

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

*On its activities in the reporting period  
from 1 January 2018 to 31 December 2018*

**Warsaw, 26.03.2019**

## ***I. The composition of the Supervisory Board and changes of its members in 2018***

In 2018, there were three terms of office of Supervisory Boards of Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna appointed by virtue of Resolutions of General Meetings of Shareholders of the Company.

1. The Supervisory Board of the 8th term of office appointed on 26 May 2015, Notarial Record Book A No. 5839/2015, whose members met the independence criteria, was composed of the following members:

1. Mr Maciej Jacek Kaliński - Chairman
2. Mr Piotr Marian Taracha - Vice Chairman
3. Mr Krzysztof Stankowski - Secretary
4. Ms Agata Czerniakowska - Member
5. Mr Robert Malinowski - Member

2. The Supervisory Board of the 9th term of office appointed on 11 May 2018, Notarial Record Book A No. 3918/2018, was composed of the same members.

3. The Supervisory Board of the 10th term of office appointed on 18 December 2018, Notarial Record Book A No. 12992/2018, scheduled the first meeting of the Supervisory Board of PEPEES S.A. for 24 January 2019 in order to establish the Supervisory Board and appoint the Audit Committee.

The composition of the appointed Supervisory Board of the 10th term of office was as follows:

1. Mr Maciej Jacek Kaliński - Chairman
2. Mr Tomasz Nowakowski - Vice-Chairman
3. Mr Piotr Taracha - Secretary
4. Mr Krzysztof Stankowski - Member
5. Ms Agata Czerniakowska - Member
6. Mr Robert Malinowski - Member

During this period, the Supervisory Boards acted pursuant to the provisions of the Polish Commercial Code, the provisions of the Company's Articles of Association, the By-laws of the Supervisory Board of PEPEES S.A. as well as in accordance with the corporate

governance principles stipulated in the *Best Practice of GPW Listed Companies*, constantly supervising the activities of the Company in all areas of its operation, and considering issues and proposals submitted by the Board of Directors.

The scope of the Company's compliance with the principles stipulated in the *Best Practice of GPW Listed Companies* is described at the Company's website: \_\_\_\_\_ in the *Corporate Governance* section.

## ***II. Meetings of Supervisory Boards operating in 2018***

In the period from 1 January 2018 to 10 May 2018, the Supervisory Board of the 8th term of office held one meeting, adopted 24 resolutions, including two resolutions adopted in writing. The list of resolutions adopted by the Supervisory Board in 2018 is available in Appendix No. 1 to this report. All meetings of the Supervisory Board were convened in the manner consistent with the Company's Articles of Association and the By-laws of the Supervisory Board.

The most important tasks that the Supervisory Board of the 8th term of office dealt with in the period from 1 January to 10 May 2018 were as follows:

- Authorising the Chairman of the Supervisory Board to supplement the managerial contract with Mr Tomasz Rogala, a Member of the Company's Board of Directors
- Approving of the By-laws of the Board of Directors of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. in Łomża
- The assessment of the Company's financial statements for the financial year 2017
- The assessment of the Directors' report on the Group's operations, including the disclosures required for the Directors' reports in 2017
- The assessment of the consolidated financial statements of PEPEES S.A. Group for the financial year 2017
- Accepting the Supervisory Board's report on the assessment of the Company's financial statements, the Directors' report on the Group's operations, including the disclosures required for the Directors' reports in 2017, the report on the assessment

of the consolidated financial statements of PEPEES S.A. Group for the financial year 2017

- Approving of the report on the activities of the Audit Committee for the financial year 2017
- Accepting the Supervisory Board's report on its activities in the financial year 2017
- Discharging members of the Company's Board of Directors for due performance of their duties in the financial year 2017
- Appointing the President of the Company's Board of Directors
- Appointing a Member of the Company's Board of Directors
- Allocating the total net profit for 2017 to increase the reserve capital
- Giving consent to take out loans
- Approving of the rules for granting bonuses to members of the Company's Board of Directors in 2018–2021
- Approving of the By-laws of the Supervisory Board
- Approving of the agenda of the Annual General Meeting of Shareholders
- Approving of the Company's budget for 2018
- Approving of the Company's investment plan for 2018

In the period from 11 May 2018 to 18 December 2018, the Supervisory Board of the 9th term of office held two meetings, adopted 14 resolutions on the following issues:

- The appointment of the Chairman of the Supervisory Board
- The appointment of the Deputy Vice-Chairman of the Supervisory Board
- The appointment of the Secretary of the Supervisory Board
- Establishing the uniform text of the Company's Articles of Association
- The appointment of the Audit Committee
- The appointment of the Chairman of the Audit Committee

- The appointment of the Vice-Chairman of the Audit Committee
- The appointment of a Member of the Audit Committee
- The appointment of the audit firm to perform specific auditing activities
- Approving of the Board of Directors' report on the implementation of the Company's investment plan for 2017
- Approving of the Company's investment plan 2019
- Giving consent to take out loans and establish collaterals for 2019-2021

In the period from 18 December 2018 to 31 December 2018, the Supervisory Board of the 10th term of office did not hold any meetings.

All convened meetings of the Supervisory Boards of their respective terms of office were held with the number of their members enabling the adoption of resolutions. During the meetings, each Supervisory Board working in 2018 examined issues arising from the provisions of the Polish Commercial Code, the Company's Articles of Association, the By-laws of the Supervisory Board and from the needs related to the Company's current operations.

Members of the Supervisory Boards also cooperated on an ongoing basis and supervised the activities of the Company working in the Audit Committee appointed from among the members of the Supervisory Board. On 5 June 2018, the Audit Committee was appointed with the following members:

- 1 Mr Maciej Kaliński – Chairman
- 2 Mr Piotr Taracha – Vice-Chairman
- 3 Mr Krzysztof Stankowski – Member

In the period from 1 January 2018 to 31 December 2018, the Audit Committee held three meetings (in the period from 1 January to 11 May 2018, the Audit Committee of the previous term of office held one meeting at which they did not adopt any resolutions) and adopted four resolutions:

- regarding the approval of the Company's report containing conclusions from the procedure for the appointment of the registered audit company;

- regarding the approval of the list of offers submitted to the Supervisory Board as part of the procedure for the appointment of the registered audit company;
- regarding the presentation to the Supervisory Board of recommendations concerning the appointment of the registered audit company;
- regarding the approval of the protocol concerning the procedure for the appointment of the registered audit company to audit financial statements of PEPEES S.A. for the years 2018-2019.

Specific activities of the Audit Committee at the Supervisory Board of PEPEES S.A. are presented in the report on the activities of the Audit Committee at the Supervisory Board of PEPEES S.A. in 2018 dated 26.03.2019 which is available in Appendix No. 2 to this Report.

### ***III. Cooperation between Supervisory Boards and the Company's Board of Directors***

The Supervisory Boards, in accordance with the Polish Commercial Code, the Company's Articles of Association and the By-laws of the Supervisory Board, exercised permanent supervision over the activities of the Company in all areas of operation. The Supervisory Boards performed their tasks:

- at meetings;
- through current activities and checking operations.

The activities of each Supervisory Board functioning in 2018 were based on the information provided by the Company's Board of Directors and on their own information. At their meetings, the Supervisory Boards discussed issues reported by the Board of Directors, treating them as important or necessary for the accomplishment of the Company's strategic objectives.

The Supervisory Boards issued their decisions to the Company's Board of Directors in the form of resolutions. In the opinion of the Supervisory Board, the Board of Directors duly fulfilled its duties in 2018.

### ***IV. The assessment of the Company's situation***

The Supervisory Board has a positive opinion on the Company's situation in terms of the stabilisation of its market position, operational tasks carried out and development prospects. The year 2018 was another year, in which the Company generated a positive financial result. Each Supervisory Board operating in 2018 monitored the implementation of the Company's strategy on an ongoing basis. The Board of Directors' activities in this respect are assessed positively.

The Company has no formal systems of internal control, the compliance risk management and internal audit function. The risk identification and assessment are managed by the Company's organisational units handling a given type of risk, which are responsible for determining the activities necessary to reduce risk factors. This supervision and key decisions regarding the reduction of risk factors in the strategic, operational, financial and legal areas, are managed by the Board of Directors. In the opinion of the Supervisory Board, the Board of Directors correctly identifies risk factors in the Company's operations, monitors them and manages them effectively, which limits to the maximum extent the impact of negative phenomena on the implementation of the Company's business tasks. In the opinion of the Supervisory Board, the Company does not need to separate any internal audit function.

The Supervisory Board has a positive opinion on the sponsorship and charity policy of the Company. As the largest employer in the region, the Company is particularly sensitive to the needs of the local community, and supports cultural, educational and sports initiatives. Local sports clubs and cultural events as well as social and charity activities are supported financially and materially (ca. PLN 65,000 in 2018).

#### ***V. Self-assessment by the Supervisory Board***

The operation and compositions of the Supervisory Boards in 2018 complied with law. Members of the Supervisory Boards had appropriate expertise and experience, which they used in the works of the Supervisory Boards. Members of the Supervisory Boards operating in the financial year 2018 cooperated in a complementary manner, devoting the necessary amount of time to perform their duties. In the opinion of the Supervisory Board of the 10th term, each Supervisory Board operating in 2018 fulfilled its duties with due diligence and supported the Board of Directors in the implementation of tasks and strategic objectives based on their knowledge of the Company and a wide range of activities carried out.

## ***VI. Request for the evaluation of the work of Supervisory Boards***

This report presents the main areas of works of the Supervisory Boards in 2018. The Supervisory Board is of the opinion that all its members exercised due diligence in performing their duties in the Board, using their best expertise and experience in the area of the supervision of a joint-stock company. By submitting this report, the Supervisory Board of the 10th term of office requests that all members of the Supervisory Boards be granted a discharge for performing their duties in the financial year 2018.

The Supervisory Board decided not to present in detail the Company's economic and financial results, as they have been presented in the financial statements and reports on the Company's operations and in the auditor's report and opinion.

Hereby the report of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. in Łomża on its activities in the reporting period from 1 January 2018 to 31 December 2018 is concluded and signed.

Supervisory Board of PEPEES S.A.

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