

**Report of the Supervisory Board of Przedsiębiorstwo Przemysłu
Spożywczego PEPEES Spółka Akcyjna
in Łomża**

**on the activities of the financial period
from 1 January 2020 to 31 December
2020**

Warszawa, on 26 April 2021

/. Content of the Report

This Report describes the performance of duties by the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna with registered office in Łomża in the period from 1 January to 31 December 2020.

The intention of the report is to present to the Annual General Meeting of "PEPEES" S.A., whose agenda contains, among other things, items concerning the approval of the financial statements for the financial year 2020 and the Management Board's report on its activities in 2020, the scope of supervisory activities within the Supervisory Board's statutory and regulatory duties, in particular those connected with the preparation and approval of the aforementioned reports, as well as evaluations thereof.

The report also describes selected activities of the Audit Committee operating in the Supervisory Board of "PEPEES" S.A. with regard to the performance of its duties under the Act on Statutory Auditors, and also referred to the reporting requirements referred to in Article 20 sec. 2 point 4 of the Company's Articles of Association.

II. Composition of the Supervisory Board in 2020

The Supervisory Board of the 10th term was appointed at the Extraordinary General Meeting of Shareholders of the Company on 18 December 2018, (Repertory A 12992/2018).

The Members of the Supervisory Board of the 10th term:

1. Maciej Jacek Kaliński - Chairperson of the Supervisory Board,
2. Tomasz Nowakowski - Deputy Chairperson of the Supervisory Board,
3. Robert Malinowski - Secretary of the Supervisory Board,
4. Piotr Taracha - Member of the Supervisory Board,
5. Krzysztof Stankowski - Member of the Supervisory Board,
6. Agata Czerniakowska - Member of the Supervisory Board

In the accounting period, the Supervisory Board acted pursuant to the provisions of the Commercial Companies Code

Stock Exchange, supervising the Company's operations in all areas of its activity and reviewing the motions submitted by the Management Board.

The scope of application of the Company's principles contained in the set of Best Practices for WSE Listed Companies is available on the Company's website at pepees.pl in the Corporate Governance tab.

The members of the Supervisory Board made every effort to duly perform the duties entrusted to them with respect to reports and on-going supervision over the Company's activities in all areas of its operations.

In accordance with the definition of independence as set out in Article 129 sec. 3) of the Act on statutory auditors, auditing firms and public supervision of 11 May 2017, the Supervisory Board of "PEPEES" S.A. consisted of three independent members, including the Chairman (also as Chairman of the Audit Committee) Mr Maciej Kaliński. Mr Piotr Taracha and Mr Krzysztof Stankowski have lost their independence because they exceeded the period of 12 years in the Supervisory Board of "PEPEES" S.A. Ms. Agata Czerniakowska has also lost her independence due to her affiliation with a member of the Company's management body. The dependent Members of the Supervisory Board of PEPEES S.A. appointed by the Ordinary General Meeting, although they do not meet the formal criteria of independence, in their own opinion give the guarantee of transparency of the Company's operations, adequate protection of the interests of its shareholders and the performance of supervisory activities.

In accordance with the principles of the Code of Best Practice for WSE Listed Companies, at least two members of the Supervisory Board are independent - the Company fulfils the above condition. Two members of the Supervisory Board who were simultaneously appointed to the Audit Committee meet the independence criteria in accordance with the Act on Statutory Auditors.

III. Meetings of the Supervisory Board in 2020

In the period from 1 January 2020 to 31 December 2020 the Supervisory Board of the 10th term held 4 meetings. It adopted 28 resolutions, including 21 resolutions in the written manner in accordance with Article 18.3

resolutions were adopted pursuant to § 10.4 and 10.6 of the Supervisory Board Regulations , with the use of Skype. The list of resolutions adopted by the Supervisory Board in 2020 is attached as Appendix no. 1 to this report. All meetings of the Supervisory Board were convened in compliance with the Company's Articles of Association and the Supervisory Board Regulations.

Some of the major issues that the Supervisory Board of the 10th Term addressed in 2020 included:

- adoption of a statement on the selection of the auditing firm,
- adoption of declarations regarding the functioning of the Audit Committee,
- assessment of the report on the Company's activities and financial statements for 2019,
- assessment of the report on the activities of the issuer's capital group in financial year 2019 and the consolidated financial statements for 2019,
- an opinion on the recommendation of the Company's Board of Directors regarding the allocation of net profit for financial year 2019,
- on opinion on the draft "Remuneration Policy for the Members of the Company's Management and Supervisory Boards",
- adoption of the "Procedure for periodical assessment of transactions with related parties" applicable in the Company's Supervisory Board,
- approval of the Company's budget for 2020,
- approval of the report on the implementation of the company's investment plan in 2019,
- amendment to Resolution No. VIII/66/2018 of 10.04.2018 on approval of the bonus rules for the Company's Management Board in 2018-2021,

the financial year from 1.01. to 31.12.2019,

- approval of the draft agenda of the Ordinary General Meeting of the Company,
- amendments to the Supervisory Board Regulations ,
- adoption of rules of participation in meetings of the Supervisory Board by means of electronic communication (remotely),
- adoption of rules of participation in meetings of the General Meeting by means of electronic communication (remotely),
- amendment to the Supervisory Board's Resolution no. X/4/2019,
- discharging the President of the Company 's Management Board from his duties for the financial year 2019;
- discharging the Member of the Company's Management Board from his duties for the financial year 2019;
- election of the Members of the Audit Committee,
- amendment to the Appendix to Resolution no. X/44/2020,
- adoption of the report on the implementation of the Strategy,
- renewal of the agreement with the auditing firm authorized to perform certain financial audit activities,
- amendment to resolution no. X/52/2020 in renewal of the agreement with the auditing firm, WBS Audyt Sp. z o.o., authorized to perform certain financial audit activities,

All meetings of the Supervisory Board in its 10th term of office were held in a form enabling the adoption of resolutions. The agenda for individual meetings of the Supervisory Board was the result of arrangements between members of the Supervisory Board and the Management Board of the Company. The scope of arrangements with the Company's Management Board also included issues related to the preparation of necessary materials, analyses and explanations regarding issues discussed at the meetings. During the meetings, which, due to the ongoing pandemic, were held remotely via Skype pursuant to §§ 10.4 and 10.6 of the Supervisory Board Regulations, the Supervisory Board in 2020 considered matters arising from the provisions of the Commercial Companies Code, the Company's Articles of Association, the Supervisory Board Regulations, as well as from the needs of the Company's current operations.

The members of the Supervisory Board also cooperated on an ongoing basis and supervised the Company's activities within the Audit Committee elected from among the Supervisory Board Members. On 24 January 2019

r. with Resolution No. X/4/2019 the Supervisory Board appointed an Audit Committee composed of:

1. Maciej Kaliński Chairperson of the Audit Committee
2. Krzysztof Stankowski Deputy Chairperson of the Audit Committee
3. Piotr Marian Taracha Member of the Audit Committee

On 14 April 2020, with Resolution No. X/48/2020, Mr. Robert Malinowski was appointed to the Audit Committee, and with Resolution No. X/49/2020, Mr. Tomasz Nowakowski was appointed to the Audit Committee. Both members are independent.

As from 14 April 2020, the Members of the Audit Committee was as follows:

1. Maciej Kaliński Chairperson of the Audit Committee
2. Krzysztof Stankowski Deputy Chairperson of the Audit Committee
3. Piotr Marian Taracha Member of the Audit Committee
4. Robert Malinowski Member of the Audit Committee
5. Tomasz Nowakowski Member of the Audit Committee.

In 2020, the Audit Committee held two meetings and passed two resolutions.

Detailed activities of the Audit Committee of the Supervisory Board of "PEPEES" S.A. have been presented in the Report on the activities of the Audit Committee of the Supervisory Board of "PEPEES"

S.A. in 2020 dated 26 April 2021, attached as Appendix no 2 to the Report.

IV. Cooperation of the Supervisory Board with the Company's Management Board

In accordance with the provisions of the Commercial Companies Code, the Company's Articles of Association and the Supervisory Board Regulations, the Supervisory Board constantly supervised the Company's operations in all areas through

- meetings of the Supervisory Board
- day-to-day operations and control activities.

The Board relied on information presented by the Company's Management Board and its own studies. At the meetings of the Supervisory Board, topics reported by the Management Board were discussed, and they were treated as important or necessary for the implementation of the Company's strategic objectives.

The Supervisory Board passed its decisions in the form of resolutions to the Management Board of the Company. In the opinion of the Supervisory Board, the Management Board duly fulfilled its duties in 2020.

V. Assessment of the Company's condition

The Supervisory Board positively evaluates the condition of the Company both in terms of stabilization of its market position, realized operational tasks and development prospects. 2020 was another year, when the Company generated positive financial results despite the ongoing pandemic and restrictions on operations in certain areas of the Company's business. In 2020 the Supervisory Board monitored the implementation of the Company's strategy on an ongoing basis. The activities of the Management Board in this regard are assessed positively.

are dealt with by the Company's organisational units appropriate for a given type of risk, whose responsibilities also include defining and taking necessary mitigating actions. This supervision, as well as key decisions regarding the reduction of risk factors in the strategic, operational, financial and legal areas, is performed by the Management Board.

In the opinion of the Supervisory Board, the Management Board correctly identifies risk factors in the Company's activity, monitors them and manages them effectively, thus limiting to the maximum extent the influence of negative phenomena on the performance of economic tasks by the Company. In the opinion of the Supervisory Board, there is no need to separate the internal audit department in the Company.

The Supervisory Board positively evaluates the Company's sponsorship and charity policy. As the largest employer in the region, the Company is particularly sensitive to the needs of the local community, supporting cultural, educational and sporting initiatives. Financial and material support is provided to local sports clubs and cultural events, as well as social and charitable activities. For these purposes in 2020, the Company has allocated the amount of PLN 196,803.88 (in words: one hundred and ninety-six thousand eight hundred and three 88/100 zloty) net.

VI. *Self-assessment of the Supervisory Board*

The mode of operation and composition of the Supervisory Board in 2020 were compliant with the law. The members of the Supervisory Board had appropriate knowledge and experience, which they used in the work of the Supervisory Board, and at the same time they cooperated in a complementary way, devoting the necessary amount of time to perform their duties.

The Board systematically conducts self-assessments during its meetings in an informal manner through internal discussions and exchanges of views with the Management Board.

In the opinion of the Supervisory Board of the 10th term of office operating in 2020 the Supervisory Board performed its duties with due diligence and supported the Management Board in the implementation of tasks and strategic objectives based on its knowledge of the Company.

VII. *Request for evaluation of the Supervisory Board's work*

This report presents out the main areas of the Supervisory Board's work in 2020. All its members have endeavoured to perform duly their duties in the Board, using their best knowledge and experience in supervising the Company. On the basis of its assessment, the Supervisory Board concludes that it has fulfilled its obligations defined in the Articles of Association and the Code, and requests all members of the Supervisory Board to discharge it of its duties performed in the financial year 2020.

The Supervisory Board resigned from a detailed presentation of the Company's economic and financial results as they will be presented in the financial statements and activity reports of the Company and in the auditor's report and opinion.

The Supervisory Board of
"PEPEES" S.A.

1. Maciej Jacek Kaliński
2. Tomasz Nowakowski.
3. Robert Malinowski ..
4. Piotr Marian Taracha
5. Krzysztof Stankowski
6. Agata Czerniakowska