

RESOLUTION NO. 153/XI/2021
OF THE SUPERVISORY BOARD OF GRUPA LOTOS S.A.
of May 27th 2021

concerning: adoption of the report on the activities of the Supervisory Board of Grupa LOTOS S.A. in 2020

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 II.Z.10 of Best Practice for GPW Listed Companies 2016, in line with the procedure set out in Art. 388.1(1) of the Commercial Companies Code, having read the following documents:

- the financial statements of Grupa LOTOS S.A. for 2020,
- the consolidated financial statements of the LOTOS Group for 2020,
- the Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group in 2020,

the auditor's opinions and reports attached to the above financial statements,
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 2020, 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 2020.

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. Grzegorz Rybicki
6. Adam Lewandowski

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF GRUPA LOTOS S.A. IN 2020

1. TERM OF OFFICE OF THE SUPERVISORY BOARD AND THE SUPERVISORY BOARD'S ACTIVITIES OVER THE YEAR DURING THE TERM OF OFFICE.....	2
2. COMPOSITION OF AND POSITIONS HELD ON THE SUPERVISORY BOARD.....	3
3. SUPERVISORY BOARD MEMBERS MEETING THE INDEPENDENCE CRITERIA	4
4. MATERIAL MATTERS HANDLED BY THE SUPERVISORY BOARD, SUPERVISORY BOARD MEETINGS AND RESOLUTIONS	4
5. SUPERVISORY BOARD COMMITTEES	8
6. ASSESSMENT OF THE COMPANY'S CONDITION, INCLUDING ASSESSMENT OF INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS, THE INTERNAL AUDIT FUNCTION, AND APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES	15
7. ASSESSMENT OF THE FUNCTIONING OF THE GROUP COMPANIES, BASED ON ASSESSMENT OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS	20
8. ASSESSMENT OF THE COMPANY'S POLICY FOR SPONSORSHIP, CHARITABLE AND SIMILAR ACTIVITIES	23
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.....	32
10. IMPLEMENTATION OF STRATEGIC OR TURNAROUND PLAN.....	33
11. SUPERVISORY BOARD'S DECISIONS TO APPOINT THE AUDITOR, COMMISSION EXPERT OPINIONS, etc.	34
12. ASSESSMENT OF THE USE BY THE COMPANY OF NON-CURRENT ASSETS, IN PARTICULAR PROPERTY	35
13. USE OF FUNDS RECEIVED BY THE COMPANY AS PUBLIC OR NON-PUBLIC AID.....	35
14. ASSESSMENT OF COOPERATION WITH THE COMPANY'S MANAGEMENT BOARD	35
15. SELF-ASSESSMENT OF THE SUPERVISORY BOARD'S WORK.....	36

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. 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 will 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 (consolidated text dated April 16th 2020: Dz.U. of 2020, No. 735, as amended)*.

Supervisory Board members 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.

As the 10th joint term of office of the Supervisory Board expired at the end of June 2020, on the same date the General Meeting appointed Supervisory Board members for the 11th joint term of office. Accordingly, the General Meeting:

- appointed, by Resolution No. 25, Ms Beata Kozłowska-Chyła as Chair of the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office;
- appointed, by Resolution No. 26, Ms Katarzyna Lewandowska to the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office;
- appointed, by Resolution No. 27, Mr Dariusz Figura to the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office;
- appointed, by Resolution No. 28, Mr Piotr Ciach to the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office;
- appointed, by Resolution No. 29, Mr Adam Lewandowski to the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office;
- appointed, by Resolution No. 29, Mr Grzegorz Rybicki to the Grupa LOTOS S.A. Supervisory Board of the 11th joint term of office.

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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

areas of the Company's activities. Standing committees of the Supervisory Board include: The Audit Committee, Strategy and Development Committee, and Organisation and Management Committee.

The Supervisory Board performs its duties pursuant to:

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

Furthermore, in the performance of their functions, the Supervisory Board members observe and are guided by the principles and recommendations set forth in the 'Best Practice for GPW Listed Companies'.

2. COMPOSITION OF AND POSITIONS HELD ON THE SUPERVISORY BOARD

In the period from January 1st to June 30th 2020, 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 14th 2017)</i>
Piotr Ciach	Deputy Chair <i>(appointed as Deputy Chair of the Supervisory Board on July 14th 2017)</i>
Katarzyna Lewandowska	Secretary <i>(appointed as Secretary of the Supervisory Board on July 14th 2017)</i>
Dariusz Figura	Member
Adam Lewandowski	Member
Agnieszka Szklarczyk-Mierzwa	Member
Grzegorz Rybicki	Member

Following expiry of the 10th joint term of office of the Supervisory Board and appointment by the General Meeting of the Supervisory Board of the 11th joint term of office on June 30th 2020, the composition of the Supervisory Board in the period from that date to December 31st 2020 and as at March 31st 2021 was as follows:

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

<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	Deputy Chair <i>(appointed as Deputy Chair of the Supervisory Board on July 7th 2020)</i>
Katarzyna Lewandowska	Secretary <i>(appointed as Secretary of the Supervisory Board on July 7th 2020)</i>
Dariusz Figura	Member
Adam Lewandowski	Member
Grzegorz Rybicki	Member

As at March 31st 2021, the State Treasury as a shareholder had not exercised its right to directly appoint and remove one member of the Supervisory Board.

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 and Grzegorz Rybicki, 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 GPW Listed Companies 2016', as attached to WSE Supervisory Board Resolution No. 26/1413/2015 of October 13th 2015 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 2020, the Supervisory Board of the tenth term of office held meetings on:

- January 15th, continued on February 4th,
- January 28th, continued on January 30th,
- March 9th,
- May 11th,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- June 1st,
- June 23rd,
- July 9th,
- July 30th,
- August 17th, continued on August 20th and September 4th,
- August 24th,
- September 28th, continued on October 5th,
- October 26th,
- November 12th,
- November 23rd,
- December 4th, continued on December 7th and December 11th,
- December 21st.

During the meetings, the Supervisory Board passed a total of 122 resolutions, including 3 resolutions regarding absence of Supervisory Board members from a meeting, all found by the Supervisory Board to be excused.

In the reporting period, the following Supervisory Board members were absent from meetings:

- A. Lewandowski – on July 9th,
- P. Ciach – on August 24th,
- G. Rybicki – September 28th.

In addition, in the reporting period, the Supervisory Board also performed its duties outside of its meetings, and adopted 20 resolutions in accordance with the procedure provided for in Art. 12.3 of the Company's Articles of Association.

During the meetings, the Supervisory Board passed a total of 142 resolutions (see Appendix 1 to this Report).

From January 1st to March 31st 2021, the Supervisory Board held meetings on:

- January 11th,
- January 14th,
- January 20th, continued on January 22nd,
- January 25th,
- February 4th,
- February 15th, continued on February 17th,
- February 22nd,
- March 10th,
- March 29th.

During the meetings, the Supervisory Board passed 26 resolutions (see Appendix 2 to this Report).

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

In addition, in the period from January 1st to March 31st 2021, in order to ensure effective performance of its duties, apart from the resolutions passed at the meetings the Supervisory Board passed eight resolutions in accordance with the procedure provided for in Art. 12.3 of the Company's Articles of Association.

In 2020 and in the first quarter of 2021, the Supervisory Board worked on matters relating 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.' budget for 2020 and the consolidated budget of the LOTOS Group,
- results of the audit of the financial statements of Grupa LOTOS S.A. and significant subsidiaries for 2019, and the Directors' Reports for 2019 and 2020; review of the Management Board's proposal concerning allocation of net profit for 2019; and review of the Management Board's report on expenses for 2019,
- schedule for the issue of periodic reports in the financial year 2020,
- the reorganisation concept for the LOTOS Group's financing,
- external financing for on-going projects,
- terms of the credit facility for refinancing of the 10+ Programme,
- investments intended to advance the technology and technical capabilities of the LOTOS Group, including:
 - major projects carried out at the LOTOS Group, e.g. the Polimery Police and HBO projects,
 - innovative projects carried out and the innovation management model in place at the LOTOS Group,
 - share capital increase at LOTOS Lab Sp. z o.o.,
 - the Strategic Research Agenda of the LOTOS Group,
 - the issues relating to LOTOS Vera Sp. z o.o.,
- measures taken in connection with the intended acquisition of Grupa LOTOS S.A. by PKN Orlen S.A.,
- risk management,
- the Efficiency Improvement Programme,
- exploration and production operations and their financing, including:
 - options for restructuring of the financing granted to LOTOS E&P Norge AS,
 - current status of the B3, B8, B4/B6 and YME projects,
 - activities of LOTOS Petrobaltic S.A.,
 - restructuring of the Exploration and Production segment,
 - equity contribution at LOTOS Upstream Sp. z o.o. and reports on the progress of share capital increase,
 - strategy for exploration and production,
- refinancing of the Company's inventories,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- crude oil supplies,
- diversification of crude oil supplies,
- changes in the composition of the Grupa LOTOS Management Board, including:
 - removal from office of Vice President of the Management Board, Chief Refining and Marketing Officer,
 - carrying out recruitment procedures to select Vice President of the Management Board, Chief Refining and Marketing Officer, Vice President of the Management Board, Chief Strategy and Development Officer, Vice President of the Management Board, Mergers and Acquisitions, and Vice President of the Management Board, Chief Investment and Innovation Officer, and to appoint them to serve as Vice Presidents until the end of the tenth joint term of office,
 - appointment of acting President of the Management Board,
 - carrying out recruitment procedure and appointment of the President of the Grupa LOTOS Management Board of the tenth term of office,
 - report on achievement of management objectives for 2019,
- management objectives for 2020 and 2021 for members of the Grupa LOTOS Management Board and accounting for the delivery of the objectives set for 2019 and 2020,
- management contracts with the Management Board members,
- reports on costs incurred by members of the Grupa LOTOS Management Board,
- service of the Grupa LOTOS Management Board members on governing bodies of other entities,
- composition of the management and supervisory bodies of the LOTOS Group companies,
- a summary of the operations of Grupa LOTOS S.A. and the LOTOS Group in 2019, and giving opinions on matters to be submitted for consideration to the Grupa LOTOS General Meeting, as required by the Commercial Companies Code,
- instructions on how the shares held by Grupa LOTOS should be voted at the general meetings of LOTOS Petrobaltic S.A.,
- instructions on how the shares held by Grupa LOTOS should be voted at the general meetings of LOTOS Paliwa Sp. z o.o.,
- instructions on how the shares held by Grupa LOTOS should be voted at the general meetings of LOTOS Asphalt Sp. z o.o.,
- instructions on how the shares held by Grupa LOTOS should be voted at the general meetings of LOTOS Lab Sp. z o.o.,
- instructions on how the shares held by Grupa LOTOS should be voted at the general meetings of LOTOS Upstream Sp. z o.o.,
- situation at 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,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- reports on the delivery of the plan of sponsorship activities of Grupa LOTOS and its subsidiaries,
- The plan of sponsorship activities of Grupa LOTOS S.A. and its subsidiaries in 2020 and 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,
- the legal services framework at the LOTOS Group,
- conclusion of contracts for the provision of legal advice services,
- anti-trust proceedings,
- drafting the consolidated text of the Company's Articles of Association,
- approval of the Rules of Procedure for the Management Board,
- external inspections at the Company and their findings,
- internal controls and their findings,
- composition of the Committees of the Supervisory Board,
- reports on the activities of the Internal Audit Office,
- audits commissioned by the Supervisory Board,
- the Annual Audit Plan for the LOTOS Group for 2020,
- discussion of letters addressed to the Supervisory Board,
- protection of critical infrastructure,
- communication and cooperation with trade unions at the LOTOS Group,
- employee-related issues at the Company.

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 ACTIVITIES OF GRUPA LOTOS AND THE LOTOS GROUP FOR 2020.

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 2020, full-year consolidated financial statements of the LOTOS Group for 2020, and Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group in 2020 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 and in the first quarter of 2021, the Supervisory Board did not delegate any of its members to temporarily serve on the Management Board of Grupa LOTOS S.A.

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 December 31st 2020 and as at March 31st 2021 was as follows:

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

Following the expiry of the 10th joint term of office of the Supervisory Board and the appointment of the Supervisory Board of the 11th joint term of office by the General Meeting on June 30th 2020, on July 9th 2020 the Supervisory Board appointed the Audit Committee of the Grupa LOTOS Supervisory Board of the 11th joint term of office, with the persons listed above as its members.

In 2020, the Audit Committee held meetings on:

- January 15th,
- March 9th,
- May 11th,
- June 1st,
- August 10th,
- August 24th,
- September 28th,
- October 26th,
- November 23rd,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- December 21st,
and passed six resolutions (see Appendix 3 to this Report).

Until March 31st 2021, the Audit Committee held meetings on:

- January 25th,
- February 22nd,
- March 10th,
- March 23rd,

and passed one resolution (see Appendix 4 to this Report).

During the reporting period and in first quarter of 2021, the Audit Committee was involved in or dealt with the following matters:

- 1) the budget of Grupa LOTOS S.A. and the LOTOS Group for 2020 and 2021,
- 2) quarterly financial reports and the Grupa LOTOS Management's Discussion and Analysis of consolidated results,
- 3) a plan of financial statements audit for 2019,
- 4) schedule for the issue of periodic reports in the financial years 2020 and 2021,
- 5) analysis of the current economic and financial performance,
- 6) enterprise risk management,
- 7) periodic information about 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,
- 8) the reorganisation concept for the LOTOS Group's financing and planned refinancing of the Group's debt,
- 9) discussion of the draft timetable for the selection of an audit firm to audit financial statements of Grupa LOTOS and key companies of the LOTOS Group as of 2020,
- 10) the full-year financial statements for 2019 and 2020, Directors' Reports on operations in 2019 and 2020, Management's quarterly discussion and analysis of the consolidated results for 2019 and 2020, and the documents related to the issue of the Company's Annual Reports for 2019 and 2020,
- 11) discussion by the auditor of the results of review of the full-year financial statements for 2019,
- 12) giving consent to the provision of permitted additional services by Deloitte Audyt,
- 13) discussion of matters falling within the remit of the Internal Audit Office, including:

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- a) discussion of the report on the activities of the LOTOS Group Internal Audit Office for 2020,
 - b) the Annual Audit Plan for 2021,
 - c) the 'Long-term Audit Plan for the LOTOS Group for 2021–2023',
 - d) audit tasks assigned to the Company's Audit Office and planned audit tasks,
- 14) a surety granted to BGK for the liabilities of SPV B8,
- 15) refinancing of crude oil inventory,
- 16) discussion of the Rules of the procedure for periodic assessment by the Supervisory Board of material related-party transactions,
- 17) adoption of 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 2020 to June 30th 2020, the composition of the Organisation and Management Committee was as follows:

Organisation and Management Committee	Beata Kozłowska-Chyła	Chair
	Katarzyna Lewandowska	Member of the Committee
	Grzegorz Rybicki	Member of the Committee
	Adam Lewandowski	Member of the Committee
	Agnieszka Szklarczyk-Mierzwa	Member of the Committee

Following the expiry of the 10th joint term of office of the Supervisory Board and the appointment of the Supervisory Board of the 11th joint term of office by the General Meeting on June 30th 2020, on July 9th 2020 the Supervisory Board appointed the Organisation and Management Committee of the Grupa LOTOS Supervisory Board of the 11th joint term of office, with the persons listed below as its members. Thus, in the period from July 9th to December 31st 2020 and as at March 31st 2021, the composition of the Organisation and Management Committee was as follows:

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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

Piotr Ciach

Member of the Committee

In 2020, the Organisation and Management Committee held meetings on:

- January 15th,
- January 30th,
- March 9th,
- May 11th,
- June 1st,
- June 23rd,
- July 30th,
- August 17th, continued on August 20th and September 4th,
- August 24th,
- September 28th,
- October 26th,
- November 23rd,
- December 4th, continued on December 7th,
- December 21st,

and passed 12 resolutions (see Appendix 5 to this Report).

Until March 31st 2021, the Organisation and Management Committee held meetings on:

- January 11th,
- January 20th, continued on January 22nd,
- January 25th,
- February 4th,
- February 15th, continued on February 17th,
- February 22nd,
- March 29th,

and passed seven resolutions (see Appendix 6 to this Report).

During the reporting period and in the first quarter of 2021, the Organisation and Management Committee was involved in or dealt with the following matters:

- 1) changes in the organisational structure of Grupa LOTOS
- 2) matters falling within the competence of the Human Resources Management Office,
- 3) members of the management and supervisory bodies of the LOTOS Group companies,
- 4) achievement of and accounting for management objectives,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- 5) management contracts concluded with Management Board members,
- 6) carrying out recruitment procedures to select President of the Management Board, Vice President of the Management Board, Chief Refining and Marketing Officer, Vice President of the Management Board, Chief Strategy and Development Officer, Vice President of the Management Board, Mergers and Acquisitions, and Vice President of the Management Board, Chief Investment and Innovation Officer, and to appoint them to serve on the Management Board until the end of the tenth joint term of office,
- 7) service of the Grupa LOTOS Management Board members on governing bodies of other entities,
- 8) information on appointment of advisers to the Company, civil-law contracts in force and the rules of operation of the non-compete policy;
- 9) matters relating to trade unions and employee-related issues at the Company,
- 10) report on the activities of the Organisation and Management Committee in 2019,
- 11) adoption of the Remuneration Policy for Grupa LOTOS S.A.

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

The Committee is chaired by the Chair of the Supervisory Board.

From January 1st 2020 to June 30th 2020, the composition of the Strategy and Development Committee was as follows:

Strategy and Development Committee	Beata Kozłowska-Chyła	Chair
	Piotr Ciach	Member
	Dariusz Figura	Member
	Agnieszka Szklarczyk-Mierzwa	Member

Following the expiry of the 10th joint term of office of the Supervisory Board and the appointment of the Supervisory Board of the 11th joint term of office by the General Meeting on June 30th 2020, on July 9th 2020 the Supervisory Board appointed the Strategy and Development Committee of the Grupa LOTOS Supervisory Board of the 11th joint term of office, with the persons listed below as its members. Thus, in the period from July 9th to December 31st 2020 and as at March 31st 2021, the composition of the Strategy and Development Committee was as follows:

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

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

In 2020, the Strategy and Development Committee held meetings on:

- January 15th,
- March 9th,
- May 15th,
- June 1st,
- June 23rd,
- August 24th,
- October 26th,
- November 23rd,
- December 21st,

and passed one resolution (see Appendix 7 to this Report).

Until March 31st 2021, the Strategy and Development Committee held five meetings:

- January 14th,
- January 25th,
- February 22nd,
- March 10th,
- March 29th,

passing no resolutions.

During the reporting period and in the first quarter of 2021, the Strategy and Development Committee was involved in or dealt with the following matters:

- 1) reports on use of non-public aid,
- 2) progress of work on key investment projects carried out at the LOTOS Group,
- 3) progress of work on innovative projects and the innovation management model,
- 4) supply of crude oil to Grupa LOTOS, including the 2019 delivery targets and diversification of oil supply sources to Grupa LOTOS,
- 5) measures taken in response to the declaration in the Republic of Poland of the state of the epidemic due to the spread of SARS-CoV-2 infections,
- 6) Grupa LOTOS S.A.'s Exploration and Production Strategy,
- 7) reports on the progress of the share capital increase at LOTOS Upstream,
- 8) external financing for on-going projects,

- 9) monitoring of the delivery of the Company's strategy,
- 10) measures taken in connection with the intended acquisition of Grupa LOTOS S.A. by PKN Orlen S.A.,
- 11) report on the activities of the Strategy and Development Committee in 2019.

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 2020, the Internal Control Office took a total of 33 control measures, including 13 inspections and 20 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 Control Office responded to assistance requests from governmental authorities in a total of 321 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 five cases, the Internal Control Office requested that competent law enforcement authorities 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,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

the organisation's resilience to material misconduct was assessed, based on key risk indicators for 2020, 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 follow-up recommendations. However, ultimately they will be supplemented by 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.

In 2020, the LOTOS Group's risk management system was improved, in particular with respect to the tools and methodologies applied. The improvements included the development and implementation of a refining, technology and process safety risk assessment matrix and an update of the corporate risk assessment matrix. As a result, a set of consistent tools for risk assessment across the organisation are now available.

Organisational changes were made at Grupa LOTOS S.A., whereby the Compliance and Risk Office was established to coordinate the entire risk management process. The Office includes the Compliance Department and the External Regulation Department, whose work helps achieve higher synergies between the aforementioned organisational units, in particular in the area of compliance and regulatory analyses.

The risk management system comprises three lines of defence:

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- Operational (ongoing) risk management mechanisms are embedded in existing business processes and projects (the first line of defence), which are in line with the nature of particular activities and the potential risk impact on the LOTOS Group's performance.
- The second line of defence consists of specialised corporate functions, such as Risk Management, Compliance and Finance (independent and dedicated organisational units), which oversee and assess the effectiveness of operational measures to manage particular risks.
- At the top level, known as the third line of defence, the adequacy and effectiveness of the risk management system is 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.

6.3 COMPLIANCE SYSTEM AT THE LOTOS GROUP

As regards the Compliance System, the measures taken in 2020 were primarily focused on maintaining and improving the compliance assurance process.

The key activities in the area of Compliance in 2020 included ensuring the continuity of the Compliance System with respect to notifying employees of changes in the legal environment, maintaining the

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

process of delegating powers and authority to Grupa LOTOS S.A. employees, maintaining the oversight of the workflow of external control documentation, and monitoring of the implementation by various business functions of regulatory requirements arising under new or amended legislation.

As part of the Compliance and Risk Office's activities, employees of the Compliance Department also worked closely with employees of the External Regulation Department to secure the interests of the LOTOS Group as effectively as possible. In order for the Company to play a role in shaping future legislation applicable thereto and stay up to date on relevant legislative processes, Compliance employees participated in consultations held on draft bills or proposed amendments to existing laws, including, but not limited to, the successive so-called Anti-Crisis Shields, i.e. the Act Amending the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, and Certain Other Acts ("The Anti-Crisis Shield 2.0"), the Act Amending Certain Acts on Protective Measures in Connection with the Spread of SARS-CoV-2 ("The Anti-Crisis Shield 3.0"), the Act on Subsidies to Interest Payments on Bank Loans Granted to Support Financial Liquidity of Business Undertakings Affected by COVID-19, the Act Amending the Act on Electromobility and Alternative Fuels, and the Act on Train Drivers' Working Time. In order to ensure a uniform and consistent mode of Grupa LOTOS S.A.'s participation in legislative processes, the rules governing communication between authorised representatives of the LOTOS Group and governmental authorities and industry associations were clarified.

In order to optimise various processes across the LOTOS Group, the following internal regulations were updated: the Compliance Management Rules of the LOTOS Group, Procedure for Delegating Powers and Authority to Grupa LOTOS S.A. Employees, and the LOTOS Group's Gift Policy. A key element of the Compliance System in 2020 was a compliance assessment, which did not identify any regulatory risks that could materially 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 has established the Internal Audit Office ("IAO"), in keeping with International Internal Audit Standards. One of its objectives is to provide the management and supervisory bodies of Grupa LOTOS S.A. with an objective and independent assessment of the LOTOS

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

Group's operation through regular reviews of the management and control systems, as well as of the effectiveness of 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.

In 2020, the Internal Audit Office focused on reviewing exploration and production licence management processes as well as intellectual property licence, cash and car fleet management processes across the LOTOS Group. In addition, the process of selecting trading partners at the LOTOS Group and certain business areas of the subsidiaries LOTOS Lab and LOTOS Serwis were audited.

The results of the 2020 internal audits as well as their most important findings and recommendations were presented to the Grupa LOTOS Management Board and to the Audit Committee of the Grupa LOTOS Supervisory Board as part of day-to-day cooperation and in the performance of reporting and disclosure obligations.

As part of the above tasks, the IAO issued approximately 86 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). The implementation of best practices adopted and applied on the WSE 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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

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 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.

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

In 2020, Grupa LOTOS S.A. and its subsidiaries, similarly to other refining companies, were affected by strong headwinds due to the COVID-19 pandemic as well as the consequent lockdowns and shifts in consumer behaviour both in Poland and abroad. The reporting period saw significant volatility in the global market for crude oil, natural gas and petroleum products, which translated into considerable uncertainty for its participants and limited ability to foresee its future developments. At the same time, demand for crude oil and fuels in 2020 fell on an unprecedented scale, adversely affecting prices, sales volumes and margins.

In the Supervisory Board's opinion, in view of this extremely challenging environment, the LOTOS Group's financial performance in 2020 can be considered to satisfactory. The Group posted close to PLN 1.36bn in LIFO-based EBITDA adjusted for one-off items, down 52.6% year on year (2019: PLN 2.86bn). At the same time, its operating cash flows came in at PLN 2.87bn, having increased by 34.7% on the prior year (2019: PLN 2.13bn), and were among the highest in the Group's history. As at December 31st 2020, the LOTOS Group's financial position remained stable, with net debt at a relatively low of PLN 1.93bn, down from PLN 2.9bn a year earlier.

In 2020, the LOTOS Group's revenue reached PLN 20.91bn. Sales of diesel oil accounted for a majority (56.5%) of the Group's revenue. Sales of gasolines were also an important contributor to revenue, with a 14.5% share. In 2020, the share of domestic sales in the LOTOS Group's revenue went up to 84.8%, compared with 81.8% in 2019.

In 2020, the LOTOS Group recorded approximately PLN 1.4bn in operating loss, compared with PLN 1.97bn in operating profit the year before. Net loss was PLN -1.15bn, compared with net profit of PLN 1.15bn in 2019.

The LOTOS Group's 2020 results were mainly affected by the following factors:

- revenue decreased by PLN 8,58m (-29.1%) compared with 2019, due mainly to falling prices of crude oil and petroleum products on global markets and lower sales volumes. Average net revenue per tonne of the volume sold in 2020 was PLN 1,770, down by PLN 665 (-27.3%) relative to 2019. The total sales volume of petroleum products, merchandise and materials decreased by 2.5% on 2019, with the largest decline recorded for heavy fuel oil, the crack spread for which on global markets has been negative;

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- gross profit was reported at PLN 1.47bn (down by PLN 2.38bn on 2019), driven by volatile crude oil prices and low petroleum product crack spreads;
- selling expenses decreased by 0.9%, mainly on lower export volumes;
- a 6.2% increase was recorded in administrative expenses, attributable mainly to higher employee benefits, primarily as a result of an increase in staffing levels;
- relatively high net other expenses of PLN -0.93bn were recorded, due mainly to impairment losses in the Exploration & Production segment;
- net finance costs of PLN -0.25bn were reported, which were driven mainly by interest expense, fee and commission expense and impairment losses on investment in the B4/B6 project (gas development project in the Baltic Sea).

In 2020, the LOTOS Group's net other expenses included mainly non-recurring events:

- impairment loss on assets related to the YME field of PLN -460.6m (vs a PLN +105.4m impairment reversal in the previous year),
- impairment losses on assets related to the Utgard field of PLN -155.0m,
- impairment losses on the B3 field assets of PLN -118.3m;
- impairment losses on the B8 field assets of PLN -135.0m;
- impairment losses on assets related to Lithuanian fields of PLN -29.1m (2019: PLN -8.9m),
- impairment losses on assets in the Młynary and Górowo Iłowieckie areas of PLN -15.8m,
- impairment losses on service stations in the amount of PLN -8.8m (vs PLN -21.3m in 2019),
- reversal of impairment losses on Heimdal assets in the Vale field of PLN +16.6m,
- provision for unfavourable court rulings at LOTOS Petrobaltic of PLN -32.1m,
- reversal and remeasurement of the provision for costs of decommissioning of oil and gas extraction facilities in the Heimdal area of PLN +13.8m,
- reversal and remeasurement of the provision for liabilities in respect of contingent payments related to the acquisition of Sleipner assets, in the amount of PLN +4.5m (2019: PLN 44.5m).

The factors which affected the Group's net finance costs in 2020 included:

- net balance of interest on debt, interest income, and commission fees of PLN -223.8m (2019: PLN -259.7m),
- impairment losses on investment in the B4/B6 project of PLN -114.5m,
- net foreign exchange gains of PLN +42.1m (2019: net foreign exchange losses of PLN -46.0m),
- net gain on measurement and settlement of market risk hedging derivative instruments of PLN +65.7m (2019: PLN +15.8m),
- impairment loss on financial instruments of PLN -9.4m related to a loan advanced to Grupa Azoty Polyolefins S.A.

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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

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 2020 was PLN 1.36bn and included:

- the Refining & Marketing segment's result of 905.3m,
- the Exploration & Production segment's result of PLN 468.8m,
- consolidation adjustments of PLN -17.5m.

With fluctuations in the oil inventories and differences between the volumes purchased and processed during 2020, the Refining & Marketing segment's LIFO-based EBITDA reflected the cost of crude oil processed based on the LIFO (First in First out) inventory method, being calculated at a higher unit cost than the currently prevailing price, as the effect of old (significantly more expensive) oil inventories, which resulted in an approximately PLN 0.37bn decrease in the figure. The decrease reflects a shortcoming of the adopted inventory valuation model and did not affect the generated flows.

The Supervisory Board believes the year-on-year 52.6% decline in LIFO-based EBITDA, which is a key metric of the Group's performance, should be considered justified given the price decline in the Exploration & Production segment and deteriorated margins on the four key products of the Refining & Marketing segment (gasoline, diesel oil, aviation fuel, light fuel oil).

The average daily production volume of crude oil and natural gas of the LOTOS Group in 2020 was 20.3 thousand boe (2019: 20.7 thousand boe), of which 71% was attributable to Norway, 26% to Poland and 3% to Lithuania. The decline in production in 2020 was attributable to consequences of the restrictions imposed by many governments in response to the COVID-19 pandemic and subsequent waves of increased infections. The LOTOS Group's total oil and gas 2P reserves stood at 74.8 million boe (2019: 81.3 million boe), including 82% crude oil and 18% natural gas. Norway, Poland and Lithuania accounted for 35%, 62% and 3% of the reserves, respectively.

Despite the COVID-19 pandemic, the volume of crude oil processed by the Grupa LOTOS S.A. refinery in 2020 was approximately 10.2 million tonnes, with the Company's installed refining capacity utilised at 96.8%

As at December 31st 2020, the LOTOS Group's total assets amounted to PLN 21.86bn, compared with PLN 23.67bn a year earlier (down by 7.7%). Net debt was PLN 1.93bn, having decreased by PLN 0.97bn from PLN 2.9bn as at the end of 2019. The ratio of net debt to adjusted LIFO-based EBITDA was 1.4x (1.0 at the end of 2019), which was lower than the strategic target of 1.5x. Cash flows from operating activities for 2020 increased year on year to PLN 2.87bn (2019: PLN 2.13bn).

In 2020, the extremely severe macroeconomic downturn impaired or prevented the delivery of the strategic objectives in the exploration and production segment and in the refining and marketing segment, and the key parameters were below expectations. The average prices of crude oil and natural

gas for the year were 33% and 49%, respectively, below the assumed levels. The crack spreads for motor gasolines and diesel oil were also significantly lower than expected, i.e. by 54% and 52%, respectively.

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

8.1. SPONSORSHIP ACTIVITIES

The Company's sponsorship activities support its business objectives and are among the tools used to support sales of products and build LOTOS Group's competitive advantage, which clearly serves the interests of the Company and its shareholders. They are consistent with the marketing communication in creating the desired image of the LOTOS brand among present and future customers, and support promotional and advertising efforts by fostering and consolidating the recognition of product brands and the Company's name and logo.

The sponsorship activities of Grupa LOTOS S.A. and its subsidiaries in 2020 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 20th 2018,
- 'Sponsorship Rules for Grupa LOTOS and Its Subsidiaries', Issue 4 dated July 14th 2017,
- 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.

Proper selection of beneficiaries supports the efforts to build the image of the LOTOS brand. In its communication of sponsorship projects, the Group uses such values as quality, modernity, development, motivation, passion, corporate social responsibility and ecology. In line with this approach, marketing communication is focused on highlighting the high quality of LOTOS products and selected services offered to direct customers, as well as the wide range of stakeholders in the Group's business environment. Grupa LOTOS' sponsorship is used to showcase the Company's mission and values, while strengthening the association of its product brands with quality. In this area, the Company focuses on sports, culture and social activities embodying the values which are of particular importance to the market and social positioning of the LOTOS brand.

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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

and annually reviews sponsorship initiatives carried out in a given financial year, with a particular focus on:

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

The sponsorship plan prepared for the entire Group comes into force upon approval by the Management Board and then by the Grupa LOTOS Supervisory Board.

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. The annual report (summary of the entire year) is prepared on a consolidated basis, and includes a professional media market research and analysis of the effectiveness of 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, impact of sponsorship activities on the purchasing decisions of respondents, and many more.

In accordance with the Ministry of Energy's guidelines, the share of sponsorship expenses in a given financial year may not exceed 0.2% of revenue generated by the company in the previous year.

For years, Grupa LOTOS has been ranked among the top sponsors of Polish sports. In 2020, the LOTOS brand sponsored six of the ten sports disciplines that receive the greatest media coverage, including football, ski jumping, track and field, cycling, swimming and tennis. 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.

The financial effectiveness of the Company's sponsorship activities is confirmed by the value of the media effect for the LOTOS brand, which in 2020 reached more than PLN 650m for the strategic projects, an all-time high for sponsorship activities of Grupa LOTOS. The return of more than 16 means that potential media costs (defined as an equivalent of airtime on television and in other media) exceeded more than sixteenfold the total expenditure expected to be incurred by the Company on sponsorship activities. In order to reach the same audience with advertisements, the Company would have to spend considerably more than the amount actually spent on sponsoring the key sports disciplines (football, skiing, car rallies, cycling, martial arts, tennis, basketball). 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

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

the light of a range of organisational constraints imposed on sports events in 2020 in response to the outbreak of the COVID-19 pandemic. Despite these difficulties, the Company achieved the highest effectiveness of its sponsorship activities on record. In addition, renegotiation of certain existing contracts resulted in more than PLN 10m in cost savings, which were transferred to the LOTOS Foundation to support its efforts in the fight against COVID-19.

Analyses of the effectiveness of sponsorship activities in 2020 demonstrated that spending on sponsorship is several times more effective than spending on advertising, even if advertising time and space are bought at heavily discounted rates (the rate of return for 2020 was 2.5 after taking account of discounts). What is more, consumers perceive sponsorship as the most effective form of advertising as the sponsor supports their favourite discipline, team, athlete or event. Thus, sponsorship is more effective in supporting the perception of the sponsor's brand than a traditional advertising campaign.

The overall effectiveness of the sponsorship activities is confirmed by the high (second) position of Grupa LOTOS in the TOP 10 of the most active sponsors, according to an independent 'Sponsoring Monitor 2020' research report (prepared by ARC Rynek i Opinia), and a strong presence around top influencers in Polish sports in 2020, according to the ranking published by Forbes and Pentagon Research. The top ten influencers in the ranking included as many as seven athletes and sports managers with direct or indirect links to projects sponsored by LOTOS. In addition, of the ten athletes who ranked highest in the '86th Poll for Poland's Best Athlete 2020' organised by the *Przegląd Sportowy* sports magazine, as many as five were engaged in projects sponsored by LOTOS, including the top four. With very high returns, the LOTOS brand was also once again ranked number one in terms of media value among brands with television exposure, achieving a significant advantage over the competitors.

The Supervisory Board is of the opinion that Grupa LOTOS sponsorship and similar activities in 2020 were carried out in a reasonable and effective manner.

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 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.

The four primary **values** underlying the LOTOS Group's corporate social responsibility are:

- **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,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- **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 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. The Company believes that the value of the LOTOS brand needs to be built with due regard paid to the needs and expectations of our external stakeholders. Therefore, it seeks to contribute to developing lasting solutions to social and environmental issues relevant to its stakeholders.

Key CSR programmes implemented in 2020:

- Since 2009, Grupa LOTOS 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 Baltic Sea. Strong focus is placed on environmental education and on raising the awareness of the presence of plastics and microplastics in the Baltic Sea.
- The 'Road Champions' programme is a multifaceted initiative designed to educate and involve young motorists in efforts to improve road safety. Launched in 2020, the initiative evolved from the LOTOS Safety Belt Champions project, which was carried out in prior years to promote correct fastening of seat belts and safe transport of children in restraint systems.
- Since 2013, Grupa LOTOS has been a patron of the E(x)plory Programme, the largest initiative in Poland to support talented youth 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 the best universities, large cities and small towns. It seeks primarily to promote science among children and youth.

In 2020, Grupa LOTOS also continued its involvement in sports projects with a social agenda, addressed to children and youth. These included:

- the 'Football Future with LOTOS' and 'LOTOS Griffin Cup' football projects,
- the 'LOTOS – In Search for the Champion's Successors' winter sports project, which is carried out in partnership with the Polish Skiing Association and includes the LOTOS Cup competition series,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- the 'LOTOS Racquets' National Tennis Promotion Programme' and the 'LOTOS PZT Team' (a project bringing together Poland's top young tennis players), both carried out in partnership with the Polish Tennis Association,
- the 'Olympic Rising Stars' project, which fosters cooperation with talented athletes competing in individual sports and having a chance to fight for Olympic medals.

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. LOTOS gives them opportunities and possibilities and helps them succeed.

The CSR policy is also pursued through the LOTOS Foundation's activities, lending support to education, safety and environmental protection initiatives. Grupa LOTOS and the LOTOS Foundation did not fail to address the challenges posed by COVID-19 epidemic in Poland in 2020. The Company donated funds and other resources to purchase supplies for healthcare facilities in Poland and create a temporary hospital in Gdańsk, which contributed to improving the country's healthcare security.

CSR RATINGS

In line with its commitment to Openness, the LOTOS Group 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 ranking lists.

In 2020, the positive impacts of our CSR programmes and sustainable development initiatives were confirmed again (for the second year in a row) by the top position in the 14th Responsible Business Ranking (in the Fuels, Energy and Mineral Production category). In the overall ranking, the Company came fifth. The ranking has been compiled by Kozmiński Business Hub together with the Responsible Business Forum as the expert partner. It has been reviewed by Deloitte.

Another year in a row, Grupa LOTOS was awarded the CSR Silver Leaf in the annual poll organised by the *Polityka* weekly and Deloitte. The award given to businesses which make regular efforts to conform to the stringent ISO 26000 standard of social responsibility. The organisers also decided to recognise 13 business initiatives addressing climate issues, which may be an inspiration for other companies in terms of their themes, scale or method of implementation. Grupa LOTOS was recognised for its comprehensive 'LOTOS protects the Baltic Sea's wildlife' project;

In 2020, Grupa LOTOS S.A. remained a constituent of the WIG-ESG index of socially responsible companies, designed to measure the performance of companies reporting solid environmental, social and governance (ESG) practices. The WIG-ESG index serves to assess the situation of listed companies considered socially responsible, in particular with regard to environmental, social, economic and corporate governance aspects. In this way the Company builds trust among investors and mitigates business risks.

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

For more information on the LOTOS Group's current CSR initiatives, go to → www.odpowiedzialny.lotos.pl

PUBLICLY DECLARED COMMITMENT TO CSR AND SUSTAINABLE DEVELOPMENT INITIATIVES

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

Being a socially responsible company, Grupa LOTOS has a long-standing tradition of supporting and applying CSR and sustainability best practices, principles and guidelines formulated by well-established Polish and international 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.

In 2020, Grupa LOTOS took measures to address the challenges defined in the 17 Sustainable Development Goals until 2030 announced by the UN in September 2015, the Vision of Sustainable Development for Business in Poland until 2050, and the 10 Principles of the UN Global Compact.



The Company declared its commitment to the 10 Principles of the UN Global Compact, 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;

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

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 2020, Grupa LOTOS 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. Grupa LOTOS has been RBF's strategic partner since 2008.

CSR REPORTING

One of Grupa LOTOS' 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 recognised as the 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.

2020 saw the publication of the LOTOS Group's Integrated Annual Report for 2019.

The LOTOS Group's 2019 Integrated Report has been prepared in accordance with the GRI Standards (Core option) and pursuant to the Polish Accounting Act (Art. 49b and Art. 55.2b-55.2e). A change relative to previous years consists in the application in this report of environmental reporting guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

For the purposes of this report, a survey was carried out among more than 100 LOTOS Group stakeholders, including employees, via the intranet and on Facebook. In the survey, our stakeholders evaluated the materiality of the proposed topics from their own perspective and submitted their own proposals of issues which they believed should be addressed in the integrated report. Based on the findings, a process was carried out to identify and validate the material topics for this report.

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.

The report is available at → www.raportroczny.lotosp.pl.

As part of CSR reporting, 15 best practices of the LOTOS Group were included in the Responsible Business Forum Report. These were: 'Headed for the Baltic' ('LOTOS protects the Baltic Sea's wildlife'), 'Blue Trail', 'For Suppliers' website, OHS Days, 'In Search for the Champion's Successors', Employee Volunteering Programme, 'LOTOS Safety Belt Champions', 'Good Start for Beginners', 'Railway Technology Day', 'Talent with LOTOS', and 'Football Future with LOTOS'. The publication provides the most comprehensive review of socially responsible business activities in Poland.

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 LOTOS 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



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 Foundation supports sports projects dedicated to fostering physical development of children, adolescents and adults. It 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 protection and promotion of Polish historical heritage. It also donates funds to civil security projects, social assistance, and promotion of science and education. Where possible, the LOTOS Foundation helps finance medical treatment of existing and retired employees of the LOTOS Group and their family members. In 2020, which was marked by the pandemic, the Foundation's activities were primarily focused on supporting the fight against COVID-19, including by providing assistance to healthcare facilities across Poland in cooperation with the Ministry of State Assets and the Ministry of Health as well as to various research institutes and public institutions such as Police and fire departments. In 2020, the LOTOS Foundation provided in-kind and financial support to more than 150 different initiatives, with the donations totalling **PLN 13,030,859.00**. The funds were allocated as follows:

Objectives as per Articles of Association/ area	Donation amount (PLN)
Health protection and promotion	9,819,043
Culture and arts	1,383,306
Science and education	771,500
Social assistance	313,360
Promotion of physical culture and sports	200,000
Safety and order – public and road safety	162,425
Support of rescue and protection of people	152,425

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

Preservation of national traditions	123,000
Development of local community and business projects	120,000
Charitable activities	20,800
Leisure activities for children and young people	15,000

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 2020, 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 2020,
- execution of the EFRA (Effective Refining) project, including submission with relevant authorities of quarterly and annual reports on the use of non-public aid,
- the 'Quarterly Information on the Company' for 2020, which was submitted in electronic form to the Department of Ownership Supervision on the following dates:
 - Quarterly Information for Q1 2020 – on May 15th 2020
 - Quarterly Information for Q2 2020 – on August 19th 2020
 - Quarterly Information for Q3 2020 – on November 5th 2020
 - Quarterly Information for Q4 2020 – on April 13th 2021

In 2020, the Supervisory Board took measures to monitor 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' 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 2020, at the request of Grupa LOTOS, nine new guarantees were issued (including seven in PLN and two in EUR) for a total amount of PLN 16,686,725.55 and EUR 287,520.

10. IMPLEMENTATION OF STRATEGIC OR TURNAROUND PLAN

The main objective of the Strategy 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 servicing 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. 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 2020, 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 2020, 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 carried out 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.

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

As at the end of 2020, in terms of the predefined indicators and objectives for the second delivery stage of the Strategy (2019–2022), Grupa LOTOS:

- achieved LIFO-based EBITDA of PLN 1.4bn (PLN 0.47bn in exploration and production and PLN 0.91bn in refining & marketing) – *below the set strategic path towards the strategic objective of annual average LIFO-based EBITDA of PLN 3.9-4.5bn (PLN 1.6-1.8bn in exploration and production and PLN 2.3-2.7bn in refining & marketing),*
- reported CAPEX of PLN 1.8bn – *investments under the strategic objective of approximately PLN 5.8bn (PLN 2.5bn in planned investments + additional PLN 3.3bn) by the end of 2022,*
- maintained the ration of net debt to LIFO-based EBITDA at 1.4x – *delivering the set strategic objective of no more than 1.5x.*
- In terms of other strategic activities, 2019 results included:
 - average production of 20.3 thousand boe/d – *below the strategic path set at 30 thousand boe/d,*
 - 2P reserves of 75 mboe – *delivering the strategic objective of over 60 thousand boe/d,*
 - refining throughput of 10.2m tonnes – *slightly below the strategic objective of 10.5m tonnes,*
 - 513 service stations in the network – *on the path towards the strategic objective set at 550 service stations by the end of 2022,*
 - benefits of the Efficiency Improvement Programme – *delivering the Programme's strategic objective set at PLN 50m,*
 - positive trend in the NPS metric (for 2019) – *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 2020, 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.

Pursuant to the agreement of July 8th 2020 amending the audit engagement agreement of June 20th 2018, the parties decided to extend the audit engagement until the end of 2022.

In 2020, 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 2020 the net value of property, plant and equipment used by Grupa LOTOS S.A. was PLN 5.171m, down by PLN 230m from the end of 2019. The decrease was attributable to annual depreciation of PLN 385m, offset by a PLN 155m net increase in the value of property, plant and equipment, due partly to the investment projects in progress.

As at December 31st 2020, other non-current assets (excluding property) did not include any material items that were not used in day-to-day operations. In addition to its main site, Grupa LOTOS has 38.6 ha of property, including more than 29 ha allocated for planned investment projects.

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

The use of non-public aid received by the Company under the Assistance Agreement from Agencja Rozwoju Przemysłu S.A. (APR) was reviewed by the Supervisory Board on several occasions, which resulted in the Supervisory Board issuing positive opinions on the Company's quarterly and annual reports on the use of non-public aid, i.e. the report for the fourth quarter of 2019, the report for 2019, and the report for the first quarter of 2020.

In September 2020, the Supervisory Board also issued a positive opinion on the final report on the use of non-public aid, which was submitted to ARP for aid settlement purposes. In accordance with the requirements of the Assistance Agreement, the report was also audited by an independent auditor (Grupa Gomułka – Audyt Sp. z o.o. Sp. k.), which issued a positive opinion thereon.

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

During the Supervisory Board meetings the Management Board reported on the current standing of the Company, its economic and financial condition and assets, as well as significant measures and efforts taken by the Company. The Supervisory Board also received regular updates on the progress of the key projects implemented by the Company (WOW, B8, B4/B6, HBO, Polimery Police) 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 2020 and in early 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'S WORK

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 Companies Code and other applicable laws, the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board. In the performance of their functions, the Supervisory Board members also complied with the principles set out in the 'Best Practice for GPW Listed Companies 2016'.

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

2020 was a time of particularly intensive work of the Supervisory Board on the monitoring of key investment projects implemented by the Company, including in particular:

- the EFRA (Effective Refining) project,
- the Hydrogen Recovery Unit project,
- the project to develop the B8 field,

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

- the B4/B6 project,
- the Polimery Police project.

Throughout the year, the Supervisory Board was also actively engaged in monitoring the ongoing work on the intended acquisition of Grupa LOTOS S.A. by PKN Orlen S.A.

In addition, the Supervisory Board:

- by Resolution No. 334/X/2020 of June 1st 2020, recommended that the General Meeting adopt the 'Remuneration Policy for Members of the Management Board and Supervisory Board of Grupa LOTOS S.A.'
- by Resolution No. 26/XI/2020 of September 28th 2020, approved the 'Rules for periodic assessment by the Grupa LOTOS S.A. Supervisory Board of material related-party transactions'. The document sets out the rules for periodic assessment by the Supervisory Board of material transactions, within the meaning of the *Public Offering Act*, concluded by Grupa LOTOS S.A. and its subsidiaries with related parties, and seeks to ensure transparency and legality of such transactions. The Rules were introduced in accordance with the *Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies of July 29th 2005 (Dz.U. of 2019, item 623, as amended) (the "Public Offering Act")*.

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 2020 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 GPW Listed Companies 2016' as adopted by the Supervisory Board of the Warsaw Stock Exchange on October 13th 2015 with effect from January 1st 2016, the Grupa LOTOS Supervisory Board **submits the report on its activities in 2020 to the Annual General Meeting, requesting that the Supervisory Board members be granted discharge in respect of their duties in 2020.**

Grupa LOTOS S.A.
Report on the activities of the Supervisory Board
in 2020

Supervisory Board

1. Beata Kozłowska-Chyła _____
2. Piotr Ciach _____
3. Katarzyna Lewandowska _____
4. Dariusz Figura _____
5. Adam Lewandowski _____
6. Grzegorz Rybicki _____