

**Report**  
**on the activity of the Supervisory Board of Jastrzębska Spółka Węglowa S.A.**  
**as the Company's corporate body for the financial year ended 31 December 2022**

**Introduction**

The Supervisory Board acting pursuant to Article 382 § 1, § 3 sec. 3) and § 3<sup>1</sup> of the Commercial Company Code, § 20 Section 1 and Section 2 Item 10 of the Articles of Association of the Company as well as the provisions of the Code of Best Practice for WSE Listed Companies 2021 hereby submits to the JSW S.A. Ordinary Shareholder Meeting *the Report on the activity of the Jastrzębska Spółka Węglowa S.A. Supervisory Board as the Company's corporate body in the financial year ended 31 December 2022.*

Implementing the provisions of the Commercial Company Code, the Articles of Association and applying the rules of the Code of Best Practice for WSE Listed Companies 2021, this *Report* includes among others:

- ✓ results of the assessments referred to in Article 382 § 3 items 1 and 2 of the Commercial Company Code,
- ✓ an assessment of the Company's standing, taking into account the adequacy and effectiveness of the Company's systems of internal control, risk management, ensuring compliance of operations with standards or applicable practices, and internal audit,
- ✓ an assessment of the Management Board' execution of the duties referred to in Article 380<sup>1</sup> of the Commercial Company Code,
- ✓ an assessment of the manner in which the Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested in accordance with the procedure set forth in Article 382 § 4 of the Commercial Company Code,
- ✓ information on the total compensation payable by the Company for all studies commissioned by the Supervisory Board during the financial year in accordance with Article 382<sup>1</sup> of the Commercial Company Code,
- ✓ information on the composition of the Supervisory Board and its Committees, indicating which Supervisory Board Members satisfy the requirements of independence specified in the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision, as well as which among them have no actual and significant affiliations with the shareholder holding at least 5% of the overall number of votes in the Company, as well as information on the composition of the Supervisory Board in the context of its diversity,
- ✓ a summary of the activities of the Supervisory Board and its Committees,
- ✓ an assessment of the Company's consolidated standing, including an assessment of the internal control system and the risk management system, compliance and the internal audit function with the information on the activities taken by the Supervisory Board to make this assessment,
- ✓ an assessment of application of the corporate governance rules and the manner of complying with the reporting duties in this regard, specified in the Bylaws of the Warsaw Stock Exchange and the provisions on current and periodic information provided by the securities issuers with information on the activities of the Supervisory Board taken to make this assessment,
- ✓ an assessment of the reasonableness of the expenses incurred by the Company and its Group to support culture, sports, charitable institutions, the media, social welfare organizations, trade unions, etc.,
- ✓ information regarding the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board.

**1. Information on the term of office of the Supervisory Board**

The Supervisory Board in office during the financial year 2022, i.e. from 01.01.2022 to 01.07.2022, was the Supervisory Board of the 10th term of office operated, and the

Supervisory Board in office from 01.07.2022 to 31.12.2022 was the Supervisory Board of the 11th term of office.

## 2. **Composition of the Supervisory Board, functions discharged in the Supervisory Board and changes in the composition of the Supervisory Board during the financial year**

*Table 1: Composition of the Supervisory Board of the 10th term of office and functions discharged in the Supervisory Board*

First and last name	Position	Term in position
Halina Buk	Chairperson	01.01.2022 – 01.07.2022
Robert Kudelski	Secretary	01.01.2022 – 01.07.2022
Paweł Bieszczad	Member	01.01.2022 – 01.07.2022
Jolanta Górską	Member	01.01.2022 – 01.07.2022
Izabela Jonek-Kowalska	Member	01.01.2022 – 01.07.2022
Tadeusz Kubiczek	Member	01.01.2022 – 01.07.2022
Alojzy Nowak	Member	01.01.2022 – 01.07.2022
Stanisław Prusek	Member	01.01.2022 – 01.07.2022
Michał Rospędek	Member	01.01.2022 – 01.07.2022
Arkadiusz Wypych	Member	01.01.2022 – 01.07.2022

*Table 2: Composition of the Supervisory Board of the 11th term of office and functions discharged in the Supervisory Board*

First and last name	Position	Term in position
Halina Buk	Member	01.07.2022 – 20.07.2022
	Chairperson	20.07.2022 – 31.12.2022
Michał Rospędek	Member	01.07.2022 – 20.07.2022
	Deputy Chairperson	20.07.2022 – 31.12.2022
Robert Kudelski	Member	01.07.2022 – 20.07.2022
	Secretary	20.07.2022 – 31.12.2022
Jolanta Górską	Member	01.07.2022 – 31.12.2022
Robert Łazarczyk	Member	01.07.2022 – 31.12.2022
Paweł Nieradzki	Member	01.07.2022 – 31.12.2022
Alojzy Nowak	Member	01.07.2022 – 31.12.2022
Stanisław Prusek	Member	01.07.2022 – 31.12.2022
Arkadiusz Wypych	Member	01.07.2022 – 31.12.2022

*Table 3: Changes in the composition of the Supervisory Board in 2022*

Date	Description of the change
	The mandates of members of the Supervisory Board of the 10th term of office (Halina Buk, Robert Kudelski, Paweł Bieszczad, Jolanta Górską, Izabela Jonek-Kowalska, Tadeusz Kubiczek, Alojzy Nowak, Stanisław Prusek, Michał Rospędek and Arkadiusz Wypych) have expired.
01.07.2022	The Ministry of State Assets, acting within the powers set forth in § 15 sec. 13 of the Articles of Association of JSW S.A., by way of statements submitted to the Company, appointed to the Company's Supervisory Board for the 11th term of office: Halina Buk, Jolanta Górską, Alojzy Nowak, Stanisław Prusek and Michał Rospędek.

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The Ordinary Shareholder Meeting appointed Employee-elected members of the Supervisory Board, i.e. Robert Kudelski, Robert Łazarczyk, Paweł Nieradzik and Arkadiusz Wypych.

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20.07.2022 The Supervisory Board elected the following persons for the presidium of the Supervisory Board: Halina Buk - Chairperson, Michał Rospędek - Deputy Chairperson and Robert Kudelski - Secretary.

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In accordance with § 16 Section 2 of the Articles of Association of JSW, *the European 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)* shall apply to the requirements of independence for Supervisory Board Members, in consideration of additional requirements arising out of *The Code of Best Practice for Companies Listed on the Warsaw Stock Exchange S.A.*

Under principle 2.3. of the Code of Best Practice for WSE Listed Companies 2021 each Supervisory Board Member made a statement to the Company that they satisfy the requirements of independence specified in this principle (an independent Supervisory Board Member is deemed to be a Member satisfying the requirements set out in *the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision*, as well as having no actual and significant affiliations with the shareholder holding at least 5% of the overall number of votes in the company).

Eight members of the Supervisory Board of the 10th term of office satisfied the requirements of independence set out in principle 2.3. of the Code of Best Practice for WSE Listed Companies 2021 (Halina Buk, Robert Kudelski, Paweł Bieszczad, Jolanta Górka, Izabela Jonek-Kowalska, Tadeusz Kubiczek, Alojzy Nowak and Arkadiusz Wypych), and two of the Supervisory Board Members did not satisfy these requirements (Stanisław Prusek and Michał Rospędek).

In the Supervisory Board of the 11th term of office, as at the date of this Report, six Supervisory Board Members satisfy the requirements of independence set out in principle 2.3. of the Code of Best Practice for WSE Listed Companies 2021 (Halina Buk, Jolanta Górka, Robert Łazarczyk, Paweł Nieradzik, Alojzy Nowak and Arkadiusz Wypych) and three of the Supervisory Board Members do not satisfy these requirements (Michał Rospędek, Robert Kudelski and Stanisław Prusek).

### **3. Information on the composition of the Supervisory Board in the context of its diversity**

The Company does not publish information on the composition of the Supervisory Board in the context of its diversity due to the fact that the diversity policy regarding the JSW's corporate bodies has not been adopted. Supervisory Board Members are appointed according to the rules defined in the Company's Articles of Association. The corporate bodies and persons entitled to appoint the Management Board and Supervisory Board have the opportunity to ensure diversity while selecting the composition of the bodies and candidates are not discriminated against by the criteria included in the advertisements on contests / elections. The selection process for the Members of the JSW corporate bodies does not in any way disqualify candidates on account of any of the diversity policy elements.

The Supervisory Board of the 10th term of office, i.e. until 01.07.2022, was composed of 7 men and 3 women. The proportion of women on the Supervisory Board was 30%.

The Supervisory Board of the 11th term of office, i.e. from 01.07.2022, is composed of 7 men and 2 women. The proportion of women on the Supervisory Board is 22%.

In 2022 the Supervisory Board consisted of people between the ages of 38 and 75.

### **4. Information on the number of Supervisory Board meetings held and the number of resolutions adopted**

The Supervisory Board held 12 meetings and adopted 197 resolutions (including 23 resolutions via means of direct remote communication).

**5. Information on the presence of Supervisory Board Members at the meetings and on adopted resolutions on excused or unexcused absence**

Table 4: Information on the absence of Supervisory Board Members at the meetings and on adopted resolutions on their excused absence

Meeting date	Names of absent Supervisory Board Members	Number of resolution on excused absence
10.05.2022	Tadeusz Kubiczek	628/X/22
15.06.2022	Robert Kudelski Tadeusz Kubiczek Arkadiusz Wypych	659/X/22
30.09.2022	Michał Rospędek Paweł Nieradzik	28/XI/22
14.12.2022	Robert Łazarczyk	62/XI/22

The remaining meetings were attended by all the Supervisory Board Members.  
The Supervisory Board passed no resolution regarding unexcused absences.

**6. Information on significant issues dealt with by the Supervisory Board and checks and explanatory proceedings conducted**

The Supervisory Board conducted constant oversight over the Company in all areas of its activity.

As part of its powers, performing its basic duties, the Supervisory Board:

- called an election of a Management Board member to be elected by the Employees for the next term of office,
- called an election of Supervisory Board Members for the next term of office to be elected by Employees of the Company and Employees of all of its subsidiaries,
- conducted the recruitment procedures for positions of Management Board Members to check and assess the qualifications of the candidates and to select the best candidates for Members of the Management Board of the 11th term of office,
- appointed Members of the Management Board of the 11th term of office.

In order to achieve the highest standards in the performance of the Management Board and Supervisory Board in carrying out their duties and discharging them in an effective manner, only persons with the appropriate competence, skills and experience were appointed to the Management Board and Supervisory Board.

On 01.07.2022 the Chairperson of the JSW S.A. Shareholder Meeting:

- under the provisions of § 11 sec. 15 of the Articles of Association, notified the Shareholders of the results of the recruitment procedures for the positions of Members of the JSW S.A. Management Board of the 11th term of office and provided minutes of those recruitment procedures,
- present the minutes on the elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries,
- present the minutes on the elections of the Members of the JSW S.A. Management Board of the 11th term of office elected by Employees.

The Supervisory Board conducted activities related to setting the compensation of Management Board Members in accordance with the Act of 09.06.2016 *on the Rules for Setting the Compensation of Persons Managing Certain Companies* and the Resolution of the Ordinary Shareholder Meeting of 03.07.2019 on the rules for defining the compensation of Management Board Members; in particular it determined:

- the Variable (supplementary) Compensation for Management Board Members for 2022,
- the Management Objectives for 2022 with the weights for these Objectives where the final amount of the Variable (supplementary) Compensation for Management Board

Members depends on the level of achievement of these Objectives; it also determined the rules for the achievement and accounting for these Objectives.

When determining the detailed Management Objectives for the respective financial year, the Supervisory Board, taking into consideration the Company's line of business, and to the greatest possible extent took into account the public interest, the Company's contribution to environmental protection and the taking of actions aimed at preventing and counteracting the adverse social effects of the Company's business.

Supervisory Board Members, in their functions and duties in the Supervisory Board, were guided in their conduct, including decision-making, by the independence of their opinions and judgments, acting in the interests of the Company. The Supervisory Board worked in a culture of debate, analyzing the situation of the Company against the industry and the market on the basis of materials provided to it by the Company's Management Board and the Company's internal systems and functions, as well as those obtained from outside the Company, using the results of the work of its Committees. In particular, the Supervisory Board issued an opinion on the Company Strategy and verified the work of the Management Board with regard to the achievement of set strategic objectives as well as monitored results achieved by the Company.

In fulfillment of its reporting obligations, on 16.03.2022 the Supervisory Board evaluated the financial statements and consolidated financial statements of the Group in terms of their compliance with the ledgers, documents and the factual status; the Management Board report on the Company's and the Group's activity, the Company's report on payments to the public administration for 2021, and on 27.04.2022 assessed the motion on profit distribution and accounting for Other comprehensive income, and submitted to the Shareholder Meeting written reports on the outcome of the above assessments. Furthermore, the Supervisory Board submitted to the Ministry of State Assets quarterly information on its activity with *Quarterly information about the Company* on an on-going basis as well as, in accordance with the recommendations of the Ministry, periodic information on the meetings held and resolutions adopted by the Supervisory Board.

On 28.01.2022 the Supervisory Board issued a positive opinion on the document entitled *"Technical and Economic Plan of Jastrzębska Spółka Węglowa S.A. for 2022"* and acknowledged the document entitled *"Technical and Economic Plan of the JSW Group for 2022"*.

On 25 February 2022 the Supervisory Board adopted a resolution to approve the document adopted by the JSW Management Board entitled *"JSW Strategy including JSW Group Subsidiaries for 2022-2030"* which is a revision of the currently implemented Group Strategy. The Strategy sets the new directions of development for the JSW Group and strategic areas on which JSW Group is going to focus to enable long-term development and create an added value for the shareholders. Strategic objectives have been defined, which are parameterized in accordance with the current and forecast market standing of the company. The developed Strategy shows the aspiration of the company to strengthen its market standing and stabilize its operations in the long-term, as well as prepares the company for operating in the instable and dynamically changing coal and coke market.

On 27 April 2022 the JSW S.A. Supervisory Board, pursuant to Article 90g of the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies adopted the Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021 and submitted it to the Ordinary Shareholder Meeting. On 01 July 2022 the Ordinary Shareholder Meeting of JSW S.A. adopted a Resolution by which it gave its endorsement to this Report.

On 30 September 2022, the Supervisory Board started the procedure to select an audit firm to audit the financial statements for 2023-2024, in accordance with the adopted selection procedure specified in the *Policy and procedure for selection of the audit firm and policy governing the provision of permitted non-audit services by the audit firm, by its related parties and by a member of the audit firm's chain*.

The Supervisory Board cooperated with the statutory auditor on an ongoing basis and monitored the audit process through the Audit Committee.

On 25 November 2022 the Supervisory Board adopted a resolution to issue a favorable opinion on amendments to the *Organizational Bylaws Jastrzębska Spółka Węglowa S.A.* regarding, among others, the merger of KWK Borynia-Zofiówka with KWK Jastrzębie-Bzie and the establishment of KWK Borynia-Zofiówka-Bzie.

The Supervisory Board continuously tracked the Company's activities and monitored and controlled the decisions and actions of the Management Board relevant to the Company and the JSW Group, as well as assessed the economic and financial situation of the Company and the results of the Management Board's work. On the basis of a summary information provided by the Management Board, the Supervisory Board periodically reviewed the significant events that occurred in the Company. The Company's activity and results were evaluated on the basis of periodical reports submitted to the Supervisory Board by the Management Board on the operating, investment, production, economic and financial, HR and social situation of the Company, including, among others, information on the degree of achievement of the economic parameters presented by the Company in the Technical and Economic Plan, target economic and financial results, financial indicators and the liquidity situation of the Company.

In accordance with the Work Plan adopted by the Supervisory Board, it monitored, on the basis of information regularly provided by the Management Board, the Company's activity in all the important areas of its operation, including: the inventories and sales of coal, execution of investments, preparatory works, costs of consulting and legal services, occupational health and safety conditions in the mines, audits conducted at the Company, relations with investors and stock exchange quotations, performance of tasks resulting from the risk management policy of the Company and the JSW Group, progress in the achievement of the development directions set for the Company and the operation of the subsidiaries within the JSW Group, with an assessment of reasonability of capital exposure in the companies, including assessment of key investments.

The Supervisory Board considered the Management Board's motions requiring the approval of the Supervisory Board and gave opinions on the Management Board's motions to be decided by the Shareholder Meeting.

The Supervisory Board took note of other current issues presented by the Management Board, as well as of the correspondence sent to the Supervisory Board and as required, ordered to conduct audit or investigative activities in the relevant issues covered by the correspondence.

*Table 5: Description of the most important activities and issues with which the Supervisory Board dealt throughout 2022*

Date	Description of activity
13.01.2022	✓ Granting consent for acquisition of a fixed asset with the value exceeding PLN 20 million as part of the execution of an investment related to the construction of ramp IV in seam 408/2 at KWK Knurów-Szczygłowie, Knurów Section.



Date	Description of activity
28.01.2022	✓ Acceptance of the JSW S.A. Supervisory Board Master Work Plan for 2022
	✓ Issuing a positive opinion on the document entitled "Technical and Economic Plan of Jastrzębska Spółka Węglowa S.A. for 2022"
	✓ Acknowledgement of the document entitled "Technical and Economic Plan of the JSW Group for 2022"
	✓ Granting consent for making changes in the composition of the Supervisory Board of Centralne Laboratorium Pomiarowo-Badawcze Sp. z o.o. and JSW Innowacje S.A.
	✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Jastrzębska Spółka Kolejowa Sp. z o.o. as regards amending the Deed of Formation of this company
	✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Jastrzębska Spółka Kolejowa Sp. z o.o. concerning consent and approval of the agreement on gratuitous disposal (transfer) of non-current assets (real estate developed with railroad infrastructure of Jastrzębie station) to JSW S.A.
25.02.2022	✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Innowacje S.A. on consenting to signing an annex to the lease agreement for the Bolter Miner 12CM30 shearer with coalface equipment and other equipment, concluded with Pekao Leasing Sp. z o.o.
	✓ Ordering the election of a Member of the JSW S.A. Management Board of the 11th term of office by Employees and adopting the Regulations for the Election and Removal of a JSW S.A. Management Board Member by Employees
	✓ Ordering the election of Members of the JSW S.A. Supervisory Board of the 11th term of office elected by Employees of the Company and Employees of all its subsidiaries, and adopting the Regulations for the Election and Dismissal of JSW S.A. Supervisory Board Members elected by Employees of the Company and Employees of all its subsidiaries
	✓ Appointing the Central Election Committee to conduct the election of a member of the JSW S.A. Management Board of the 11th term of office by Employees of the Company and elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries
	✓ Approving the document entitled "JSW S.A. Strategy including Subsidiaries of JSW Group for 2022-2030", being an update of the current Strategy
	✓ Approving the updated document entitled "Compensation policy for the management of JSW S.A."
	✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Przedsiębiorstwo Budowy Szybów S.A. as regards giving consent to:
	<ul style="list-style-type: none"> <li>– conclusion of an annex to the loan agreement concluded with Bank Gospodarstwa Krajowego and establishment of collateral for it</li> <li>– incurring a liability on account of conclusion of a bank guarantee agreement with Bank Gospodarstwa Krajowego and establishment of collateral for it</li> <li>– conclusion of a framework operating lease agreement with ING Lease (Polska) Sp. z o.o. and establishment of collateral for it</li> </ul>

Date	Description of activity
	<ul style="list-style-type: none"> <li>✓ Granting consent for making changes in the composition of the Supervisory Board Member of Przedsiębiorstwo Budowy Szybów S.A.</li> <li>✓ Granting consent for free-of-charge disposal of non-current assets of the "Jastrzębie III" mining area of KWK Jastrzębie-Bzie to Spółka Restrukturyzacji Kopalń S.A., using the mechanisms provided for in the Act of 7 September 2007 on the Functioning of the Hard Coal Mining Industry</li> </ul>
03.03.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for entering into an agreement with the Polish Red Cross in Warsaw for the donation of funds to support the campaign #napomocUkrainie</li> </ul>
14.03.2022	<ul style="list-style-type: none"> <li>✓ Appointing the Regional Election Committees to conduct the election of a member of the JSW S.A. Management Board of the 11th term of office by Employees of the Company and elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries</li> </ul>
16.03.2022	<ul style="list-style-type: none"> <li>✓ Amending the <i>Rules for conducting recruitment procedure for the positions of Management Board Members</i></li> <li>✓ Initiation of recruitment procedures and adoption of the content of Announcements on the recruitment procedures for the positions of: President of the Management Board, Vice-President of the Management Board for Sales, Vice-President of the Management Board for Financial Matters, Vice-President of the Management Board for Technical and Operational Matters and Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Determination of the supplementary compensation and Management Objectives of the Management Board Members for 2022</li> <li>✓ Performance of reporting activities which are special obligations of the Supervisory Board under Commercial Company Code, including the assessment of the JSW financial statements, Management Board Report on the Activity of JSW and JSW Group, report on the Company's payments to the public administration, as well as the assessment of the consolidated financial statements of the JSW Group</li> <li>✓ Acceptance of statements and assessment in connection with the published (standalone and consolidated) annual report for 2021</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Logistics Sp. z o.o. as regards amending the Deed of Formation</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW IT Systems Sp. z o.o. as regards consenting to the acquisition of non-current assets in connection with the purchase of software licenses</li> </ul>
16.03.2022	<ul style="list-style-type: none"> <li>✓ Granting: <ul style="list-style-type: none"> <li>a) Robert Ostrowski - Vice-Presidents of the JSW S.A. Management Board for Financial Matters - permission to exercise the function of a Member of the Supervisory Board of JSW KOKS S.A., without receiving remuneration for it,</li> <li>b) consent to the manner of exercise of voting rights at the Shareholder Meeting of JSW KOKS S.A. by casting a vote before the adoption of the resolution on the appointment of Robert Ostrowski to the Supervisory Board of JSW KOKS S.A.</li> </ul> </li> <li>✓ Granting consent for appointment of the Supervisory Board Member of JSW Innowacje S.A.</li> </ul>



Date	Description of activity
	<ul style="list-style-type: none"> <li>✓ Approval of the <i>Report on the performance of the Audit Plan, assessment of internal control system, risk management system, compliance and internal audit function at Jastrzębska Spółka Węglowa S.A. for 2021</i></li> <li>✓ Granting consent for entering into an agreement with the POSEJDON Rescue Foundation for the donation of funds to support the relief effort for occupied Ukraine during the implementation of the project entitled <i>"Ambulance equipment for the hospital in Ivano-Frankivsk"</i></li> </ul>
25.03.2022	✓ Update of the composition of the Regional Election Committees to conduct the election of a member of the JSW S.A. Management Board of the 11th term of office by Employees of the Company and elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries
28.03.2022	✓ Granting consent for contribution of up to PLN 700 million to the JSW Stabilization Closed-end Investment Fund within the investment sub-portfolio
04.04.2022	✓ Update of the composition of the Regional Election Committees to conduct the election of a member of the JSW S.A. Management Board of the 11th term of office by Employees of the Company and elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries
13.04.2022	<ul style="list-style-type: none"> <li>✓ Admission of candidates for the elections of JSW S.A. Supervisory Board Members in the 11th term of office by Employees of the Company and Employees of all of its subsidiaries</li> <li>✓ Admission of a candidates for the elections of the Member of the JSW S.A. Management Board of the 11th term of office elected by Employees</li> <li>✓ Admission of candidates to interviews for the positions of: President of the Management Board, Vice-President of the Management Board for Sales, Vice-President of the Management Board for Financial Matters, Vice-President of the Management Board for Technical and Operational Matters and Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office</li> </ul>
14.04.2022	<ul style="list-style-type: none"> <li>✓ Estimating the amount of the Variable Compensation for the Management Board Members for 2021</li> <li>✓ Positive evaluation of the motion submitted by the Management Board to the JSW Shareholder Meeting regarding the distribution of JSW's net profit for the financial year ended 31 December 2021</li> <li>✓ Positive evaluation of the motion submitted by the Management Board to the JSW Shareholder Meeting to account for Other comprehensive income of JSW for the financial year ended 31 December 2021</li> <li>✓ Adopting the reports on the results of assessing of: <i>"Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of the assessment of the financial statements of Jastrzębska Spółka Węglowa S.A., Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group, and Report on payments made by Jastrzębska Spółka Węglowa S.A. to public administration bodies and the Management Board's motions to the Shareholder Meeting"</i></li> </ul>

Date	Description of activity
	<p>regarding the distribution of net profit and accounting for "Other comprehensive income" of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2021", and "Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of assessing the Consolidated Financial Statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2021"</p>
27.04.2022	<ul style="list-style-type: none"> <li>✓ Adopting the "Report on entertainment expenditures, expenditures for legal services, marketing services, public relations and social communication services and management consulting services of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2021"</li> <li>✓ Adopting the "Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021"</li> <li>✓ Adopting the statement for PricewaterhouseCoopers Polska Sp. z ograniczoną odpowiedzialnością Audyt Sp. k. – the auditor auditing the "Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021"</li> <li>✓ Approval of Reports of the Supervisory Board Committees for the financial year 2021</li> <li>✓ Adopting the "Report on activity of the Jastrzębska Spółka Węglowa S.A. Supervisory Board as the Company's corporate body for the financial year ended 31 December 2021"</li> <li>✓ Submitting motions to the JSW Shareholder Meeting to discharge Management Board Members (Tomasz Cudny, Robert Ostrowski, Sebastian Bartos, Edward Paździorko, Artur Wojtkow, Włodzimierz Hereźniak, Artur Dyczko, Radosław Załozniński, Tomasz Duda, Barbara Piontek and Jarosław Jędrysek) on the performance of their duties in the financial year 2021</li> <li>✓ Granting consent for appointment of the Supervisory Board Member of Jastrzębskie Zakłady Remontowe Sp. z o.o.</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW IT Systems Sp. z o.o. as regards amending the Articles of Association</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Centralne Laboratorium Pomiarowo-Badawcze Sp. z o.o. as regards increasing the share capital and amending the Articles of Association</li> <li>✓ Granting consent to conclude a promotion contract with a net annual value of more than PLN 500 thousand</li> <li>✓ Granting consent to conclude an agreement with Caritas Poland for the donation of an electric vehicle</li> </ul>
27.04.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for signing funds donation agreements for healthcare facilities</li> <li>✓ Granting consent for JSW S.A. to incur the costs of participation of JSW S.A. Management Board Members in a training course on project management for the JSW Group Top Management</li> <li>✓ Granting consent for the appointment of the Head of the Audit and Control Department</li> <li>✓ Granting consent for acquisition of a non-current asset with the value exceeding PLN 20 million as part of the execution of an investment related to drilling the ventilation gate B-1 in seam 405/2 at KWK Budryk</li> </ul>

Date	Description of activity
10.05.2022	<ul style="list-style-type: none"> <li>✓ Selection of the best candidate and appointment of Tomasz Cudny as the President of the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Selection of the best candidate and appointment of Sebastian Bartos as the Vice-President of the Management Board for Sales in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Selection of the best candidate and appointment of Robert Ostrowski as the Vice-President of the Management Board for Financial Matters in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Selection of the best candidate and appointment of Edward Paździorko as the Vice-President of the Management Board for Technical and Operational Matters in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Appointment of Artur Wojtków as the Vice-President of the Management Board for Employment and Social Policy in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Conclusion of the recruitment procedure for the position of Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office without selection of a candidate</li> <li>✓ Giving consent to acquisition by JSW S.A. of Series D Investment Certificates and subsequent ones issued by the JSW Stabilization Closed-end Investment Fund for a total target amount not exceeding PLN 5,000 million</li> <li>✓ Giving consent to enter into an agreement on donation of funds with the JSW Foundation</li> <li>✓ Issuing a positive opinion on the document entitled <i>"Policy for conducting activities in the area of promotion, advertising, representation, sponsorship, Corporate Social Responsibility and donations in the Jastrzębska Spółka Węglowa Group"</i></li> <li>✓ Granting consent for acquisition of a non-current asset with the value exceeding PLN 20 million as part of the execution of an investment related to drilling the test ventilation gate D in seam 409/3 and 409/4 at KWK Borynia-Zofiówka, Zofiówka Section</li> </ul>
31.05.2022	<ul style="list-style-type: none"> <li>✓ Determining the rules for defining the compensation of Management Board Members, adopting a model management contract</li> <li>✓ Granting consent for conclusion of management contracts between the Managers and the Company</li> <li>✓ Entrusting Tomasz Cudny with the duties of Vice-President of the Management Board for Development from the start date of the new, 11th term of office to the date of appointment of the Vice-President of the Management Board for Development</li> <li>✓ Granting consent for appointment/dismissal of the Supervisory Board Members of the following companies: Jastrzębska Spółka Kolejowa Sp. z o.o., JSU Sp. z o.o. and Jastrzębskie Zakłady Remontowe Sp. z o.o.</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Shareholder Meeting of Jastrzębskie Zakłady Remontowe Sp. z o.o. as regards increasing the share capital and amending the Articles of Association</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW KOKS S.A. as regards granting consent for increasing the total budget for the Investment Project entitled "Modernization of Coke Oven Battery no. 4" at the Przyjaźń Coking Plant in Dąbrowa Górnicza and acquisition of non-</li> </ul>

Date	Description of activity
31.05.2022	<p>current assets in connection with the implementation of tasks under the Investment Project</p> <ul style="list-style-type: none"> <li>✓ Granting consent for the manner of exercise of voting rights at the Shareholder Meeting of Przedsiębiorstwo Budowy Szybów S.A. as regards increasing the share capital and amending the Company's Articles of Association</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Przedsiębiorstwo Gospodarki Wodnej i Rekultywacji S.A. as regards amending the Company's Articles of Association</li> <li>✓ Granting consent for JSW S.A. to conclude an agreement for the provision of financial advisory services in raising debt financing with KPMG Advisory Sp. z o.o. sp.k.</li> <li>✓ Granting consent for conclusion of Annex no. 1 to the donation agreement with the Dr. Alojzy Pawelec Voivodeship Hospital for Lung Diseases in Wodzisław Śląski</li> </ul>
	<ul style="list-style-type: none"> <li>✓ Granting consent for the issue of Series D Investment Certificates of the JSW Stabilization Closed-end Investment Fund and the purchase of Certificates for an amount not exceeding PLN 1,000 million</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Innowacje S.A. on consenting to amending the Company's Articles of Association and signing Annex no. 2 to the lease agreement for the Bolter Miner 12CM30 shearer no. 44/0243/2019 dated 25.09.2019</li> <li>✓ Granting consent for: <ul style="list-style-type: none"> <li>a) the manner of exercise of voting rights at the Ordinary Shareholder Meeting of JSW KOKS S.A. on the appointment of Robert Ostrowski to the Supervisory Board of JSW KOKS S.A.,</li> <li>b) Robert Ostrowski - Vice-President of the Management Board for Financial Matters serving as a Member (Chairperson) of the JSW KOKS S.A. Supervisory Board without collecting remuneration on that account</li> </ul> </li> </ul>
15.06.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for the manner of exercise of voting rights at the Ordinary Shareholder Meeting of JSW KOKS S.A. as regards the appointment of Supervisory Board Members of the above-mentioned company</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Ordinary Shareholder Meeting of Centralne Laboratorium Pomiarowo-Badawcze Sp. z o.o. as regards the appointment of Supervisory Board Members of the above-mentioned company</li> <li>✓ Granting consent for the appointment of the Supervisory Board Members of JSW IT Systems Sp. z o.o. and Centralne Laboratorium Pomiarowo-Badawcze Sp. z o.o.</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW KOKS S.A. as regards granting consent for JSW KOKS S.A. to acquire non-current assets in connection with the performance of the Mediation Settlement Agreement and signing of Annex no. 4 to the Agreement on the implementation of the investment project entitled <i>Improving energy efficiency at JSW KOKS S.A. - "Construction of a coke gas-fired power unit"</i> at JSW KOKS S.A. KKZ Branch - Radlin Coking Plant</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of Centralne Laboratorium Pomiarowo-Badawcze Sp. z o.o. as regards consenting to incurring liabilities and acquiring non-current assets</li> </ul>

Date	Description of activity
15.06.2022	<ul style="list-style-type: none"> <li>✓ Approval of the <i>"Report on oversight of the execution of JSW's investment projects in 2021"</i></li> <li>✓ Granting consent for acquisition of a non-current asset with the value exceeding PLN 20 million as part of the execution of an investment related to drilling western incline gallery to level 1120 m at KWK Borynia-Zofiówka, Borynia Section</li> </ul>
25.06.2022	<ul style="list-style-type: none"> <li>✓ Approval of minutes no. 55/X/2022 of the meeting of the JSW S.A. Supervisory Board of the 10th term of office on 15.06.2022</li> <li>✓ Election of the Chairperson of the Supervisory Board, Deputy Chairperson, Secretary, appointment of Committees, as well as appointment of Supervisory Board Members to the Committees of the new 11th term of office of the Supervisory Board</li> <li>✓ Granting consent for the issue of Series E Investment Certificates of the JSW Stabilization Closed-end Investment Fund and the purchase of Certificates for an amount not exceeding PLN 1,000 million</li> <li>✓ Granting consent for concluding an agreement with the Central Mining Institute for the performance of scientific and service work in the field of comprehensive assessment of the conditions for mining longwalls and maintaining the stability of roadways in JSW S.A. mines.</li> </ul>
20.07.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for the manner of exercise of voting rights at the Shareholder Meeting of Przedsiębiorstwo Budowy Szybów S.A. as regards giving consent to the acquisition of real estate, i.e. plots of land and buildings where the company's headquarters are located</li> <li>✓ Granting consent for signing Annex no. 1 to the donation agreement with the County Public Healthcare Facility in Rydułtowy and Wodzisław Śląski with its registered office in Wodzisław Śląski</li> </ul>
23.08.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for appointment of the Supervisory Board Member of JSW Szkolenie i Górnictwo Sp. z o.o.</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Shareholder Meeting of Przedsiębiorstwo Budowy Szybów S.A. on consenting to the extension of the term and increase of the guarantee amount specified in the performance bond for the execution of the investment under the name <i>"Building works carried out by the General Contractor of Stage I of the construction of the Grzegorz shaft and construction of surface infrastructure for Tauron Wydobycie S.A."</i> and granting collateral for it</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW KOKS S.A. as regards granting consent for increasing the total budget for the Investment Project entitled <i>"Modernization of Coke Oven Battery no. 4"</i> at the Przyjaźń Coking Plant in Dąbrowa Górnicza and acquisition of non-current assets in connection with the implementation of tasks under the Investment Project</li> </ul>
21.09.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for the manner of exercise of voting rights at the Shareholder Meeting of Przedsiębiorstwo Budowy Szybów S.A. as regards giving consent to conclude with Powszechna Kasa Oszczędności Bank Polski S.A. Annex no. 3 to the loan agreement concluded on 17.02.2020 in the form of a multi-purpose facility and the establishment of collateral for it</li> </ul>
30.09.2022	<ul style="list-style-type: none"> <li>✓ Acceptance of the new <i>JSW S.A. Supervisory Board Master Work Plan for 2022</i></li> <li>✓ Amendment of the Bylaws of the JSW S.A. Supervisory Board</li> <li>✓ Granting consent for the issue of Series F and G Investment Certificates of the JSW Stabilization Closed-end Investment Fund</li> </ul>



Date	Description of activity
	<ul style="list-style-type: none"> <li>and the purchase of Certificates for a total amount not exceeding PLN 1,500 million</li> <li>✓ Launch of proceedings for selection of audit firm to audit financial statements</li> <li>✓ Granting consent for entering into an agreement with KPMG Advisory Sp. z o.o. Sp. k. for management consulting services, i.e. implementation of regulations under the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment ("Taxonomy") - support in the process of fulfilling reporting obligations for 2022</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Nowe Projekty S.A. as regards granting consent to conclude a lease agreement for the VARMO Composite Solid Fuels Production Plant in Suszec</li> <li>✓ Issuing a positive opinion on the document entitled <i>"Update of the plan and rules governing sponsorship activities of Jastrzębska Spółka Węglowa S.A. for 2022"</i> with the Objectives Card and granting consent for concluding annexes to the sponsoring agreements with regard to increasing the value of the agreements and making changes to the payment schedule</li> <li>✓ Granting consent for concluding an agreement for the organization of an inclusive meeting on the occasion of Women's Day</li> <li>✓ Granting consent for concluding an agreement for the organization of the JSW S.A. Grand Picnic on the occasion of JSW S.A.'s 30th anniversary.</li> <li>✓ Approving the updated document entitled <i>"Compensation policy for the management of JSW S.A."</i></li> </ul>
31.10.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for signing funds donation agreements</li> <li>✓ Granting consent for entering into an agreement with KPMG Advisory Sp. z o.o. Sp. k. A for management consulting services, i.e. carrying out identification and gap analysis related to the ESG area at JSW S.A. and the JSW Group, and conducting training sessions for JSW S.A. and the JSW Group</li> <li>✓ Granting consent for covering the costs of one-to-one English classes for Vice-President of the Management Board for Technical and Operational Matters and Vice-President of the Management Board for Financial Matters</li> </ul>
08.11.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for entering into an agreement on donation of funds between JSW S.A. and the Royal Castle in Warsaw - Museum. Residence of the Kings and the Republic of Poland</li> </ul>
25.11.2022	<ul style="list-style-type: none"> <li>✓ Amendment of management contracts with Management Board Members</li> <li>✓ Granting consent to the appointment of members of the Supervisory Board of Przedsiębiorstwo Budowy Szybów S.A. and JSW Nowe Projekty S.A.</li> <li>✓ Issuing a positive opinion on the updated <i>"Organizational Bylaws of Jastrzębska Spółka Węglowa S.A."</i></li> <li>✓ Approving the <i>"Strategic Audit Plan of Jastrzębska Spółka Węglowa S.A. for 2023-2025"</i></li> <li>✓ Approving the <i>"Audit Plan of Jastrzębska Spółka Węglowa S.A. for 2023"</i></li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Nowe Projekty S.A. as regards granting consent to the merger of JSW Nowe Projekty S.A. with Hawk-e Sp. z o.o. and amendment of the Company's Articles of</li> </ul>



Date	Description of activity
	Association
25.11.2022	<ul style="list-style-type: none"> <li>✓ Approval of the criteria for selection of the audit firm and the manner of evaluation of proposals and the content of the announcement with the invitation to submit proposals for the audit of the financial statements</li> <li>✓ Granting consent for conclusion of an agreement with Sport Management Polska with its registered office in Warsaw to carry out a comprehensive organization of an obstacle run for JSW Group Employees and their families on the occasion of JSW S.A.'s 30th anniversary.</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW Nowe Projekty S.A. as regards granting consent to conclude a Lease Agreement for the Bolter Miner 12M30 shearer together with coalface equipment and other equipment (machinery and equipment of SIGMA S.A.) and lease of measuring instruments, between JSW Nowe Projekty S.A. and Przedsiębiorstwo Budowy Szybów S.A. as the lessee</li> </ul>
01.12.2022	<ul style="list-style-type: none"> <li>✓ Commencement of the recruitment procedure and adoption of the content of the Announcement on the recruitment procedure for the position of Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office</li> </ul>
12.12.2022	<ul style="list-style-type: none"> <li>✓ Admission of candidates to the interview for the position of Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office</li> </ul>
14.12.2022	<ul style="list-style-type: none"> <li>✓ Selection of the best candidate and appointment of Wojciech Kałuża as the Vice-President of the Management Board for Development in the JSW S.A. Management Board of the 11th term of office</li> <li>✓ Approving the amendment of the "Audit Plan of Jastrzębska Spółka Węglowa S.A. for 2022"</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSU Sp. z o.o. as regards consenting to increasing the amount for the acquisition of non-current assets connected with the extension, reconstruction and change in the manner of use of building "B" of the "Diament" Recreation Center in Pobierowo as a tourist accommodation facility</li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW IT Systems Sp. z o.o. as regards: <ul style="list-style-type: none"> <li>– granting consent for amending Resolution no. 1 of the Extraordinary Shareholder Meeting of JSW IT Systems Sp. z o.o. of 17.03.2022 on granting consent for the acquisition of non-current assets in connection with the conclusion of an agreement with A.P.N. Promise S.A.</li> <li>– granting consent for the acquisition of additional non-current assets with a value exceeding 1/10th of the Company's share capital, related to the purchase of subscriptions to Microsoft Dynamics 365 software for Jastrzębskie Zakłady Remontowe Sp. z o.o. under an agreement with A.P.N. Promise S.A. dated 17.03.2022, where the total value of the acquired non-current assets exceeds 5% of the total assets within the meaning of the Accounting Act of 29.09.1994, determined on the basis of the last approved financial statements</li> </ul> </li> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW IT Systems Sp. z o.o. as</li> </ul>

Date	Description of activity
	regards consenting to the acquisition of non-current assets whose value exceeds 1/10th of the share capital of JSW IT Systems Sp. z o.o., in connection with the planned conclusion of an agreement with net-o-logy Sp. z o.o. to implement a Software Asset Management class system
14.12.2022	<ul style="list-style-type: none"> <li>✓ Granting consent for the manner of exercise of voting rights at the Extraordinary Shareholder Meeting of JSW KOKS S.A. as regards the consenting to taking a preferential loan from the National Fund for Environmental Protection and Water Management in Warsaw for the execution of the investment project entitled <i>"Modernization of Coke Oven Battery no. 4 at the JSW KOKS S.A. Przyjaźń Coking Plant in Dąbrowa Górnicza"</i> and establishment of collateral for it</li> <li>✓ Granting consent for extending a bill of exchange surety up to the amount of PLN 125,000,000.00 by JSW S.A. for liabilities of JSW KOKS S.A. towards the National Fund for Environmental Protection and Water Management to secure the loan to finance the investment project entitled <i>"Modernization of Coke Oven Battery no. 4" at the JSW KOKS S.A. Przyjaźń Coking Plant in Dąbrowa Górnicza"</i></li> </ul>
21.12.2022	<ul style="list-style-type: none"> <li>✓ Issuing a positive opinion to the rules governing sponsorship activities included in the document entitled <i>"Plan and rules governing sponsorship activities of Jastrzębska Spółka Węglowa S.A for 2023" with the Objectives Card</i> and granting consent for concluding a sponsoring agreement and annexes to the sponsoring agreements</li> </ul>

**7. Information on the implementation of resolutions of the Shareholder Meeting related to Supervisory Board activities and on the execution of instructions and tasks entrusted to the Supervisory Board by the Ministry of State Assets as well as fulfillment of reporting duties**

- ✓ The Supervisory Board implemented on an on-going basis the provisions of the Shareholder Meeting relating to the Supervisory Board's activities.
- ✓ The Supervisory Board executed any instructions and tasks entrusted to it by the Ministry of State Assets, as well as provided explanations (by correspondence or in person) in response to any inquiries from the Ministry.
- ✓ Executing the instructions of Secretary of State at the Ministry of Energy (letter of 9 September 2016), the Supervisory Board provided to the Ministry monthly information on the meetings held and resolutions adopted by the Supervisory Board.
- ✓ The Supervisory Board also performed its reporting duties, including in respect of the filing of quarterly information about the Company.

**8. Information on the suspension of Management Board Members in the performance of their duties and delegation of Supervisory Board members to act as Management Board members**

In 2022, the Supervisory Board did not suspend any Management Board Members from their positions or delegate Supervisory Board Members to serve as Management Board Members.

**9. Assessment of the Company's standing, including the adequacy and effectiveness of the Company's systems for internal control, risk management, ensuring compliance of operations with standards or applicable practices, and internal audit, covering all significant control mechanisms, in particular relating to reporting and operations with the information on the activities taken by the Supervisory Board to make this assessment**

**Assessment of the economic situation of the JSW Group and Jastrzębska Spółka Węglowa S.A. for 2022**

The Jastrzębska Spółka Węglowa S.A. Group is the largest producer of high quality hard coking coal and one of the leading producers of coke used for steel production in the European Union. For years, the Group has held a crucial position on the Polish and European market for coking coal and coke, due to the high quality coal it produces and due to its location in proximity to its main customers. The Group operates in two sectors: coal and coke. The Group is an active participant of the coking coal – coke – steel supply chain. It focuses on extraction and processing of coal as well as sale of the JSW Group's products, such as coal, coke and hydrocarbons, including coke oven gas, tar, BTX, ammonium sulfate and liquid sulfur. JSW has subsidiaries that provide also support services for the benefit of the Group.

In 2022, the armed conflict in Ukraine and the sanctions imposed on Russia strongly affected the macroeconomic situation in Europe and the world, in particular the energy and energy commodity markets. The sanctions imposed on Russia regarding the ban on the import of energy commodities, the restriction of the supply of steam coal, and gas and oil from Russia to the EU have led to the need to rapidly import steam coal from overseas markets contributing to an increase in the prices on world markets. The armed conflict in Ukraine has pushed up commodity prices in the market. This situation resulted in requests from some material suppliers (mainly steel-based) to renegotiate their contracts. In justified cases, the Group signed annexes to the contracts with suppliers. There has also been an increase in the prices offered by business partners for materials in ongoing tenders. In addition to threats, the war in Ukraine also creates market opportunities for the Group's operations. The Group's market position as a local, stable and predictable supplier of raw materials to the steel industry is growing, as evidenced by the long-term contracts concluded with key customers over the past year.

On 20 and 23 April 2022, incidents took place in JSW's mines. On 20 April 2022, an incident transpired in KWK Pniówek involving an explosion and ignition of methane and secondary explosions. KWK Borynia-Zofiówka, Zofiówka Section – on 23 April 2022 a high energy shock wave combined with an intensive outflow of methane took place. As a result of the aforementioned incidents JSW incurred costs related mainly to rescue operations, removal of the consequences of the incidents and costs of impairment of KWK Pniówek's assets in the total amount of PLN 54.6 million.

On 29 April 2022 the JSW Management Board adopted a resolution on the occurrence of force majeure in JSW and the notification of the Company's business partners of its occurrence and the ensuing consequences for the obligations affected by the operation of force majeure. As a result of the analyses conducted, the impact exerted by these events in terms of reduced coal production until the end of 2022 has been estimated to be roughly 400 thous. tons.

In 2022 the Group did not record any material impact of the COVID-19 pandemic on its coal production volume, production of coke and hydrocarbons and the sales revenue achieved. The Group continued the required preventive measures and measures strengthening the safety of employees aimed at preventing the spread of the SARS-CoV-2 coronavirus. The total costs incurred for combating the pandemic in the Group in 2022 were PLN 8.8 million (in 2021, the total costs associated with the COVID-19 pandemic in the Group were PLN 28.2 million).

The consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022 showed an operating profit of PLN 9,336.4 million and a net profit of PLN 7,593.8 million for 2022.

In the period under analysis, certain one-off events occurred whose nature and scope had a significant impact on its financial results, including in particular:

- non-recurring bonus at JSW in the amount of PLN 472.2 million,
- impairment losses for non-financial non-current assets in JSW, JSW KOKS and PBSz in the amount of PLN 355.4 million,
- costs pertaining to the incidents in KWK Pniówek and the Zofiówka Section in the amount of PLN 33.6 million,
- transfer of the Jastrzębie III Mining Area to SRK:
  - reversal of the provision for mining damage in the amount of PLN (10.7) million,
  - reversal of the mine closure provision in the amount of PLN (29.8) million,
  - reversal of the provision for jubilee awards and retirement and pension benefits in the amount of PLN (25.3) million,
  - net value of the assets transferred to SRK and outflow of materials in the amount of PLN 3.0 million,
- compensation received in connection with the fires in the Zofiówka Section and KWK Budryk in 2020 in the amount of PLN (69.5) million,
- costs related to the incident at the Przyjaźń Coking Plant in the amount of PLN 9.7 million,
- costs incurred in connection with the SARS-CoV-2 pandemic in the amount of PLN 8.8 million.

### **In 2022, the JSW Group recorded:**

#### **Sales revenues**

In 2022, sales revenues rose by 90.0% compared to 2021 and amounted to PLN 20,198.5 million. The rise was impacted by:

- coal sales revenues higher by PLN 6,327.1 million, i.e. 124.6%, which resulted from higher average coal sales prices by PLN 638.67 per ton, i.e. 129.9% (including coking coal by PLN 890.81 per ton, i.e. 143.8% and steam coal by PLN 218.77 per ton, i.e. 97.3%),
- coke sales revenues higher by PLN 2,463.1 million, i.e. 53.9% (without taking into account sales revenues adjustment on account of execution of hedging transactions), which resulted from achieving the average coke sales price higher by PLN 913.42 per ton, i.e. 72.1%,
- sales revenues of hydrocarbons higher by PLN 418.0 million, i.e. by 85.1%, mainly due to the increase in the average prices of tar by 112.7% and of coke oven gas by 164.7%,
- revenues from other activities higher by PLN 393.9 million, or 80.8%, including mostly revenues on sales of electricity higher by PLN 205.1 million.

#### **Other revenues**

In 2022, other revenues amounted to PLN 246.5 million, compared to PLN 590.3 million last year (a decline of PLN 343.8 million, or 58.2%). The higher level of other income in 2021 was influenced by the reversal of an impairment loss on fixed assets in the amount of PLN 335.5 million and the recognition of partial amortization of preferential loans from the PFR in the amount of PLN 107.9 million (for JSW: PLN 89.2 million and for JSW KOKS: PLN 18.7 million). On the other hand, in 2022, other revenues include revenues associated with free-of-charge transfer of a designated part of the "Jastrzębie III" mining area to SRK in the amount of PLN 65.8 million as well as revenues from damages and fines higher by PLN 66.8 million as compared to 2021 (those in the Parent Company include damages associated with the 2020 fires in the Zofiówka Section in the amount of PLN 61.7 million and in KWK Budryk in the amount of PLN 7.8 million).

**Financial income**

Financial income for 2022 amounted to PLN 194.3 million and was PLN 186.1 million higher than financial income generated in 2021. The increase is due to PLN 183.5 million higher interest income on cash and cash equivalents.

**The JSW Group incurred the following costs in 2022:****Cost of products, materials and goods sold**

In 2022, the cost of products, materials and goods sold increased by PLN 1,518.6 million, or 18.9%, compared to 2021, as a result of an increase in costs by nature by PLN 2,544.8 million, or 26.3% (mainly an increase in the cost of materials and energy consumption by PLN 1,078.6 million, employee benefits by PLN 1,069.7 million and external services by PLN 316.1 million).

**Selling and distribution expenses**

Selling and distribution expenses that consist mostly of the costs of shipping of the Group's main products in 2022 totaled PLN 357.2 million (up by PLN 79.6 million, or 28.7%, primarily due to an increase in the price of shipping and port handling services).

**Administrative expenses**

Administrative expenses for 2022 were PLN 826.6 million compared to PLN 684.8 million in the previous year (an increase by PLN 141.8 million, or 20.7%, resulting mainly from an increase in the costs of employee benefits in the Parent Company by PLN 81.9 million).

**Other costs**

Other costs in 2022 amounted to PLN 485.5 million, compared to PLN 882.0 million in 2021 (a decline of PLN 396.5 million, or 45.0%). The lower level other costs results the recognition in 2022 of impairment loss on non-financial non-current assets in the total amount of PLN 364.8 million against PLN 769.2 million of impairment loss recognized in 2021.

**Other net gains/(losses)**

Other net gains in 2022 amounted to PLN 113.2 million, compared to PLN (78.7) million of other net losses in 2021 (an increase of PLN 191.9 million). The change is caused by the profit from the fair value measurement of the portfolio of FIZ assets higher by PLN 168.9 million, profit from F/X differences on operating activities higher by PLN 43.6 million, as well as loss on selling property, plant and equipment lower by PLN 17.8 million and loss on financial derivatives lower by PLN 38.9 million mainly as a result of negative settlement of commodity swap securing coal prices (prices of coking coal, invariably high in 2022, though favorable for the Company, had an adverse impact on the derivative transactions entered into before, generating a negative result from the settlement).

**Financial costs**

Financial costs for 2022 amounted to PLN 141.4 million - an increase by PLN 37.4 million, i.e. 36.0%, results from costs of interest associated with settlement of the discount on account of long-term provisions higher by PLN 20.6 million, interest and commissions on loans and borrowings higher by PLN 8.0 million and interest on leasing higher by PLN 5.9 million.

**JSW Group's statement of financial position**

As at 31 December 2022 the balance sheet total of the Jastrzębska Spółka Węglowa Group was PLN 26,963.1 million and was higher by 68.9% as compared to 31 December 2021.

The biggest assets line item as at 31 December 2022 were non-current assets (70.9%). Its value increased in 2022 by PLN 7,040.6 million, i.e. 58.3%. The change was mainly due to the following factors:

- investments in the FIZ asset portfolio - the 829.1% increase is due mainly to the investment made in April 2022 in a portfolio of financial assets through the JSW Stabilization FIZ with the total value of PLN 4,200.0 million. As at 31 December 2022, the net value of the Fund's assets amounted to PLN 4,893.6 million, which means an increase by PLN 4,385.9 million as compared to 31 December 2021,
- property, plant and equipment - in 2022, the Group incurred expenditures for property, plant and equipment of PLN 2,430.8 million, with depreciation and amortization of PLN 1,044.9 million (in 2021, expenditures for property, plant and equipment amounted to PLN 1,588.6 million, with depreciation and amortization of PLN 1,023.0 million); in 2022, the Group recognized in non-current assets an impairment loss on the non-financial non-current assets in the total amount of PLN 364.8 million, of which PLN 290.7 million relates to property, plant and equipment,
- other non-current financial assets - an increase of 11.7% mainly as a result of an increase of PLN 43.3 million, or 11.9%, in cash held in the Parent Company's Mine Closure Fund, compared to 31 December 2021,
- deferred tax assets - the decrease by 41.7%, including in the Parent Company by PLN 327.4 million, or 51.7%, resulting mainly from a decrease in assets on account of settlement of tax loss by PLN 183.2 million, reduction of assets on account of temporary differences on property, plant and equipment by PLN 67.8 million, an increase in the provision for deferred tax on investments in the FIZ asset portfolio by PLN 35.3 million, an increase of PLN 41.2 million in the provision for deferred tax on expenditures on development (expensable mining pits),
- goodwill - the decrease by PLN 57.0 million is due to the recognition of a goodwill impairment loss of PLN 57.0 million as of 31 December 2022, as a result of impairment testing.

Current assets increased by PLN 3,960.7 million, or by 101.8%. The change in this group of assets was influenced by:

- cash and cash equivalents - the 272.2% increase resulted mainly from higher revenues from coal and coke sales, achieved as a consequence of higher sales prices for these products,
- inventories - the 51.7% increase is mainly due to a PLN 228.8 million, or 135.4%, increase in material inventories, caused mainly by a higher level of coal inventories from outside the Group (as a result of price increases) and a higher level of material inventories (increased purchases of materials securing the implementation of investments and overhauls and higher prices for steel materials), as well as a PLN 109.3 million, or 23.5%, increase in finished goods inventories, caused mainly by higher prices for coal and coke,
- trade and other receivables - growth by 6.8%, which results from the level of trade receivables higher by PLN 119.9 million, i.e. 7.5%, and prepaid expenses by PLN 10.5 million or 49.3%,
- financial derivatives - an increase of 309.3%, which follows mainly from a positive measurement of transactions hedging FX risk at JSW as at 31 December 2022,
- income tax overpaid - a drop by PLN 39.3 million, or 56.8%, stems from a lower value of overpaid income tax in JSW KOKS as at 31 December 2022,
- non-current assets available for sale - a decrease by PLN 27.0 million results from the transfer of a designated part of the "Jastrzębie III" mining area, which is a part of the Jastrzębie-Bzie mine, to SRK, effective as of 1 January 2022.

The increase in equity by 92.1% as at 31 December 2022 has its roots in an increase in retained earnings by PLN 7,569.9 million, or 132.5%, as compared to 31 December 2021, resulting from the generated net profit attributable to the shareholders of the Parent Company in the amount of PLN 7,561.4 million.



As at 31 December 2022, total liabilities increased by PLN 3,361.6 million, or 43.9%, as compared to 31 December 2021; the change results mainly from:

- non-current liabilities - a lower level of loans and borrowings by PLN 602.0 million, or 44.4%, caused primarily by repayment by JSW of PLN 360.0 million of the revolving B loan under the financing agreement with the Consortium and repayment of the loans obtained from PFR in the amount of PLN 265.5 million; an increase in employee benefit liabilities by PLN 27.7 million, or 3.7% (including by PLN 32.9 million, or 5.9% at the Parent Company, mainly as a result of application of a higher discount rate of 6.73% as at 31 December 2022 (31 December 2021: 3.64%) to measure employee benefits, as stated in the actuarial report),
- current liabilities - an increase in FIZ liabilities by PLN 1,977.8 million, i.e. 761.3%, including mainly liabilities from transactions with the Fund's buy-back commitment (Sell Buy Back transactions) – an increase of PLN 1,841.3 million, the Fund's liabilities on account of purchased assets – an increase by PLN 74.7 million, and other Fund liabilities – an increase of PLN 60.5 million; an increase in current income tax liabilities by PLN 1,339.8 million, including PLN 1,333.5 million in the Parent Company (as at 31 December 2022, JSW recognized a tax liability in connection with generated tax income, which amounted to PLN 1,333.5 million after settlement of tax advance payments made); an increase in trade and other liabilities by PLN 602.6 million, or 25.9% (including trade liabilities by PLN 459.0 million and investment liabilities by PLN 104.5 million); the balance of liabilities associated with assets held for sale lower by PLN 65.8 million in connection with the transfer, as of 1 January 2022, to SRK, of a designated part of the "Jastrzębie III" mining area, which forms part of the Jastrzębie-Bzie mine.

### **Structure of assets and liabilities in the context of liquidity**

The main factors affecting the Group's financial standing are supply and demand and the average price of the main products, that is coal and coke, which has a direct effect on revenues and cash flows.

### **Cash flow on operating activity**

In 2022, positive net cash flows on operating activity in the amount of PLN 10,689.8 million were generated thanks to positive cash proceeds from operating activities in the amount of PLN 10,741.1 million, which was mainly attributable to profit before tax in the amount of PLN 9,389.4 million.

### **Cash flow on investing activity**

Cash used in investing activities in 2022 amounted to PLN 6,333.1 million and was higher by PLN 4,712.9 million as compared to the 2021. The main item of capital expenditures is the net cash flow from FIZ investments in the amount of PLN 4,200.0 million and the expenditures for acquisition of property, plant and equipment in the amount of PLN 2,267.7 million.

### **Cash flow on financing activity**

In 2022, net cash flow on financing activity was PLN (818.7) million compared to PLN (338.1) million in 2021. Their level in 2022 includes repayment of loans and borrowings of PLN 732.0 million (chiefly repayment by JSW of the revolving B loan under the financing agreement with the Consortium in the amount of PLN 360.0 million, and repayment of the loans obtained from PFR in the amount of PLN 265.5 million), lease payments of PLN 200.3 million and interest and commissions paid in financing activity in the amount of PLN 67.4 million. At the same time, the Group recorded proceeds from received loans and borrowings in the amount of PLN 156.1 million (including an investment loan from WFOŚiGW in the amount of PLN 70.0 million and a loan from NFOŚiGW in the amount of PLN 64.9 million to JSW KOKS).

The balance of cash and cash equivalents in the statement of cash flows for 2022 was PLN 4,837.9 million. The net change in cash and cash equivalents was PLN 3,538.0 million.

## **An assessment of the economic situation in Jastrzębska Spółka Węglowa S.A. in 2022**

### **In 2022, Jastrzębska Spółka Węglowa S.A. achieved:**

#### **Sales revenues**

In 2022, sales revenues sales rose by 90.2% compared to 2021 and amounted to PLN 25,770.9 million. The rise was impacted by:

- sales revenues from the coal produced by JSW higher by PLN 9,386.4 million, i.e. 114.2%, mainly as a result of the average coal sales price achieved by JSW higher by a total of PLN 670.3 million PLN per ton (growth by 121.9%),
- sales revenues on coke higher by PLN 2,460.7 million, i.e. 53.8% (without taking into account the adjustment of sales revenues on account of executing hedging transactions), mainly due to the average sales price of coke commanded by JSW being higher by PLN 913.46 per ton, or an increase of 72.1%,
- sales revenues of hydrocarbons higher by PLN 242.7 million, i.e. by 67.6%, mainly due to the increase in the prices of coke-oven tar by 61.0% and of BTX by 29.8%.

#### **Cost of products, materials and goods sold**

In 2022, cost of products, materials and goods sold increased by PLN 3,909.6 million, or 32.8%, compared to 2021, to PLN 15,819.5 million, mainly as a result of an increase in costs by nature by PLN 4,538.3 million, i.e. by 34.1% (mainly the cost of materials and goods sold by PLN 2,665.2 million and employee benefits by PLN 859.6 million).

#### **Gross sales profit**

In 2022, the Company achieved a gross profit on sales in the amount of PLN 9,951.4 million, compared to PLN 1,640.5 million in 2021.

#### **Selling and distribution expenses**

In 2022, selling and distribution expenses amounted to PLN 419.4 million (growth by PLN 78.8 million), which results for the most part from an increase in costs of transport services and port operators (in spite of decreasing the volume of coal sold by 517.0 thousand tons and coke by 383.9 thousand tons).

#### **Administrative expenses**

Administrative expenses for 2022 were PLN 660.4 million compared to PLN 555.5 million in the previous year (an increase by PLN 104.9 million, or 18.9%, resulting mainly from an increase in the costs of employee benefits by PLN 81.9 million).

#### **Other revenues**

In 2022, other revenues amounted to PLN 231.7 million, compared to PLN 305.3 million last year (a decline of PLN 73.6 million, or 24.1%). The higher level of other revenues in 2021 resulted mainly from the recognition of forgiveness of part of the preferential loan from the Polish Development Fund (PFR) in the amount of PLN 89.2 million, income under preferential interest on the PFR loan in the amount of PLN 38.7 million and reversal of impairment loss on non-current assets in the amount of PLN 75.0 million. In contrast, in 2022, other revenues include revenues associated with free-of-charge transfer of a designated part of the "Jastrzębie III" mining area to SRK in the amount of PLN 65.8 million as well as damages received in connection with the 2020 fires in the Zofiówka Section in the amount of PLN 61.7 million and in KWK Budryk in the amount of PLN 7.8 million.

**Other costs**

Other costs in 2022 amounted to PLN 398.2 million, compared to PLN 444.3 million in 2021 (a decline of PLN 46.1 million). The lower level other costs results the recognition in 2022 of impairment loss on non-financial non-current assets in the total amount of PLN 267.9 million, against PLN 352.2 million of impairment loss recognized in 2021, and recognition of impairment loss on the shares of PBSz in the amount of PLN 27.7 million.

**Other net gains/(losses)**

Other net gains in 2022 amounted to PLN 112.3 million, compared to PLN (77.7) million of other net losses in 2021 (an increase of PLN 190.0 million). The change is caused by the profit from the measurement of investment certificates higher by PLN 168.9 million, profit from F/X differences on operating activities higher by PLN 43.3 million, loss on selling property, plant and equipment lower by PLN 16.1 million and loss on financial derivatives lower by PLN 38.9 million mainly as a result of negative settlement of a commodity swap securing coal prices (continuing high coking coal prices in 2022, favorable to the Company, negatively affected the derivative transactions concluded earlier, generating a negative settlement result).

**Operating profit**

For 2022, JSW recorded an operating profit in the amount of PLN 8,817.4 million, compared to a profit of PLN 527.7 million recorded in 2021.

**Financial income and costs**

Financial income for 2022 totaled PLN 140.4 million and was higher by PLN 132.7 million than financial income achieved in 2021, which results mainly from interest income on cash and cash equivalents higher by PLN 130.3 million.

Financial costs for 2022 amounted to PLN 150.3 million - an increase by PLN 17.7 million, i.e. 13.3%, results from interest associated with settlement of the discount on account of long-term provisions higher by PLN 15.5 million and the costs of interest and commissions on loans and borrowings higher by PLN 8.6 million.

**Profit before tax**

Profit before tax for 2022 was PLN 8,807.5 million compared to PLN 402.8 million in 2021 (up by PLN 8,404.7 million).

**Net profit**

The Company's net profit for 2022 was PLN 7,115.8 million and was higher by PLN 6,785.9 million than the net profit generated in 2021. Basic and diluted earnings per share was PLN 60.61 (2021: earnings per share was PLN 2.81).

**JSW's statement of financial position**

As at 31 December 2022, the balance sheet value of Jastrzębska Spółka Węglowa S.A. was PLN 22,536.6 million and was 49.3% higher compared to 31 December 2021.

The biggest assets line item as at 31 December 2022 were non-current assets (71.4%). Their value in 2022 increased by PLN 4,718.2 million, i.e. by 41.5%, mainly due to the following factors:

- other non-current financial assets - the 493.4% increase results from investments related to purchase of FIZ investment certificates in 2022; in 2022, JSW purchased FIZ Certificates for a total amount of PLN 4,200.0 million; as at 31 December 2022, the value of the Investment Certificates amounted to PLN 4,893.6 million, which means an increase by PLN 4,385.9 million as compared to the balance as at 31 December 2021; the increase by PLN 43.3 million, i.e. by 11.9%, in the amount of cash collected in the Mine Closure Fund compared the balance as at 31 December 2021,
- property, plant and equipment - in 2022, JSW incurred expenditures for property, plant and equipment of PLN 1,843.7 million, with depreciation and amortization of

PLN 855.8 million (in 2021, expenditures for property, plant and equipment amounted to PLN 1,269.4 million, with depreciation and amortization of PLN 828.1 million); in 2022, the Company recognized an impairment loss on property, plant and equipment in the amount of PLN 244.6 million,

- deferred tax assets - the decrease in assets by 51.7%, resulting mainly from a decrease in assets on account of settlement of tax loss by PLN 183.2 million, reduction of assets on account of temporary differences on property, plant and equipment by PLN 67.8 million, an increase in the provision for deferred tax on the valuation of FIZ Investment Certificates by PLN 35.3 million, an increase of PLN 41.2 million in the provision for deferred tax on expenditures on development (expensable mining pits) and an increase in the assets on account of establishment of impairment loss on shares by PLN 5.4 million.

Current assets increased by PLN 2,723.2 million, or by 73.1%. The change in this group of assets was influenced by:

- cash and cash equivalents - the increase of 1,180.6% resulted mainly from higher revenues from coal and coke sales, achieved as a consequence of higher sales prices for these products; the amount of cash in the balance sheet includes the amount of PLN 125.9 million JSW received for cash transferred by Group companies within the PCP service implemented in the Group,
- trade and other receivables - decrease by 19.2%; the higher level of trade receivables in 2021 resulted from sales revenues higher by PLN 664.8 million achieved in December 2021 compared to revenues generated in December 2022,
- inventories - a decrease by 30.1% caused primarily by the balance of inventories of goods lower by PLN 203.2 million, i.e. by 53.5%, mainly inventories of coke manufactured in the Group by PLN 283.4 million (lower volume of coke inventories as well as its lower value after measurement as at 31 December 2022),
- financial derivatives - an increase in the financial derivatives line by 309.3% results mainly from a positive measurement of transactions hedging FX risk as at 31 December 2022,
- non-current assets available for sale - a decrease by PLN 25.1 million results from the transfer of a designated part of the "Jastrzębie III" mining area, which is a part of the Jastrzębie-Bzie mine, to SRK, effective as of 1 January 2022.

The increase in equity as at 31 December 2022 by PLN 7,138.5 million (106.7%), is attributable to an increase in retained earnings by PLN 7,123.4 million, as compared to 31 December 2021, resulting from the generated net profit in the amount of PLN 7,115.8 million.

As at 31 December 2022, total liabilities increased by PLN 302.9 million, or 3.6%, as compared to 31 December 2021; the change results mainly from:

- non-current liabilities - a lower level of loans and borrowings by PLN 754.7 million, or 60.3%, caused primarily by repayment by JSW of PLN 360.0 million of the revolving B loan under the financing agreement with the Consortium and repayment of the loans obtained from PFR in the amount of PLN 265.5 million; a lower balance of lease liabilities by PLN 27.9 million, i.e. by 9.4% resulting from adjustments reducing the value of right-of-use (change in margin), an increase in employee benefit liabilities by PLN 32.9 million, or 5.9%, mainly as a result of application of a higher discount rate of 6.73% as at 31 December 2022 (31 December 2021: 3.64%) to measure employee benefits, as stated in the actuarial report,
- current liabilities - as at 31 December 2022, in connection with generated tax income, JSW recognized a tax liability which amounted to PLN 1,333.5 million after accounting for tax advance payments made; an increase in the level of loans and borrowings by PLN 92.8 million, or 21.1%, caused by the reclassification of part of the non-current loans and borrowings and the repayment in January 2023 of installments of PFR loans whose repayment date fell to December 2022, in the amount of PLN

88.5 million; the balance of trade and other liabilities lower by PLN 251.3 million, or 6.6%, including liabilities on account of cash received on the basis of PCP settlements by PLN 801.0 million, in spite of an increase in investment liabilities by PLN 312.6 million and growth of trade liabilities by PLN 161.9 million; the balance of liabilities associated with assets held for sale lower by PLN 65.8 million in connection with the transfer, as of 1 January 2022, to SRK, of a designated part of the "Jastrzębie III" mining area, which forms part of the Jastrzębie-Bzie mine.

The major tools for managing the own financial resources include: the PCP service operating in the Group and the maintenance of the Stabilization Fund. The tools ensure effective cash management, maximization of interest income from cash surpluses, with a simultaneous reduction in costs connected with the cash management service.

#### **Structure of assets and liabilities in the context of liquidity**

The major factor shaping JSW's financial position is the market price of coal and coke, which directly affects sales revenues. The market position in 2022 made it possible to generate a high positive financial result and cash surplus. The Company maintains a sound asset and liability structure and a safe level of liquidity that allows it to meet its liabilities in a timely manner.

#### **Cash flow on operating activity**

In 2022, positive net cash flow on operating activity in the amount of PLN 10,863.9 million was generated thanks to positive cash flows from operating activities in the amount of PLN 10,878.3 million, which was mainly attributable to profit before tax in the amount of PLN 8,807.5 million and depreciation and amortization in the amount of PLN 1,045.5 million.

#### **Cash flow on investing activity**

Cash used in investing activities in 2022 was PLN 5,629.3 million and was PLN 4,304.2 million higher compared to 2021. The main capital expenditure item is the payment for the purchase of investment certificates in the amount of PLN 4,200.0 million and the acquisition of property, plant and equipment for PLN 1,527.9 million.

#### **Cash flow on financing activity**

In 2022, net cash flow on financing activity was PLN (991.0) million compared to PLN (377.0) million of cash flow in 2021. Their level in 2022 includes: repayment of loans and borrowings of PLN 715.3 million (chiefly repayment by JSW of the revolving B loan under the financing agreement with the Consortium in the amount of PLN 360.0 million, and repayment of the loans obtained from PFR in the amount of PLN 265.5 million), lease payments of PLN 215.3 million and interest and commissions paid in financing activity in the amount of PLN 63.4 million.

The balance of cash and cash equivalents in the statement of cash flows for 2022 was PLN 3,608.4 million (the balance sheet amount of cash was PLN 3,734.3 million and includes the amount of PLN 125.9 million for the cash provided by the Group companies as part of the PCP service).

#### ***Assessment of the Company's systems of internal control, risk management, ensuring compliance of operations with standards or applicable practices, and internal audit***

The Supervisory Board oversees the Company's internal control system, whose purpose is to ensure that the Company's operations are efficient and effective, that financial reporting is accurate and that the Company complies with laws and internal regulations in all aspects of its operations. Under the internal control system, the Company has established control mechanisms, organization and hierarchical structures, operating procedures and internal instructions and such a division of responsibility and

manner of work to facilitate the achievement of JSW S.A.'s objectives. In order to systematize the above area, appropriate Bylaws have been implemented as referred to in § 31 sec. 3 of the JSW S.A. Articles of Association, which defines the principles and scope of the internal control system at JSW S.A., namely: "*Internal Control System Operation Bylaws of Jastrzębska Spółka Węglowa S.A.*" The principles included in the Internal Control System Bylaws at JSW S.A. were defined based on the assumptions of the internal control model found in the report "*Internal Control - Integrated Framework*" of the Committee of Sponsoring Organizations of the Treadway Commission - COSO, defining principles and factors necessary for effective risk management through the implementation of an internal control system, including the components of this system, i.e.:

1. internal control environment - integrity and ethical values, competence of employees, supervisory activities exercised by the Supervisory Board, philosophy and operational style of management, organizational structure, method of delegation of authority and responsibility, human resources policies and practices,
2. risk assessment (risk management and risk response) - established and clearly communicated objectives and mechanisms to support the identification, analysis and management of the risk of events that may either positively or negatively affect the Company's operations; including the process carried out to consciously manage threats and opportunities, enabling the protection of earned value and enhancing the Company's ability to build value, as well as management's response to identified risks - avoiding, accepting, mitigating or sharing risks and, consequently, developing a set of actions to link individual risks to an acceptable level,
3. control activities - all activities to ensure compliance with the law and the guidelines of the Company's Management Board, allowing to take the actions necessary to minimize risks at all organizational levels of the Company and in all its units,
4. information and communication - the process of exchanging information to perform, manage and control the Company's activities,
5. monitoring - activities involving continuous assessment of the quality and effectiveness of the internal control system, identification of critical points of key importance for assessing the effectiveness of the Company's internal control and, further, for implementing mechanisms to supervise the implementation of individual elements and activities of internal control.

The internal control system model implemented and used in JSW S.A. includes a three-level system of defense against materialization of the risk identified in the Company. The COSO model assumes that in order to effectively implement the system, the responsibilities imposed on the various participants in the system must be defined so that everyone understands their role in addressing risk and control, the issues for which they are responsible, and the principles and means of cooperation within the adopted organizational structure. The COSO model using the so-called three lines of defense allows for better risk management and internal control by clearly defining the roles and responsibilities.

The internal control system in operation in JSW S.A. covers all the Company's operations contemplated in the Articles of Association and all the levels of organizational structure, and thereby all the processes in JSW S.A., including the areas of internal control, compliance, internal audit and risk management, also those having a direct or indirect impact on the correctness of preparing the financial statements. Within this system, the Company has a number of implemented control mechanisms and internal regulations which relate to the functioning of the areas of internal control, compliance, internal audit and risk management. The internal control system comprises all the regulations, procedures and organizational structures which aim to ensure:

- compliance with strategy,
- efficiency and effectiveness of procedures,
- protection of assets,



- compliance of transactions and activities with the mandatory provisions of law, supervisory regulations and internal policies, plans, provisions and procedures,
- support for the decision-making process.

One of the components of the evaluation of the internal control system is the audit and inspection activities performed by the Audit and Control Department. The Audit and Control Department conducts scheduled internal inspections and audits, as well as ad hoc internal inspections and audits. As a result of audit and inspection tasks, several post-audit recommendations and instructions were issued to streamline the control mechanisms and mitigate the risks. The Audit and Control Department conducts monitoring of the implementation of the recommendations and instructions. In addition, monitoring of the internal control system is achieved through operational activities arising from normal management and supervision activities.

The system in operation in the Company include implemented control mechanisms and internal regulations, including, among others, in the area of:

**1. internal control system** - the Internal Control System Operation Bylaws is a set of regulations and principles underlying the construction, operation and usage of the internal control system at JSW S.A. The Bylaws set forth the detailed principles and scope of the internal control system. The Bylaws establish appropriate control mechanisms, organizational and hierarchical structures, operating procedures and internal instructions, as well as division of responsibilities and working methods. All of these elements have been defined in such a way as to facilitate the achievement of the Company's goals and minimize the possibility, circumstances and conditions for generation of losses. The activities of the Internal Control System serve the purpose of ensuring the organization's effective and efficient operations, credibility and reliability of financial reporting and compliance of the Company's processes with laws and internal regulations. The Audit and Control Department, in the areas of its audit and control tasks, evaluates the functioning of the internal control system at JSW S.A. If irregularities are found, post-audit recommendations and orders are issued.

**2. risk management** - the Corporate Risk Management Policy and the Corporate Risk Management Procedure at the JSW Group, comprehensively regulate the functioning of the Corporate Risk Management System. Both documents define the assumptions and principles of the corporate risk management process in the JSW Group, identify the participants in the system and assign tasks and roles for them, the proper implementation of which ensures the functioning of the risk management system. They ensure comprehensive identification of risks and controls and their evaluation both at the level of individual processes and the entire organization. This JSW S.A. function includes, therefore, the process of making decisions and carrying out tasks that lead to the Company achieving an acceptable level of risk. The risk management system includes risk identification, risk assessment, risk estimation, risk control, and monitoring and reporting. The Audit and Control Department, in the areas of its audit tasks, evaluates the corporate risk management at JSW S.A. If irregularities are found, recommendations are issued.

**3. compliance** - is a set of measures aimed at ensuring that the actions taken by the organization comply with the norms of law, internal regulations and accepted standards of conduct. The activities of the compliance system include preventive measures and management of irregularities that occur. The actions taken by the JSW Group in its compliance function serve to reduce the possibility of financial and reputational losses and refer to the best practices in this area.

The following regulations are in place as part of compliance:

- JSW Group's Code of Ethics,
- JSW Group's Compliance Policy,
- JSW Group's Anti-Corruption Policy,
- JSW Group's Conflict of Interest Management Policy,
- JSW Group's Employment of Family and Acquaintances Policy,
- JSW Group's Business Partner Verification Policy,
- JSW Group's Gift Policy,

- JSW Group's Whistleblowing Policy.

The Audit and Control Department, in the areas of its audit tasks, evaluates the compliance of its activities with external and internal regulations, including corporate governance. If irregularities are found, recommendations are issued.

**4. Internal audit** - the JSW S.A. Internal Audit Bylaws define the objectives, powers, responsibilities and location of the internal audit unit in the Company's structure. The bylaws also define precisely its key tasks, how they are accomplished, and the reporting rules. An integral part of the bylaws is the Code of Ethics, which auditors are guided by when performing their tasks. Internal audit functions, which are objective and independent in nature, aim to add value to the Company and improve the operating activities of the entire enterprise. These functions, which consist of a systematic and structured evaluation of processes, help to achieve objectives by providing assurances that the processes are working properly. As a result of annual audit tasks, recommendations are issued, indicating the directions for improving the efficiency of processes, improving control mechanisms and minimizing risks.

The above indicates that the Company separates within its structure units responsible for the execution of tasks in individual systems or functions. There is a clear division of roles, duties, and responsibilities among participants of individual systems or functions.

The Supervisory Board, noting the potential for further development, positively evaluates the compliance, risk management and internal audit functions implemented within the Company, as well as the internal control system in operation in JSW. The Supervisory Board assesses these systems collectively as adequate and effective, taking into account the Company's organizational structure, the number of employees and capitalization. During the financial year, the Supervisory Board took steps to make this evaluation. Inter alia:

- ✓ the Supervisory Board cooperated with the statutory auditor on an ongoing basis and through the Audit Committee, monitored the process of auditing the financial statements, the effectiveness of the internal control, internal audit and risk management systems,
- ✓ in accordance with the Work Plan adopted by the Supervisory Board, on the basis of periodic information submitted by the Management Board, the Supervisory Board monitored the Company's situation in all material areas of its operation, including, among others: implementation of the Audit Plan, assessment of the internal control system, risks associated with the conducted operations and ways to manage those risks, compliance and internal audit function at JSW,
- ✓ the Supervisory Board evaluated the Company's activity and results on the basis of periodical reports submitted by the Management Board on the production, economic and financial and social situation of the Company, including, among others, information on the degree of achievement of the economic parameters presented by the Company in the Technical and Economic Plan, target economic and financial results, financial indicators and the liquidity situation of the Company.

Taking into account the financial performance of JSW and the JSW Group, the Supervisory Board has a positive assessment of the Company's standing. The actions taken by the Management Board are appropriate to the nature of the business, the size of the Company's workforce, the scale of expenses incurred, and are in line with the Company's business model.

## **10. Summary of the activity of Supervisory Board Committees**

In 2022, the following Committees operated within the Supervisory Board:

- ✓ Audit Committee
- ✓ Nomination and Compensation Committee
- ✓ Strategy and Development Committee

The committees are advisory and opinion-making bodies supporting the Supervisory Board.

### **Audit Committee**

It is appointed to support the Supervisory Board in exercising financial oversight and to provide the Board with reliable information and opinions that allow it to efficiently make correct decisions in the area of financial reporting, internal control and risk management. It plays a special role among the Committees because of its nature and tasks.

The Audit Committee's basic tasks include in particular the following:

- ✓ monitoring of the:
  - financial reporting process,
  - effectiveness of internal control systems, risk management systems and internal audit, including in the area of financial reporting,
  - performance of financial audit activities, in particular audits conducted by the audit firm, taking into account all conclusions and findings of the Audit Supervision Commission resulting from inspections performed in the audit firm,
- ✓ inspection and monitoring of the independence of the statutory auditor and the audit firm, in particular in cases where the audit firm renders other services in favor of the Company than the audit services,
- ✓ provision of information to the Company's Supervisory Board or supervisory or control body about the outcome of the audit and explanation of how the audit contributed to the integrity of financial reporting in the Company and what the role of the Audit Committee was in that process,
- ✓ assessment of the independence of the statutory auditor and expressing consent to the auditor's provision of permitted non-audit services (at the Company's justified request),
- ✓ preparing a policy governing the selection of an audit firm to perform the audit,
- ✓ preparation of a policy governing the provision of permitted non-audit services by the audit firm performing the audit, by its related parties and by a member of the audit firm's chain,
- ✓ development of the procedure for selecting an audit firm by the Company,
- ✓ presentation to the Supervisory Board or another supervisory or control body or the body referred to in Article 66 Section 4 of the Accounting Act of 29 September 1994 of recommendations on the appointment of statutory auditors or audit firms, in accordance with the said policies,
- ✓ submission of recommendations intended to ensure the reliability of the financial reporting process in the Company.

*Table 6: Composition of the Committee and functions discharged therein during the Supervisory Board's 10th term of office (from 01.01.2022 to 01.07.2022)*

First and last name	Position	Term in position
Halina Buk	Chairperson	01.01.2022 – 01.07.2022
Paweł Bieszczad	Member	01.01.2022 – 01.07.2022
Jolanta Górka	Member	01.01.2022 – 01.07.2022
Robert Kudelski	Member	01.01.2022 – 01.07.2022
Stanisław Prusek	Member	01.01.2022 – 01.07.2022

*Table 7: Composition of the Audit Committee and functions discharged therein during the Supervisory Board's 11th term of office (from 01.07.2022 to 31.12.2022)\**

First and last name	Position	Term in position
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Jolanta Górską	Chairperson	20.07.2022 – 31.12.2022
Halina Buk	Member	20.07.2022 – 31.12.2022
Paweł Nieradzik	Member	20.07.2022 – 31.12.2022
Robert Kudelski	Member	20.07.2022 – 31.12.2022
Stanisław Prusek	Member	20.07.2022 – 31.12.2022

*\* On 20 July 2022, the first meeting of the Supervisory Board of the 11th term of office was held, at which the Supervisory Board adopted resolutions, among other things, on the election of Jolanta Górską as the Chairperson of the Committee and the appointment of Halina Buk, Paweł Nieradzik, Robert Kudelski and Stanisław Prusek as Committee members*

The composition of the Audit Committee satisfies the requirements set forth in Article 129 of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision. Most Audit Committee members, including the Chairperson, are independent of JSW within the meaning of the aforementioned act. One Audit Committee Member holds expertise and skills in accounting or audit of financial statements. Most Audit Committee members have expertise and skills in the industry in which JSW operates.

The members of the Audit Committee made declarations regarding meeting the statutory independence criteria, as well as declarations regarding having/not having knowledge and skills in accounting or audit of financial statements and in the industry in which the issuer operates. The competencies and experience of the Audit Committee Members, as well as how they acquired their knowledge and skills in financial reporting and the industry, are set forth in the biographical notes of individual Committee Members.

#### In the Supervisory Board Audit Committee of the 10th term of office:

The statutory independence criteria were satisfied by the following Audit Committee Members: Halina Buk, Paweł Bieszczad, Jolanta Górską and Robert Kudelski.

The Audit Committee Member who holds expertise and skills in accounting or audit of financial statements was Halina Buk.

The Audit Committee Members who had expertise and skills in the industry in which the issuer operates were: Paweł Bieszczad, Robert Kudelski and Stanisław Prusek.

#### In the Supervisory Board Audit Committee of the 11th term of office:

The statutory independence criteria are satisfied by the following Audit Committee Members: Jolanta Górską, Halina Buk and Paweł Nieradzik.

The Audit Committee Member who holds expertise and skills in accounting or audit of financial statements is Halina Buk.

The Audit Committee Members who had expertise and skills in the industry in which the issuer operates are: Paweł Nieradzik, Robert Kudelski and Stanisław Prusek.

The Committee held 6 meetings throughout financial year 2022. Four meetings were attended by all Members of the Audit Committee, while the meeting held on 25.04.2022 was not attended by Paweł Bieszczad, and the meeting held on 11.08.2022 was not attended by Robert Kudelski and Stanisław Prusek. The Committee passed no resolution regarding unexcused absences. Regardless of where and how the meetings were held, the Committee had free access to the Company's personnel and documents. It had its own calendar of meetings, which means that it did not meet only on the occasion of Supervisory Board meetings. The following persons participated in the meetings as required: other Members of the Supervisory Board who are not Members of the Committee, Members of the Management Board, the statutory auditor auditing the Company's financial statements, the Company's Chief Accountant, the Director of the Audit and Control Department, the Management Board Representative for the Integrated Management System and Risk Management, and other employees of the Company.

In total, in 2022 the Committee adopted 25 resolutions (including 3 resolutions through the use of means of direct remote communication).

Description of the most important activities and issues with which the Committee dealt in 2022

- ✓ reviewing the results of JSW and the JSW Group for 2021,
- ✓ meeting with the statutory auditor to discuss the results and key findings of the audit of the financial statements of JSW and the JSW Group for 2021,
- ✓ reviewing the results of JSW and the JSW Group for H1 2022,
- ✓ discussing the results of the review of financial statements of JSW and the JSW Group for H1 2022 by the statutory auditor,
- ✓ acceptance of the statutory auditor's declaration of independence with respect to JSW,
- ✓ taking into account the provisions of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision, the Audit Committee has amended and adopted the consolidated version of the document entitled: *"Policy and procedure for selection of the audit firm and policy governing the provision of permitted non-audit services by the audit firm, by its related parties and by a member of the audit firm's chain"*,
- ✓ conducting activities within the framework of the procedure for the selection of an audit firm to audit the financial statements for 2023-2024, including determining the criteria for the selection of an audit firm and the method of evaluating bids, as well as the content of the announcement containing the invitation to submit bids, and submitting draft documents in this regard to the Supervisory Board for approval,
- ✓ giving consent to commission PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k. to provide the service involving the conduct of agreed procedures to verify that the Financial Ratios defined in the documentation of the Financing Agreement dated 9 April 2019 were calculated correctly as at 31 December 2021,
- ✓ giving consent to contract PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k. to provide assurance services consisting in the assessment of the annual report on compensations of the JSW Management Board and Supervisory Board prepared as at 31 December 2021 as regards the inclusion therein of the information required under Article 90g of the *Act of 29 July 2005 on Public Offering and the Conditions for Floating Financial Instruments in an Organized Trading System and on Public Companies*,
- ✓ reviewing the content of the recommendations arising out of the letter of the Office of the Polish Financial Supervision Authority concerning the development of effective and efficient solutions regarding audit firms auditing the Issuer's financial statements,
- ✓ discussing and recommending to the Supervisory Board a positive assessment of the financial statements, the Management Board's report on the Company's and the JSW Group's activity and the Company's report on payments to the public administration and the Management Board's motions on distribution of net profit and accounting for Other comprehensive income, and a positive assessment of the consolidated financial statements of the JSW Group and adoption of reports on the results of the conducted assessment,
- ✓ discussing and recommending to the Supervisory Board the adoption of the *Report on the activity of the "Jastrzębska Spółka Węglowa S.A. Supervisory Board as the Company's corporate body for the financial year ended 31 December 2021"*,
- ✓ discussing and recommending to the Supervisory Board a positive opinion on the *"Report on entertainment expenditures, expenditures for legal services, marketing services, public relations and social communication services and management consulting services of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2021"*,
- ✓ giving a positive opinion on the *"Report on the implementation of audit tasks in H1 2022 at Jastrzębska Spółka Węglowa S.A."*,
- ✓ giving a positive opinion on the *"Report on the performance of the Audit Plan, assessment of internal control system, risk management system, compliance and internal audit function at Jastrzębska Spółka Węglowa S.A. for 2021"* and recommending that the Supervisory Board approve the said report,

- ✓ giving a positive opinion on the "*Strategic Audit Plan of Jastrzębska Spółka Węglowa S.A. for 2023-2025*" and recommending that the Supervisory Board approve the said plan,
- ✓ giving a positive opinion on the "*Audit Plan of Jastrzębska Spółka Węglowa S.A. for 2023*" and recommending that the Supervisory Board approve the said plan,
- ✓ giving an opinion on the final reports on the completed audit tasks,
- ✓ reviewing information on results of conducted audit tasks,
- ✓ reviewing information on the risks associated with conducted business and the ways to manage those risks,
- ✓ discussing the corporate risk management system at JSW,
- ✓ reviewing information on the operation and current tasks of the Audit and Control Department,
- ✓ adopting and presenting to the Supervisory Board for approval of the "*Report of the JSW S.A. Supervisory Board Audit Committee for the financial year 2021*".

### ***Nomination and Compensation Committee***

It has been formed for the purpose of presenting opinions and proposals to the Supervisory Board on how to shape the governance structure of the Company, including issues related to organizational solutions, compensations, the level of compensation and the selection of managers with the qualifications needed to build the success of the Group.

The organizational framework and the scope of the Committee's work are governed by the Bylaws of the Supervisory Board's Nomination and Compensation Committee of Jastrzębska Spółka Węglowa S.A. updated and adopted by the Supervisory Board on 1 December 2021.

The Committee's basic powers and obligations include the following in particular:

- ✓ handling matters connected with the appointment procedure for the positions of JSW S.A. Management Board members, including the performance of tasks following from the Regulations for conducting the appointment procedure for the positions of Management Board Members; preparing and presenting to the Supervisory Board draft versions of advertisements in the appointment procedure and questions/problems for candidates during interviews,
- ✓ handling matters related to the election and dismissal of JSW S.A. Management Board members by employees,
- ✓ issuing opinions on the Bylaws for election and dismissal of JSW S.A. Management Board members by employees and submitting recommendations to the Supervisory Board in this respect,
- ✓ handling matters connected with the appointment and dismissal of JSW S.A. Supervisory Board members by the employees, including issuing an opinion on the Regulations and presenting the Supervisory Board with relevant recommendations,
- ✓ preparing draft versions of contracts and other model documents in connection with appointments of JSW S.A. Management Board members for discharging their functions and overseeing the performance of the contractual obligations taken by the parties,
- ✓ monitoring and performing periodical analyses of the compensation system, providing an opinion on the compensation policy for JSW S.A. and the Management Boards and Supervisory Boards of other companies of the Group and presenting recommendations for the Supervisory Board,
- ✓ overseeing the implementation of the Management Board's compensation system, recommending a list of Management Objectives for the Management Board members (KPI), analyzing the Management Board Report on the performance of Management Objectives and presenting the Supervisory Board with relevant recommendations,
- ✓ overseeing the proper implementation of additional benefits for the Management Board stemming from their management contracts.



*Table 8: Composition of the Nomination and Compensation Committee and functions discharged therein during the Supervisory Board's 10th term of office (from 01.01.2022 to 01.07.2022)*

<b>First and last name</b>	<b>Position</b>	<b>Term in position</b>
Alojzy Nowak	Chairperson	01.01.2022 – 01.07.2022
Izabela Jonek-Kowalska	Member	01.01.2022 – 01.07.2022
Robert Kudelski	Member	01.01.2022 – 01.07.2022
Michał Rospędek	Member	01.01.2022 – 01.07.2022
Arkadiusz Wypych	Member	01.01.2022 – 01.07.2022

*Table 9: Composition of the Nomination and Compensation Committee and functions discharged therein during the Supervisory Board's 11th term of office (from 01.07.2022 to 31.12.2022)\**

<b>First and last name</b>	<b>Position</b>	<b>Term in position</b>
Alojzy Nowak	Chairperson	20.07.2022 – 31.12.2022
Jolanta Górka	Member	20.07.2022 – 31.12.2022
Robert Kudelski	Member	20.07.2022 – 31.12.2022
Michał Rospędek	Member	20.07.2022 – 31.12.2022
Arkadiusz Wypych	Member	20.07.2022 – 31.12.2022

*\* On 20.07.2022, the first meeting of the Supervisory Board of the 11th term of office was held, at which the Supervisory Board adopted resolutions, among others, to appoint Alojzy Nowak as the Committee Chairperson and to appoint Jolanta Górka, Robert Kudelski, Michał Rospędek and Arkadiusz Wypych as Committee Members*

The Committee performed the tasks assigned to it on an ongoing basis and took actions to support the Supervisory Board in the performance of its statutory duties. The current tasks included, among others, systematic exchange of opinions, views and information between Committee Members and Supervisory Board Members both during and outside Supervisory Board meetings.

The Committee held 9 meetings throughout financial year 2022. Eight meetings were attended by all members of the Nomination and Compensation Committee, while one meeting held on 30.09.2022 was not attended by Michał Rospędek. The Committee passed no resolution regarding unexcused absences.

The Committee, during its meetings, among other things:

- ✓ took actions leading to recommending to the Supervisory Board amendments to the *Rules for conducting recruitment procedure for the positions of Management Board Members*,
- ✓ in connection with the expiration of the term of office of the Management Board and Supervisory Board, the Committee discussed matters concerning:
  - the election of a JSW Management Board Member by Employees and the election of JSW Supervisory Board Members by Employees of the Company and Employees of all of its subsidiaries, including presenting the Supervisory Board with recommendations in this regard,
  - recruitment procedures for the positions of JSW Management Board Members; inter alia it determined and submitted to the Supervisory Board draft announcements on the recruitment procedures and the content of issues/questions asked to candidates during interviews,

- ✓ discussed matters connected with the contracts executed with Management Board Members, including compensation issues,
- ✓ held discussions about the compensation policy at JSW, the rules in force and presented to the Supervisory Board recommendations in this regard,
- ✓ reviewed and gave a positive opinion to the updated document entitled *"Compensation policy for the management of JSW S.A."* and recommended that the Supervisory Board approve the said Policy,
- ✓ reviewed the Management Board's report on the implementation of the Management Objectives for 2021, recommended that the Supervisory Board adopt resolutions to amend the management contracts concluded between the Managers and the Company with regard to extending the deadline for the Supervisory Board to adopt resolutions on the implementation of the Management Objectives and determining the amount of the Variable Compensation (KPI) due for payment for 2021,
- ✓ discussed issues concerning supplementary compensation and the Management Objectives of the JSW S.A. Management Board Members for 2022, as a result of which it recommended to the Supervisory Board a catalog of Management Objectives for 2022 for Management Board Members, together with specification of their weights and the criteria for their implementation and accounting for them,
- ✓ reviewed the results and key conclusions of the statutory auditor's assurance work on the evaluation of the *"Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021"* as regards inclusion of the information required pursuant to Article 90g sec. 1-5 and 8 of the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies,
- ✓ reviewed the written *"Report of the independent statutory auditor on the assurance service pertaining to evaluation of the compensation report"*,
- ✓ recommended that the Supervisory Board approve the *"Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021"* and submit it to the JSW S.A. Ordinary Shareholder Meeting,
- ✓ recommended that the Supervisory Board adopt the statement for PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k. – the auditor auditing the *"Report on compensations of Jastrzębska Spółka Węglowa S.A. Management Board and Supervisory Board Members for the financial year ended 31 December 2021"*,
- ✓ adopted and presented to the Supervisory Board for approval of the *"Report of the JSW S.A. Supervisory Board Nomination and Compensation Committee for the financial year 2021"*.

The Chairperson of the Committee, under the authorization of the Supervisory Board Chairperson, conducted interviews with candidates for the position of Management Board Members.

Regardless of where and how the meetings were held, the Committee had free access to the Company's personnel and documents. It had its own calendar of meetings, which means that it did not meet only on the occasion of Supervisory Board meetings. The following persons participated in the meetings as required: other Supervisory Board Members who are not Committee Members, Management Board Members, the statutory auditor auditing the report on compensations of JSW Management and Supervisory Board Members, as well as the Company's employees. The members of the Nomination and Compensation Committee, in performing the tasks entrusted to them, acted in the interest of the Company, maintained independence of action and judgment, and demonstrated efficiency, reliability and competence. In performing its tasks, the Committee relied on its own determinations and those made by the Company's employees responsible for the execution of individual tasks.

In total, in 2022 the Committee adopted 14 resolutions (including 6 resolutions through the use of means of direct remote communication).

### **Strategy and Development Committee**

The Committee is an advisory and opinion-making body for the Supervisory Board and is formed with the purpose of presenting the Supervisory Board with motions, recommendations, opinions and reports on the tasks in the scope of the Committee's duties.

The Audit Committee's basic tasks include the following:

- ✓ evaluation of the Company's business strategy and presentation of the evaluation results to the Supervisory Board,
- ✓ recommendation of the scope and dates for the Company's Management Board to submit technical and economic annual and long-term strategic plans to the Supervisory Board,
- ✓ evaluation of the impact of strategic investments, planned and undertaken, on the Company's assets,
- ✓ monitoring of the fulfillment of strategic investment tasks,
- ✓ evaluation of actions related to the management of the Company's material assets,
- ✓ issuing opinions on strategic documents submitted to the Supervisory Board by the Company's Management Board.

*Table 10: Composition of the Strategy and Development Committee and functions discharged therein during the Supervisory Board's 10th term of office (from 01.01.2022 to 01.07.2022)*

First and last name	Position	Term in position
Stanisław Prusek	Chairperson	01.01.2022 – 01.07.2022
Jolanta Górka	Member	01.01.2022 – 01.07.2022
Izabela Jonek-Kowalska	Member	01.01.2022 – 01.07.2022
Tadeusz Kubiczek	Member	01.01.2022 – 01.07.2022
Alojzy Nowak	Member	01.01.2022 – 01.07.2022
Michał Rospędek	Member	01.01.2022 – 01.07.2022
Arkadiusz Wypych	Member	01.01.2022 – 01.07.2022

*Table 11: Composition of the Strategy and Development Committee and functions discharged therein during the Supervisory Board's 11th term of office (from 01.07.2022 to 31.12.2022)\**

First and last name	Position	Term in position
Stanisław Prusek	Chairperson	20.07.2022 – 31.12.2022
Robert Łazarczyk	Member	20.07.2022 – 31.12.2022
Alojzy Nowak	Member	20.07.2022 – 31.12.2022
Michał Rospędek	Member	20.07.2022 – 31.12.2022
Arkadiusz Wypych	Member	20.07.2022 – 31.12.2022

\* On 20.07.2022, the first meeting of the Supervisory Board of the 11th term of office was held, at which the Supervisory Board adopted resolutions, among others, to appoint Stanisław Prusek as the Committee Chairperson and to appoint Robert Łazarczyk, Alojzy Nowak, Michał Rospędek and Arkadiusz Wypych as Committee Members

The main task of the Committee is to analyze and verify the Company's strategic documents prepared by the Management Board, as well as to monitor and give opinions on the implementation by the Management Board of the tasks arising from these documents and to provide the Supervisory Board with full and reliable information in this respect.

The Committee's current tasks included, among others, systematic exchange of opinions,

views and information between Committee Members and Supervisory Board Members both during and outside Supervisory Board meetings. Supervisory Board members were kept informed of the Committee's activities on an ongoing basis.

The members of the Committee, in performing the tasks entrusted to them, acted in the interest of the Company, maintained independence of action and judgment. They demonstrated efficiency, reliability and competence. They understand the Company's operations, including its business model and the strategy it pursues, including the activities of the entities in its group that have a significant impact on its operations. In performing its tasks, the Committee relied on its own determinations and on information provided by the Company's employees responsible for the execution of individual tasks, in particular in the area of the Company's strategy and development.

Regardless of where the meetings were held, the Committee had free access to the Company's personnel and documents. It had its own calendar of meetings, which means that it did not meet only on the occasion of Supervisory Board meetings. The following persons participated in the Committee meetings as required: other Supervisory Board Members who are not Committee Members, Management Board Members, as well as the Company's employees.

In total, in 2022 the Committee adopted 6 resolutions (including 1 resolution through the use of means of direct remote communication).

The Committee, in carrying out the tasks assigned to it, held 3 meetings. One meeting was attended by all members of the Strategy and Development Committee, while the meeting held on 20.01.2022 was not attended by Tadeusz Kubiczek, and the meeting on 24.02.2022 was not attended by Alojzy Nowak. The Committee passed no resolution regarding unexcused absences.

The Committee, during its meetings, among other things:

- ✓ reviewed and evaluated the key assumptions of the JSW S.A. Strategy including JSW Group's Subsidiaries for 2022-2030, which set the new directions of the JSW Group's development and strategic areas on which the JSW Group is going to focus to enable long-term development and create added value for the shareholders. defined the strategic objectives whose parameters have been determined using the current market position of the business and market forecasts,
- ✓ gave a positive opinion on the document entitled *JSW S.A. Strategy including JSW Group's Subsidiaries for 2022-2030*, being an update of the current Strategy, and recommended that the Supervisory Board approve the said document,
- ✓ analyzed and evaluated the Technical and Economic Plan of JSW and JSW Group for 2022 and presented its recommendations in this respect to the Supervisory Board,
- ✓ monitored the implementation of the Technical and Economic Plan of JSW and JSW Group in 2022,
- ✓ reviewed information submitted by the Management Board on the preparation and adoption of the Investment Strategy of the JSW Group,
- ✓ reviewed the JSW Group's strategic investment projects regarding, among others, the merger of KWK Borynia-Zofiówka with KWK Jastrzębie-Bzie and the establishment of KWK Borynia-Zofiówka-Bzie,
- ✓ gave a positive opinion on the concept of merger of KWK Borynia-Zofiówka with KWK Jastrzębie-Bzie and the establishment of KWK Borynia-Zofiówka-Bzie and recommended that the Supervisory Board give a positive opinion on amendments to the "Organizational Bylaws of Jastrzębska Spółka Węglowa S.A.",
- ✓ adopted and presented to the Supervisory Board for approval of the *"Report of the JSW S.A. Supervisory Board Strategy and Development Committee for the financial year 2021"*.

Members of the Strategy and Development Committee, in between the meetings, as part of the work of the Committee, reviewed, on a semi-annual basis, the Management Board reports on the status of the implementation of the JSW Strategy, taking into consideration the JSW Group's Subsidiaries.

**11. An assessment of application of the corporate governance rules by the Company and the manner of complying with the reporting duties in this regard, specified in the Bylaws of the Warsaw Stock Exchange and the provisions on current and periodic information provided**

**by the securities issuers with information on the activities of the Supervisory Board taken to make this assessment**

On 21 March 2023 the Company published its standalone and consolidated annual report for the financial year ended 31 December 2022, including the "Management Board report on the activities of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022". This document contains a separate part, which is the Declaration on the application of corporate governance principles containing all information required by law, including information on the Company's application of the principles in the document "Code of Best Practice for WSE Listed Companies 2021". These documents are also available on the Company's corporate website: [www.jsw.pl](http://www.jsw.pl)

According to the published statement, JSW S.A. aims to apply the principles contained in the Code of Best Practice for WSE Listed Companies 2021 as widely as possible. The Company verifies on an ongoing basis the manner and extent of compliance with the principles set forth in the aforementioned code. In 2022, in accordance with § 29 section 3 of the Stock Exchange Regulations, the Company provided to the public 2 current reports via the Electronic Information Base (EIB), including updated "*Information on the status of the Company's observance of rules included in the Code of Best Practice for WSE Listed Companies 2021*", extending its scope of application by adding two new rules:

- 1.4.1. - In the 1st half of 2022, the Company's Management Board and the Supervisory Board approved the "*JSW S.A. Strategy including Subsidiaries of JSW Group for 2022-2030*", setting new directions for the actions and projects to support the JSW Group's efforts to grow the value of both the Company and the entire Group. Strategic objectives have been defined, which are parameterized in accordance with the current and forecast market standing of the company. To ensure appropriate communications with stakeholders about the adopted business strategy, the Company published on its website information concerning the assumptions of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by ratios, both financial and non-financial. The information on ESG strategies explains how the decision-making processes of the Company and its group members integrate climate change, including the resulting risks. The relevant information is available at the Issuer's website: <https://www.jsw.pl/relacje-inwestorskie/strategia>;
- 2.9 - As of July 2022, the functions of the Chairperson of the Supervisory Board and the Chairperson of the Audit Committee operating within the Supervisory Board have been separated.

The Company's current overall COMPLY DPSN 2021 ratio is 92%. The Issuer applies 58 rules defined in the Code of Best Practice for WSE Listed Companies 2021 while 5 rules are not applied.

The Company's COMPLY ratio relating to the rules contained in individual chapters is as follows:

1. Disclosure Policy and Communications – 90%
2. Management Board and Supervisory Board – 81%
3. Internal Systems and Functions – 100%
4. Shareholder Meeting and Investor Relations – 93%
5. Conflict of Interest and Transactions with Related Parties – 100%
6. Payroll – 100%

At present, work is under way to publish a current report through the EIB including comprehensive information explaining why some of the rules have not been applied. The Company plans to publish the aforementioned report in the first half of 2023.

According to the content of the most recent current report published via EIB dated 22 July 2022, JSW has not applied the following DPSN 2021 Rules:

**Rule 1.4.2.**

To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by ratios, both financial and non-financial. Information on the ESG strategy should, among others: present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, as well as present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

Company's commentary: The principle of proportionality and comparability of remuneration in the case of JSW is difficult to apply due to the specificity of the production process operating in the mining industry, which is mainly based on men.

**Rule 2.1.**

Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the shareholder meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

Company's commentary: As at the date of publication of this report JSW does not have in place a diversity policy, adopted by the Supervisory Board or Shareholder Meeting, respectively, applicable to the Management Board and Supervisory Board which would specify the diversity goals and criteria according to this rule. According to JSW, the failure to adopt such policies does not affect the assurance of the highest standards in the performance and effective discharge of the duties of the Management Board and the Supervisory Board. Due to the fact that JSW is a company with the State Treasury shareholding, the persons who are to perform functions at the Company's bodies are elected according to the criteria provided for in the provisions of the Act on the "Rules for Managing State Property of 16 December 2016". The criteria adopted in the act aim to ensure that persons performing functions in management and supervisory positions in a company with the State Treasury shareholding have the level of education, professional experience and competences adequate for the performance of these functions.

**Rule 2.2.**

Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in rule 2.1.

Company's commentary: The Members of the Company's Management Board and Supervisory Board are elected observing the principle of equal access of women and men to the position at the Company's statutory bodies. As at the date of publication of this report, the Company has gender diversity at the level specified in this rule on the Company's Supervisory Board. This ratio is not met for the JSW Management Board. In connection with there being no policies referred to in Rule 2.1, the rule is not applied.

**Rule 2.11.6.**

In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the Ordinary Shareholder Meeting once per year. The above report includes at least information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of the goals referred to in Rule 2.1.



Company's commentary: As at the date of publication of this report the Company does not have in place a diversity policy, adopted by the Supervisory Board or Shareholder Meeting, respectively, applicable to the Management Board and Supervisory Board which would specify the diversity goals and criteria, therefore, a failure to apply this rule results from a failure to apply Rules 2.1. and 2.2.

#### **Rule 4.1.**

Companies should enable their shareholders to participate in a shareholder meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such shareholder meeting to proceed.

Company's commentary: The Company is refraining from using that rule because of legal as well as organizational and technical risks which may threaten the correct course of the Shareholder Meeting if shareholders are provided with a possibility of participating in the meeting via remote channels.

In the opinion of the Supervisory Board, the Company correctly fulfilled its reporting duties regarding the application of corporate governance principles, and the explanations regarding the scope of their application by the Company were presented in a transparent and exhaustive manner.

At the same time, with respect to the principles described in the Code of Best Practice for WSE Listed Companies 2021, the Supervisory Board positively evaluates the manner in which Jastrzębska Spółka Węglowa S.A. fulfills its reporting duties regarding the application of corporate governance principles set forth in the Bylaws of the Warsaw Stock Exchange and in the regulations concerning current and periodic information transferred by securities issuers in 2022. The evaluation was prepared by the Supervisory Board in accordance with Rule 2.11.4. of the Code of Best Practice for WSE Listed Companies 2021. The Supervisory Board has reviewed the corporate governance statement contained in the "Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022".

This statement describes in detail the corporate governance issues and includes the information detailed in the *Regulation issued by the Minister of Finance on 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent*. In the above statement, the Management Board informed that it complies with the applicable corporate governance principles mentioned above.

In accordance with Rule 1.1. of the Code of Best Practice for WSE Listed Companies 2021, the Company maintains a website on which it posts all documents and information prescribed by law and good practices. In the opinion of the Supervisory Board, the information disclosed by the Company is consistent with the requirements and the facts and presents fairly the state of application of the corporate governance principles, and the Company properly meets the reporting duties regarding the application of the corporate governance principles set forth in the Bylaws of the Warsaw Stock Exchange and the regulations on current and periodic information.

## **12. Assessment of the reasonableness of expenditures incurred by JSW and JSW Group**

In accordance with Rule 1.5. of the Code of Best Practice for WSE Listed Companies 2021, the Company discloses, at least annually, the expenses incurred by it and its Group to support culture, sports, charitable institutions, the media, social welfare organizations, trade unions, etc.

Information regarding the expenses incurred by the Company and its Group in 2022 for the aforementioned purposes was published on the Company's corporate website on 22 February 2023 and is available at: <https://www.jsw.pl/relacje-inwestorskie/lad-korporacyjny/dobre-praktyki>.

*Table 12: Statement of expenses incurred in 2022 by JSW S.A. and the companies comprising the JSW Group to support culture, sports, charitable institutions, the media, social welfare organizations, trade unions, etc. - in accordance with Rule 1.5 of the Code of Best Practice for WSE Listed Companies 2021*

<b>No.</b>	<b>Support area</b>	<b>Support amount (thousand PLN)</b>
1	Culture	1,062.00
2	Sports	21,847.00
3	Charitable institutions	67.70
4	Media	20.00
5	Social welfare organizations	578.53
6	Trade unions	122.60
7	Other:	
	Health	2,364.46
	JSW Foundation	5,040.00
	Science	68.00
	Aid for Ukraine	638.73
<b>TOTAL</b>		<b>31,809.02</b>

In the opinion of the Supervisory Board, the expenditures for the aforementioned activities were incurred in a prudent and thoughtful manner. The Company and its Group focused on supporting specific, selected areas and did not execute random activities. Consequently, the Supervisory Board confirms the reasonableness and rationality of the expenditures made by the Company and JSW Group companies in 2022.

### **13. Information regarding the degree of implementation of the Diversity Policy applicable to the Management Board and the Supervisory Board**

Jastrzębska Spółka Węglowa S.A. applies good practices to promote diversity among employees. To this effect, among other things, the following have been implemented:

- *Jastrzębska Spółka Węglowa S.A. diversity management policy* according to which the Parent Company applies in its activities clear employment rules and strives to ensure diversity of genders, educational backgrounds, age and professional experience for all its employees, except for Management Board and Supervisory Board Members,
- *Jastrzębska Spółka Węglowa S.A. anti-mobbing policy*, which ensures the support of activities conducive to building positive relations between employees and their protection against the occurrence of mobbing in the workplace, as well as building a sense of responsibility for correct communication and good cooperation, and establishes the principles for handling reports and conducting internal investigations,
- *Policy on the hiring of persons closely associated and relatives in the JSW Group*, which is part of the JSW Group's compliance system aimed at preventing irregularities, including, in particular, irregularities of a criminal and corrupt nature,
- *JSW Group Code of Ethics*, which reflects the ethical values that the JSW Group follows and complies with, and sets the standards of conduct in the JSW Group with regard to employees, collaborators, managers as well as customers, partners and local communities, both in business and business-related relations. It also lays down the most important principles and standards of behavior acceptable and approved by the JSW Group, and provides information on how to behave in circumstances where a particular decision or situation may raise ethical dilemmas.

- *JSW Group's Human Rights Policy*, which is based on key values aimed at respecting human rights and preventing the JSW Group's actions from directly or indirectly violating human rights. The JSW Group declares that it respects human rights and has systematized principles to ensure respect for human rights, in particular, respect for the dignity of every employee, regardless of any differences that exist between people.

Jastrzębska Spółka Węglowa S.A. also applies the principles of diversity management and equal treatment to Management Board and Supervisory Board Members. The aforementioned bodies are composed of people of different gender, age and experience. Management Board Members are appointed after the qualification / election procedure which is open to candidates satisfying the criteria defined by the Supervisory Board and following, among others, from the Articles of Association and the Act on the Rules for Managing State Property of 16 December 2016. The criteria allow the Supervisory Board to assess the candidate impartially and in no way do they disqualify any of them with respect to diversity policy elements such as: gender, educational background, expertise, age and professional experience. The notices of the qualification / election procedure is published in accordance with the applicable rules.

Supervisory Board Members are appointed according to the rules set forth in the Company's Articles of Association, and the bodies and persons authorized to appoint the Management Board and Supervisory Board have the opportunity to ensure diversity in the selection of the composition of these bodies. Candidates are not discriminated against by the criteria in the competition / election notices.

The selection process for members of the JSW corporate bodies does not in any way disqualify candidates on account of any of the diversity policy elements specified in this principle.

*Table 13: Diversity structure of the Management Board and Supervisory Board in 2022*

Corporate body / age	as at 01.01.2022			as at 31.12.2022		
	Women	Men	Total	Women	Men	Total
<b>Management Board</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>6</b>	<b>6</b>
<i>age under 30</i>	-	-	-	-	-	-
<i>age 30-50</i>	-	1	1	-	2	2
<i>age over 50</i>	-	4	4	-	4	4
<i>of which foreigners</i>	-	-	-	-	-	-
<b>Supervisory Board</b>	<b>3</b>	<b>7</b>	<b>10</b>	<b>2</b>	<b>7</b>	<b>9</b>
<i>age under 30</i>	-	-	-	-	-	-
<i>age 30-50</i>	1	4	5	-	4	4
<i>age over 50</i>	2	3	5	2	3	5
<i>of which foreigners</i>	-	-	-	-	-	-

Diversity of areas overseen by individual Management Board Members:

- The President of the Management Board oversees in particular the following areas: organization and management, legal, security, media relations, audit and control, corporate governance and data protection,
- Vice-President of the Management Board for Sales oversees in particular the following areas: coal trading, coke and hydrocarbons trading, sales projection and analyses, and forwarding,

- Vice-President of the Management Board for Development oversees in particular the following areas: development, innovation and computerization, strategy and energy management,
- Vice-President of the Management Board for Financial Matters oversees in particular the following areas: finance, accounting, stock exchange relations and controlling,
- Vice-President of the Management Board for Technical and Operational Matters oversees in particular the following areas: production, production security, coal preparation, investments, methane drainage, methane management, process optimization, quality and occupational health and safety,
- Vice-President of the Management Board for Employment and Social Policy oversees in particular the following areas: labor, payroll, property management, HR management, integrated management and risk management system, corporate social responsibility and promotion.

#### **14. Supervisory Board's cooperation with the Company's Management Board**

In order to enable the Supervisory Board to carry out its tasks, the Company's Management Board has provided the Supervisory Board with access to information on matters relating to the Company, including among others:

- ✓ provided the Supervisory Board with monthly information on the current production, economic, financial and social situation of the Company, including reports on the actual levels of key financial ratios and the Company's liquidity situation,
- ✓ provided answers and explanations to questions posed by Supervisory Board Members.

In addition, the Management Board implemented the recommendations of the Supervisory Board and its Committees on an ongoing basis.

The Management Board provided information to the Supervisory Board on how the recommendations were being implemented at meetings.

In addition, the Management Board provided the Supervisory Board with the necessary technical and organizational resources to enable the Supervisory Board to properly perform its duties.

In addition, the Company provides the Supervisory Board with the possibility of using professional, independent advisory services that the Supervisory Board believes are necessary for it to exercise effective oversight of the Company. Throughout the financial year, the Supervisory Board utilized legal assistance services provided under a concluded agreement.

#### **15. Results of the assessments referred to in Article 382 § 3 items 1 and 2 of the Commercial Company Code**

The results of the assessment of the management board report on company activities and the financial statements for the previous financial year for their compliance with books, documents and actual circumstances, as well as assessment of the management board motions concerning profit distribution are attached as Attachments 1 and 2 to this Report.

#### **16. Assessment of the Management Board' execution of the duties referred to in Article 380' of the Commercial Company Code**

The Supervisory Board, in accordance with the Work Plan adopted by the Supervisory Board, received regular information submitted by the Management Board on all relevant areas of operation, including but not limited to:

- Resolutions adopted by the Management Board and their subject matter (the list of Management Board Resolutions made available to the Supervisory Board was updated on an ongoing basis),
- the Company's standing, including its assets, as well as important circumstances in the conduct of the Company's affairs, in particular in the operational, investment and

HR areas (written information on the subject matter was submitted by the Management Board on a monthly basis, the agenda of each Supervisory Board meeting included items entitled "Discussion of Matters Arising from the Supervisory Board Work Plan" and "Management Board Information on Current Company Matters", at each Supervisory Board meeting, the Management Board reported on the financial, economic, commercial and production situation of JSW and the JSW Group, as well as any significant circumstances in the conduct of the Company's affairs, and presented information on the subsidiaries and affiliated companies),

- progress in the implementation of the Company's designated business development directions (written information on the matter in question was submitted by the Management Board on a monthly basis; at each Supervisory Board meeting, the Management Board provided information on the progress in the implementation of the designated business development directions of JSW and the JSW Group, in particular those indicated in the *"Technical and Economic Plan of Jastrzębska Spółka Węglowa S.A. for 2022"*, *"JSW Group Technical and Economic Plan for 2022"*, and *"JSW S.A. Strategy including the JSW Group's subsidiaries for 2022-2030"*),
- transactions and other events or circumstances that materially affect or may affect the Company's economic position, including its profitability or liquidity (the Management Board provided the Supervisory Board with information on an ongoing basis on transactions and other events or circumstances that materially affect or may affect the economic position of JSW and the JSW Group),
- changes to information previously provided to the Supervisory Board, if such changes materially affect or may affect the Company's standing (the Management Board provided information to the Supervisory Board on an ongoing basis on changes, updating information previously provided).

The Supervisory Board positively evaluates the Management Board's performance of all disclosure obligations set forth in Article 380<sup>1</sup> of the Commercial Company Code. The information submitted was complete and fairly presented the actual picture of JSW and the JSW Group.

***17. Assessment of the manner in which the Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested in accordance with the procedure set forth in Article 382 § 4 of the Commercial Company Code***

The Management Board, on an ongoing basis, implemented the recommendations of the Supervisory Board and its Committees, provided all explanations and submitted information, documents and reports requested by the Supervisory Board and the Committees. The Management Board provided information to the Supervisory Board on how the recommendations were being implemented at meetings. The Supervisory Board and the Committees did not have any comments or objections to the information presented. In the opinion of the Supervisory Board, all information and explanations of the Management Board were presented in a transparent, reliable and comprehensive manner, so the Supervisory Board positively evaluates the manner in which the Management Board prepared and submitted to the Supervisory Board information, documents, reports and explanations requested by the Supervisory Board, in accordance with Article 382 § 4 of the Commercial Company Code.

***18. Information on the total compensation payable by the Company for all studies commissioned by the Supervisory Board during the financial year 2022 in accordance with Article 382<sup>1</sup> of the Commercial Company Code***

In Article 382<sup>1</sup> of the Commercial Company Code, the legislator granted the Supervisory Board the authority to adopt a resolution to have certain matters relating to the Company's operations or assets examined by a selected advisor (Supervisory Board Advisor) at the Company's expense. A Supervisory Board Advisor may also be selected to prepare specific analyses and opinions.

In 2022, the Supervisory Board did not take advantage of the option of appointing a Supervisory Board Advisor, so no costs were generated in this regard.

### **19. Self-assessment of the work of the Supervisory Board**

The Supervisory Board conducted constant oversight over the Company's operations in all areas of its activity. The Supervisory Board demonstrated efficiency, reliability, competence and expertise.

In performing their duties and exercising their functions, Supervisory Board Members acted with due diligence resulting from the professional nature of their activities, and in performing their supervisory activities they complied with the applicable laws. They understand the Company's operations, including its business model and the strategy it pursues, including the activities of the entities in its Group that have a significant impact on its operations. In performing its tasks, Supervisory Board Members relied on its own determinations and on information provided by the Company's employees responsible for the execution of individual tasks. Supervisory Board Members devoted the necessary amount of time to performing their duties. The organization of the work of the Supervisory Board was correct. The number of meetings of the Supervisory Board was the result of the Supervisory Board's own assessment, and was also dictated by the demands made by the Management Board, Supervisory Board Members and the current market situation.

The composition of the Supervisory Board and its Committees reflected a cross-section of competencies necessary for the exercise of the relevant functions by Supervisory Board members. Supervisory Board Members acted in the interest of the Company and were guided in their conduct by the independence of their own opinions and judgments. They clearly raised their objections in cases where the decision is considered to be against the interest of the Company. They acted with ethics and integrity. They did not conduct professional or nonprofessional activities that could lead to conflicts of interest. They have not engaged in activities that contradict their duties or that might give rise to a suspicion of bias or self-interest. If unable to attend a Supervisory Board meeting, Supervisory Board Members excused their absence and the Supervisory Board passed resolutions to excuse Members unable to attend. The Supervisory Board passed no resolution regarding unexcused absences.

During its meetings, the Supervisory Board worked in a culture of debate, analyzing the situation of the Company against the industry and the market on the basis of materials provided to it by the Management Board and the Company's internal systems and functions, as well as those obtained from outside the Company, using the results of the work of its Committees.

Supervisory Board Members were in constant contact with Management Board Members, providing consultation and constant supervision of the Company's activities in all areas of its operations, as well as reviewing issues and motions submitted by the Management Board for Supervisory Board meetings.

Supervisory Board Members attended the Shareholder Meeting in a composition that enabled them to provide substantive answers to the questions asked during the Shareholder Meeting.

***The Supervisory Board hereby moves to the Shareholder Meeting to review and approve this Report and discharge the Supervisory Board Members on the performance of their duties in 2022.***



Attachments:

1. Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of the evaluation of the financial statements of Jastrzębska Spółka Węglowa S.A., Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group, and the Management Board's motions to the Shareholder Meeting on the distribution of the net profit and accounting for "Other comprehensive income" of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022
2. Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of evaluation of the Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group and the Management Board Report on the activity of the Jastrzębska Spółka Węglowa S.A. Group and the Consolidated report on payments made by the Jastrzębska Spółka Węglowa S.A. Group to the public administration for the financial year ended 31 December 2022

**Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of the evaluation of the financial statements of Jastrzębska Spółka Węglowa S.A., Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group, and the Management Board's motions to the Shareholder Meeting on the distribution of the net profit and accounting for "Other comprehensive income" of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022**

## **BACKGROUND**

Pursuant to Article 382 § 3 and Article 382 § 3<sup>1</sup> of the Commercial Company Code and § 20 sec. 2 items 7, 8 and 9 of the Company's Articles of Association, the Supervisory Board of Jastrzębska Spółka Węglowa S.A. ("JSW", "Company") hereby submits to the Shareholder Meeting the *Report of the Supervisory Board of Jastrzębska Spółka Węglowa S.A. on the results of evaluating the Financial statements of Jastrzębska Spółka Węglowa S.A., the Management Board report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group, and the Management Board's motions to the Shareholder Meeting on distributing net earnings and accounting for "Other comprehensive income" in Jastrzębska Spółka Węglowa S.A. in the financial year ended 31 December 2022 including evaluations of the following documents:*

1. The financial statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022,
2. The Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022,
3. Management Board's motion to the Shareholder Meeting of Jastrzębska Spółka Węglowa S.A. on distributing the net earnings of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022,
4. Management Board's motion to the Shareholder Meeting of Jastrzębska Spółka Węglowa S.A. on accounting for "Other comprehensive income" in Jastrzębska Spółka Węglowa S.A. in the financial year ended 31 December 2022.

The audit was conducted by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw and whose selection was made by the Supervisory Board. The statutory auditor was responsible for presenting an opinion on whether the Company's financial statements:

- give a true and fair view of the economic and financial position of Jastrzębska Spółka Węglowa S.A. as at 31 December 2022 and of its financial result and its cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),
- are consistent with regard to form and content with the provisions of law binding the Company and its articles of association,
- have been prepared on the basis of accounting ledgers duly kept in compliance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("Accounting Act").

The audit of the financial statements was conducted in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing adopted by a resolution by the National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors") and Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation").

During the audit the key statutory auditor and the audit firm remained independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted by a resolution of the National Council of Statutory Auditors and other ethical requirements that are applicable to the auditing of standalone financial statements in Poland. During the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

The scope of the audit was influenced by the assumed materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement due to fraud or error.

During the audit the statutory auditor exercises professional judgment and maintains professional skepticism, and also:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures corresponding to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluates the appropriateness of accounting standards (policies) used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board,
- draws a conclusion on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the statutory auditor arrives at the conclusion that material uncertainty exists, it is required to draw attention to the related disclosures in the financial statements in the statutory auditor's report or, if such disclosures are inadequate, modify its opinion. The conclusions are based on the audit evidence obtained up to the date of the statutory auditor's report; however, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner ensuring a fair presentation.

On the basis of the audit, the statutory auditor issued the opinion set forth in the *Independent Statutory Auditor's Audit Report*.

The Supervisory Board presents the results of the evaluation in this report.

## **EVALUATION OF THE FINANCIAL STATEMENTS OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Supervisory Board has reviewed, analyzed and evaluated the *Financial statements of Jastrzębska Spółka Węglowa S.A. in the financial year ended 31 December 2022* in respect to its consistency with the ledgers and documents and the facts.

This Report covers:

1. Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022 showing net earnings of PLN 7,115.8 million and total comprehensive income of PLN 7,138.5 million;
2. Statement of financial position as at 31 December 2022 showing total assets and liabilities and equity of PLN 22,536.6 million;
3. Statement of changes in equity for the financial year ended 31 December 2022 showing an increase of equity of PLN 7,138.5 million;
4. Statement of cash flows for the financial year ended 31 December 2022 showing an increase in cash and cash equivalents by PLN 4,243.7 million;

5. Notes comprising information about the adopted accounting standards (policy) and other explanatory information.

### **Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022**

The table below presents line the Company's statement of profit or loss and other comprehensive income (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Sales revenues	25,770.9	13,550.4
Gross profit	9,951.4	1,640.5
Operating profit	8,817.4	527.7
Profit before tax	8,807.5	402.8
<b>Net profit</b>	<b>7,115.8</b>	<b>329.9</b>
<b>Total other comprehensive income</b>	<b>22.7</b>	<b>18.4</b>
<b>Total comprehensive income</b>	<b>7,138.5</b>	<b>348.3</b>

The burdens on the financial result have been determined correctly. The Supervisory Board does not have any remarks or reservations in respect of the presented statements.

### **Statement of financial position as at 31 December 2022**

The table below presents the Company's statement of financial position (data in PLN million)

	31 December 2022	31 December 2021
<b>Assets</b>		
Non-current assets	16,090.5	11,372.3
Current assets	6,446.1	3,722.9
<b>Total assets</b>	<b>22,536.6</b>	<b>15,095.2</b>
<b>Equity and liabilities</b>		
Equity	13,831.0	6,692.5
Liabilities	8,705.6	8,402.7
<b>Total equity and liabilities</b>	<b>22,536.6</b>	<b>15,095.2</b>

The financial position has been presented correctly. The Supervisory Board does not have any remarks or reservations in respect of the presented statement.

### **Statement of changes in equity for the financial year ended 31 December 2022**

The table below presents the Company's statement of changes in equity (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Equity at the beginning of the period	6,692.5	6,344.2
<b>Equity at the end of the period</b>	<b>13,831.0</b>	<b>6,692.5</b>

The data set forth in the statement of changes in equity for the financial year ended 31 December 2022 are complete and consistent with the facts. The Supervisory Board does not have any remarks or reservations in respect of the presented statements.

### Statement of cash flows for the financial year ended 31 December 2022

The table below presents the Company's statement of cash flows (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Net cash flows from operating activities	10,863.9	297.5
Net cash flows from investing activities	(5,629.3)	(1,325.1)
Net cash flows from financing activities	(991.0)	(377.0)
<b>Net change in cash and cash equivalents</b>	<b>4,243.6</b>	<b>(1,404.6)</b>
Cash and cash equivalents at the beginning of the period	(635.3)	769.5
Exchange differences on translation of cash and cash equivalents	0.1	(0.2)
<b>Cash and cash equivalents at the end of the period</b>	<b>3,608.4</b>	<b>(635.3)</b>

The Supervisory Board does not have any remarks or reservations in respect of the presented statements.

After examination of the *Financial Statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022*, and also after familiarizing itself with the *Independent Statutory Auditor's Audit Report*, the Supervisory Board hereby endorses the financial statements with respect to their consistence with the accounting ledgers, documents and the facts.

*The financial statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022 according to the opinion expressed in the Independent Statutory Auditor's Audit Report:*

- give a true and fair view of the economic and financial position of Jastrzębska Spółka Węglowa S.A. as at 31 December 2022 and of its financial result and its cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),
- are consistent with regard to form and content with the provisions of law binding the Company and its articles of association,
- have been prepared on the basis of duly kept accounting ledgers in compliance with the provisions of Chapter 2 of the Accounting Act.

The financial statements have been prepared based on the assumption of continuing as a going concern for at least 12 months of the final date of the reporting period.

*Guided by the results of the conducted evaluation and considering the Independent Statutory Auditor's Audit Report, the Supervisory Board hereby endorses and recommends that the Shareholder Meeting approve the financial statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022.*

### EVALUATION OF THE MANAGEMENT BOARD REPORT ON THE ACTIVITY OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. AND THE JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

After examination of the *Management Board's Report on the Activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa Group for the financial year ended 31 December 2022*, having in mind the *Independent Statutory Auditor's Audit Report*, the Supervisory Board hereby endorses the activity report in question with respect to its consistence with the accounting ledgers, documents and the facts.

The Activity Report comprises all of the most important issues pertaining to the functioning of the Company and the Group. This report contains the *Report on the activity of the JSW Management Board as a Company's corporate body for the financial year ended 31 December 2022*.

According to the *Independent Statutory Auditor's Audit Report*, the activity report has been prepared in accordance with the requirements of Article 49 of the Accounting Act and paragraphs 70 and 71 of the Finance Minister's Regulation of 29 March 2018 on current and periodic information submitted by securities issuers and the conditions for recognizing the information required by the regulations of a non-member state as equivalent ("Current Information Regulation") and is consistent with the information set forth in the financial statements of the Company and the consolidated financial statements of the Group. Furthermore, in light of our knowledge of the Company and

Group and their environment gained during the audit, the statutory auditor has found no material misstatements in the activity report.

In connection with the conducted audit, the statutory auditor also reviewed the corporate governance statement constituting a separate portion of the activity report. According to the *Independent Statutory Auditor's Audit Report*, this statement contains the information specified in par. 70 sec. 6 item 5 of the Current Information Regulation. Moreover, in the statutory auditor's opinion, the information specified in paragraph 70 section 6 items 5 (c)-(f), (h) and (i) of the Regulation contained in the corporate governance statement comply with the applicable provisions of law and the information disclosed in the financial statements of the Company and the consolidated financial statements of the Group.

Moreover, in connection with the conducted audit, the statutory auditor also reviewed the Non-Financial Statement. In accordance with the *Independent Statutory Auditor's Audit Report*, the Company prepared the Non-Financial Statement referred to in Article 49b sec. 1 and Article 55 sec. 2b of the Accounting Act as a separate section of the Activity Report. At the same time, the statutory auditor confirmed that it had not performed any assurance work pertaining to the non-financial statement and did not give any assurance in respect thereof.

*Guided by the results of the conducted evaluation and considering the Independent Statutory Auditor's Audit Report, the Supervisory Board hereby endorses and recommends that the Shareholder Meeting approve the Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022.*

#### **EVALUATION OF THE MANAGEMENT BOARD'S MOTION TO THE SHAREHOLDER MEETING OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. ON DISTRIBUTING THE NET EARNINGS OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Supervisory Board has reviewed, analyzed and evaluated the Management Board's motion to the Shareholder Meeting of Jastrzębska Spółka Węglowa S.A. as expressed in Management Board resolution no. 204/XI/2023 of 20 March 2023 on distributing the net earnings of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022 totaling PLN 7,115,810,065.95 (say: seven billion one hundred fifteen million, eight hundred ten thousand, sixty-five Polish zloty and 95/100) entirely to the Company's supplementary capital.

*Having analyzed the Management Board's motion to the Shareholder Meeting incorporating the justification given by the Company's Management Board, the Supervisory Board hereby endorses the proposed manner of distributing the net earnings of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022.*

#### **MANAGEMENT BOARD'S MOTION TO THE SHAREHOLDER MEETING OF JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. ON ACCOUNTING FOR "OTHER COMPREHENSIVE INCOME" IN JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Supervisory Board has reviewed, analyzed and evaluated the Management Board's motion to the Shareholder Meeting of Jastrzębska Spółka Węglowa S.A. as expressed in Management Board resolution no. 205/XI/2023 of 20 March 2023 on accounting for "Other comprehensive income" of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022 by distributing the earnings coming from the measurement of the defined benefit plans following the term of employment totaling PLN 7,621,984.00 (say: seven billion six hundred twenty-one million, nine hundred eighty-four Polish zloty and 00/100) to the Company's supplementary capital.

*Having analyzed the Management Board's motion to the Shareholder Meeting incorporating the justification given by the Company's Management Board, the Supervisory Board hereby endorses the proposed manner of distributing earnings carried in Other comprehensive income of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022.*

#### **SUMMARY**

**As a result of this evaluation, the Supervisory Board states that the *Financial Statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022*, in all material aspects:**

- **comply with the ledgers, documents and the facts.**



- give a true and fair view of the economic and financial position of the Company as at 31 December 2022 and of its financial result and its cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),
- are consistent with regard to form and content with the provisions of law binding the Company and its articles of association,
- have been prepared on the basis of duly kept accounting ledgers in compliance with the provisions of Chapter 2 of the Accounting Act.

***Guided by the results of the evaluation set forth in this report and the Independent Statutory Auditor's Audit Report, the Supervisory Board hereby recommends that the Shareholder Meeting approve the Financial Statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2022, the Management Board Report on the activity of Jastrzębska Spółka Węglowa S.A. and the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022.***

***Concurrently, in connection with its endorsement the Supervisory Board hereby recommends to the Shareholder Meeting that it distribute the net earnings and account for "Other comprehensive income" in Jastrzębska Spółka Węglowa S.A. in the financial year ended 31 December 2022 in the manner specified in the Company's Management Board's motions.***

*Jastrzębie-Zdrój, 27.04.2023*

**Report of the Jastrzębska Spółka Węglowa S.A. Supervisory Board on the outcome of evaluation of the Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group and the Management Board Report on the activity of the Jastrzębska Spółka Węglowa S.A. Group and the Consolidated report on payments made by the Jastrzębska Spółka Węglowa S.A. Group to the public administration for the financial year ended 31 December 2022**

**BACKGROUND**

Pursuant to Article 382 § 3 and Article 382 of the Commercial Company Code and § 20 sec. 2 items 7 and 9 of JSW's Articles of Association, the Supervisory Board of Jastrzębska Spółka Węglowa S.A. ("JSW", "Parent Company") hereby submits to the Shareholder Meeting the *Report of the Supervisory Board of Jastrzębska Spółka Węglowa S.A. on the results of evaluating the Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022, and the consolidated report on payments made to the public administration by the Jastrzębska Spółka Węglowa S.A. Group*, containing an evaluation of the following documents:

1. Consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022,
2. Consolidated report on payments made by the Jastrzębska Spółka Węglowa S.A. Group to the public administration for the financial year ended 31 December 2022.

The audit was conducted by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw and whose selection was made by the Supervisory Board. The statutory auditor was responsible for presenting an opinion on whether the consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group ("Group"):

- give a true and fair view of the consolidated economic and financial position of the Jastrzębska Spółka Węglowa S.A. Group in which Jastrzębska Spółka Węglowa S.A. is the parent company as at 31 December 2022 and of its consolidated financial result and its consolidated cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),
- are consistent as to the form and content with the legal regulations applicable to the Group and the provisions of the Parent Company's articles of association.

The audit of the financial statements was conducted in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing adopted by a resolution by the National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and in accordance with the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors") and Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation").

During the audit the key statutory auditor and the audit firm remained independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted by a resolution of the National Council of Statutory Auditors and other ethical requirements that are applicable to the auditing of consolidated financial statements in Poland. During the audit, the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

The scope of the audit was influenced by the assumed materiality level. The audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement due to fraud or error.

During the audit the statutory auditor exercises professional judgment and maintains professional skepticism, and also:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures corresponding to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board;
- concludes on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the statutory auditor arrives at the conclusion that material uncertainty exists, it is required to draw attention to the related disclosures in the consolidated financial statements in the statutory auditor's report or, if such disclosures are inadequate, modify its opinion. The conclusions are based on the audit evidence obtained up to the date of the statutory auditor's report; however, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtains sufficient and appropriate evidence for auditing financial information of business units or operations within the Group in order to give an opinion on the consolidated financial statements. The statutory auditor and the audit firm are responsible for managing, overseeing and conducting the Group's audit and they are solely responsible for the opinion on the audit.

On the basis of the audit, the statutory auditor issued the opinion set forth in the *Independent Statutory Auditor's Audit Report*.

The Supervisory Board presents the results of the evaluation in this report.

## **EVALUATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Supervisory Board has reviewed, analyzed and evaluated the *Consolidated Financial statements of the Jastrzębska Spółka Węglowa S.A. Group in the financial year ended 31 December 2022* in respect to their consistency with the ledgers, documents and the facts.

This Report covers:

1. Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022 showing net earnings of PLN 7,593.8 million and total comprehensive income of PLN 7,619.9 million;
2. Consolidated statement of financial position as at 31 December 2022 showing total assets and liabilities and equity of PLN 26,963.1 million;
3. Consolidated statement of changes in equity for the financial year ended 31 December 2022 showing an increase of equity of PLN 7,639.7 million;
4. Consolidated statement of cash flows for the financial year ended 31 December 2022 showing an increase in cash and cash equivalents by PLN 3,538.1 million;
5. Notes comprising information about the adopted accounting standards (policy) and other explanatory information.

### **Consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2022**

The table below presents the Group's consolidated statement of profit or loss and other comprehensive income (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Sales revenues	20,198.5	10,629.1
Gross profit	10,646.0	2,595.2
Operating profit	9,336.4	1,262.4
Profit before tax	9,389.4	1,166.7
<b>Net profit</b>	<b>7,593.8</b>	<b>952.6</b>
<b>Total other comprehensive income</b>	<b>26.1</b>	<b>28.2</b>
<b>Total comprehensive income</b>	<b>7,619.9</b>	<b>980.8</b>

The burdens on the financial result have been determined correctly. The Supervisory Board does not have any remarks or reservations in respect of the presented statements.

### **Consolidated statement of financial position as at 31 December 2022**

The table below presents the Group's consolidated statement of financial position (data in PLN million)

	31 December 2022	31 December 2021
<b>Assets</b>		
Non-current assets	19,110.8	12,070.2
Current assets	7,852.3	3,891.6
<b>Total assets</b>	<b>26,963.1</b>	<b>15,961.8</b>
<b>Equity and liabilities</b>		
Equity	15,937.5	8,297.8
Liabilities	11,025.6	7,664.0
<b>Total equity and liabilities</b>	<b>26,963.1</b>	<b>15,961.8</b>

The financial position has been presented correctly. The Supervisory Board does not have any remarks or reservations in respect of the presented statement.

### **Consolidated statement of changes in equity for the financial year ended 31 December 2022**

The table below presents the Group's consolidated statement of changes in equity (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Equity at the beginning of the period	8,297.8	7,317.1
<b>Equity at the end of the period</b>	<b>15,937.5</b>	<b>8,297.8</b>

The data set forth in the consolidated statement of changes in equity for the financial year ended 31 December 2022 are complete and consistent with the facts. The Supervisory Board does not have any remarks or reservations in respect of the presented statement.

## Consolidated statement of cash flows for the financial year ended 31 December 2022

The table below presents the Group's consolidated statements of cash flow (data in PLN million)

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
Net cash flows from operating activities	10,689.8	1,661.2
Net cash flows from investing activities	(6,333.1)	(1,620.2)
Net cash flows from financing activities	(818.7)	(338.1)
<b>Net change in cash and cash equivalents</b>	<b>3,538.0</b>	<b>(297.1)</b>
Cash and cash equivalents at the beginning of the period	1,299.8	1,597.3
Exchange differences on translation of cash and cash equivalents	0.1	(0.4)
<b>Cash and cash equivalents at the end of the period</b>	<b>4,837.9</b>	<b>1,299.8</b>

The Supervisory Board does not have any remarks or reservations in respect of the presented statement.

After examination of the *Consolidated Financial Statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022*, and also after familiarizing itself with the *Independent Statutory Auditor's Audit Report*, the Supervisory Board hereby endorses the consolidated financial statements in question with respect to their consistence with the accounting ledgers, documents and the facts.

*The consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022 according to the opinion expressed in the Independent Statutory Auditor's Audit Report:*

- give a true and fair view of the consolidated economic and financial position of the Jastrzębska Spółka Węglowa S.A. Group in which Jastrzębska Spółka Węglowa S.A. is the parent company as at 31 December 2022 and of its consolidated financial result and its consolidated cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),
- are consistent as to the form and content with the legal regulations applicable to the Group and the provisions of the Parent Company's articles of association.

The financial statements have been prepared based on the assumption of continuing as a going concern for at least 12 months of the final date of the reporting period.

The Group's consolidated financial statements as of and for the year ended 31 December 2022 was prepared in a single electronic reporting format ("consolidated financial statements in ESEF format") has been labeled in accordance with the requirements set forth in Article 4 of Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). In accordance with the opinion expressed in the *Independent Statutory Auditor's Audit Report*, the consolidated financial statements in ESEF format have been labeled, in all material respects, in accordance with the requirements of the ESEF Regulation.

*Guided by the results of the conducted evaluation and considering the Independent Statutory Auditor's Audit Report, the Supervisory Board hereby endorses and recommends that the Shareholder Meeting approve the consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022.*

## EVALUATION OF THE CONSOLIDATED REPORT ON PAYMENTS MADE BY THE JASTRZĘBSKA SPÓŁKA WĘGLOWA S.A. GROUP TO THE PUBLIC ADMINISTRATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022.

After examination of the *Consolidated report on payments to the public administration made by the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022*, having in mind the provisions of chapter 6a of the Accounting Act and § 61 of the Finance Minister's Regulation of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent ("Current Information Regulation"), the

Supervisory Board hereby endorses the report in question with respect to its consistence with the accounting ledgers, documents and the facts.

*Guided by the results of the conducted evaluation the Supervisory Board hereby endorses and recommends to the Shareholder Meeting that it approve the Consolidated report on payments made by the Jastrzębska Spółka Węglowa S.A. Group to the public administration for the financial year ended 31 December 2022.*

## **SUMMARY**

**As a result of this evaluation, the Supervisory Board states that the Consolidated Financial Statements of the Jastrzębska Spółka Węglowa S.A Group for the financial year ended 31 December 2022, in all material aspects:**

- **comply with the ledgers, documents and the facts,**
- **give a true and fair view of the consolidated economic and financial position of the Group in which the parent company is Jastrzębska Spółka Węglowa S.A. as at 31 December 2022 and of its consolidated financial result and its consolidated cash flows for the financial year ended on that date in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting standards (policy),**
- **are consistent as to the form and content with the legal regulations applicable to the Group and the provisions of the Parent Company's articles of association.**

*Guided by the results of the conducted evaluation set forth in this report and the Independent Statutory Auditor's Audit Report, the Supervisory Board hereby recommends that the Shareholder Meeting approve the consolidated financial statements of the Jastrzębska Spółka Węglowa S.A. Group for the financial year ended 31 December 2022 and the Consolidated report on payments made by the Jastrzębska Spółka Węglowa S.A. Group to the public administration for the financial year ended 31 December 2022.*

*Jastrzębie-Zdrój, 27.04.2023 r.*