

Justification of the Management Board of CIECH S.A.

to the resolutions covered by item no. 17 of the agenda

of the Annual General Meeting of CIECH S.A.

dated June 22, 2021

The proposed amendments to the Memorandum of Association of CIECH S.A. (hereinafter as the „**Company**”) aim to achieve the two following main goals:

- (i) adjustment of the content of the Memorandum of Association to the recent changes to the commonly applicable provisions, in particular to the recent amendments to the Code of Commercial Companies (the “**CCC**”) and act on public offering, conditions governing the introduction of financial instruments to organized trading, and listed companies (the “**APO**”),
and
- (ii) protect of the Company value in the ongoing and prolonged period of market uncertainty caused by the SARS-CoV-2 pandemic and its effects on the economy strengthen of the Company's stability operations in the long term. This includes cases of any attempts to use corporate instruments to impact on the Company's operations and decision-making.

Therefore, it is proposed to adopt the following resolutions on matters below.

Under agenda item no. 17 – amendments updating the Memorandum of Association:

The proposed amendments to the Memorandum of Association are dictated by the need to update and adjust selected provisions of the Memorandum of Association to the recent amendments of the commonly applicable laws. The introduction of the proposed changes to the Memorandum of Association of the Company will primarily contribute to improve the functioning of the Company's governing bodies, in particular as regards the participation in the Shareholders' Meeting through the use of electronic communication means and the organization of work, holding of meetings and passing resolutions by the Supervisory Board.

The current provisions of the Memorandum of Association were adopted under a different legal situation and it is necessary to modernize them in order to ensure full compliance of the Company's operations with the current law. Moreover, the amendments serve to clarify a number of provisions.

Under agenda item no. 17 – authorization of the Management Board to increase share capital within the authorized capital:

The need to adopt the proposed resolution is dictated by the desire to provide the Company with a flexible instrument for raising capital, which enables fast and efficient access to financing of the Company's operations through the issuance of shares. The Management Board of the Company, making use of the authorization to increase the share capital within the authorized capital, will be able to adjust the volume and to choose a convenient time for the Company to carry out the issuance of shares, taking into account the current market conditions and the needs of the Company. This entitlement significantly reduces the costs of an issue of shares and shortens the procedure. Funds obtained from the issue of shares may be used to finance mergers and acquisitions conducted by the Company as part of its operating activities.

For the reasons stated above, it is in the Company's best interest to authorize the Management Board to waive the pre-emptive rights, in whole or in part, of the existing shareholders of the Company with respect to any share capital increase within the limits of the authorized capital.

The interests of minority shareholders are adequately protected in the proposed resolution. First, any waiver of their pre-emptive rights by the Management Board will require prior authorization by the Supervisory Board. Secondly, the issue price of shares offered within the scope of the authorized capital will be determined in such a manner so that it is not lower than the price which would be determined pursuant to the principles arising from Article 79 par. 1-3 of the APO, i.e. in a manner analogous to the manner in which the share price is determined in the event of a tender offer for the Company's shares. This solution ensures that the issue price will be a market price. The reference point for determining the minimum issue price for shares offered within the scope of the authorized capital shall be the date of adoption of a resolution by the Management Board on increasing the share capital under the authorization granted to it.

The proposed solution has been adopted by the other listed companies, such as: Datawalk S.A., Dom Development S.A., or FAMUR S.A.

Under agenda item no. 17 – introduction of quorum requirement to the Shareholders' Meeting:

The proposed amendment to the Company's Memorandum of Association is dictated by the need to ensure that a representative group of shareholders decides on the adoption of resolutions at the General Meeting. For this reason, as a rule, resolutions of the Shareholders' Meeting will be valid if adopted in the presence of shareholders representing at least 15% of the Company's share capital. This solution ensures stability of exercise of ownership rights by the shareholders, which is in the Company's interest.

In the current legal state, resolutions passed by the Shareholders' Meeting are valid regardless of how significant the share capital present at the meeting was.

The implementation of this amendment enables the Company to achieve the following benefits:

1. resolutions of the Shareholders' Meeting shall be adopted in the presence of significant shareholders of the Company, which excludes the possibility of their adoption by a randomly gathered minority,
2. quorum eliminates the risk of a temporary seizure of control over the Company by way of sudden changes in the composition of the Supervisory Board by a randomly assembled minority of shareholders,
3. quorum limits the risk of calling two or more simultaneous Shareholders' Meetings in the event of a corporate dispute.

At the same time, the proposed resolution sets the quorum at a relatively low level, significantly lower than 50%, adapted to the nature of a public company.

The proposed solution has been adopted by the other listed companies, such as: Dom Development S.A., JSW S.A., or Lotos S.A.

Under agenda item no. 17 – extension of the term of office of the Supervisory Board and increase number of its members:

The proposed amendments to the Company's Memorandum of Association are dictated by the need to specify the principles of appointment and dismissal of Supervisory Board members. At the same time, in order to strengthen the supervision exercised by the Supervisory Board over the Company, it is proposed to extend the term of office for which members of the Supervisory Board are appointed, i.e. from 3 years to 5 years

The implementation of this amendment enables the Company to achieve the following benefits:

1. strengthening the role and importance of the Supervisory Board as a supervisory body and controlling the current activities of the Management Board on behalf of all shareholders,
2. making individual Supervisory Board members independent – a longer term of office of a Supervisory Board member contributes to acting in the long-term interest of the Company.

Under agenda item no. 17 – introduction of the right to appoint members of the Supervisory Board:

The proposed amendment grants a shareholder who represents more than 50% of the Company's share capital the right to appoint and dismiss the majority of the Supervisory Board members. This solution is to contribute to strengthening ownership supervision over the Management Board of the Company, which is exercised through the Supervisory Board, as well as to ensure the possibility of quick and effective supplementation of the composition of the Supervisory Board in case of expiry of a mandate (no need to call the Shareholder's Meeting to appoint a member of the Supervisory Board). At the same time, the competence of the General Meeting to appoint and dismiss the remaining members of the Supervisory Board is preserved.

The above solution does not excessively privilege the dominant shareholder, because the majority shareholder may in any case independently ensure the election of the Supervisory Board at each Shareholders' Meeting, and the proposed solution is limited only to shareholders who hold shares representing a majority of the Company's share capital. The proposed solution does not identify by name the privileged shareholder, using only the criterion of the number (percentage) of shares held, thanks to which the solution is objective and may constitute a permanent rule.

The proposed solution has been adopted by the other listed companies, such as: Dom Development S.A., Famur S.A., Globe Trade Centre S.A., Celon Pharma S.A. Additionally, a great number of other listed companies grants individual right to the expressly indicated shareholder.

* * *

The drafts of the proposed resolutions have been already made available publicly along with other materials disclosed for persons interested in the Extraordinary Shareholders' Meeting of the Company dated June 22, 2021. These materials are available on: <https://ciechgroup.com/relacje-inwestorskie/walne-zgromadzenie/>.

Management Board of CIECH S.A.