



**REPORT OF THE AUDIT
COMMITTEE**

**FOR THE PERIOD
FROM 1 JANUARY 2022 TO 31
DECEMBER 2022**

Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.
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Legal basis for the operations of the Audit Committee

The rules of organisation and operation of the Audit Committee are set out in the Regulations of the Audit Committee of 9 August 2017, adopted by way of resolution of the Supervisory Board No. VIII/47/2017.

The Audit Committee of the Supervisory Board of the 10th term of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. was established by way of Resolution of the Supervisory Board of the 10th term No. X/4/2019 of 24 January 2019 and Resolution No. X/45/2020 of 13 April 2020, as amended, and the Audit Committee of the Supervisory Board of the 11th term was established by way of Resolution of the Supervisory Board of the 11th term No. XI/6/2022 of 4 May 2022 from among the members of the Supervisory Board, as required by the Act of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision.

The tasks of the Audit Committee mainly arise from the Act of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision – hereinafter referred to as the "Act on Chartered Auditors," as well as in the Regulations of the Audit Committee.

Composition of the Audit Committee

The term in office of the Audit Committee coincides with that of the Supervisory Board. The Audit Committee of the 10th term continued to discharge its duties in the financial year of 2022 until 14 April 2022 with the following composition:

Function on the Audit Committee	Composition as at 01/01/2022 – 14/04/2022
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Audit Committee	2. Krzysztof Stankowski*
Members of the Audit Committee	3. Piotr Taracha*
	4. Robert Malinowski*
	5. Tomasz Nowakowski *

*Member of the Audit Committee meeting the statutory independence criteria

Following the appointment of a new term of the Supervisory Board on 14 April 2022 by the Annual General Meeting of PEPEES S.A., the Supervisory Board on 4 May 2022 appointed the Audit Committee with the following composition:

Function on the Audit Committee	Composition as at 04/05/2022 – 03/12/2022
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński* (appointed on 14/06/2022)
Deputy Chairperson of the Audit Committee	2. Tomasz Nowakowski*
Members of the Audit Committee	3. Agata Czerniakowska
	4. Robert Malinowski*

5. Kajetan Rościszewski

*Member of the Audit Committee meeting the statutory independence criteria

The mandate of Deputy Chairperson of the Audit Committee Mr Tomasz Nowakowski expired as a result of his death on 3 December 2022. As from 3 December 2022 until 27 February 2023, the composition of the Audit Committee presented itself as follows:

Function on the Audit Committee	Composition as at 03/12/2022–27/02/2023
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
Members of the Audit Committee	2. Agata Czerniakowska 3. Robert Malinowski* 4. Kajetan Rościszewski*

*Member of the Audit Committee meeting the statutory independence criteria

On 27 February 2023, the Supervisory Board completed the composition of the Audit Committee by appointing Mr Jacek Jan Okoński as the Deputy Chairperson. As from 27 February 2023 until the date of the report, the composition of the Audit Committee presented itself as follows:

Function on the Audit Committee	Composition as at 27/02/2023 – until the date of the report
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński* (appointed on 14/06/2022)
Deputy Chairperson of the Audit Committee	2. Jacek Jan Okoński*
Members of the Audit Committee	3. Agata Czerniakowska 4. Robert Malinowski* 5. Kajetan Rościszewski*

*Member of the Audit Committee meeting the statutory independence criteria

The Audit Committee of the Supervisory Board of PEPEES S.A. in the above composition meets the criteria set out by the Act on Chartered Auditors. Each member of the Audit Committee has made a declaration indicating whether they meet the independence criteria or not. According to the said declarations, the independence criteria referred to in the Act are met by the independent members: Maciej Jacek Kaliński, Robert Malinowski, Kajetan Rościszewski and Jacek Okoński. While remaining on the Audit Committee during the reporting period, none of its members reported any change in their independence status as defined in Article 129(3) of the Act on Chartered Auditors.

Deliberations of the Audit Committee

During the reporting period from 1 January 2022 to 31 December 2022, 5 Audit Committee meetings were held (all by means of direct remote communication), on the following dates: 7 March 2022, 15 March 2022, 18 March 2022, 29 August 2022, 28 November 2022. All the Audit Committee Members actively participated in meetings and showed commitment to the proper performance of their duties.

During the reporting period, the Audit Committee conducted its business through meetings convened by the Chairperson of the Audit Committee. All the Audit Committee meetings were duly convened. The decisions made by the Audit Committee were in the form of resolutions. The scope of the Audit Committee's work in 2022 is documented in the minutes of its meetings, which are kept at the Company's registered office.

Within the scope of its powers, the Audit Committee invited the members of the Company's Management Board to participate in its deliberations, who, among other things, provided information on matters related to the Company's and the Group's operations, as well as any other clarifications to queries addressed by the Audit Committee.

Two meetings of the Audit Committee were attended by representatives of the auditor WBS Audyt Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, registered on the list of auditing firms under No. 3685, who provided all requisite explanations and information as regards the audit and review process and strategy, as well as the results and conclusions of the audit and review.

Operations of the Audit Committee

The main purpose of the Audit Committee was to assist the Supervisory Board in its financial oversight of the Company and to provide the Supervisory Board with authoritative information and opinions to enable it to make sound decisions on, in particular, financial reporting, internal control and risk management. The Committee's operations improve the work of the Supervisory Board and its performance of its statutory duties, as they enable an in-depth and comprehensive analysis of respective issues. During the financial year from 1 January 2022 to 31 December 2022, the Audit Committee performed its advisory and support function towards the Company's Supervisory Board.

In addition to matters arising from the Company's day-to-day operations, the subject matter of the meeting was the Audit Committee's cooperation with the auditing firm and the implementation of the Audit Committee's tasks in the context of the requirements of the Act on Chartered Auditors, as well as issues related to the work of the Audit Committee during the period covered by the report.

The subject matter of the Audit Committee's regular activities was to monitor the work related to the process of preparing and revising the Company's financial statements; therefore, the Committee cooperated with the auditor in this field on an ongoing basis, meeting with the auditor's representatives as part of the audit of the financial statements. The Audit Committee reviewed jointly with the Management Board and the external auditors the financial statements and the results of the audit of those statements that were audited by

the chartered auditor, and made recommendations to the Supervisory Board on the approval of the Company's and Capital Group's audited annual financial statements.

Within the scope of its statutory powers, the Audit Committee investigated the issue of the independence of the chartered auditor WBS Audyt Sp. z o.o., the auditing firm that examines the Company's and the Group's financial statements, both in relation to the Company and its management and supervisory personnel. Independence was established on the basis of the relevant declarations made in the course of selecting the auditing firm and was further confirmed on the basis of the declarations contained in the additional reports to the Audit Committee; furthermore, it was confirmed at various stages of the audit conducted in the course of discussions with the auditing firm's representatives.

As part of its work, the Audit Committee, in accordance with its scope of competencies, examined in particular the adequacy of the systems operated by the Management Board to identify, monitor and mitigate risks to the Company's operations, as well as the systems of internal control to ensure compliance with legal provisions and internal regulations and to ensure an adequate response to the possibility of abnormal developments in the Company's operations.

In assessing its activities in 2022, the Audit Committee analysed the relevance and effectiveness of the activities carried out as part of its tasks, which include in particular:

1. monitoring the Company's financial reporting processes, the effectiveness of internal control and risk management systems and internal audit, including with regard to financial reporting, performance of auditing activities, in particular the conduct of the audit by the auditing firm,
2. supervision and monitoring of the independence of the chartered auditor,
3. notifying the Supervisory Board of the results of the audit and to explain how the audit contributed to the integrity of the Company's financial reporting and the Committee's role in the Audit process.
4. assessing the independence of the Chartered Auditor and granting consent for non-audit services rendered by them to the Company,
5. making a recommendation to the Supervisory Board on the appointment of chartered auditors,
6. presenting recommendations aimed at ensuring the reliability of the financial reporting process at the Company.
7. consideration of other important matters raised by members of the Committee or the Supervisory Board,
8. notification to the Supervisory Board of any important matters within the scope of its competencies.

During the reporting period, the Audit Committee deliberated on a number of matters of significant importance to the Company's operations. It adopted resolutions and expressed its opinions and conclusions in the minutes of the meeting on the issues presented below:

On 7 March 2022, the Audit Committee held a meeting to which representatives of WBS Audyt Spółka z ograniczoną odpowiedzialnością, based in Warsaw, were invited. During the meeting, the Audit Committee Members discharged their duties related to the monitoring of the Company's financial reporting processes, in particular by discussing with the chartered auditor

the scope and results of the audit of the Management Board's report on the Group's activities and the Group's consolidated financial statements for the financial year ended on 31 December 2021.

Marcin Wasil, who acted as key chartered auditor during the audit, discussed with the Committee Members the conduct of the statutory audit of the aforementioned statements and reported on the key issues and areas of the audit, with a particular focus on risks relevant to the audit, including a detailed discussion of risks pertaining to the instability caused by Russia's aggression against Ukraine. In addition, the chartered auditor presented the materiality thresholds adopted during the audit.

The chartered auditor in the course of his deliberations confirmed that WBS Audyty, as the auditing firm, including all members of its management board, as well as the members of the audit team, including himself as the key chartered auditor, fulfilled the conditions for the independent and impartial audit of the report of the Management Board on the Group's operations and the consolidated financial statements of the Capital Group for the financial year ended on 31 December 2021, in accordance with the applicable legal provisions, professional standards, as well as the rules of professional ethics – both towards the Company and its affiliates. The key chartered auditor concluded that the audit reports would not be qualified. The audits were carried out without any defects and that the cooperation with the Company's Management Board and its employees responsible for submission of the necessary materials for the audit

raised no concerns. The auditors had the opportunity to familiarise themselves with all the documents necessary for the sound assessment of the aforementioned statements and to issue proper opinions.

After the Committee Members had reviewed the final version of the Management Board's report on the Group's operations and the Group's consolidated financial statements for the financial year ended on 31 December 2021, the Audit Committee made positive recommendations to the Supervisory Board on the evaluation of the aforementioned statements of the Company and the Capital Group. In view of the foregoing, the Audit Committee concluded that the reports in question had been prepared in accordance with the applicable legal provisions and correctly and fairly reflect the results of operations.

At its next meeting on 15 March 2022, the Audit Committee adopted the report of the Audit Committee on its operations in the period from 1 January 2021 to 31 December 2021 and, in accordance with the applicable Policy on the provision of services by the auditing firm performing the audit, gave a positive opinion on the acceptance of the offer of WBS Audyty Spółka z ograniczoną odpowiedzialnością, Warsaw, to perform an additional attestation service pertaining to the assessment of the remuneration report, prepared in accordance with the applicable Remuneration Policy from Article 90g(1) of the Public Offering Act. Having assessed the risks and safeguards of independence, the Audit Committee, by way of an appropriate resolution, gave its consent for WBS Audyty Spółka z ograniczoną odpowiedzialnością to provide a permitted service (attestation service) consisting in the assessment of the Company's Supervisory Board's reports on the remuneration of the Company's Management Board and Supervisory Board Members for 2021 with respect to the inclusion of the information required by the provisions of Article 90g(1)-(5) and Article 90g(8) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Listed Companies of 29 July 2005.

At its meeting of 18 March 2022, the Audit Committee – having reviewed the remuneration report – resolved to recommend the remuneration report prepared in accordance with the applicable Remuneration Policy under Article 90g(1) of the Act on Public Offering.

The Audit Committee monitored the review of the Company's interim condensed financial statements for the first half of 2022. The Audit Committee Members, at their meeting on 29 August 2022, discussed with the key chartered auditor WBS Audyty Spółka z ograniczoną odpowiedzialnością the risks to the Company and the Capital Group identified in the review of the interim financial statements of the Company and the Capital Group, as well as the review of the interim condensed consolidated financial statements of the PEPEES Capital Group for the period 01/01/2022 to 30/06/2022. Marcin Wasil, who acted as key auditor during the audit, provided information on the audit process, including the cooperation of the Management Board and the Company's staff in this regard. The Committee members, together with the chartered auditor, discussed the issues to which the audit team would pay particular attention in the audit of the 2022 reports. The Audit Committee has received the auditor's written declaration, made in accordance with the requirements of the Act on Chartered Auditors, confirming that they meet the requirements of impartiality and independence set out in the Act.

In addition, the Audit Committee also analysed the functioning of the internal control, risk management, compliance and internal audit systems during the meeting. Due to the Company's uncomplicated organisational structure, there is no separate internal audit department and the internal control system is distributed in nature. It takes place within the various organisational divisions, including by the Management Board, the management and the other employees within the scope of their assigned duties.

In the Audit Committee's opinion, the Company has a system of internal control tailored to its needs, which ensures that financial and management information is effective, reliable, complete and up-to-date. Internal control mechanisms cover the manner in which employees perform their tasks, including in particular: powers, competences and compliance of activities performed with the rules and procedures developed for the various areas of the Company's and Capital Group's operations. Control activities are undertaken on an ongoing basis and at the stage of checking by management the correctness of the tasks carried out by subordinate staff. The Management Board, in conjunction with the management, review and update on an ongoing basis the risk factors accompanying the Group's operations that may affect the Company's financial and market standing.

At its meeting on 28 November 2022, the Audit Committee recommended to the Supervisory Board that the contract with WBS Audyty Sp. z o.o., with its registered office in Warsaw, 4 Grzybowska St. lok.U9B as the entity authorised to perform, for the next five (5) years, i.e. 2023-2027, the audit of the individual and consolidated financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the audit of financial statements of all subsidiaries, the audit of individual and consolidated financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., the audit of consolidation packages of unaudited subsidiaries (as part of the audit of consolidated financial statements), the audit of individual financial statements of ZPZ Lublin Sp. z o.o., the audit of individual financial statements of PPZ Bronisław S.A.;

In making the above recommendation to the Supervisory Board, the Audit Committee was guided in particular by the following criteria:

- maintaining the independence of the audit firm and the statutory auditor within the meaning of Articles 69, 71 and 72 of the Act on Chartered Auditors;

- having the relevant qualifications and professional experience of those directly carrying out the audit;
- ability to provide the required level of service;
- knowledge of the Company and its operations gained during the audit of the PEPEES financial statements for previous years.

Having reviewed the aforementioned recommendation of the Audit Committee, the Supervisory Board on 28 November 2022 adopted the resolution to extend the agreement with WBS Audyt Sp. z o.o., with its registered office in Warsaw at ul. Grzybowska 4 lok. U9B, as the entity authorised to perform certain audit activities for the next five (5) years, i.e. 2023-2027.

Resolutions adopted by the Audit Committee:

1.	Adoption of the Audit Committee's report on its operations in 2021;
2.	Agreeing to perform an additional assurance service on the evaluation of the remuneration report prepared in accordance with the applicable Remuneration Policy under Article 90g(1) of the Act on Public Offering.
3.	Presentation of the remuneration report recommendation to the Supervisory Board drawn up in accordance with the applicable Remuneration Policy from Article 90g(1) of the Act on Public Offering
4.	Repeal of Resolution No. 9/2022 of 15 March 2022 on the recommendation of the remuneration report in accordance with the applicable Remuneration Policy from Article 90g(1) of the Act on Public Offering
5.	Presentation of the remuneration report recommendation to the Supervisory Board drawn up in accordance with the applicable Remuneration Policy from Article 90g(1) of the Act on Public Offering
6.	Presentation to the Supervisory Board of a recommendation to extend the contract with the entity authorised to audit financial statements

Summary

During the reporting period, the Audit Committee performed an advisory and support function to the Company's Supervisory Board in the areas of financial reporting, internal control and risk management, as well as performing the tasks prescribed by law. The purpose of the Audit Committee was to provide the Supervisory Board with authoritative information and opinions to enable it to make appropriate decisions efficiently. The Audit Committee reviewed issues within its remit on an ongoing basis and responded constructively to information received to ensure that the communication process was transparent and correct.

Using its powers, the Audit Committee made recommendations, requested financial information, obtained explanations to the extent necessary from members of the Management Board, employees of the Company and

auditors, analysed financial information, including in particular the financial statements. Obtained the necessary opinions within the scope of the Audit Committee's activities in order to exchange views and provide detailed information, explanations and queries.

In the opinion of the Audit Committee, during the financial year running from 1 January 2022 to 31 December 2022, the Company's Management Board took all necessary steps to ensure the safety and stability of the business in view of the current situation.

**Audit Committee of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego
PEPEES Spółka Akcyjna**

SIGNATURES OF THE MEMBERS OF THE AUDIT COMMITTEE

Maciej Jacek Kaliński

Jacek Jan Okoński

Agata Czerniakowska

Robert Malinowski

Kajetan Rościszewski

Łomża, 24/03/2023