

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

***On its activities in the period from 24 January 2019 to 29 May 2019***

***Warsaw, 29 May 2019***

## ***I. The composition of the Supervisory Board of the 10th term of office***

The Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna of the 10th term of office was appointed on 18 December 2018 at the Extraordinary General Meeting of Shareholders (Notarial Record Book A No. 12992/2018).

On 24 January 2019, the first meeting of the Supervisory Board of PEPEES S.A. was held in order to appoint 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 Board 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: [www.pepees.pl](http://www.pepees.pl) in the Corporate Governance section.

## ***II. The meetings of the Supervisory Board from 24 January 2019 to 29 May 2019***

In the period from 24 January 2019 to 29 May 2019, the Supervisory Board of the 10th term of office held two meetings. One vote was held in writing as provided for in Article 18.3 of the Company's Articles of Association. In total, 11 resolutions were adopted. 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 10th term of office dealt with in the period from 24 January to 29 May 2019 were as follows:

1. the appointment of the Supervisory Board:
  - the appointment of the Chairman of the Supervisory Board;
  - the appointment of the Vice Chairman of the Supervisory Board;
  - the appointment of the Secretary of the Supervisory Board;
2. the appointment of the Company 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;
3. amendments to the By-laws of the Supervisory Board;
4. the approval of the uniform text of the Articles of Association of P.P.S. PEPEES S.A.;
5. the approval of the Company's budget for 2019;
6. the approval of the ordering for the Board of Directors of the document "The Process of Determining and Approving of the Information Relevant to PEPEES S.A.";
7. the assessment of the Company's financial statements for the financial year 2018;
8. the assessment of the Directors' report on the Group's operations, including the disclosures required for the Directors' reports in 2018;
9. the assessment of the consolidated financial statements of PEPEES S.A. Group for the financial year 2018;
10. the acceptance of 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 2018, the report on the assessment of the consolidated financial statements of PEPEES S.A. Group for the financial year 2018;
11. the approval of the report on the activities of the Audit Committee for the financial year 2018;
12. the acceptance of the Supervisory Board's report on its activities in the financial year 2018;
13. the Supervisory Board, as part of its supervision over the functioning of PEPEES S.A. and PEPEES Group, assessed and issued its statements in accordance with the Regulation of the Polish Minister of Finance of 29 March 2018:

- the declaration by the Supervisory Board of P.P.S. PEPEES S.A. on the appointment of an audit firm to audit the annual financial statements (§ 70(1)(7) of the Regulation of the Polish Minister of Finance of 29 March 2018);
- the assessment by the Supervisory Board of P.P.S. PEPEES S.A. of the report on the issuer's operations and its financial statements in terms of their compliance with books of account, records and facts (§ 70(1)(14) of the Regulation of the Polish Minister of Finance of 29 March 2018);
- the assessment by the Supervisory Board of P.P.S. PEPEES S.A. of the report on the operations of the Issuer's Group and the consolidated financial statements in terms of their compliance with books of account, records and facts (§ 70(1)(12) of the Regulation of the Polish Minister of Finance of 29 March 2018);
- the declaration by the Supervisory Board of P.P.S. PEPEES S.A. on the appointment of an audit firm to audit the annual consolidated financial statements (§ 71(1)(7) of the Regulation of the Polish Minister of Finance of 29 March 2018);
- the declaration of the Supervisory Board of P.P.S. PEPEES S.A. on the operations of the Audit Committee (§ 71(1)(8) of the Regulation of the Polish Minister of Finance of 29 March 2018);
- the declaration by the Supervisory Board of P.P.S. PEPEES S.A. on the operations of the Audit Committee (§ 71(1)(8) of the Regulation of the Polish Minister of Finance of 29 March 2018);

Members of the Supervisory Board cooperated with each other 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 14 March 2019, 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 24 January 2019 to 29 May 2019, the Audit Committee held one meeting during which they discussed with the auditor the preliminary financial results of PEPEES S.A. and the Group.

The Audit Committee discussed with the Auditor—in compliance with the adopted policy concerning the provision by the audit firm conducting the audit, by affiliates of that audit firm and by a member of the audit firm's network, of permitted non-audit services—the preliminary financial results of PEPEES S.A. and the Group, the review of the separate financial statements and of financial statements/consolidation packages of subsidiaries. The schedule of the completion of works carried out by the auditor was also discussed.

No resolution was adopted at the first meeting of the Audit Committee.

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

The Supervisory Board, 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 Board performed its tasks:

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

The Supervisory Board 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 the reporting period.

### ***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 Supervisory Board 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.

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

The operation and composition of the Supervisory Board in the period from 24 January to 29 May 2019 complied with law. Members of the Supervisory Board had appropriate expertise and experience, which they used in the works of the Supervisory Board. Members of the Supervisory Board operating in the reporting period cooperated in a complementary manner, devoting the necessary amount of time to perform their duties.

The Supervisory Board performed their duties with due diligence and supported the Board of Directors in the implementation of tasks and strategic objectives based on their knowledge about the Company.

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

This report presents the main areas of work of the Supervisory Board in the period from 24 January 2019 to 29 May 2019. The Supervisory Board is of the opinion that 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.

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