

RESOLUTION NO. 294/XI/2022
OF THE SUPERVISORY BOARD OF GRUPA LOTOS S.A.
of May 19th 2022

concerning: **adoption of the report on the activities of the Supervisory Board of Grupa LOTOS S.A. in 2021**

Acting pursuant to the first sentence of Art. 9.2 and Art. 13.2 of the Company's Articles of Association in conjunction with Art. 3.2 of the Rules of Procedure for the Supervisory Board, as well as pursuant to Rule 2.11 of Best Practice for GPW Listed Companies 2016, having read the following documents:

- the financial statements of Grupa LOTOS S.A. for 2021,
- the consolidated financial statements of the LOTOS Group for 2021,
- the Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group in 2021,

the auditor's opinions and reports attached to the above financial statements, in line with the procedure set out in Art. 388.1(1) of the Commercial Companies Code, the Supervisory Board of Grupa LOTOS S.A. resolves as follows:

Section 1

1. The Supervisory Board adopts the report on the activities of the Supervisory Board of Grupa LOTOS S.A. in 2021, attached as an appendix hereto.
2. The Supervisory Board resolves to submit the report to the Annual General Meeting of Grupa LOTOS S.A.

Section 2

The Supervisory Board requests that the Annual General Meeting grant discharge to the Supervisory Board members in respect of their duties in the financial year 2021.

Section 3

This Resolution shall become effective upon its adoption.

- | | | |
|----------------------|---|----------------------------------|
| 1. Votes in favour: | 6 | Members of the Supervisory Board |
| 2. Votes against: | 0 | Members of the Supervisory Board |
| 3. Abstaining votes: | 0 | Members of the Supervisory Board |

The resolution has been passed by open ballot.

Supervisory Board

1. Beata Kozłowska - Chyła
2. Piotr Ciach
3. Katarzyna Lewandowska
4. Dariusz Figura
5. Katarzyna Maćkowska
6. Grzegorz Rybicki
7. Rafał Włodarski

REPORT
ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF
GRUPA LOTOS S.A.
FOR 2021

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1. TERM OF OFFICE OF THE SUPERVISORY BOARD AND THE SUPERVISORY BOARD'S ACTIVITIES OVER THE YEAR DURING THE TERM OF OFFICE

The Supervisory Board (SB) of Grupa LOTOS S.A. exercises ongoing supervision of the Company's business across all areas of its operations.

The Supervisory Board consists of five to nine Members, including the Chair, Deputy Chair and Secretary.

Members of the Supervisory Board are appointed and removed from office by the General Meeting (GM). Notwithstanding the foregoing, as long as the State Treasury remains a shareholder in the Company, the entity authorised to exercise voting rights attached to the shares held by the State Treasury shall have the right to appoint one member of the Supervisory Board by way of a written statement to that effect. Members of the Supervisory Board nominated by the State Treasury should meet the requirements laid down in *the Act on State Property Management of December 16th 2016 (Dz.U. of 2021, No. 1933, as amended)*.

Members of the Supervisory Board are appointed for a joint term of three years. Any or all Supervisory Board Members may be removed at any time prior to expiry of their term of office.

The Chair of the Supervisory Board is appointed by the General Meeting. The Deputy Chair and the Secretary are elected by the Supervisory Board from among the other Supervisory Board Members.

The Supervisory Board performs its duties collectively, but it may delegate its Members to individually perform certain tasks or functions and may set up ad hoc or standing committees to supervise specific areas of the Company's activities.

Standing Committees of the Supervisory Board include:

- Audit Committee,
- Organisation and Management Committee, and
- Strategy and Development Committee.

The Supervisory Board performs its duties pursuant to:

- the Commercial Companies Code,
- the Company's Articles of Association,
- resolutions of the General Meeting,
- Rules of Procedure for the Supervisory Board.

In addition, in performing their tasks, Members of the Supervisory Board have regard to and strive to comply with the principles set out in the 'Best Practice for WSE Listed Companies', in accordance with the catalogue of principles that the Company has committed to comply with, as stated in EBI Report No. 1/2021 of July 29th 2021.

2. COMPOSITION OF AND POSITIONS HELD ON THE SUPERVISORY BOARD

In the period from January 1st to June 29th 2021, the composition of the Grupa LOTOS Supervisory Board was as follows:

<u>First name and surname</u>	<u>Position held</u>
Beata Kozłowska-Chyła	Chair <i>(appointed as Deputy Chair of the Supervisory Board on June 30th 2020)</i>
Piotr Ciach	Vice-President <i>(appointed as Deputy Chair of the Supervisory Board on July 9th 2020)</i>
Katarzyna Lewandowska	Secretary <i>(appointed as Secretary of the Supervisory Board on July 9th 2020)</i>
Dariusz Figura	Member
Adam Lewandowski	Member
Grzegorz Rybicki	Member

On June 22nd 2021, Mr Adam Lewandowski, Member of the Supervisory Board of Grupa LOTOS S.A. of the 11th joint term of office, resigned from his position with effect as of June 29th 2021.

Subsequently, on June 30th 2021, the Annual General Meeting appointed to the Supervisory Board of the 11th joint term of office Ms. Katarzyna Maćkowska and Mr. Rafał Włodarski, whom the State Treasury - the majority shareholder of the Company - had proposed during the Annual General Meeting.

Accordingly, as at December 31st 2021 and until March 31st 2022, the composition of the Supervisory Board was as follows:

<u>First name and surname</u>	<u>Position held</u>
Beata Kozłowska-Chyła	Chair
Piotr Ciach	Vice-President
Katarzyna Lewandowska	Secretary
Dariusz Figura	Member
Grzegorz Rybicki	Member
Katarzyna Maćkowska	Member
Rafał Włodarski	Member

3. SUPERVISORY BOARD MEMBERS MEETING THE INDEPENDENCE CRITERIA

Beata Kozłowska-Chyła, Chair of the Supervisory Board, and the following Members of the Supervisory Board: Dariusz Figura, Adam Lewandowski, Grzegorz Rybicki and Katarzyna Maćkowska, made representations to the effect that they satisfied the criteria under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), as well as additional requirements stipulated in the 'Best Practice for WSE Listed Companies 2021', as attached to WSE Supervisory Board Resolution No. 13/1834/2021 of March 29th 2021 adopting it.

The Supervisory Board carried out a review to examine whether there were any connections or circumstances that may affect the satisfaction of the independence criteria by particular Supervisory Board Members.

Following the review, the Supervisory Board determined that the above Supervisory Board Members met the independence criteria while serving on the Grupa LOTOS Supervisory Board during the reporting period, in accordance with their respective representations.

4. MATERIAL MATTERS DEALT WITH BY THE SUPERVISORY BOARD; SUPERVISORY BOARD MEETINGS AND RESOLUTIONS

In 2021 the Supervisory Board of the 11th joint term of office held 21 meetings, during which it passed a total of 141 resolutions, including 8 resolutions regarding absence of Supervisory Board Members from a meeting, all found by the Supervisory Board to be authorised.

In the reporting period, the following Supervisory Board Members were absent from meetings held on the dates stated:

- B. Kozłowska-Chyła — May 24th, June 22nd,
- P. Ciach – May 27th,
- K. Lewandowska – August 10th, August 11th,
- G. Rybicki – October 25th,
- R. Włodarski – August 10th.

In addition, in the reporting period, the Supervisory Board actively performed its duties outside of formal meetings, passing 29 resolutions outside of its meetings.

In the reporting period, the Supervisory Board passed a total of 170 resolutions (see Appendix 1 to this Report).

In 2021, the Supervisory Board dealt with matters related to the activities and development of Grupa LOTOS S.A., including:

- ongoing assessment of the Company's economic and financial performance,
- Grupa LOTOS S.A.'s budget for 2021 and the consolidated budget of the LOTOS Group,

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- results of the audit of the financial statements of Grupa LOTOS S.A. and significant subsidiaries for 2020, and the Directors' Reports for 2020; review of the Management Board's proposal concerning coverage of net loss for 2020; and review of the Management Board's report on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees for 2020,
- full-year financial statements for 2021, the Directors' Reports for 2021, and the documents related to the release of the Company's Annual Report for 2021,
- schedule for the issue of periodic reports in the financial year 2021,
- reorganisation of the LOTOS Group's financing,
- internally and externally sourced financing for projects,
- investments intended to advance the technology and technical capabilities of the LOTOS Group, including:
 - major projects carried out at the LOTOS Group,
 - share capital of LOTOS Lab Sp. z o.o.,
- measures taken in connection with the intended acquisition of Grupa LOTOS S.A. by PKN Orlen S.A. (the transaction process and equity integration),
- risk management,
- exploration and production operations and their financing, including:
 - current status of the B3, B8, B4/B6 and YME projects,
 - activities of LOTOS Petrobaltic S.A.,
 - restructuring of the Exploration and Production segment,
 - strategy for exploration and production,
- refinancing of the Company's inventories,
- crude oil supplies,
- diversification of crude oil supplies,
- changes in the composition of the Grupa LOTOS Management Board, including:
 - conduct of recruitment procedures to select Vice President of the Management Board, Mergers and Acquisitions, and Vice President of the Management Board, Chief Investment and Innovation Officer, and their appointment as Vice Presidents until the end of the 10th joint term of office,
 - report on achievement of management objectives for 2020,
- appointment of the Management Board of Grupa LOTOS S.A. of the next joint term of office, including
 - conduct of recruitment procedures to select President and Vice Presidents of the Management Board of Grupa LOTOS S.A. of the 11th joint term of office:
 - removal of the Members of the Management Board of the 10th joint term of office,
 - appointment of President and Vice Presidents of the Management Board of Grupa LOTOS S.A. of the 11th joint term of office,

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- establishing the structure of the Management Board of Grupa LOTOS S.A. of the 11th joint term of office,
- management objectives for 2021 for Members of the Management Board of Grupa LOTOS S.A.,
- management contracts with Members of the Management Board of Grupa LOTOS S.A.,
- reports on costs incurred by Members of the Management Board of Grupa LOTOS S.A. to participate in conferences, seminars, training sessions and business meetings,
- service of Members of the Management Board of Grupa LOTOS S.A. on governing bodies of other entities,
- information on composition of the management and supervisory bodies of the LOTOS Group companies,
- review of the activities of Grupa LOTOS S.A. and the LOTOS Group in 2020, and giving opinions on matters to be submitted for consideration to the General Meeting of Grupa LOTOS S.A., pursuant to the Commercial Companies Code,
- determining how the shares held should be voted at the general meetings of subsidiaries,
- situation related to day-to-day operations of the LOTOS Group companies,
- the Company's marketing, sponsorship and CSR activities, in particular:
 - giving consent to the implementation of sponsorship projects and sponsorship contracts,
 - reports on the delivery of the plan of sponsorship activities of Grupa LOTOS and its subsidiaries,
 - the plan of sponsorship activities for Grupa LOTOS S.A. and its subsidiaries in 2021,
 - sponsorship projects financed from reserve funds,
 - analysis of contracts and expenses incurred by Grupa LOTOS to finance sponsorship, cultural, social and charity activities, and expenses incurred by Grupa LOTOS and its subsidiaries on PR consulting services, marketing services and legal advice services,
 - framework agreements for marketing services,
- a donation to the LOTOS Foundation,
- conclusion and amendment of contracts for the provision of legal advice services,
- conclusion and amendment of contracts for the provision of business consultancy services,
- drafting the consolidated text of the Company's Articles of Association,
- approval of the Rules of Procedure for the Company's Management Board,
- amendments to the Rules of Procedure for the Company's Supervisory Board and its Committees,
- composition of the Committees of the Company's Supervisory Board,
- external inspections at the Company and their findings,
- internal control procedures and their findings,
- reports on the activities of the Internal Audit Office of Grupa LOTOS S.A.,
- audits commissioned by the Company's Supervisory Board,
- the Annual and Long-Term Audit Plan for the LOTOS Group for 2021–2023,
- discussion of correspondence addressed to the Supervisory Board,

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- protection of critical infrastructure,
- communication and cooperation with trade unions (Trade Unions) at the LOTOS Group,
- employee-related issues at the Company,
- situation related to the COVID-19 pandemic.

All activities of the Supervisory Board were documented in the minutes of its meetings and the resolutions passed by the Supervisory Board. A list of the Supervisory Board resolutions is attached to this Report.

The Supervisory Board also actively participated in the sharing of views and opinions during meetings attended by representatives of the LOTOS Group management.

4.1 ASSESSMENT OF THE FINANCIAL STATEMENTS OF GRUPA LOTOS, THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LOTOS GROUP AND THE DIRECTORS' REPORT ON THE OPERATIONS OF GRUPA LOTOS S.A. AND THE LOTOS GROUP IN 2021

The Supervisory Board of Grupa LOTOS S.A., relying on its own findings and the recommendation of the Audit Committee, assesses that the full-year financial statements of the Company for 2021, full-year consolidated financial statements of the LOTOS Group for 2021, and the Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group in 2021 are complete, accurate and consistent with the underlying accounting records and supporting documents.

4.2 CONTROL MEASURES TAKEN BY THE SUPERVISORY BOARD AND DELEGATION OF SUPERVISORY BOARD MEMBERS TO THE MANAGEMENT BOARD

In the reporting period, the Supervisory Board did not delegate any of its Members to temporarily serve on the Management Board of Grupa LOTOS S.A. and did not delegate any of its Members to individually perform supervisory functions.

5. SUPERVISORY BOARD COMMITTEES

5.1 AUDIT COMMITTEE – COMPOSITION AND SCOPE OF WORK

The Audit Committee, appointed by the Supervisory Board from among its members, consists of three to five members.

The composition of the Audit Committee from January 1st to June 29th 2021 was as follows:

Audit Committee	Dariusz Figura	The President
	Piotr Ciach	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee
	Adam Lewandowski	Member of the Committee
	Grzegorz Rybicki	Member of the Committee

Following the resignation of Mr Adam Lewandowski as Member of the Supervisory Board of Grupa LOTOS S.A. with effect from June 29th 2021 and appointment of Ms Katarzyna Maćkowska and Mr Rafał Włodarski to the Supervisory Board by the General Meeting on June 30th 2021, on July 21st 2021

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the Supervisory Board appointed a new Audit Committee of the Supervisory Board of Grupa LOTOS S.A., whose composition as at December 31st 2021 was as follows:

Audit Committee	Dariusz Figura	The President
	Piotr Ciach	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee
	Grzegorz Rybicki	Member of the Committee
	Katarzyna Maćkowska	Member of the Committee

In 2021, the Audit Committee held 13 meetings, during which it passed 10 resolutions. In addition, in the period from January 1st to December 31st 2021, in order to ensure effective performance of its duties, the Audit Committee of the Supervisory Board passed 1 resolution outside of its formal meetings.

These resolutions are listed in Appendix 2 to this Report.

During the reporting period, the Audit Committee was involved in or dealt with the following matters:

- 1) economic and financial performance,
- 2) schedule for the issue of periodic reports in the financial year 2021,
- 3) the budget of Grupa LOTOS S.A. and the LOTOS Group for 2021,
- 4) a plan of financial statements audit for 2020,
- 5) the Company's Annual Report for 2020, including the financial statements (both separate and consolidated), the Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group, as well as the documents related to the release of the report,
- 6) a report on the assessment of the reports specified in 4 above,
- 7) the quarterly financial reports and the Grupa LOTOS Management's Discussion and Analysis of consolidated results, released in 2021,
- 8) cooperation with the auditor, including review of the request for an increase of the auditor's fee resulting, among other things, from the need to perform additional audit procedures connected with the release of financial statements in the European Single Electronic Format (ESEF),
- 9) discussion by the auditor of the results of review of the full-year financial statements for 2020,
- 10) assessment of threats to and safeguards of independence of the audit firm Deloitte Audyt Sp. z o.o. Sp. K and giving consent to the provision of permitted non-audit services by Deloitte Audyt,
- 11) the reorganisation concept for the LOTOS Group's financing, including internally and externally sourced funds, relating mainly to projects carried out at the LOTOS Group,
- 12) enterprise risk management,
- 13) the Compliance function at the LOTOS Group,

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- 14) contracts and expenses incurred by Grupa LOTOS S.A. to finance sponsorship, cultural, social and charity activities, and expenses incurred by Grupa LOTOS and its subsidiaries on PR consulting services, marketing services and legal advice services,
- 15) effectiveness of sponsorship engagements (in the context of expenses incurred on marketing and sponsorship activities),
- 16) remedial measures in the processes of concluding and performing marketing research contracts,
- 17) material related-party transactions executed on an arm's length basis in the ordinary course of the Company's business,
- 18) matters falling within the remit of the Internal Audit Office, including:
 - a) the report on the activities of the LOTOS Group Internal Audit Office for 2020 and the first half of 2021,
 - b) findings of the audit tasks performed,
 - c) the annual and long-term audit plan for the LOTOS Group designated as the 'Long-Term Audit Plan for the LOTOS Group for 2021–2023',
 - d) review of the implementation status of post-audit recommendations,
- 19) the report on the activities of the Audit Committee in 2020.

5.2 ORGANISATION AND MANAGEMENT COMMITTEE – COMPOSITION AND SCOPE OF WORK

The Organisation and Management Committee, appointed by the Supervisory Board from among its Members, consists of three to five members.

From January 1st 2021 to June 29th 2021, the composition of the Organisation and Management Committee was as follows:

Organisation and Management Committee	Beata Kozłowska-Chyła	Chair
	Piotr Ciach	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee
	Adam Lewandowski	Member of the Committee
	Grzegorz Rybicki	Member of the Committee

Following the resignation of Mr Adam Lewandowski as Member of the Supervisory Board of Grupa LOTOS S.A. with effect from June 29th 2021 and appointment of Ms Katarzyna Maćkowska and Mr Rafał Włodarski to the Supervisory Board by the General Meeting on June 30th 2021, on July 21st 2021 the Supervisory Board appointed a new Organisation and Management Committee of the Supervisory Board of Grupa LOTOS S.A., whose composition as at December 31st 2021 was as follows:

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Organisation and Management Committee	Beata Kozłowska-Chyla	Chair
	Piotr Ciach	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee
	Grzegorz Rybicki	Member of the Committee
	Katarzyna Maćkowska	Member of the Committee

In 2021, the Organisation and Management Committee held 16 meetings, during which it passed 20 resolutions. In addition, in the period from January 1st to December 31st 2021, in order to ensure effective performance of its duties, the Organisation and Management Committee of the Supervisory Board passed 3 resolutions outside of its meetings, in accordance with the procedure provided for in Section 2.16 of the Rules of Procedure for the Organisation and Management Committee.

These resolutions are listed in Appendix 3 to this Report.

During the reporting period, the Organisation and Management Committee was involved in or dealt with the following matters:

- 1) performance of activities related to recruitment procedures to select Members of the Company's Management Board (except for activities falling within the exclusive powers of the Supervisory Board), for the following positions: Vice President of the Management Board of the 10th joint term of office, Mergers and Acquisitions, Vice President of the Management Board of the 10th joint term of office, Chief Investment and Innovation Officer, President and Vice Presidents of the Management Board of Grupa LOTOS S.A. of the 10th joint term of office,
- 2) changes in the structure of the Management Board of Grupa LOTOS S.A. of the 10th and, subsequently, 11th joint term of office,
- 3) matters related to management contracts, including their conclusion and performance,
- 4) management objectives, including matters related to accounting for performance against the objectives set for Members of the Company's Management Board for 2020 and setting management objectives for Members of the Company's Management Board for 2021,
- 5) matters related to performance by Members of the Company's Management Board of their duties in the period January 1st–December 31st 2020,
- 6) service by Members of the Company's Management Board on governing bodies of other entities,
- 7) requests submitted for the Company to cover the costs of individual training provided to management personnel,
- 8) proposed amendments to the Rules of Procedure for the Company's Management Board and the Company's Articles of Association,
- 9) changes made in the organisational structure of Grupa LOTOS S.A.,

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- 10) members of the management and supervisory bodies of the LOTOS Group companies,
- 11) employee-related issues at the Company, including demands put forward by representatives of the Trade Unions,
- 12) the report on the activities of the Organisation and Management Committee of the Supervisory Board of Grupa LOTOS S.A. in 2020.

5.3. STRATEGY AND DEVELOPMENT COMMITTEE – COMPOSITION AND SCOPE OF WORK

Members of the Strategy and Development Committee, including its Chair, are appointed by the Supervisory Board from among its Members. The Committee consists of three to five members.

From January 1st 2021 to June 29th 2021, the composition of the Strategy and Development Committee was as follows:

Strategy and Development Committee	Beata Kozłowska-Chyła	Chair
	Piotr Ciach	Member of the Committee
	Dariusz Figura	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee
	Adam Lewandowski	Member of the Committee

Following the resignation of Mr Adam Lewandowski as Member of the Supervisory Board of Grupa LOTOS S.A. with effect from June 29th 2021 and appointment of Ms Katarzyna Maćkowska and Mr Rafał Włodarski to the Supervisory Board by the General Meeting on June 30th 2021, on July 21st 2021 the Supervisory Board appointed a new Strategy and Development Committee of the Supervisory Board of Grupa LOTOS S.A., whose composition as at December 31st 2021 was as follows:

Strategy and Development Committee	Rafał Włodarski	Chair
	Piotr Ciach	Member of the Committee
	Dariusz Figura	Member of the Committee
	Beata Kozłowska-Chyła	Member of the Committee
	Katarzyna Lewandowska	Member of the Committee

In 2021, the Strategy and Development Committee held 15 meetings, during which it passed 1 resolution: In addition, in the period from January 1st to December 31st 2021, in order to ensure effective performance of its duties, the Strategy and Development Committee of the Company's Supervisory Board passed 1 resolution outside of its meetings, in accordance with the procedure provided for in Section 2.16 of the Rules of Procedure for the Strategy and Development Committee.

These resolutions are listed in Appendix 4 to this Report.

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During the reporting period, the Strategy and Development Committee was involved in or dealt with the following matters:

- 1) a wide range of matters related to the process of acquisition of Grupa LOTOS S.A. by PKN Orlen S.A.,
- 2) aspects related to the protection of critical infrastructure,
- 3) monitoring of the progress of work on key investment projects carried out at the LOTOS Group,
- 4) contracts concluded for the purposes of investment projects carried out at the LOTOS Group,
- 5) supply of crude oil to Grupa LOTOS S.A.,
- 6) material litigation (e.g. a dispute between LOTOS Petrobaltic S.A. and AGR Subsea Ltd, PERN's claim for a reduction of crude oil storage volumes),
- 7) the implementation status of innovation work,
- 8) monitoring of the delivery of the Company's strategy,
- 9) proposals on how the shares held by Grupa LOTOS S.A. should be voted at the general meetings of companies of the LOTOS Group (with respect to specific types of matters),
- 10) measures taken in response to the declaration in the Republic of Poland of the state of epidemic due to the spread of SARS-CoV-2 infections causing COVID-19,
- 11) the report on the activities of the Strategy and Development Committee of the Grupa LOTOS Supervisory Board in 2020.

6. ASSESSMENT OF THE COMPANY'S STANDING, INCLUDING AN ASSESSMENT OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS, THE INTERNAL AUDIT FUNCTION, AND APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

6.1 INTERNAL CONTROL

The function led by the Head of Safety and Internal Control at Grupa LOTOS S.A. includes the Internal Control Office as a separate organisational unit. It is mainly responsible for carrying out checks and inspections to identify and disclose misconduct, mitigate its consequences, and investigate the circumstances of reported and identified risks of misconduct at both Grupa LOTOS S.A. and LOTOS Group subsidiaries. In 2021, the Internal Control Office took a total of 30 control measures, including 8 inspections and 22 checks. The results of the inspections were recorded in inspection reports, which were submitted to the Management Board and, where the inspection covered the activities of a member of a subsidiary's management board, to the Supervisory Board of the subsidiary. Apart from inspection reports, each year the Internal Control Office submits to the Management Board and Supervisory Board a detailed report on the misconduct countering measures it has taken.

The Internal Control Office also coordinates cooperation with competent governmental authorities in matters relating to criminal offences, which ensures that the management and supervisory bodies of the Company are aware of any incidents occurring in any area of operation of the LOTOS Group and enables them to initiate measures to protect its interests. As part of its coordination efforts, the Internal

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Control Office responded to assistance requests from governmental authorities in a total of 176 cases. The requesting authorities included mainly courts of law, prosecution service offices, Police departments, the Central Anti-Corruption Bureau, and the National Revenue Administration. In addition, in four cases, the Internal Control Office recommended the launch criminal investigations against employees who were reasonably suspected of committing criminal offences against a LOTOS Group company. Any information obtained from or provided to governmental authorities is used to assess the organisation's resilience to misconduct and monitor DN1 risk (risk of material misconduct).

The DN1 risk sheet defines misconduct as an intentional act or omission which constitutes violation of the law or a breach of the LOTOS Group's internal regulations, committed to secure an unlawful gain or causing the Company to sustain a loss, and material misconduct as misconduct which may result in a loss of PLN 40,000,000 or more. The DN1 risk owner is the Head of the Internal Control Office of Grupa LOTOS S.A. Following a review of material misconduct cases and all confirmed cases of misconduct, the organisation's resilience to material misconduct was assessed, based on key risk indicators for 2021, to be at a safe level.

The Internal Control Office is responsible also for identifying risks other than related to material misconduct. In accordance with the model in place at the organisation, risks associated with any kind of misconduct are identified across all organisational units of the LOTOS Group. All LOTOS Group employees who suspect misconduct are required to follow the procedures in place at the LOTOS Group under the Misconduct Prevention Policy or the Code of Ethics of the LOTOS Group or the procedure for reporting violations and non-compliance under the Compliance Policy of the LOTOS Group or to notify their line manager of the suspected misconduct. All organisational units are required to take measures to mitigate the risk of misconduct and to pass on any alarming information to the Internal Control Office. Each employee and trading partner has access to communication channels that are dedicated to reporting misconduct, including on an anonymous basis (by telephone, post or email and using a dedicated online form). All such reports, whether submitted by heads of organisational units, trading partners or employees, are transmitted to the Internal Control Office for review. In cases where misconduct can be reasonably suspected, an inquiry is launched to confirm the misconduct and, if confirmed, to identify the persons responsible. Final inspection reports also contain recommendations on measures that should be taken to compensate for the damage resulting from the misconduct. The Internal Control Office is also tasked with raising LOTOS Group employees' awareness of various misconduct risks, in particular those related to corruption. So far, this has been mainly effected through appropriate training dedicated to raising the regulatory awareness of employees and teaching them proper response to any symptoms of misconduct.

6.2. RISK MANAGEMENT SYSTEM AT THE LOTOS GROUP

In line with its adopted strategy, the LOTOS Group focuses on actively managing opportunities and risks as well as building a culture of open dialogue and early response to risk symptoms. Risk is defined as both a threat to delivery of a specific objective and an opportunity to deviate from the objective.

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The risk management process at the LOTOS Group is coordinated by the Compliance and Risk Office. The Office includes the Compliance Department and the External Regulation Department, which helps achieve significant synergies in their work, especially in the area of compliance and regulatory analyses.

The risk management system comprises three lines of defence:

- First line of defence: operational (ongoing) risk management mechanisms are embedded in existing business processes and projects, which are in line with the nature of a particular area of activities and the potential risk impact on the LOTOS Group's performance.
- Second line of defence: oversight and evaluation of the effectiveness of operational methods of managing particular risks are ensured through effective organisational functions within such areas as: Risk, Compliance or Finance (carried out at independent organisational units).
- Third line of defence: the adequacy and effectiveness of risk and opportunity management and the entire risk management system are periodically evaluated by the Internal Audit function.

The risk management process participants include the Company's Management Board, the Enterprise Risk Management Committee, risk owners and the Compliance and Risk Office. All identified risks are evaluated from the annual and long-term perspectives. The evaluation covers financial consequences (potential impact on the Company's main strategic objective, i.e. EBITDA growth) and safety implications (including implications for human and environmental safety and adverse impact on the Company's reputation). A defined risk and opportunity matrix is used to identify major, moderate and minor risks.

As part of the risk management process, TOP RISKS are defined and reported on a quarterly basis to and monitored by the Management Board and Supervisory Board of Grupa LOTOS S.A. In addition to these quarterly reports, Head of the Compliance and Risk Office provides the Management Board, and then the Supervisory Board, with up-to-date risk information should any TOP RISKS materialise, increase or emerge.

The Enterprise Risk Management in place at the LOTOS Group supports successful delivery of its strategy and business processes, in particular by ensuring that:

- risks are identified and evaluated, with performance figures and possible deviations planned and forecast in the context of a volatile and uncertain environment,
- business decisions are made on an informed basis, taking into account the risks involved,
- and the Group's risk profile is actively managed by mitigating risks to the achievement of its objectives and capturing opportunities.

The above principles are defined in the LOTOS Group's Enterprise Risk Management Policy and are described in detail in the ERM procedure, defining the risk management framework applied by all Group companies.

In 2021, measures were put in place to improve the effectiveness of the risk management system at the LOTOS Group. As part of these efforts, the tools and methodologies for analysing risks in strategic projects, as a key driver of the organisation's development, were perfected. In an effort to further develop

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active management of opportunities and risks, the Company plans to more closely integrate and comprehensively manage individual risk categories, especially those driven by global megatrends, such as climate change and global energy transition.

6.3 COMPLIANCE SYSTEM AT THE LOTOS GROUP

As regards the Compliance System, measures taken in 2021 were primarily focused on maintaining, improving and promoting the compliance assurance process.

The main activities in the Compliance area included: ensuring continuity of the Compliance System by keeping the units informed about changes in the legal environment; supervision and coordination of the process of granting powers of attorney at Grupa LOTOS S.A.; overseeing the flow of documents concerning external audits and conducting extensive educational activities to build a broadly defined compliance culture.

Efforts were also undertaken to implement IT tools supporting the external reporting process at the LOTOS Group companies.

The Compliance Department continued its collaboration with the relevant units in the process for preparing the LOTOS Group companies to fulfil new legal requirements. The key project in this area was the preparation of an organisational framework to fulfil the obligations introduced by Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (the “Whistleblower Directive”) and the preparation of a reporting channel in accordance with national regulations. The Compliance Department participated in making arrangements for the application of new and amended principles of ‘Best Practice for WSE Listed Companies 2021’ (“Best Practice 2021”), which came into force on July 1st 2021, and was involved in the process of bringing Grupa LOTOS S.A. and the LOTOS Group companies into compliance with the requirements of the Act on Electronic Service of Correspondence of November 18th 2020, introducing an obligatory electronic model for official correspondence.

In 2021, the Compliance Department was engaged in consultations on legislative drafts, including the project to build a ‘Fuel Platform’. The project, implemented by the Governmental Strategic Reserves Agency and the Ministry of Finance, aims to consolidate the fuel area reporting by introducing a new model for fulfilling disclosure and reporting obligations. It is also proposed that procedures be put in place for effective exchange of information between state administration bodies overseeing the liquid fuels market in order to simplify and accelerate data distribution processes.

The Compliance Department participated in meetings with the Polish Organisation of Oil Industry and Trade (POPIHN) concerning the planned implementation of an IT model for monitoring fuel trade (“SENT”), and with Business Science Poland concerning draft EU regulations.

In connection with amendments to the Energy Law and the Act on the Monitoring System for the Carriage of Goods by Road and Rail and on Fuel Oil Trade (the “SENT Act”), the Compliance Department coordinated the submission of comments to the Ministry of Finance specifying the identified

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risks and technical issues related to the planned implementation of the IT model for monitoring fuel trade (“SENT Connect”) and the implementation of the electronic delivery document (“e-DD” – a document authorising the movement of goods outside excise duty suspension, e.g., excise goods exempted from excise duty).

As a routine element of the operation of the Compliance System, an assessment of compliance and compliance risks was conducted in 2021. The assessment did not find any unmanaged regulatory or legal risks that could significantly disrupt the continuity of the LOTOS Group’s business processes.

6.4 INTERNAL AUDIT

The Supervisory Board gives a positive assessment of the steps taken by the Company to evaluate and improve the effectiveness of mechanisms comprised in the following systems:

- internal audit,
- internal control,
- risk management (including management of the risk of misconduct) and compliance,
- corporate governance.

The above systems were reviewed based on an assessment model developed for and dedicated to Grupa LOTOS S.A. The model contains a set of solutions forming a framework for each of the systems (including GRC, COSO, Best Practice for WSE Listed Companies, and know-how derived from cooperation with Deloitte, together with which assessments were carried out in previous years). The Supervisory Board confirms that the Company has in place organisational and process solutions which provide the framework for the internal control, corporate governance, compliance and risk management systems. The solutions set out in the assessment model (good business practices) have been implemented in each of the systems under review and are applied in practice.

It should be noted that Grupa LOTOS S.A. has established, in accordance with International Internal Audit Standards, an Internal Audit Office (the “IAO”), as confirmed by an external auditor’s assessment in 2021. The purpose of the IAO is to provide the management and supervisory bodies of Grupa LOTOS S.A. with an objective and independent assessment of the LOTOS Group’s operation through regular reviews of the management and control systems, as well as of the effectiveness of the corporate governance, risk management and compliance systems.

The IAO delivers these objectives by planning and implementing audit tasks, including ad-hoc assignments, as well as advisory tasks. Results of IAO’s works are reported as per the adopted internal regulations, including to the Supervisory Board.

Among the tasks carried out by the IAO in 2021 was a review of the LOTOS Group’s processes for managing hazardous substances, data backups from IT systems and workstation backups and security, and the initiatives undertaken by Grupa LOTOS S.A. to ensure business continuity during the COVID19 pandemic. The IAO also reviewed the process of preparation and implementation of capex projects (repairs/upgrades), cost monitoring, and settlement of sponsorship agreements.

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The results of the 2021 internal audits as well as their most important findings and recommendations were presented to the Grupa LOTOS S.A. Management Board and to the Audit Committee of the Grupa LOTOS S.A. Supervisory Board as part of day-to-day cooperation and in the performance of reporting obligations.

As part of the above tasks, the IAO issued approximately 113 recommendations, all of which were approved for implementation by the Management, and the respective follow-up activities are subject to monitoring.

6.5 ASSESSMENT OF THE CORPORATE GOVERNANCE SYSTEM AND THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE DISCLOSURE REQUIREMENTS AS SPECIFIED IN THE STOCK EXCHANGE RULES AND IN REGULATIONS ON CURRENT AND PERIODIC INFORMATION TO BE PUBLISHED BY ISSUERS OF SECURITIES

Compliance with corporate governance principles lies at the foundations of initiatives that build and consolidate Grupa LOTOS' credibility as a public company listed on the Warsaw Stock Exchange (WSE). As of January 1st 2016, the Company implemented the revised code of Best Practice for WSE Listed Companies 2016. Since July 1st 2021, the Company has applied the principles set out in the 'Best Practice for WSE Listed Companies 2021' ("Best Practice 2021"), as notified on July 30th 2021. The implementation of Best Practice 2021 is not only the Company's obligation towards capital market participants and stakeholders, but also serves its interests.

The fulfilment of disclosure requirements applicable to the Company as an issuer of securities is the responsibility of the Investor Relations Office. To mitigate potential risks associated with current and periodic reporting, the Company has engaged a third party consultant specialising in disclosure requirements applicable to public companies.

Grupa LOTOS makes every effort to present to investors a true, fair and clear view of its operations, strategy and financial condition, with due regard to the principles of engagement, availability and equal treatment of all shareholders. The Company strives to ensure proper communication with investors and analysts through a transparent and effective information policy. To this end, it offers easy and equal access to information by using various communications tools. The Company uses a broad range of IR tools, including mailing, newsletters, webcasts, conferences for institutional and individual shareholders and brokers, conference calls, and one-on-one meetings.

The Company's Communications Office, assisted by the Investor Relations Office, is responsible for maintaining a consistent and transparent external communication policy by cultivating relations with the media and the other stakeholders.

The Company provides regular training on the disclosure obligations of a public company to organisational units involved in their fulfilment as well as to management personnel and Management Board and Supervisory Board members. The Company also monitors and analyses on an on-going basis the stock exchange regulations, and closely follows publications and practices of the European Securities and Markets Authority (ESMA), the Polish Financial Supervision Authority (PFSA), and the

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Warsaw Stock Exchange (WSE) (including the guidelines of the capital market regulators, pending proceedings, penalties imposed, and recommendations issued by regulatory authorities).

The Supervisory Board believes that the Company meets its disclosure obligations in compliance with the requirements set out in the applicable laws and regulations.

6.6 FINANCIAL CONTROL

The overarching objective of financial audits and reviews conducted by the Financial Oversight Office in 2021 was to verify the actual state of affairs at the Group and identify areas that require analysis and improvement.

The aim of such activities, consolidated in a framework set out by the Rules of Procedure for Financial Control implemented last year, is in particular to:

- check the timeliness, reliability and accuracy of settlements of taxes and other dues to the state budget and local government units,
- identify potential irregularities and economic fraud,
- estimate the consequences of potential irregularities and fraud and determine how to remedy them, identifying individuals to be held to account,
- examine the compliance of an audited procedure/process with applicable laws and internal regulations,
- assess internal regulations.

These measures have thus become an integral part of the organisation's control system.

Pursuant to the Directive issued by the President of the Grupa LOTOS S.A. Management Board for the Rules of Procedure for Financial Control (currently applicable: Directive No. DY/123/21/DN), the remit of the Financial Oversight Office covers both Grupa LOTOS S.A. and its subsidiaries.

In 2021, following a financial audit conducted by employees of the Office at LOTOS Petrobaltic and at LOTOS Asfalt.

In addition, in order to gauge the risk/possibility of irregularities, the Financial Oversight Office performed checks:

- at LOTOS Kolej – with regard to fulfilment of the statutory requirements for tax deductible costs relating to the Company Social Benefits Fund,
- at LOTOS Serwis – regarding the fulfilment of procedural obligations related to counterparty due diligence,
- at LOTOS Lab – regarding the settlement of adjusting invoices in light of the amended VAT regulations,
- at LOTOS Oil – regarding the bad debt relief introduced into the Act on Corporate Income Tax,
- in the division of Grupa LOTOS S.A. Investment Director – regarding the provisions applied in contracts executed by the division that protect the Company's interests.

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The findings of financial audits and checks are documented in the form of Reports. If an audit identifies any irregularities, the Head of the Financial Oversight Office issues follow-up recommendations and monitors their implementation.

The Office has a duty to annually report on the above activities to the Grupa LOTOS S.A. Management Board and, optionally, if the Management Board so decides, also to the Grupa LOTOS S.A. Supervisory Board.

Besides its statutory duties, the Financial Oversight Office is responsible for providing assistance to the organisation in connection with audits conducted by tax authorities. In 2021, the assistance was needed in connection with proceedings pending at the Pomeranian Tax and Customs Office in respect of value added tax and a customs and tax audit initiated by that body in December last year to verify the Company's income tax settlements.

Following a property tax analysis performed by the Financial Oversight Office, the 2017-2020 property tax settlements underwent a review. As a result of the review of Grupa LOTOS S.A. properties it was determined that the previous settlements required a correction and an application was submitted to the Gdańsk Municipal Office for acknowledgement of overpayment of property tax for the aforementioned period in the total amount of PLN 18,366,793.02.

In addition, in 2021 there was a change in the position of the Coordinator responsible for Grupa LOTOS S.A.'s fulfilment of the obligations imposed by the Anti-Money Laundering and Counter Terrorist Financing Act of March 1st 2018 (the "Act") – the area is now overseen by the Financial Oversight Office, its Head serving as the Coordinator. The process of identifying and assessing this risk is covered by an internal procedure updated to reflect the legislative changes introduced in 2021, while the relevant staff received online training to update their knowledge of the Act. The Financial Oversight Office also provides support to ensure the proper fulfilment of obligations related to the Company's beneficial owner determinations required by business partners.

7. ASSESSMENT OF THE FUNCTIONING OF THE GROUP COMPANIES, BASED ON ASSESSMENT OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

In 2021, the Company's market environment was in a phase of gradual economic recovery in individual countries as a result of the lifting of restrictions related to the COVID-19 pandemic, government subsidy programmes and support for many economic sectors. The European market was heavily affected by limited short-term predictability and uncertainty about future quarters due to newly emerging COVID-19 variants and Russia's policy of restricting natural gas shipments to Europe, causing a very sharp increase in prices of that commodity. Additionally, as a result of the green transformation taking place in the world in order to tackle the climate crisis, prices of CO₂ emission allowances, under the so-called EU ETS, significantly increased, affecting the operation of refineries. A marked imbalance and shortage of liquidity in international trade continued, as did periodic interruptions in supply chains.

In the Supervisory Board's opinion, the consolidated financial results of the LOTOS Group for 2021, delivered against a backdrop of a gradually improving macro environment, with rapidly growing natural gas prices, significant margin variability, demand-supply imbalance and very favourable conditions for

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the Exploration & Production segment, are solid and consistent with the strategic objectives of the LOTOS Group.

In the period, the LOTOS Group's operating profit before depreciation and amortisation and adjusted for one-off items (adjusted LIFO-based EBITDA) was PLN 4,229.1 million, compared with PLN 1,356.6 million in 2020 (an increase of 211.7% year on year).

In 2021, the LOTOS Group's revenue was PLN 33,123.6 million (an increase of 58.4% year on year). Sales of diesel oil accounted for the major share of revenue, Having totalled PLN 18,890.6 million (57% of the Group's total revenue). In 2021, they increased 59.9% year on year. Sales of gasolines were also an important contributor to revenue, Amounting to PLN 4,603.7 million (13.9% of total revenue), i.e. 51.8% more year on year. In 2021, heavy products accounted for 4.5% of the LOTOS Group's revenue, Or PLN 1,504.7 million (an increase of 24.5% on 2020).

In 2021, the share of domestic sales in the LOTOS Group's revenue went up. Revenue from domestic sales was PLN 28,293.0 million (85.4% of total revenue), having increased by 59.5% year on year.

Key drivers of the LOTOS Group's operating performance:

- Revenue was PLN 33,123.6 million, having increased up by PLN 12,215.0 million (58.4%) on 2020, mainly as a result of rising prices of crude oil and petroleum products on global markets. The average net revenue per tonne of the volume sold in 2021 was PLN 2,943, an increase of PLN 1,173 (66.3%) relative to 2020;
- Gross profit was reported at PLN 6,348.5 million (an increase of PLN 4,881.6 million on 2020), driven by rising crude oil prices and high petroleum product crack spreads;
- Distribution costs increased by 3%, mainly as a result of the increase in the number of service stations in the LOTOS chain and higher volumes of fuels sold at the service stations;
- A 6.3% increase was recorded in administrative expenses, attributable mainly to higher employee benefits;
- Net other income of PLN 138.4 million was attributable mainly to reversal of impairment losses in the Exploration & Production segment;
- Net finance costs of PLN -26.0 million.

In 2021, the LOTOS Group's net other income was PLN 138.4 million, reflecting primarily one-off items:

- Impairment losses on assets related to the Utgard field of PLN -39.2 million,
- Reversal of impairment losses on Heimdal assets in the Vale field of PLN +35.1 million,
- Impairment losses on assets in the Kamień Pomorski and Górowo Iłowieckie areas of PLN -0.6 million,
- Reversal of impairment losses on the B3 field assets of PLN +116.2 million,
- Reversal of impairment losses on the B8 field assets of PLN +135.0 million,
- Reversal of impairment losses on the Lithuanian assets of PLN +6.6 million,
- Reversal of impairment loss on ships at the Miliana Group of PLN +1.5 million,
- Impairment losses on assets subject to the remedies of PLN -127.0 million,
- Impairment losses of PLN -3.6 million on service stations.

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Key factors behind the net finance costs in 2021, totalling PLN -26 million (vs PLN -254.1 million in the previous year):

- Net balance of interest on debt, interest income, and commission fees of PLN -193.3 million (2020: PLN -223.8 million),
- Impairment losses on investment in the B4/B6 project of PLN -2.8 million (2020: PLN -114.5 million),
- Net foreign exchange losses gains of PLN -70.5 million (2020: net foreign exchange gains of PLN +42.1 million),
- Net gain on measurement and settlement of market risk hedging derivative instruments of PLN +242.7 million (2020: PLN +65.7 million).

The LOTOS Group's operations are split into two segments:

- Exploration & Production – the segment is engaged in the acquisition of deposits and production of crude oil and natural gas, with the related auxiliary, transport and maintenance activities. The LOTOS Group is the only hydrocarbon producer in Poland's Exclusive Economic Zone of the Baltic Sea. As regards the Group's foreign operations, it produces hydrocarbons on the Norwegian Continental Shelf and in Lithuania;
- Refining & Marketing – the segment is engaged in petroleum processing into refined petroleum products as well as wholesale and retail sale of petroleum products with the related auxiliary, transport and maintenance activities.

The LOTOS Group's adjusted LIFO-based EBITDA for 2021 was PLN 4,229.1 million. The Company believes that the increase of PLN 2,872.5 million, or 211.7% over 2020, in the financial measure key to the assessment of the business is due to a significant increase in gas and oil prices in the Exploration & Production segment and higher margins on the main product groups in the Refining & Marketing segment.

The adjusted LIFO-based EBITDA was calculated based on:

- the result of the Refining & Marketing segment of 3,018.9 million,
- the result of the Exploration & Production segment of PLN 1,221.0 million;
- consolidation adjustments of PLN -10.8 million.

As at the end of 2021, Grupa LOTOS S.A.'s total 2P oil and gas reserves amounted to approximately 69.2 million boe, above the assumed strategic metric. In 2021, LOTOS Group's hydrocarbon production averaged 17.3 thousand boe/d (a decrease of 15% year on year). The decline was attributable to a number of factors, including production shutdown (maintenance shutdown in the third quarter) on the Norwegian Sleipner and Utgard fields, as well as temporary technical difficulties (water breakthrough) on the Utgard field.

Despite the COVID-19 pandemic and the first stage of the refinery overhaul process when some of its units were shut down, the volume of crude oil processed by the Grupa LOTOS S.A. refinery in 2021 was approximately 9.9 million tonnes, with the Company's installed refining capacity fully utilised.

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As at December 31st 2021, the LOTOS Group's total assets amounted to PLN 25,964.8 million, compared with PLN 21,856.4 million a year earlier (up by 18.8%). Net debt was PLN 667.1 million, compared with PLN 1,927.9 million as at the end of 2020. The ratio of net debt to adjusted LIFO-based EBITDA as at December 31st 2021 was 0.16x, having decreased by 1.26x relative to December 31st 2020, in line with the strategic target of no more than 1.5x. Cash flows from operating activities for 2020 increased year on year to PLN 2.87 billion (previous year: PLN 2.13 billion).

In 2021, the macroeconomic conditions did not prevent the delivery of some of the strategic objectives in the Exploration & Production segment and in the Refining & Marketing segment, and the key parameters were in line with expectations. The average prices of crude oil and natural gas for the year were 6% and 111% above the assumed levels. However, the crack spreads for motor gasolines and diesel oil were significantly lower than expected, i.e. by -26% and -54%, respectively.

8. ASSESSMENT OF THE COMPANY'S POLICY FOR SPONSORSHIP, CHARITABLE AND SIMILAR ACTIVITIES

8.1. SPONSORSHIP ACTIVITIES

The LOTOS Group's sponsorship activities support its business objectives and are among the tools used to indirectly support sales of products and build the LOTOS Group's competitive advantage. They are consistent with the marketing communication in creating the desired image of the LOTOS brand among present and future Customers. The sponsorship activities are carried out so as to promote the LOTOS brand image and recognition at the local and nationwide levels.

The LOTOS Group's sponsorship activities are focused on three main areas:

- Sponsorship of sports, including training opportunities for children and young people,
- Sponsorship of culture,
- Sponsorship of social and CSR projects.

The sponsorship activities of Grupa LOTOS S.A. and its subsidiaries in 2021 were governed by the rules laid down in the following documents and procedures:

- 'Planning, Implementing and Reporting on Sponsorship Activities at the LOTOS Group Companies', 11th issue dated September 20th 2018 and 12th issue dated June 8th 2021,
- 'Sponsorship Rules for Grupa LOTOS and Its Subsidiaries', 4th issue dated July 14th 2017 and 5th issue dated March 23rd 2021,
- The Grupa LOTOS business strategy for 2017–2022.

The main objectives of the LOTOS Group's sponsorship activities are to:

- Indirectly support sales of products and services,
- Build brand awareness,
- Create brand image,
- Build the Company's competitive advantage,
- Maintain relations, raise reputation and loyalty in the Company's business environment.

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Values underpinning communication of the Group's sponsorship projects include quality, modernity, development, motivation, passion, corporate social responsibility and ecology. Sports, cultural and social projects supported by the LOTOS brand are closely aligned with the Group's values, mission and communication strategy.

In line with the Sponsorship Rules in place at the Company, the Grupa LOTOS Management Board prepares a plan of sponsorship activities for Grupa LOTOS and its subsidiaries for each calendar year and annually reviews sponsorship initiatives carried out in a given financial year, with a particular focus on:

- The effects (including media effects) of cooperation with a given sponsored entity,
- The choice of the sponsored areas/entities and whether changes are needed in this respect,
- Long-term objectives related to sponsorship activities and whether changes are needed in this respect.

The sponsorship plan prepared for the entire Group comes into effect upon approval by the Management Board and then by the Supervisory Board of Grupa LOTOS S.A. The Grupa LOTOS Management Board submits to the Supervisory Board quarterly and annual reports on the implementation of the plan of sponsorship activities for Grupa LOTOS and its subsidiaries. The quarterly reports include information on the progress of the plan and the amount of funds used to finance sponsorship activities. Annual reports are prepared on a consolidated basis, and include professional media market research and analysis of the effectiveness of the sponsorship activities.

The metrics used by the LOTOS Group to gauge the effectiveness of its sponsorship activities include financial and non-financial indicators which are generally applied to measure the effectiveness of sponsorship activities, i.e. AVE (advertising value equivalence) and ROI (return on investment). Non-financial elements are also analysed based on qualitative market research, such as the ranking of Polish sports sponsors, association of projects with the LOTOS brand, and impact of sponsorship activities on the purchasing decisions of respondents.

In accordance with the Sponsorship Rules applicable at Grupa LOTOS S.A. and its subsidiaries, based on the guidelines of the then Ministry of State Treasury and Ministry of Sport and Tourism, i.e. 'Good Sponsorship Practices at State-Owned Companies', the amount of sponsorship expenditure incurred by the LOTOS Group should not, as a rule, exceed 0.2% of its net revenue in the previous financial year (based on consolidated data). In view of the expected benefits of a sponsorship engagement, it is permissible, in justified cases, to incur sponsorship expenditure higher than 0.2% of net revenue in the previous financial year. In 2021, sponsorship expenses of the LOTOS Group represented 0.18% of its net revenue.

Grupa LOTOS S.A. has long been one of the leading corporate sponsors most actively involved in supporting Polish sports. In 2021, the LOTOS brand sponsored six of the ten ¹most popular sports disciplines, including football, ski jumping, track and field, tennis, mixed martial arts and basketball. In this area, the Company focuses on sports embodying the values which are of particular importance to the market and social positioning of the LOTOS brand.

¹Sponsoring Monitor 2021, ARC Rynek i Opinia.

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According to an opinion survey report,² it has been confirmed that 74% of all respondents believe that sponsorship has a positive effect on the condition of Polish sports, and 49% of them think better of companies involved in such activities. Slightly fewer (40%) admit they would prefer to buy products and services offered by companies involved in sports sponsorship.

The financial effectiveness of the Company's sponsorship activities is confirmed by the value of the media effect for the LOTOS brand, which in 2021 reached more than PLN 983 million, an all-time high for sponsorship activities of Grupa LOTOS. The result is PLN 317 million higher than in 2020.

The value of the media effect for key sponsorship projects amounted to over PLN 973 million, with PLN 44.1 million of expenditure spent on those projects, translating into a very high rate of return of 22.04 (the best ever recorded by the Group). This means that potential media costs (defined as an equivalent of airtime on television and in other media) exceeded more than 22 times the total expenditure incurred by the Company on sponsorship activities. This rate of return confirms that the choice of sponsored disciplines, sports associations and teams or individual athletes was correct, and thus that the sponsorship activities were effective. This is of particular significance in the light of a range of constraints imposed to counter the ongoing COVID-19 pandemic. Despite these difficulties, the Company achieved the highest effectiveness of its sponsorship activities on record.

The overall effectiveness of the sponsorship activities is confirmed by the high, second position of Grupa LOTOS S.A. in the TOP 10² of the most active sponsors. With high returns, ³the LOTOS brand was also again ranked number one in terms of media value among brands with television exposure, achieving a significant advantage over the competitors.

8.2 CORPORATE SOCIAL RESPONSIBILITY POLICY OF THE LOTOS GROUP

In all areas of its business the LOTOS Group strives to operate in a sustainable manner, with due regard to all legal requirements and in accordance with the principles of corporate social responsibility.

The Company's responsibility towards society and the natural environment manifests itself in that its refining activities are carried out with due respect for the natural and social capitals. The LOTOS Group takes responsibility for its products and respects the needs of all its stakeholders, including the state, investors, the market, its partners, customers and employees. Activities undertaken by the LOTOS Group have the following positive effects:

- Increase positive contributions to society,
- Minimise the adverse impacts of its business and mitigate the associated risks,
- Maximise the organisation's chances for long-term sustainability,
- Ensure compliance with legal and ethical standards.

The Company believes that business should be conducted according to ethical standards, in harmony with the natural environment and social needs. This is why the Group has adopted a system of values, which it sees as a long-term pledge towards all its stakeholders.

²Sponsoring Monitor 2021, ARC Rynek i Opinia.

³ TOP 100 Television Brands 2021, Pentagon Research

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In developing the LOTOS Group Corporate Social Responsibility Strategy for 2008–2012, four main values of the Group’s social responsibility were defined. Each of the following components of the system of values represents the Group’s response to the most pressing needs, issues and challenges identified in its environment.

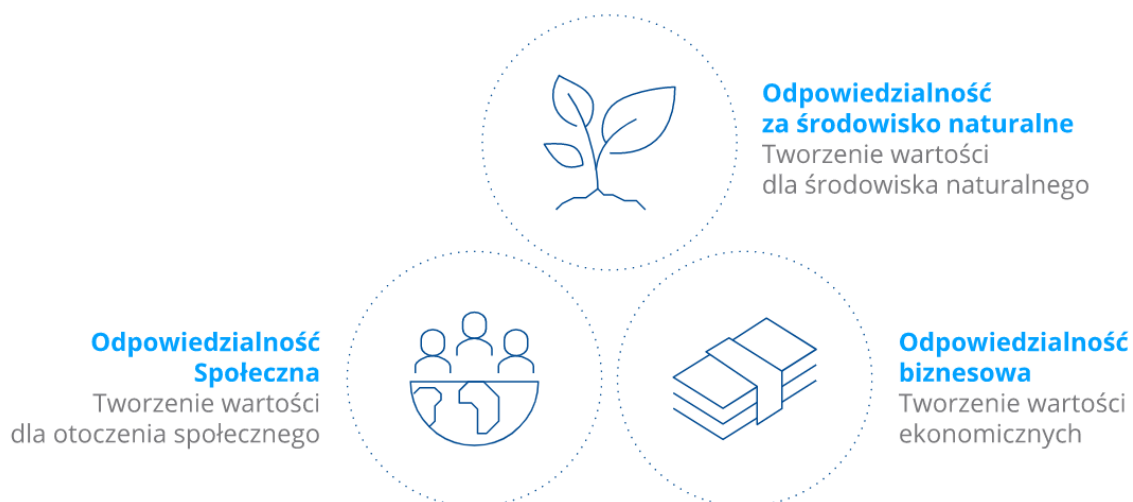
In its operations, the LOTOS Group adheres to the social responsibility values defined below:

- **Transparency** – stands for the duty to comply with the most exacting environmental standards, commitment to ethical and fair competition, and counteracting the abuse of human rights,
- **Openness** – the LOTOS Group's attitude to changes, the world's needs and people's expectations,
- **Innovation** – measures taken by the LOTOS Group with a view to achieving business benefits, gaining competitive advantage, ensuring sustainable development or addressing important social or environmental issues.
- **Responsibility** – the right attitude towards mankind and its future, the environment, the home country and its international security.

The LOTOS Group considers corporate social responsibility as an element of its management and improvement processes. Grupa LOTOS S.A.’s Business Strategy for 2017–2022 includes Objective 5 relating to the CSR area. The objective is pursued through the implementation of programmes designed to permanently solve the social and environmental problems important to the stakeholders.

The main purpose of the LOTOS Group’s CSR activities is to translate the success of the company into benefits for the society in general.

Strategic pillars of the LOTOS Group’s approach to sustainable development



Odpowiedzialność za środowisko naturalne	Responsibility for the natural environment
Tworzenie wartości dla środowiska naturalnego	Creating value for the natural environment
Odpowiedzialność Społeczna	Social responsibility
Tworzenie wartości dla otoczenia społecznego	Creating value for the social environment
Odpowiedzialność biznesowa	Business responsibility
Tworzenie wartości ekonomicznych	Creating economic value

PUBLICLY DECLARED COMMITMENT TO CSR AND SUSTAINABLE DEVELOPMENT INITIATIVES

Being a socially responsible company, Grupa LOTOS S.A. has a long-standing tradition of applying CSR and sustainability (ESG) practices, principles and guidelines formulated by the relevant NGOs, industry associations, and government authorities, including the ISO 26 000 standard covering the seven core subjects: organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, as well as community involvement and development.

The LOTOS Group operates in accordance with: the Vision of Sustainable Development for Business in Poland until 2050, the 10 principles of the UN Global Compact, and the challenges included in the 17 Sustainable Development Goals (SDGs) to 2030, as announced at the 2015 United Nations Summit of Member State Leaders in New York, set out in the document entitled 'Transforming our world: the 2030 Agenda for Sustainable Development'.



The Company declared its commitment to the 10 Principles of the UN Global Compact in 2009, undertaking to:

1. Support and respect the protection of internationally proclaimed human rights,
2. Make sure that it is not complicit in human rights abuses,
3. Uphold the freedom of association,
4. Uphold the elimination of all forms of forced or compulsory labour,
5. Uphold the effective abolition of child labour,
6. Uphold the elimination of discrimination in employment and occupation,
7. Support a precautionary approach to environmental challenges,
8. Undertake initiatives to promote environmental responsibility,
9. Encourage the development and diffusion of environmentally friendly technologies,
10. Work against corruption in all its forms, including extortion and bribery.

In line with the Vision of Sustainable Development for Business in Poland until 2050, the Group has undertaken to:

- Base its efforts on broad cooperation, innovative thinking and education of its employees and members of the public;

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- Conduct business activities relying on trust and dialogue;
- Initiate cooperation with academic centres and schools to educate future employees;
- Create conditions and opportunities conducive to employee development;
- Promote and support the implementation of new technological solutions;
- Develop infrastructure and implement investment projects based on dialogue and in accordance with the principles of sustainable development;
- Take measures to reduce its environmental footprint;
- Introduce solutions to reduce energy consumption, including through implementation of new technological solutions, process optimisation and education;
- Engage in dialogue with the government and share experience in issues that are material to entrepreneurs and economy;
- Raise ethical standards in business, including in relationships with all stakeholder groups.

In 2021, Grupa LOTOS S.A. also continued projects under the partnership with the Responsible Business Forum (RBF), an NGO which has successfully promoted CSR and sustainable development ideas among Polish and European businesses for over a decade.

RELATIONS WITH LOCAL COMMUNITIES

Grupa LOTOS S.A. considers corporate social responsibility as an element of its management and improvement processes. It builds lasting and positive relations with its stakeholders, striving to effectively integrate the measures taken with social and environmental challenges.

The Company supports social initiatives and projects. Its sponsorship activities focus on sports and culture, as well as social and environmental initiatives carried out primarily in the counties and provinces where the LOTOS Group companies are located, and in places where its marketing activities are run, including through its service station chain. All of the key LOTOS Group companies are involved in initiatives for local communities.

A uniform CSR policy is in place across the LOTOS Group, focusing on goals within the following three areas:

- improving the quality of life (health, road safety, education);
- caring for the environment (ecology and environmental protection);
- development of science and innovation.

Key CSR programmes implemented in 2021:

- The 'Road Champions' programme is a multifaceted initiative designed to educate and involve young motorists in efforts to improve road safety. The programme has been running since 2020. Additionally, to promote road safety, in 2021 Grupa LOTOS S.A. launched a new programme, 'LOTOS – Safety Academy', for school children and youth from the Gdańsk Province.
- Since 2008, Grupa LOTOS S.A. has operated the 'Headed for the Baltic' programme in partnership with the Gdańsk University Development Foundation and the Hel Marine Station of the University's Institute of Oceanography. It is a set of initiatives to protect biodiversity of the

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Baltic Sea. Strong focus is also placed on environmental education and on raising awareness of the presence of plastics and microplastics in the Baltic Sea.

- Since 2013, Grupa LOTOS S.A. has been a patron of the E(x)plory Programme, a nationwide initiative to support young people in Poland in the implementation of innovative research projects and promote their achievements internationally. The project brings together young people, prominent scholars, start-ups and experienced businesses, non-governmental organisations, media, Polish schools and universities.

In each of these areas, the Company works with reputable and proven social partners, in keeping with its core competences and values.

The CSR policy is also pursued through the LOTOS Foundation's activities, lending support to education, safety and environmental protection initiatives. Grupa LOTOS S.A. and the LOTOS Foundation did not fail to address the challenges posed by the COVID-19 epidemic in Poland in 2021. The donated funds and other resources to purchase supplies for healthcare facilities in Poland contributed to improving the country's healthcare security.

EMPLOYEE VOLUNTEERING PROJECTS

Employee volunteering has a long tradition at the LOTOS Group, with the number of socially engaged employees growing steadily. In 2020 416 employees were involved in volunteering, but the number of volunteers increased to 562 in 2021. Employee-volunteers devote their time, knowledge and skills to the local communities. Under the Employee Volunteering Programme, employees can apply for financial support to help fund their own volunteer projects. In 2021, LOTOS Group volunteers participated in a variety of activities. For example, more than 200 of them were involved in the preparation of Christmas presents for children and senior citizens from poor families as part of an annual initiative run by the Municipal Family Support Centre in Gdańsk. Around 50 LOTOS Group volunteers participated in the nationwide 'Schoolbag Full of Smiles' campaign organised by Caritas. Its purpose was to support children from disadvantaged families at the beginning of the new school year. In late November and early December 2021, the LOTOS Group engaged for the fourth time in the 'Noble Gift' campaign, initiated at the LOTOS Group thanks to the involvement of employees, with nearly 65 of them joining in. In 2021, in the fourth edition of a competition organised as part of the Employee Volunteering Programme, nine volunteer projects involving a total of 37 employees received mini-grants from the LOTOS Foundation. In 2021, a dedicated blood collection bus visited the LOTOS Group's premises five times. About 100 employees volunteered, donating a total of more than 45 litres of blood. Moreover, about 100 employees of the LOTOS Group took part in a fundraising campaign for the 'Pomerania for Children Hospice'.

SOCIALLY RESPONSIBLE SPONSORSHIP

In 2021, Grupa LOTOS S.A. continued its sponsorship involvement in sports projects with a social agenda, addressed to children and youth, including: 'Football Future with LOTOS', LOTOS Griffin Cup, and winter sports – 'In Search for the Champion's Successors' with LOTOS Cup competitions. As part of the partnership with the Polish Tennis Association, the 'LOTOS Racquets' National Tennis Promotion

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Programme was continued. In total, nearly 8,000 children and young people participated in all of these programmes. Grupa LOTOS S.A. also continued partnerships with eight independent promising sportspersons, who had already achieved numerous successes. Among our athletes was Karolina Naja, a canoeist, Olympic medallist, who won two medals at the 2021 Summer Olympics. Projects dedicated to sports training for children and adolescents are an investment in young, ambitious and talented athletes who are the future of Polish sports. Grupa LOTOS S.A. gives them opportunities and helps them succeed.

RATINGS AND AUDITS

In line with its commitment to Openness, Grupa LOTOS S.A. has independent institutions regularly review, audit, and assess its activities. The findings of those reviews and audits give the Company high positions in key CSR and ESG ranking lists.

- In 2021, the positive impacts of our CSR programmes and sustainable development initiatives were confirmed again (for the third year in a row) by the top position in the 15th Responsible Business Ranking (in the Fuels, Energy and Mineral Production category). In the overall ranking, the Company came sixth.
- In 2021, Grupa LOTOS S.A. remained a constituent of the WIG-ESG index of socially responsible companies.
- The Company was also listed, for the ninth time, among the top socially responsible companies in a poll organised by Deloitte and the *Polityka* weekly. The Company was honoured with a Silver CSR Leaf.
- Grupa LOTOS S.A. also ranked third in The Best Annual Report competition in the Enterprises category. This is a ranking of best annual reports in terms of the usefulness of reports prepared for shareholders and investors. The competition was organised by the Institute of Accountancy and Taxes.
- In 2021, Grupa LOTOS S.A. also received prestigious nomination to the Presidential Economic Award in the 'Responsible Business' category in the 19th edition of the contest.
- Grupa LOTOS S.A. was at the top of the list of companies with the best climate reporting practices – the Climate Strategy Benchmark. This is a comprehensive study of corporate strategies, initiated and carried out by experts from the UNEP/GRID-Warsaw Centre and Go Responsible.

In this way the Company builds trust among investors and mitigates business risks.

CSR REPORTING

One of Grupa LOTOS S.A.'s commitments towards its stakeholders, made in the 2008 CSR Strategy, concerned the implementation of a comprehensive system for performance reporting. The guidelines for sustainability reporting developed by Global Reporting Initiative (GRI) were chosen as the best framework for preparing CSR performance reports. The GRI standards are globally recognised as the

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only standards which enable a comprehensive presentation of CSR matters while ensuring comparability and measurability of an organisation's achievements in individual areas of its activity. The Company has used the framework to report on its performance since 2006.

2021 saw the publication of the LOTOS Group's Integrated Annual Report for 2020. The report contains information covering the period from January 1st to December 31st 2020.

The Integrated Annual Report is another publication meeting the highest standards and providing stakeholders with reliable and complete information on the activities of the LOTOS Group.

The LOTOS Group's 2020 Integrated Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and the Polish Accounting Act. Due account has also been taken of environmental reporting guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). Developed by a group appointed by the Financial Stability Board (FSB), the TCFD recommendations are the most widely accepted guidelines supported by financial institutions for companies to report on climate change issues. The indicators were selected based on the materiality assessment, taking into account both external and internal stakeholders' opinions. The survey was completed by nearly 200 representatives of employees, business partners, analysts, media, and research centres.

Its individual parts were prepared in such a way as to comply with the four principles defined by the standard: Materiality, the LOTOS Group Stakeholder Inclusiveness, Sustainability Context, and Completeness.

As part of CSR reporting, 16 best practices of the LOTOS Group were included in the Responsible Business Forum Report, which provides the most comprehensive review of socially responsible business activities in Poland.

In the 19th edition of the Report the following were appreciated: anti-COVID activities of the LOTOS Foundation, and the Group's programmes, including: 'Jasło Science League with LOTOS', 'LOTOS – In Search for the Champion's Successors', 'Football Future with LOTOS', 'Headed for the Baltic', 'Talent with LOTOS', 'LOTOS Safety Belt Champions', 'Road Champions' and 'Blue Trail'. Other commended initiatives of the Company include: LOTOS Running Team project carried out through the LOTOS Society for the Promotion of Physical Culture, Occupational Health and Safety Days, portal for suppliers, the 'Good Start for Beginners' programme, Railway Technology Day and online publication of the Integrated Annual Report of the LOTOS Group.

ETHICAL CONDUCT PROGRAMME

The LOTOS Group has in place the → [Code of Ethics](#). It defines the system of ethical values and standards of conduct which employees are expected to uphold in the workplace and in relations with key stakeholder groups, including capital market participants, clients, partners, communities, and competitors.

Ethical violations are reported to and handled by the LOTOS Group Ethics Officer. Another important part of the Group's standards is the → [Misconduct Prevention Policy](#).

LOTOS FOUNDATION ACTIVITIES IN 2021

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The LOTOS Foundation was established by decision of the Grupa LOTOS Management Board in 2015. Its main task is to manage the LOTOS Group's charitable policy. The LOTOS Foundation's mission encompasses a wide range of social activities that make a positive contribution to local community and natural environment. The LOTOS Foundation gained the status of a Public Benefit Organisation in 2021. In line with the objectives set out in its statutes, the Foundation is involved in initiatives related to health protection and promotion of healthy lifestyles as well as in various cultural initiatives, including projects related to the preservation and promotion of Polish historical heritage, and sports projects intended to contribute to physical development of children, youth and adults. It also donates funds to civil security projects, social assistance, and promotion of science and education. The LOTOS Foundation also helps finance medical treatment of existing and retired employees of the LOTOS Group and their family members. In 2021, with the pandemic still ongoing, the Foundation's efforts focused on COVID-19 countermeasures, of which support of medical facilities was an important component. In 2021, the LOTOS Foundation provided financial support to 148 different initiatives, with the donations totalling **PLN 5,427,279**. The funds were allocated as follows:

Objectives as per Articles of Association/ area	Donation amount (PLN)
health protection and promotion	2,388,196
science and education	945,684
culture and arts, preservation of cultural heritage	622,772
support of rescue services and protection of people	530,700
social assistance	374,191
promotion of physical culture and sports	323,836
charitable activities	99,900
promotion and organisation of volunteer work	40,000
cultural heritage, protection of monuments related to the oil and gas industry	38,500
environmental protection, animal welfare and preservation of natural heritage	33,000
public and road safety and order	20,000
support for the development of local groups and communities	5,000
dissemination and promotion of history of the oil and gas industry	3,000
preservation of national traditions	2,500

9. IMPLEMENTATION OF GENERAL MEETING'S RESOLUTIONS RELATING TO THE ACTIVITIES OF SUPERVISORY BOARD (IF ANY SUCH RESOLUTIONS WERE PASSED), COMPLIANCE WITH INSTRUCTIONS FROM, AND PERFORMANCE OF TASKS ASSIGNED TO THE SUPERVISORY BOARD BY, THE ENTITY AUTHORISED TO EXERCISE VOTING RIGHTS ATTACHED TO THE SHARES HELD BY THE STATE TREASURY, INCLUDING IN PARTICULAR MONITORING OF THE IMPACT OF INCREASES IN SALARIES AND WAGES ON THE COMPANY'S FINANCIAL CONDITION; DISCHARGE OF REPORTING AND DISCLOSURE OBLIGATIONS, INCLUDING TIMELY PUBLICATION OF QUARTERLY INFORMATION ON THE COMPANY, AS WELL AS INFORMATION ON PROVIDED GUARANTEES AND SURETIES

The Annual General Meeting held on June 30th 2021 authorised the Supervisory Board to establish the consolidated text of the amended Articles of Association. By resolution of July 21st 2021, the Supervisory Board established the consolidated text of the Company's Articles of Association, amendments to which were registered in the National Court Register on September 13th 2021.

The Extraordinary General Meeting held on October 14th 2021 did not resolve to impose any obligations on the Company's Supervisory Board.

The Supervisory Board, acting with due care and diligence, timely discharged all reporting and disclosure obligations related to:

- publication of the financial statements of Grupa LOTOS S.A. for 2021,
- the 'Quarterly Information on the Company' reports for 2021, which were submitted in electronic form to the Fuel and Energy Companies Department on the following dates:
 - Quarterly Information for Q1 2021: April 29th 2021
 - Quarterly Information for Q2 2021: August 13th 2021
 - Quarterly Information for Q3 2021: November 5th 2021
 - Quarterly information for Q4 2021: the document will be submitted after the issue of the financial statements of Grupa LOTOS S.A. for 2021.

In 2021, the Supervisory Board took measures to assess the impact of the increase in salaries and wages on the Company's financial condition, in particular during the preparation of the Company's budget for the following year, and to monitor Grupa LOTOS S.A.'s economic and financial condition on an ongoing basis. The supervisory activities were performed at meetings of the Supervisory Board and the Audit Committee, during which the Management Board provided detailed explanations regarding the matters referred to above.

The Supervisory Board has determined that in 2021, at the request of Grupa LOTOS S.A., seven new guarantees were issued (including four in PLN and three in EUR) for a total amount of PLN 13,254,490.24 and EUR 708,464.

10. IMPLEMENTATION OF STRATEGIC OR TURNAROUND PLAN

The main objective of the LOTOS Group Strategy for 2017–2022 adopted in 2016 is for Grupa LOTOS S.A. to become an optimally and vertically integrated producer of top quality fuels and chemicals, providing highly specialised logistics services and maintenance support, and a national champion in delivery of new projects and innovative solutions in the area of the Company's core business.

The Strategy provided for two time frames for its delivery. In the first stage, i.e. in 2017–2018, the already commenced projects were continued, debt was reduced and cash flows were stabilised. This helped create the right conditions for the implementation of a broader investment programme comprising a selection of the most profitable growth projects in the second stage, spanning the period from 2019 to 2022. In 2021, a decision was made to implement the HBO project. Five strategic objectives were identified:

1. Efficient use of assets along the entire value chain: E&P operations, production of fuels and other refining products, and retail sale of fuels,
2. Efficient processes that guarantee stability, i.e. excellence in managing the integrated margin and feedstock diversification (as part of the Efficiency Improvement Programme),
3. Readiness to embrace innovation,
4. Active opportunity and risk management,
5. Strong team, coherent CSR story and safety.

KPIs under Grupa LOTOS Strategy for 2017–2022 are as follows:

- zero tolerance for accidents – LTIF <3,
- doubling of the average annual LIFO-based EBITDA in 2019–2022, to ca. PLN 4bn,
- Reduction of net debt/LIFO-based EBITDA to no more than 1.5,
- execution of investment projects worth a total of PLN 9.4bn over six years,
- improving satisfaction of retail customers, measured by an increase in the Net Promoter Score,
- continued dividend capacity.

The Supervisory Board discussed issues related to the delivery of the adopted strategic objectives and Grupa LOTOS development directions at meetings of the Supervisory Board and the Strategy and Development Committee.

In 2021, efforts in respect of the Strategy focused on its operationalisation as well as development and implementation of a model for monitoring progress towards its objectives. The Supervisory Board actively and regularly monitored progress of the Strategy by holding regular meetings with the Company's Management Board. In 2021, the Grupa LOTOS Strategy Office monitored delivery of the Strategy on a quarterly basis and submitted a report on each of the four monitoring processes to the Supervisory Board. Based on the reports, the Supervisory Board was able to review the operationalisation of the Strategy in all of its key areas.

As at the end of 2021, in terms of the predefined indicators and objectives for the second delivery stage of the Strategy (2019–2022), Grupa LOTOS S.A.:

- achieved LIFO-based EBITDA of PLN 4.23 billion (PLN 1.22 billion in exploration & production and PLN 3.02 billion in refining & marketing) – *above the set strategic path towards the strategic*

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objective of annual average LIFO-based EBITDA of PLN 3.9-4.5 billion (PLN 1.6-1.8 billion in exploration & production and PLN 2.3-2.7 billion in refining & marketing),

- reported CAPEX of PLN 1.048 billion – *investments under the strategic objective of approximately PLN 5.8 billion (PLN 2.5 billion in planned investments + additional PLN 3.3 billion) by the end of 2022,*
- recorded the ratio of net debt to LIFO-based EBITDA of 0.2x – *delivering the set strategic objective of no more than 1.5x.*

In terms of other strategic activities, 2021 results included:

- average production of 17.3 thousand boe/d – *below the strategic path set at 30 thousand boe/d,*
- 2P reserves of 69 mboe – *delivering the strategic objective of over 60 thousand boe/d,*
- recorded refining throughput of 9.9 million tonnes – *below the strategic objective of 10.5 million tonnes,*
- 520 service stations in the network – *on the path towards the strategic objective set at 550 service stations by the end of 2022,*
- enjoyed the benefits of the Efficiency Improvement Programme – *delivering the Programme's strategic objective set at PLN 100 million,*
- recorded the LTIF rate of 4.73 for the LOTOS Group (LTIF of 3.24 for Grupa LOTOS S.A.) – *not achieving the strategic objective,*
- positive trend in the NPS metric (for 2021) – *delivering the strategic objective.*

11. SUPERVISORY BOARD'S DECISIONS TO APPOINT THE AUDITOR, COMMISSION EXPERT OPINIONS

With respect to the audit of the Company's financial statements for 2021, Grupa LOTOS S.A. continued cooperation with the audit firm Deloitte Audyt sp. z o.o. sp. k., elected by the Company's Supervisory Board in a tender procedure conducted in 2018.

In accordance with an annex of July 8th 2020 to the agreement of June 20th 2018 for the audit of the Company's financial statements, the parties decided to extend the term of the agreement until the end of 2022 and, in accordance with an annex of April 1st 2021 to the agreement of June 20th 2018, the parties decided to extend the scope of the services to include additional audit procedures resulting from Grupa LOTOS S.A.'s implementation of the European Single Electronic Format (ESEF) reporting.

On May 26th 2021 Grupa LOTOS S.A. and Deloitte Audyt sp. z o.o. sp.k. signed an agreement for assurance services concerning the report on remuneration of members of the Management Board and Supervisory Board for 2019 and 2020.

In 2021, the Supervisory Board did not instruct the Company to execute any other contracts with the audit firm.

12. ASSESSMENT OF THE USE BY THE COMPANY OF NON-CURRENT ASSETS, IN PARTICULAR PROPERTY

The Supervisory Board confirms that as at year-end 2021 the net value of property, plant and equipment used by Grupa LOTOS S.A. was PLN 224.7 million, down by PLN 5,249.9 million from the end of 2020. The amount of the decrease reflected the annual cumulative depreciation (PLN 334.4 million) and the transfer of assets as part of the contribution the organised part of business to LOTOS Asfalt in the amount of PLN 5,130.5 million, with a simultaneous positive net effect of increases and decreases in property, plant and equipment of PLN 215.0 million, including in connection with investment projects.

As at December 31st 2021, other non-current assets (excluding property) did not include any material items that were not used in day-to-day operations.

Besides its core premises, Grupa LOTOS S.A. owns property with a total area of approximately 57.13 ha, of which more than 47.18 ha has been earmarked for planned investment projects.

13. USE OF FUNDS RECEIVED BY THE COMPANY AS PUBLIC OR NON-PUBLIC AID

In 2021, the Company's Supervisory Board did not deal with any matters related to the non-public aid granted to the Company under an agreement concluded with the State Treasury on October 15th 2014, as amended. The Supervisory Board's last action in this respect was a positive opinion on the final report of Grupa LOTOS S.A. on the use of the non-public aid (*Resolution of the Supervisory Board No. 24/XI/2020 of September 22nd 2020*). The final report was then submitted by the Company to Agencja Rozwoju Przemysłu S.A. (ARP S.A.) in order to obtain clearance with respect to the use of the aid.

In 2021, ARP S.A. approved the Quarterly Reports of Grupa LOTOS S.A. for the second, third and fourth quarters of 2019 and the Annual Report of Grupa LOTOS S.A. for 2019. The Quarterly Report for the first quarter of 2020 and the Final Report of Grupa LOTOS S.A. remain to be approved by ARP S.A.

14. ASSESSMENT OF COOPERATION WITH THE COMPANY'S MANAGEMENT BOARD

During the Supervisory Board meetings the Management Board reported on current standing of the Company, its economic and financial condition and assets, as well as significant measures and activities undertaken by the Company. The Supervisory Board also received regular updates on the progress of key investment projects implemented by the Company, as well as on measures taken in connection with the intended acquisition of Grupa LOTOS S.A. by PKN Orlen S.A.

The Supervisory Board was also kept informed about the activities of the LOTOS Group companies.

In view of the foregoing, the Supervisory Board is of an opinion that its cooperation with the Management Board in 2021 was effective and proper, both during regular meetings and in the course of the Company's day-to-day operations.

15. SELF-ASSESSMENT OF THE SUPERVISORY BOARD

The Grupa LOTOS Supervisory Board exercises ongoing supervision over the Company's business in every area of its activity in accordance with the powers and responsibilities defined in the Commercial

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Companies Code and other applicable laws, the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board. In addition, in performing their duties, Members of the Supervisory Board had regard to and strove to comply with the principles set out in the 'Best Practice for WSE Listed Companies', in accordance with the catalogue of principles that the Company has committed to comply with, as stated in EBI Report No. 1/2021 of July 29th 2021.

The composition of the Supervisory Board, the strengthening of its legal competences, and the involvement of professional managers – all of which ensure diversity of experience and insight into the various aspects of the Company's operations – enabled the Supervisory Board to perform its duties in a highly efficient and professional manner.

2021 proved especially demanding for the Supervisory Board as it was required to monitor ongoing work related to PKN Orlen S.A.'s acquisition of Grupa LOTOS S.A., as well as to make decisions and issue relevant opinions as part of the ongoing acquisition process, in line with the provisions of the Company's Articles of Association, with a view to executing the acquisition process – by Resolution No. 210/XI/2021 of October 11th 2021, the Supervisory Board issued to the General Meeting a positive opinion on the transfer of an organised part of Grupa LOTOS S.A.'s business to LOTOS Asphalt Sp. z o.o. by way of a non-cash contribution in exchange for all new shares in the increased share capital of LOTOS Asphalt Sp. z o.o., such transfer being one of the remedies specified by the European Commission in its decision of July 14th 2020 as part of the process of acquisition by PKN Orlen S.A. of a controlling equity interest in Grupa LOTOS S.A. Further, by Resolution No. 211/XI/2021 of October 11th 2021 and Resolutions No. No. 221–223/XI/2021 of October 29th 2021, the Supervisory Board issued to the General Meeting positive opinions on the disposal/acquisition of shares in individual subsidiaries of the LOTOS Group, the transactions intended to reorganise the LOTOS Group also in the implementation of the remedies specified by the European Commission in its decision of July 14th 2020, as part of the process of acquisition by PKN Orlen S.A. of a controlling equity interest in Grupa LOTOS S.A. Furthermore, by virtue of Resolutions No. No. 224–226/XI/2021 of October 29th 2021 and Resolution No. 241/XI/2021 of December 23rd 2021, the Supervisory Board granted conditional approvals for Grupa LOTOS S.A. to conclude:

- transitional processing agreement with LOTOS Asphalt Sp. z o.o.;
- shareholder agreement relating to LOTOS Asphalt Sp. z o.o. (JV Agreement);
- processing and off-take agreement;
- contract for sale of bitumen and heavy residues,

and by Resolution No. 227/XI/2021 of October 29th 2021 the Supervisory Board granted conditional approval for the Company to exercise its voting rights at a general meeting of LOTOS Asphalt while voting on increasing the share capital and amending the Memorandum of Association of LOTOS Asphalt Sp. z o.o.

In the period under review, the Supervisory Board was also actively involved in monitoring the project of PKN Orlen S.A.'s acquisition of Grupa LOTOS S.A. and key investment projects implemented by the Company, including:

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- the EFRA (Effective Refining) project,
- the Hydrogen Recovery Unit project,
- the project to develop the B8 field,
- the B4/B6 project,
- the Polimery Police project,
- the project to construct a marine cargo handling terminal on the Martwa Wisła river,
- the project to construct a CCGT unit,
- the GreenH2 Project.

The Grupa LOTOS Supervisory Board is of the opinion that in the reporting period the Company was supervised by a competent supervisory team whose individual members demonstrated high qualifications, relevant backgrounds and appropriate experience required to serve on the Supervisory Board. The composition of the Supervisory Board ensured comprehensive expertise and diversification in terms of gender, education, age and professional experience.

All Supervisory Board members acted in Grupa LOTOS' interest, were guided in their conduct by their independent opinions and judgements, and devoted the required amount of time to their duties. Therefore, in the opinion of the Supervisory Board, its activities in 2021 were effective, professional, and in line with the best market standards.

Pursuant to Art. 395.2.3 of the Commercial Companies Code in conjunction with Art. 9.2 of the Company's Articles of Association, and acting in compliance with the 'Best Practice for WSE Listed Companies 2021' as adopted by the Supervisory Board of the Warsaw Stock Exchange on March 29th 2021 with effect from July 1st 2021, the Grupa LOTOS Supervisory Board **submits the report on its activities in 2021 to the Annual General Meeting, requesting that the Supervisory Board members be granted discharge from liability in respect of their duties in 2021.**

Supervisory Board

1. Beata Kozłowska-Chyła
2. Piotr Ciach
3. Katarzyna Lewandowska
4. Dariusz Figura
5. Grzegorz Rybicki
6. Katarzyna Maćkowska
7. Rafał Włodarski