned principles of determining remuneration of Members of the Management Board and the Supervisory Board were included and maintained in the Policy due to the fact that the shaping of the remuneration policy in the Company is determined by not only the provisions of the Public Offering Act but also the provisions of the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies (the Remuneration Act).

2. Applicable principles of determining remuneration of Members of the Management Board

The total remuneration of a Member of the Management Board consists of a fixed part constituting a basic monthly remuneration expressed as a fixed amount ("Fixed Remuneration") and a variable part constituting a supplementary remuneration for the Company's financial year ("Variable Remuneration"). This is without prejudice to the possibility of granting a Member of the Management Board other pecuniary or non-pecuniary benefits permitted under the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies.

Only the Fixed Remuneration constitutes an obligatory part the remuneration payable to Members of the Management Board.

2.1. Fixed Remuneration of Management Board Members

The amount of the monthly Fixed Remuneration of a Member of the Management Board is determined each time by the Supervisory Board within the amount range resulting from the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies, with the proviso that the Fixed Remuneration of a Member of the Management Board will be determined within the amount range of from 7 to 15 times the assessment basis referred to in Article 4 of the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies, taking into account the applicable detailed legal regulations determining its amount.

2.2. Variable Remuneration (variable components of remuneration)

1. The Variable Remuneration of a Member of the Management Board depends on a degree to which Managerial Objectives have been achieved and may not exceed 100% of the Fixed Remuneration received by a Member of the Management Board in the financial year for which the Variable Remuneration is to be granted.
2. The catalogue of general Managerial Objectives includes in particular the following:
 - a) the achievement of EBITDA for the PGE Capital Group at the level specified in the approved material and financial plan for a given financial year;
 - b) compliance with the covenants under credit agreements – (net debt/EBITDA);
 - c) the achievement of the required availability index for the selected power generation units of the Capital Group;
 - d) the implementation of particular strategic investment projects and programmes;
 - e) the adjustment of the Capital Group to the structural changes of the sector by way of implementing strategic programmes and projects other than those referred to in letter d) above;
 - f) the effective utilisation of the potential of innovation;
 - g) the development of a systemic approach to communication within the PGE Capital Group with respect to projects.
3. In each financial year, additional Managerial Objectives are established whose achievement determines the possibility of achieving the Variable Remuneration. Such additional Managerial Objectives include in particular:
 - a) the development and application of the principles of determining remuneration for members of management and supervisory bodies in subsidiaries in accordance with the principles specified in the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies,

- b) the fulfilment of the obligations referred to in Articles 17-20, Article 22, and Article 23, taking into account Article 18a and Article 23a of the State Property Management Act of 16 December 2016.
4. The Supervisory Board is authorised to determine detailed Managerial Objectives, their respective weights, as well as objective and measurable criteria of their accomplishment and settlement (KPI – key performance indicators), subject to the following conditions:
 - a) a given Member of the Management Board is entitled to the Variable Remuneration after the approval of the Management Board's report on the Company's activities and the Company's financial statements for a given financial year and after the acknowledgement of their discharge of duties in a given financial year by the General Meeting;
 - b) the payment of a part of the Variable Remuneration may be delayed for up to 36 months depending on the fulfilment of conditions, by a specified deadline, in accordance with the established Managerial Objectives; then such a part of the Variable Remuneration may be paid in full or in part at the end of a settlement period;
 - c) the Variable Remuneration is calculated on a pro rata basis. Proportionality depends on the number of days on which a Member of the Management Board has provided their services in a given financial year;
 - d) the Supervisory Board ascertains the fulfilment of the conditions for the granting of the Variable Remuneration by particular Members of the Management Board for whom Managerial Objectives have been established for a given financial year and who have performed their functions in the year under assessment, determining the due amount on the basis of financial statements reviewed by certified auditors as well as other documents, depending on the established Managerial Objectives. Issues related to the recovery of the Variable Remuneration are regulated by the binding provisions of the law.
5. The expiry of the mandate of a Member of the Management Board undergoing assessment with respect to the achievement of the Managerial Objectives does not result in the loss of the right to receive the Variable Remuneration under the conditions specified in clauses 1-4 above, provided that such a Member of the Management Board has performed their functions for a period longer than 3 (three) months in the financial year under assessment.
6. The criteria for awarding the Variable Remuneration defined above in terms of general Managerial Objectives also apply (at a detailed level determined by the Supervisory Board) to taking into account social interests, the Company's and the Capital Group's contributing to environmental protection and taking actions aimed at preventing and eliminating negative social effects of the Company's and the Capital Group's operations by modernising the Company and the Capital Group. The criteria specified in Managerial Objectives are to contribute to the achievement of the objectives set out in Article 90g(1) of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to an organised trading system and public companies by linking the remuneration to the execution of management processes involving the implementation of the business strategy of the Company and the Capital Group.

2.3. Agreements with Management Board Members, their terms, and severance benefits

1. With a Member of the Management Board, the Company enters into an agreement for the provision of managerial services for the duration of appointment ("Agreement"). A Member of the Management Board is obliged to provide such services in person. The Agreement is entered into within the scope of business activities conducted by a Member of the Management Board.
2. The content of the Agreement is determined by the Supervisory Board pursuant to the provisions of the Policy and taking into account the relevant legal regulation in force on the date of the execution of the Agreement.

3. The Agreement obliges a Member of the Management Board to notify the Company of any intention to perform functions in the governing bodies of any other commercial company or to acquire shares in such a company and to obtain the consent of the Supervisory Body for such actions; the Agreement may provide for a prohibition against performing functions in the governing body of any other commercial company or it may impose other restrictions concerning additional activities of a Member of the Management Board.
4. A Member of the Management Board must not receive remuneration for performing the function of a member of a governing body in companies subsidiary to the Company within the Capital Group, within the meaning of Article 4(14) of the Competition and Consumer Protection Act of 16 February 2007.
5. The Supervisory Board is authorised to determine prohibitions and restrictions referred to in clauses 3 and 4 above, reporting obligations relating to compliance with such prohibitions and restrictions, as well as sanctions for any improper fulfilment of such obligations.
6. In the event of the expiry of the mandate, in particular in consequence of the death, dismissal or resignation of a Member of the Management Board, the Agreement will terminate on the last day of a Member's performing the function without any necessity of additional activities.
7. Either Party has the right to terminate the Agreement with immediate effect in the event of the other Party's material breach of the provisions of the Agreement.
8. Either Party has the right to terminate the Agreement for reasons other than those specified in clause 7 with a notice period of 3 (three) months subject to the condition that if during the notice period there occurs an event referred to in clause 6 and resulting in the termination of the Agreement in consequence of discontinuation in the performance of the function, the Agreement will be terminated pursuant to clause 6.
9. If the Agreement is rescinded or terminated by the Company for reasons other than those specified in clause 7, a Member of the Management Board may be granted a severance pay in the amount not higher than 3 (three) times the Fixed Remuneration provided that such a Member has performed the function for a period of at least 12 (twelve) months before the termination of the Agreement.
10. A Member of the Management Board is not entitled to the severance pay referred to in clause 9 if:
 - a) the Agreement is terminated, rescinded, or amended in consequence of a change in the function performed by a Member in the Management Board;
 - b) the Agreement is terminated, rescinded or amended in consequence of appointing a Member for another term of office of the Management Board;
 - c) a Member is appointed as a Member of the Management Board in a company belonging to the Capital Group;
 - d) a Member resigns from their function.
11. If no agreement has been entered into with a Member of the Management Board, then the relationship resulting from the act of appointment to the Management Board (corporate relationship) will be established for the period of performing a function in the Management Board and will expire in the cases specified in clause 6 above and in other cases indicated in the applicable legal regulations.

2.4. Non-competition agreement and related benefits

1. The Supervisory Board and a Member of the Management Board may enter into a non-competition agreement binding and effective after discontinuation in the performance of the function; such a non-competition agreement may be entered into only if a Member of the Management Board has performed their function for a period of at least 6 (six) months, with the proviso that the amount of a monthly compensation may not exceed 50% of the Fixed Remuneration.
2. Entering into a non-competition agreement after the termination or rescindment of the Agreement is not permissible.

3. The period of the prohibition against competition may not exceed 6 (six) months from the discontinuation of the performance of the function of a Member of the Management Board.
4. Should a Member of the Management Board fail to perform, or improperly perform, a non-competition agreement, such a Member will be obliged to pay the Company a contractual penalty in the amount not lower than the amount of compensation due for the whole non-competition period.
5. In a non-competition agreement, the Supervisory Board is obliged to determine at least activities competitive to those of the Company, the amount of compensation for complying with the prohibition against competition, the deadline for the payment of such compensation, information provision obligations of a Member of the Management Board, as well as cases in which the prohibition against competition becomes ineffective. The Supervisory Board may determine the Company's right to withdraw from a non-competition agreement or the Parties' rights to terminate a non-competition agreement.

2.5. Additional benefits

1. Apart from the remuneration referred to above, the Supervisory Board may additionally, in justified cases, under the Agreement, grant Members of the Management Board the right to additional benefits.
2. In the Agreement, the Supervisory Board will determine the scope and principles of providing a Member of the Management Board with technical equipment and resources constituting the Company's assets and necessary for the performance of the function; the Supervisory Board may also determine limits or a manner of determining limits concerning costs incurred by the Company in connection with providing a Member of the Management Board with such equipment and resources as well as a Member's using such equipment and resources for business purposes.

3. Applicable principles of determining remuneration of Members of the Supervisory Board

1. The remuneration of Members of the Supervisory Board results from the relationship of appointment.
2. The structure of remuneration of persons performing the functions of Members of the Supervisory Board consists of a fixed remuneration determined in connection with the appointment as Chairperson of the Supervisory Board or Member of the Supervisory Board.
3. The monthly remuneration of Members of the Supervisory Board constitutes a product of the assessment basis referred to in the Act of 9 June 2016 on the principles of determining the amount of remuneration for persons managing certain companies and the following factor:
 - a) for the Chairperson of the Supervisory Board – 1.7,
 - b) for other Members of the Supervisory Board – 1.5.
4. Members of the Supervisory Board are entitled to the remuneration referred to above, regardless of the number of convened meetings.
5. No remuneration is due for a month in which a Member of the Supervisory Board has not been present at any properly convened meeting and the absence has not been excused. The Supervisory Board makes a decision to excuse or not to excuse the absence of a Member of the Supervisory Board at a meeting by way of a resolution.

4. Remuneration of the Members of the Management Board for 2019

The remuneration paid to the Members of the Management Board in 2019 resulted from individual managerial contracts. A specimen managerial contract was determined by resolution no. 37 of the Ordinary General Meeting of 27 June 2017. The Policy adopted in 2020 is in line with the principles of determining remuneration of Members of the Management Board, on the basis of which managerial contracts were executed.

In 2019, the Members of the Management Board were paid bonuses for the year 2017. Resolutions concerning a review of the achievement of the bonus targets and the payment of bonuses for 2017 were adopted by the Supervisory Board on 12 November 2019.

In 2019, the Members of the Management Board did not receive any remuneration or benefits from entities belonging to the PGE Capital Group.

In 2019, the Company did not offer benefits to any relatives or friends of the Members of the Management Board.

In 2019, the Members of the Management Board were not entitled to any remuneration or benefits in the form of financial instruments. Furthermore, the Company did not offer pension or early retirement schemes to the Members of the Management Board.

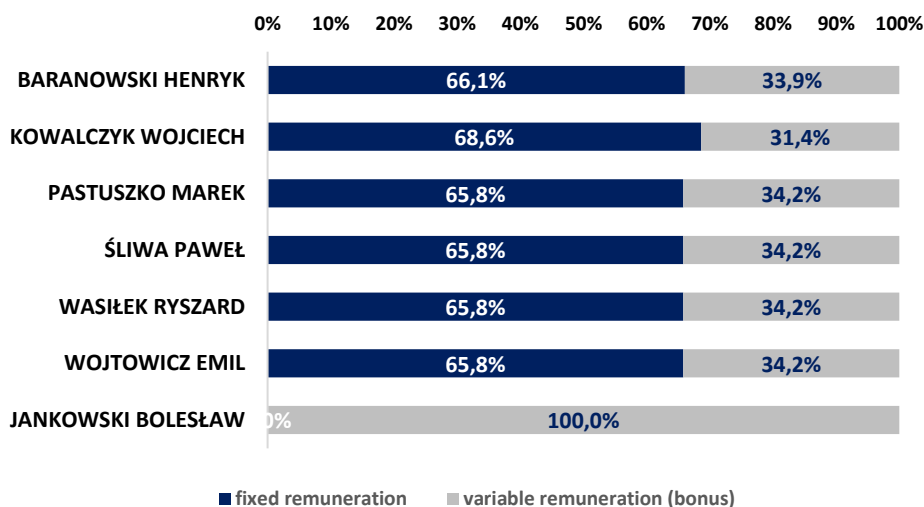
In 2019, the remuneration of the Members of the Management Board was paid in accordance with resolution no. 4 of the Extraordinary General Meeting of 2 December 2019, on the principles of determining remuneration of Members of the Management Board.

Table: Remuneration of the Members of the Management Board for 2019 (PLN)

Surname and Forename	Fixed remuneration Managerial contract	Variable remuneration Bonus for 2017	TOTAL	Ratio of variable to fixed remuneration*	Period in office
Total	4,491,855.60	2,476,344.00	6,968,199.60		
BARANOWSKI HENRYK	792,680.40	407,320.00	1,200,000.40	49.4%	2016.03.31 - 2020.02.19
KOWALCZYK WOJCIECH	739,835.04	338,338.00	1,078,173.04	57.8%	2017.02.14 - 2020.02.19
PASTUSZKO MAREK	739,835.04	384,714.00	1,124,549.04	50.6%	2016.02.25 - 2020.02.19
ŚLIWA PAWEŁ	739,835.04	384,714.00	1,124,549.04	50.6%	2016.03.31 - continued
WASIŁEK RYSZARD	739,835.04	384,714.00	1,124,549.04	50.6%	2016.03.07 - continued
WOJTOWICZ EMIL	739,835.04	384,714.00	1,124,549.04	50.6%	2016.03.15 - 2020.02.19
JANKOWSKI BOLESŁAW	0.00	191,830.00	191,830.00	42.2%	2016.03.31 - 2017.07.01

* The ratio in relation to the remuneration received in the year for which the bonus was paid

Graph: The shares of the remuneration of the Members of the Management Board paid by the Company in 2019



5. Remuneration of the Supervisory Board for 2019

In 2019 the remuneration of the Members of the Supervisory Board was paid in accordance with the principles adopted by resolution no. 37 of the Ordinary General Meeting of 14 December 2016.

In 2019, the Members of the Supervisory Board did not receive any remuneration or benefits from entities belonging to the PGE Capital Group.

In 2019, the Company did not offer benefits to any relatives or friends of the Members of the Supervisory Board.

In 2019, the Members of the Supervisory Board were not entitled to any remuneration or benefits in the form of financial instruments. Furthermore, the Company did not offer pension or early retirement schemes to the Members of the Supervisory Board.

In 2019, the remuneration of the Members of the Supervisory Board was paid in accordance with resolution no. 5 of the Extraordinary General Meeting of 2 December 2019 and concerning an amendment to resolution no. 5 of the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna on 14 December 2016 and concerning the principles of determining remuneration of Members of the Supervisory Board.

Table: Remuneration of the Supervisory Board for 2019 (PLN)

Surname and Forename	Remuneration*
	Supervisory Board
Total	644,713.44
KOWALIK ANNA	89,837.16
GOSS JANINA	79,268.04
HAPUNOWICZ TOMASZ	79,268.04
KUCZYŃSKI GRZEGORZ	79,268.04
SAWARYN MIECZYŚLAW	79,268.04
SAWICKI JERZY	79,268.04
SKŁADANEK ARTUR	79,268.04
WINIARSKI RADOSŁAW	79,268.04

* The data do not include the return of social insurance contributions that are included in the PIT tax return form

6. Remuneration of the Members of the Management Board for 2020

The remuneration paid to the Members of the Management Board in 2020 resulted from individual managerial contracts. A specimen managerial contract was determined by resolution no. 5 of the Extraordinary General Meeting of 2 December 2019. The Policy adopted in 2020 is in line with the principles of determining remuneration of Members of the Management Board, on the basis of which managerial contracts were executed.

Adopted on 26 June 2020, the Policy of remuneration of Members of the Management Board and the Supervisory Board maintains the solutions adopted in resolution no. 5 of the Extraordinary General Meeting of 2 December 2019 and providing for the division of remuneration of Members of the Management Board into a fixed part constituting the basic monthly remuneration and a variable part depending on the achievement of management objectives. The Policy also recognises the rights of particular Members to other entitlements and benefits acquired prior to its effective date.

In 2020, the Members of the Management Board were paid bonuses for the years 2018 and 2019. Resolutions concerning a review of the achievement of the bonus targets and the payment of bonuses for 2018 were adopted by the Supervisory Board on 14 January 2020.

In accordance with the Policy and the provisions of individual managerial contracts, the Supervisory Board gave its consent to the organisation of additional training for three Members of the Management Board, at the Company's expense.

By virtue of their membership in the Polish Electricity Committee, the Company paid committee membership fees of PLN 60 for three Members of the Management Board at the beginning of 2020.

In 2020, the Company did not offer benefits to any relatives or friends of the Members of the Management Board.

In 2020, the Members of the Management Board were not entitled to any remuneration or benefits in the form of financial instruments. Furthermore, the Company did not offer pension or early retirement schemes to the Members of the Management Board.

In 2020, the remuneration of the Members of the Management Board was paid in accordance with the applicable Policy and resolution no. 4 of the Extraordinary General Meeting of the Company of 2 December 2019 on the principles of determining remuneration of Members of the Management Board.

Table: Remuneration of the Members of the Management Board for 2020 (PLN)

Surname and Forename	Fixed remuneration	Variable remuneration	Other components		Remuneration after termination of employment		TOTAL*	Ratio of variable to fixed remuneration**	Period in office
	Managerial contract	Bonus	Benefits	Training	Compensation / Severance pay	Prohibition of competition			
Total	4,516,957.14	4,598,920.00	180.00	18,444.58	753,046.38	656,456.84	10,544,004.94		
DĄBROWSKI WOJCIECH	682,585.90			6,636.84			689,222.74		2020.02.20 - continued
BUK WANDA	246,611.68						246,611.68		2020.09.01 - continued
CIOCH PAWEŁ	628,859.78			10,222.68			639,082.46		2020.02.24 - continued
STRĄCZYŃSKI PAWEŁ	628,859.78			1,585.06			630,444.84		2020.02.24 - continued
ŚLIWA PAWEŁ	801,487.96	758,272.00					1,559,759.96		2016.03.31 - continued
<i>bonus for 2018</i>		373,558.00						50.5%	
<i>bonus for 2019</i>		384,714.00						52.0%	
WASILEK RYSZARD	801,487.96	758,272.00	60.00				1,559,819.96		2016.03.07 - continued
<i>bonus for 2018</i>		373,558.00						50.5%	
<i>bonus for 2019</i>		384,714.00						52.0%	
BARANOWSKI HENRYK	240,006.01	807,560.00	60.00		198,170.10	198,170.10	1,443,966.21	0.0%	2016.03.31 - 2020.02.19
<i>bonus for 2018</i>		400,240.00						50.5%	
<i>bonus for 2019</i>		407,320.00						51.4%	
KOWALCZYK WOJCIECH	162,352.69	758,272.00	60.00		184,958.76	119,195.68	1,224,839.13	0.0%	2017.02.14 - 2020.02.19
<i>bonus for 2018</i>		373,558.00						50.5%	
<i>bonus for 2019</i>		384,714.00						52.0%	

PASTUSZKO MAREK	162,352.69	758,272.00	184,958.76	154,132.30	1,259,715.75	0.0%	2016.02.25 - 2020.02.19
bonus for 2018		373,558.00				50.5%	
bonus for 2019		384,714.00				52.0%	
WOJTOWICZ EMIL	162,352.69	758,272.00	184,958.76	184,958.76	1,290,542.21	0.0%	2016.03.15 - 2020.02.19
bonus for 2018		373,558.00				50.5%	
bonus for 2019		384,714.00				52.0%	

* The data do not include the return of social insurance contributions that are included in the PIT tax return form

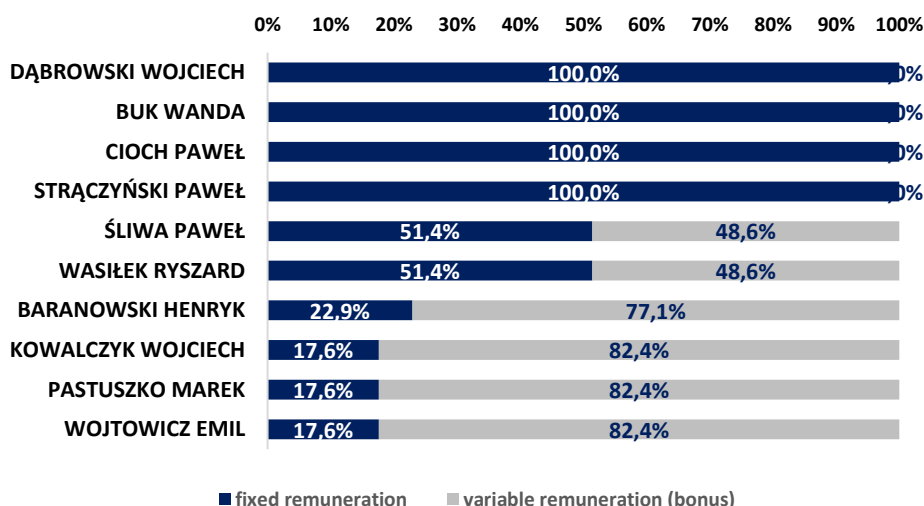
** The ratio in relation to the remuneration received in the year for which the bonus was paid

In 2020, two members of the Management Board received remuneration from their previous employers – entities belonging to the PGE Capital Group – during the period in which they held the position of Member of the Management Board. This remuneration related to periods prior to the period in which they held the position of Member of the Management Board.

Table: Remuneration received in 2020 from previous employers – entities belonging to the PGE Capital Group (PLN)

Surname and Forename	Remuneration from Capital Group entities
Total	591,650.00
STRĄCZYŃSKI PAWEŁ	183,700.00
DĄBROWSKI WOJCIECH	407,950.00

Graph: The shares of the remuneration of the Members of the Management Board paid by the Company in 2020.



7. Remuneration of the Supervisory Board for 2020

In 2019, the remuneration of the Members of the Supervisory Board was paid in accordance with the principles adopted by resolution no. 5 of the Extraordinary General Meeting of 14 December 2016 and concerning the principles of determining remuneration of Members of the Supervisory Board.

The Policy of remuneration of Members of the Management Board and the Supervisory Board adopted on 26 June 2020 maintains the solutions adopted in resolution no. 5 of the Extraordinary General Meeting of 14 December 2016 and determining that the remuneration of Members of the Supervisory Board will depend on the average monthly remuneration in the enterprise sector without payments of rewards from profit in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.

In 2020, the Members of the Supervisory Board did not receive any remuneration or benefits from entities belonging to the PGE Capital Group.

In 2020, the Company did not offer benefits to any relatives or friends of the Members of the Supervisory Board.

In 2020, the Members of the Supervisory Board were not entitled to any remuneration or benefits in the form of financial instruments. Furthermore, the Company did not offer pension or early retirement schemes to the Members of the Supervisory Board.

In 2020, the remuneration of the Members of the Supervisory Board was paid in accordance with the applicable Policy and resolution no. 5 of the Extraordinary General Meeting of 2 December 2019 and concerning an amendment to resolution no. 5 of the Extraordinary General Meeting of the company PGE Polska Grupa Energetyczna Spółka Akcyjna on 14 December 2016 and concerning the principles of determining remuneration of Members of the Supervisory Board.

Table: Remuneration of the Supervisory Board for 2020 (PLN)

Surname and Forename	Remuneration* Supervisory Board
Total	668,233.40
KOWALIK ANNA	93,114.52
GOSS JANINA	82,159.84
HAPUNOWICZ TOMASZ	82,159.84
KUCZYŃSKI GRZEGORZ	82,159.84
SAWARYN MIECZYŚLAW	82,159.84
SAWICKI JERZY	82,159.84
SKŁADANEK ARTUR	82,159.84
WINIARSKI RADOŚLAW	82,159.84

* The data do not include the return of social insurance contributions that are included in the PIT tax return form

8. Company performance in relation to remuneration

8.1. Evolution of the Company's performance in the period 2016-2020

8.1.1. Earnings before interest, tax, depreciation and amortisation (EBITDA)

The Company's EBITDA result in 2015 amounted to PLN 730 million; in the years 2016-2018, the EBITDA result was stable at around PLN 500 million, then in the following two years it reached the level of slightly less than PLN 800 million.

In 2016, the EBITDA result equalled PLN 510 million, which constituted a decrease by 30% compared to the previous year. This was mainly influenced by lower revenue from the sale of electricity (PLN -287 million) and lower revenues from the provision of Commercial Generation Capacity Management (CGCM) services (PLN -35 million). These negative results were partially offset by higher revenue from other activities (PLN +84 million) caused mainly by higher revenues from support/licence agreements.

In 2017, the Company achieved EBITDA of PLN 557 million. This represented an increase of 9% y-o-y, mainly driven by higher revenue from electricity sales (PLN +75 million) in consequence of the margin higher than in the previous year and lower revenue from other operating activities (PLN -26 million).

In 2018, the Company's EBITDA equalled PLN 522 million, which constituted a decrease of 6% compared to the previous year. This was mainly driven by lower revenue from electricity sales (PLN -196 million), lower revenue from other operations (PLN -97 million) mainly due to a decrease in revenues from support/licence agreements and lower revenue from CO2 emission allowance trading (PLN -39 million). These results were offset by higher revenues from the PGE CG companies (PLN +346 million) for the provision of the CGCM service and the Electricity Supply Security (ESS) services under agreements entered into by PGE S.A. with PGE Obrót S.A. (ESS agreement) and PGE Energia Ciepła S.A. (CGCM agreement), as well as an increase in the value of electricity trade managed on behalf of PGE GiEK S.A.

In 2019, the Company's EBITDA amounted to PLN 791 million. Its level compared to the previous year (an increase of 52%) was mainly influenced by higher revenue from CO2 emission allowance trading (PLN +153 million), which resulted mainly from the valuation of forward contracts related to CO2 emission allowance trading, while PLN +104 million resulted from the valuation of free CO2 emission allowances granted to the PGE CG power generation units. In addition, EBITDA was influenced by an increase in revenues from the PGE CG companies (PLN +110 million) for the provision of the Generation Capacity Trading Management service. This resulted from a higher volume and value of electricity trading managed on behalf of PGE GiEK S.A.

In 2020, the Company achieved EBITDA of PLN 724 million, which constituted an 8% decrease on a year-on-year basis. The key factors influencing the decrease in PGE's EBITDA on a year-on-year basis were as follows: Lower revenue from the sales of electricity (PLN -47 million) resulting mainly from the effect of a lower unit margin achieved on trade in electricity in consequence of less favourable changes in electricity sales and purchase prices in the market in 2020 as compared to those in the previous year. Lower revenue from trade in CO2 emission allowances (PLN -90 million) resulting mainly from the valuation of free CO2 emission allowances granted to the PGE CG power generation units performed at the end of 2019 (PLN +104 million). The increase in revenue from the PGE CG companies for the provision of the CHCM and ESS services is due to a higher value of electricity trading managed on behalf of PGE CG companies, which is caused by higher electricity prices and the simultaneously lower volume of electricity managed on behalf of PGE CG companies.

8.1.2. Net profit

Besides EBITDA, the net profit result achieved by PGE S.A. in the particular years was mainly influenced by dividend payments from PGE CG companies and impairment write-downs made on shares and interests held in PGE CG companies.

In 2015, the Company's net profit amounted to PLN 1,768 million and was significantly influenced by dividend payments from PGE CG companies (PLN 1,050 million).

The Company ended 2016 with a net profit of PLN 1,598 million. A decrease by nearly 10% y-o-y was related to lower EBITDA, and the final level of net profit was also influenced by the payment of dividends received from companies belonging to the PGE CG (PLN 1,063 million).

In 2017, the Company's net profit reached the level of PLN 4,544 million and was higher by PLN 2,946 million (184%) compared to that of 2016. This was mainly influenced by higher revenue from dividends (PLN 1,809 million) paid by PGE CG companies as well as a partial reversal of an impairment write-down on shares held in PGE Obrót S.A. (PLN 1,289 million).

In 2018, the Company achieved a net financial result of PLN -203 million, which meant a decrease of PLN 4,747 million compared to the previous year. This was caused mainly by lower revenue from dividends (PLN -2,826 million) paid by PGE CG companies and a partial reversal of an impairment write-down on shares held in PGE Obrót S.A. (PLN 1,289 million), which had been effected in the previous year.

In 2019, the Company achieved a net profit of PLN -1,259 million, which constituted a decrease of PLN 1,056 in comparison to the financial result of 2018. The main reason for the deviation of the net financial result from the previous year's level was a higher impairment write-down on shares and interests held by the Company (PLN -2,266 million). This was partly offset by higher revenue from dividends from PGE CG companies (PLN +904 million).

The year 2020 brought an improvement of more than PLN 3,030 million, which allowed the Company to achieve a net profit of PLN 1,744 million. The improvement in the net profit compared to that achieved in 2019 was mainly due to a higher level of dividends received from PGE CG companies (PLN +514 million) and significantly lower impairment write-downs on shares and interests in PGE CG companies (PLN -2,550 million).

8.2. Fixed remuneration received by Management Board Members

The amount of the fixed remuneration paid to the Members of the Management Board in the years 2015-2020 resulted from the managerial contracts concluded with them. A decrease in the average annual remuneration of the Members of the Management Board in the years 2016 and 2017 resulted from the implementation of the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies.

8.3. Changes in remuneration of employees

Changes in the average remuneration of the Company's employees in the particular years resulted from the following:

- **changes in the organisational structure** introduced in 2017 and 2020,
- **employee remuneration reviews** linked to employee assessments conducted in 2017 and 2019,
- **the performance of agreements with trade unions** regarding changes in salaries in 2019,
- **changes in the Employee Remuneration Principles** introduced in 2017 (these changes included the elimination of the seniority allowance and the jubilee award, which was substituted with a one-off benefit).

Table: The remuneration of the Members of the Management Board in the years 2020-2015 in comparison with the Company's financial result and the average remuneration of employees

	2020	2019	2018	2017	2016	2015
Amount of fixed remuneration received by the Members of the Management Board of PGE S.A. (in PLN)						
Total	4,516,957.14	4,491,855.60	4,491,855.60	5,084,199.68	5,221,909.75	3,948,000.00
<i>Average per Management Board Member per year</i>	<i>713,203.76</i>	<i>748,642.60</i>	<i>748,642.60</i>	<i>753,214.77</i>	<i>882,576.30</i>	<i>987,000.00</i>
<i>change [%] year on year</i>	<i>-4.7%</i>	<i>0.0%</i>	<i>-0.6%</i>	<i>-14.7%</i>	<i>-10.6%</i>	
RESULTS OF PGE S.A. (PLN million)						
Earnings before interests and taxes (EBIT)	712	779	509	541	495	715
Earnings before interest, tax, depreciation and amortisation (EBITDA)	724	791	522	557	510	730
Result from operating activities	1,097	-1,969	-658	4,008	1,179	1,075
including: revenue from dividends	1,464	950	46	2,872	1,063	1,050
Gross profit	1,809	-1,190	-149	4,549	1,674	1,790
Net profit	1,744	-1,259	-203	4,544	1,598	1,768
Total remuneration of employees (in PLN)						
Average	15,880.17	14,824.51	14,495.10	14,786.91	13,613.97	13,531.01
<i>Change [%] year on year</i>	<i>7.1%</i>	<i>2.3%</i>	<i>-2.0%</i>	<i>8.6%</i>	<i>0.6%</i>	