



PEPEES[®] S.A.

2023

SPRAWOZDANIE Z DZIAŁALNOŚCI
RADY NADZORCZEJ W OKRESIE
OD 1 STYCZNIA 2023 R.
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www.pepees.pl

LEGAL BASES FOR THE FUNCTIONING OF THE SUPERVISORY BOARD OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO PEPEES S.A.

Acting pursuant to Article 382⁽³¹⁾ of the Polish Code of Commercial Partnerships and Companies (CCPC), and the provisions of the Code of Best Practices for WSE Listed Companies 2021, the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego S.A. hereby submits to the Annual General Meeting the Report on the activities of the Supervisory Board for 2023.

The Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. operates based on the Polish Code of Commercial Partnerships and Companies, the Company's Articles of Association, the Rules and Regulations of the Supervisory Board of PEPEES S.A. and the provisions of the Code of Best Practices for WSE Listed Companies 2021.

Pursuant to § 15(2) of the Company's Articles of Association, the Supervisory Board Members are appointed for a joint term in office commencing on the date of their appointment for a period of three (3) years. The current term in office began on 14 April 2022.

The report covers the period of operations of the Company from 1 January 2023 to 31 December 2023, together with background information on the activities of the Audit Committee.

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In this report, the Supervisory Board departs from the detailed discussion issues related to finance, as they are comprehensively presented in the Company's financial statements.

COMPOSITION OF THE SUPERVISORY BOARD

Distribution of functions and changes in the composition of the Board during the financial year

In 2023, the Supervisory Board was composed of a team of experienced professionals, whose commitment was key to the strategic supervision of the Company's operations. Their diverse skills effectively reflected their engagement in the precise management of supervisory functions in all fields of the Company's operations. The composition of the Board ensured the stability and efficiency of the Company's operations, being synonymous with reliability, competence and professionalism.

The composition of the Supervisory Board of PEPEES S.A. from 1 January 2023 to 3 July 2023, presented itself as follows:

Function on the Supervisory Board	Composition as at
	01/01/2023-03/07/2023
Chairperson of the Supervisory Board	1. Maciej Jacek Kaliński*
Secretary of the Supervisory Board	2. Robert Malinowski *
Members of the Supervisory Board	3. Agata Czerniakowska
	4. Jacek Jan Okoński*
	5. Kajetan Rościszewski*

*Member of the Supervisory Board meeting the statutory independence criteria

On 3 July 2023, the Supervisory Board changed the leadership of the Supervisory Board in an effort to make better use of the competences and experience of the respective members. In effect, Mr Robert Malinowski was appointed the Deputy Chairperson of the Supervisory Board, while Ms Agata Czerniakowska was appointed the Secretary of the Supervisory Board. The current composition of the Supervisory Board presents itself as follows:

Function on the Supervisory Board	Composition as at
	03/07/2023 – date of drafting the report
Chairperson of the Supervisory Board	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Supervisory Board	2. Robert Malinowski *
Secretary of the Supervisory Board	3. Agata Czerniakowska
Members of the Supervisory Board	4. Jacek Jan Okoński*
	5. Kajetan Rościszewski*

*Member of the Supervisory Board meeting the statutory independence criteria

The composition fulfilled the requirements for the minimum composition of the Supervisory Board in a public company as set out in Article 385(1) of the CCPC and § 15(1) of the Company's Articles of Association, which enabled the Board to take all actions provided for by law and the Articles of Association. This composition of the Supervisory Board ensured an appropriate degree of substantive diversity and qualifications and competences in line with the objectives and tasks of the Supervisory Board.

Information on the fulfilment of the independence criteria by the members of the Supervisory Board

In accordance with the Code of Best Practices for WSE Listed Companies 2021, at least two (2) members of the Supervisory Board should meet the independence criteria set out in the Act of 11/05/2017. The members, i.e. Maciej Jacek Kaliński, Robert Malinowski, Jacek Jan Okoński, Kajetan Rościszewski, submitted representations on meeting these criteria. The criteria for independence are not met by Ms Agata Czerniakowska.

In the period from 01/01/2023 until the date of adoption of this report, no member of the Supervisory Board has reported any changes in independence or relations with shareholders of PEPEES S.A. The members are obliged to report immediately any circumstances affecting their independence.

FORM AND PROCEDURE OF SUPERVISION

Information on the number and frequency of the Supervisory Board meetings, the number of resolutions adopted and the topics of the Supervisory Board meetings

In 2023, the Supervisory Board exercised continuous supervision of the Company's operations, ensuring compliance with relevant legal provisions and regulations, including ones related to accounting, finance and public company reporting. The work of the Supervisory Board proceeded smoothly, with the participation of all its members.

The Supervisory Board operates based on a schedule of meetings and a framework work plan. The Board works in a culture of debate, analysing the Company's standing against the industry and the market based on material provided to it by the Company's Management Board of and drawing on the work of the Audit Committee.

The deliberations were related to the issues of the Board's competences and arising from the Company's current standing and operations. The Board members scrupulously analysed management decisions, assessing their compatibility with the 2023 targets. They maintained proactive contact with the Board, providing decision-making support and approval for key operations.

The Board meetings were convened in accordance with procedures or were held despite not being formally convened, but with prior agreement and full participation of the members. The Members of the Company's Management Board were invited to the meetings in order to exchange views and provide detailed information and explanations.

Eight (8) Supervisory Board meetings were held in 2023, with all the members in attendance, using the Skype communication platform. The meetings were held on the agreed dates and as many as twenty six (26) resolutions were adopted during the meetings. Resolutions, opinions and applications adopted during the deliberations were recorded in detail in the minutes.

The powers of the Supervisory Board include but are not limited to:

- assessment of the financial statements of the Company and the PEPEES Capital Group in terms of their conformity with the books and documents as well as with the facts, and the Management Board's proposals on the distribution of profits and coverage of losses,
- approving annual financial plans for the Company and controlling their implementation,
- appointment of an auditor to examine the Company's financial statements,

- consents on transactions comprising sale or purchase of shares or other property, or contracting a cash borrowing, if a value of a given transaction exceeds fifteen (15%) of the net value of the Company's assets based on the latest balance sheet,
- appointing, suspending in activities and dismissing members of the Management Board,
- assigning the Supervisory Board Members to perform activities of the Company's Management Board in case the entire Management Board is suspended or dismissed or when the Management Board cannot operate for other reasons,
- approving the regulations of the Company's Management Board,
- determining the terms and conditions of remuneration of the Company's Management Board and the amount of remuneration of its respective members,
- adopting the rules and regulations of the Company's Supervisory Board,
- appointing the Audit Committee with a composition in accordance with legal provisions,
- adopting the Rules and Regulations of the Audit Committee.

The detailed scope of topics discussed by the Supervisory Board in 2023 is presented below. The topics indicated were also discussed by the Audit Committee (within its scope of its competence), which issued relevant recommendations and opinions to the Supervisory Board.

Throughout 2023, the Supervisory Board was actively involved in the process of making key management decisions for the Company. Among these decisions were the one to initiate share buybacks and the setting of share purchase prices, which had a significant impact on the Company's capital strategy.

In addition, the Supervisory Board conducted the election of a deputy chairperson of the Audit Committee, which significantly affected the efficiency and organisation of the Committee's work.

The approval of the Company's 2023 investment plan and budget was a key step in setting priorities and allocating resources for the next period. The analysis of related-party transactions for 2022 and the second half of 2022 was an important part of the supervision of the Company's operations. The Supervisory Board carefully scrutinised these transactions, taking care to comply with the principles of fairness, transparency and applicable legal provisions and market standards. The purpose of this analysis was also to ensure that the Company's interests were not prejudiced by these transactions and that they did not have a negative impact on the Company's financial standing or reputation. In addition, the assessment of related-party transactions for the first half of 2023 was carried out in a similar manner to ensure the continuity of supervision and identification of any risks associated with such transactions.

The Supervisory Board issued a favourable opinion on the Management Board's proposal for the distribution of net profit for the financial year of 2022, acknowledging its compatibility with the Company's strategic direction. The decision underlines the Board's commitment to financial matters and its concern for the interests of the Company and shareholders. Additionally, an in-depth analysis of the Company's and the Group's 2022 financial statements was conducted, enabling a comprehensive assessment of the performance of the business and the effectiveness of the activities undertaken. The Supervisory Board also adopted a report on the remuneration of the Management Board and the Supervisory Board Members and a statement on the functioning of the Audit Committee as well as on the selection of the auditing firm. The Supervisory Board approved the reports on the activities of the Audit Committee and the Supervisory Board for 2022, which is an important step as part of supervision and shows the full commitment and professionalism of the supervisory body.

The agenda of the Annual General Meeting of the Company and the draft resolutions to be discussed at the Annual General Meeting of the Company were approved. The Supervisory Board issued a positive opinion, confirming the excellent performance of the Management Board, which formed the basis for the discharge of the Company's President and a Member of the Company's Management Board.

In addition, the Supervisory Board redeployed its members, reorganising the staffing of positions in order to make the better use of the competences and experience of the respective members to respond effectively to the Company's needs. Furthermore, the Company's planned investments were carefully analysed, taking into account their costs, potential benefits and impact on the further development and profitability of the Company.

The key indicators included in both the standalone and consolidated reports are discussed in detail, as well as in the Group Management Report for the second half of 2023, where a detailed analysis of the current demand and pricing situation was conducted. In addition, the Company's market status was analysed, considering general aspects related to purchasing possibilities, supplies, raw material prices in the context of the commencement of the potato campaign. The current progress of investment projects and the status of funding was also presented. Changes were also made to the remuneration of the Management Board Members and the Management Board Member's Management Contract was supplemented, which reflected the drive to make the remuneration system more attractive.

A comprehensive assessment was conducted of the internal control system, risk management, compliance and internal audit function. A commitment to a thorough analysis of the Company's key areas of business was highlighted. The assessment of the Company's compliance with corporate governance principles and legislation was key, similarly to the assessment of how the Company fulfilled its information obligations. The Supervisory Board assessed the implementation by the Management Board of its information obligations to the Board in 2023, which reflects transparent communication between the Company's bodies and the regular provision of relevant information.

The Supervisory Board held regular meetings with the Management Board at which the Company's standing was comprehensively analysed, taking into account all areas of its operations. Discussions ranged from current operational aspects to long-term development strategies, with the in-depth analysis of key financial indicators, achievements and future challenges. Additionally, progress towards strategic goals was monitored and precisely planned corrective actions were taken to ensure the Company's stable growth.

The decisions made and actions taken by the Supervisory Board are documented in the minutes of the Board meetings. The list of resolutions adopted by the Board, which is attached as an annex to this summary, is based on minutes, providing a complete record of the actions taken by the Board.

AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF PRZEDSIĘBIORSTWO PRZEMYSŁ SPOŻYWCZY PEPEES S.A.

The Audit Committee of the Supervisory Board is a standing committee of the Supervisory Board established by the Company's Articles of Association and the Supervisory Board's Rules and Regulations. The Audit Committee performs the tasks arising from the applicable legal provisions, including the Act on Statutory Auditors, Audit Firms and Public Supervision, and the Best Practices for Public Interest Entities pertaining to the rules of appointment, composition and functioning of the audit committee. The Committee also performs an expert function for the Supervisory Board of PEPEES S.A. as regards the Committee's tasks detailed in the Committee's Rules and Regulations and any other tasks assigned to it by the Board.

The Audit Committee of the Supervisory Board of the 11th term was established by way of Resolution of the Supervisory Board No. XI/6/2022 of 4 May 2022, selecting its members from the composition of the Supervisory Board, in accordance with the norms of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

The term in office of the Audit Committee coincides with that of the Supervisory Board. The Audit Committee of the 11th term, composed as follows, continued to fulfil its duties during the 2023 financial year until 27 February 2023 with the following composition:

Composition as at	
Function on the Audit Committee	01/01/2023-27/02/2023
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 expanded the composition of the Audit Committee by appointing Mr Jacek Jan Okoński as the Deputy Chairperson of the Audit Committee. From that date until the date of the report, the composition of the Audit Committee presented itself as follows:

Composition as at	
Function on the Audit Committee	27/02/2023 – until the date of drafting the report
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
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 of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision. Each member of the Audit Committee made a representation indicating whether they met the independence criteria or not. According to the said representations, the independence criteria referred to in the Act were met by the independent members: Maciej Jacek Kaliński, Robert Malinowski, Kajetan Rościszewski and Jacek Jan 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 of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision.

During 2023, the Audit Committee demonstrated its ability to perform its functions effectively, ensuring high quality reporting and meticulous supervision of key areas. The Committee members not only showed active participation in the meetings, but also effectively communicated their opinions and recommendations.

The effectiveness of the Audit Committee's activities had a positive impact on the Supervisory Board. The Committee provided valuable analytical results, constructive opinions and pertinent recommendations. The Committee provided

the necessary link for a comprehensive analysis of the Company's standing, which in turn supported the Supervisory Board in making strategic decisions.

In 2023, the Audit Committee undertook, among other things, the following activities in the respective areas of its competences:

- adoption of the annual report on the operations of the Audit Committee for 2022,
- cooperation with the auditor in the course of the audit of the issuer 's management report and the financial statements and consolidated financial statements of the Group for the financial year ended on 31 December 2022, and control and monitoring of the independence of the auditor and the audit firm auditing the Company's financial statements,
- 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,
- notifying the Supervisory Board of the results of the audit of the Company's financial statements and explanation how the audit contributed to the integrity of the Company's financial reporting,
- assessing the independence of the chartered auditor and auditing firm examining the Company's financial statements,
- cooperation with the chartered auditor during the review of the condensed interim consolidated financial statements of the PEPEES Capital Group for the period from 01/01/2023 to 30/06/2023;
- consideration of other important matters raised by members of the Committee or the Supervisory Board,
- notification to the Supervisory Board of any important matters within the scope of its competencies.

The Supervisory Board, having carefully reviewed the Audit Committee 's Report on its activities in 2023, positively assesses the effectiveness of its work. It considers that the Audit Committee has fulfilled its tasks with full commitment and professionalism, complying with the legal provisions in force.

EVALUATION OF THE COMPANY'S AND PEPEES CAPITAL GROUP'S STANDING IN THE FINANCIAL YEAR OF 2023 INCLUDING THE ASSESSMENT OF THE INTERNAL CONTROL SYSTEMS, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT FUNCTION

The Supervisory Board, in accordance with the Code of Best Practices for WSE Listed Companies 2021, assessed the Company's standing in 2023, including the assessment of the internal control system, risk management, compliance and the internal audit function. During the financial year of 2023, the Supervisory Board performed the continuous supervision of the Company's operations in accordance with the provisions of the CCPC, the Company's Articles of Association and the Rules and Regulations of the Supervisory Board by analysing materials received from the Management Board at the request of the Supervisory Board, obtaining information and detailed explanations from the Management Board Members during the meetings of the Supervisory Board, the activities of the Audit Committee, the activities of the auditor who reviewed and audited the financial and accounting documentation and the financial statements prepared on the basis thereof.

In 2023, the Company faced a number of challenges affecting both the operational and financial aspects of its operations. The impact of the continued hostilities in Ukraine should be highlighted, as it negatively affected global energy and commodity markets. Additionally,

one should note the crisis in the agricultural market in the European Union and Poland, resulting from the fall in cereal prices on world markets and the suspension of customs duties on agricultural products from Ukraine. The problems affected farmers supplying raw material to the Group's facilities, causing issues with liquidity and production planning. In 2023, there was a decline in starch potato contracts, while the reversal of the trend towards the end of the year faced a number of barriers – such as a shortage of seed potatoes and concerns about access to specialised agricultural machinery used in potato production. In addition, there was a noticeable influx of agro-processing industry products from Ukraine such as flours and groats, which was one of the reasons for the fall in starch prices on the domestic market, in addition to a reduction in demand and lower prices for potato starch due to the possibility of cheaper substitutes.

Despite a number of negative factors indicated above, profits were generated at PEPEES S.A. and at the PEPEES CG. Sales revenue in the Group amounted to PLN 222,218 thousand in 2023 (in comparison to 254,952 thousand in 2022), a gross profit on sales of PLN 60,490 thousand was generated (PLN 76,838 thousand in 2022). The decrease in the Group's profit in 2023 compared to the same period of the previous year was due to a decrease in sales revenue due to decreased prices, which resulted from a decrease in market prices for potato starch and other products manufactured by the Group, and due to the loss incurred by PPZ Bronisław. The Group recorded a significant decrease in its own costs, a decrease in sales and closed the year with a net profit attributable to shareholders of the parent company of PLN 3,999 thousand (PLN 10,595 thousand in 2022). Assets amounted to PLN 378,493 thousand (PLN 376,014 thousand in 2022).

The full range of the Company's financial and economic performance is included in the standalone and consolidated financial statements for 2023 and the Management Board's report on the operations of PEPEES S.A. and the PEPEES Capital Group.

The analysis of the Company's situation indicates an effective business model and a strategic approach to management. Irrespective of the price pressure in the market and increased production costs, the Company maintains its ability to adapt to the changing environment by monitoring and optimising cost management and a flexible pricing strategy. The Company aims to remain competitive by constantly adapting to market conditions and allocating resources efficiently.

In 2023, the Company focused on maintaining financial stability and a long-term growth strategy. The Company's efforts focused on improving operational processes, identifying opportunities for efficiency improvements and developing innovative solutions. After 2023, the Board is confident that the actions of the Company's Management Board will contribute to further growth and strengthen the Company's market position.

In the first half of 2023, the PEPEES Capital Group consistently implemented the assumptions of its strategy by conducting several key investment projects and renovation and construction works. These measures represented a significant step forward in the drive to strengthen the Company's standing in the market and improve operational efficiency.

In 2023, the PEPEES Capital Group consistently implemented investment plans focusing on increasing production capacity and quality standards, as well as modernising its machinery stock. As part of PEPEES S.A., a number of the following projects were completed: construction of a starch modification line, replacement of eight (8) reactors, modernisation of the water consumption metering system, modernisation of the control of the pulp feeding section to the centrifuges, modernisation of the facility lighting systems, GEA centrifuge control system, modernisation of the drive for the deep well pump, replacement of control valve drives, modernisation of the control system structure in the boiler room, modernisation of the equipment in the facility boiler room, modernisation of the water intake for the facility, modernisation of the water metering systems from MPWiK, modernisation of the filter rinsing installation system

in the facility boiler room, implementation of the first stage of the mazut-fuelled boiler room, modernisation of the wiper pumps including the control system, purchases of computer equipment, purchases of laboratory equipment, purchases of agricultural equipment for the Group's farms, repairs and ongoing maintenance of machinery, equipment and installations. In 2023, Przedsiębiorstwo Przemysłu Ziemniaczanego Bronisław S.A. conducted a number of investments with the primary aim of increasing the Company's competitiveness and building its stable position on the potato products market, including the modernisation of the protein production line, the modernisation of the junction, the renovation and modernisation of the warehouse, the restoration of the internal fire installation, the replacement of gates, the separation of the packaging warehouse and sanitary rooms, the restoration of the flue ducts of the middling boilers, the replacement and renovation of machinery, and the thermal insulation of steam pipelines.

In 2024, the Group will continue the investments started in 2023 and plans a number of new investment projects, the most important of which are: the modernisation of other production facilities, the purchase of production and agricultural machinery and equipment (e.g. an external freight lift to serve the starch modifiers storage area, an anhydrous glucose sifter, an agricultural tractor for the farm), and the creation of a starch modifiers laboratory.

In the Supervisory Board's opinion, the Company's standing is good and stable, and the Company's Management Board is effectively implementing its strategic objectives. The Company also has the necessary potential and experience to further grow and strengthen its position in its core business area. The Supervisory Board is of the opinion that there are currently no real threats to the Company's operations.

Having reviewed the financial statements of the Company and the Group, the Company's performance and the plans for future development, the Supervisory Board expresses a positive opinion on the Company's standing and its growth. The Supervisory Board based its opinion on the financial data resulting from the financial statements and the Management Board report for the financial year of 2023. Furthermore, the Supervisory Board expresses a positive opinion on the assessment of the reasonableness of the Company's expenditure. In the Supervisory Board's opinion, the Company has a strong and established position in the market, which enables it to generate profits in an efficient manner. The Management Board of PEPEES S.A. has consistently and orderly strived to maintain its market position and achieve the set objectives, which contributes to building the Company's value in the long term.

Considering the above, the Supervisory Board proposes to the General Meeting to grant discharge to the Members of the Management Board of PEPEES S.A. for the performance of their duties in the financial year of 2023.

Assessment of the internal control system, risk management, compliance and internal audit function

In accordance with Rule 3.9 of the Code of Best Practices for WSE Listed Companies 2021, the Supervisory Board assessed the effectiveness of the internal control system, risk management, compliance and the internal audit function, including all relevant controls, especially the ones related to financial reporting and operations. The system of internal control, risk management, compliance and the internal audit function is designed to ensure the effectiveness and efficiency of the Company's operations, the integrity of financial reporting and the compliance of the Company's operations with legal provisions and internal regulations.

In the context of issues related to internal control systems, risk management, compliance and the internal audit function, the Company has consistently continued to implement measures and procedures from previous years. The current system, which has proven itself in the Company's and the Group's past operations, is suitably adapted, ensuring operational efficiency, the reliability of the financial statements and compliance with legal provisions and internal regulations.

Due to the relatively small size of the organisation, there is currently no separate, specialised organisational unit dedicated solely to internal control, risk management, compliance and internal audit. However, the management system is based on a clear division of competences and tasks, which enables effective action in these areas.

As part of this system, the Company's Management Board is responsible for the day-to-day management and monitoring risks, as well as making strategic decisions in the context of evolving market conditions. Internal control is an integral part of day-to-day management and is exercised by the Management Board and other key management personnel.

Risk management consists in identifying, assessing and monitoring areas of risk in order to effectively assert the Company's interests. The internal control and risk management system is also key in preparing financial statements, ensuring transparency and compliance.

The supervision of legal compliance and adherence to procedures is supported by a legal service providing sufficient support and advice. The electronic database of system documents makes it easier for staff to access the necessary documents and procedures, therefore contributing to efficiency and compliance.

As part of the Integrated Management System, the Company conducts internal and external audits, which allows it to identify any non-conformities and to take corrective action. All the activities mentioned above are aimed at ensuring compliance with the requirements of ISO and other applicable industry standards.

Having analysed the monitoring activities, the Supervisory Board is of the opinion that the Company's internal control, risk management and compliance processes work efficiently and adequately in line with industry requirements, which contributes to the efficient operation of the Company.

ASSESSMENT OF THE FULFILMENT OF THE DUTIES SPECIFIED IN ARTICLE 380⁽¹⁾) CCPC BY THE COMPANY'S MANAGEMENT BOARD

The Supervisory Board regularly received detailed reports from the Company's Management Board containing comprehensive information on the current economic and financial standing, action plans, progress in achieving development goals, as well as significant events that could affect the Company's functioning and asset condition, including information on subsidiaries and affiliated companies.

In the performance of its supervisory duties, the Supervisory Board made use of written materials prepared by the Management Board and ongoing findings and explanations provided by the Members of the Company's Management Board. The Management Board provided full access to information, documents and reports for the Supervisory Board Members. The information, documents, reports and explanations received by the Supervisory Board met the Board's expectations in terms of form, content and delivery times, in accordance with statutory requirements.

The Supervisory Board of PEPEES S.A. positively assesses the manner in which information is communicated and communication with the Company's Management Board, without expressing any reservations as for the quality and timeliness of

the information provided. The materials received were provided in a reliable, timely and comprehensive manner, in accordance with the Board's expectations.

Taking the aforementioned measures into account, the Supervisory Board positively assesses the manner in which the Company's Management Board fulfils its obligations referred to in Article 381^{of the CCPC}, and the manner in which the Management Board prepares or submits information, documents, reports or explanations to the Supervisory Board does not express any reservations. The Management Board constantly strives to comply with the legal provisions and systematically monitors the fulfilment of its obligations under the CCPC.

ASSESSMENT OF THE COMPANY'S APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE AND THE MANNER IN WHICH IT FULFILS ITS INFORMATION OBLIGATIONS AS REGARDS THEIR APPLICATION

The Supervisory Board assesses the manner in which the Company fulfils its information obligations concerning the application of the principles of corporate governance in accordance with the Rules and Regulations of the Warsaw Stock Exchange and the legal provisions on current and periodic information provided by issuers of securities.

From 1 July 2021, PEPEES S.A. has been guided by the guidelines developed by the Stock Exchange Board contained in the set of corporate governance principles entitled "Code of Best Practices for WSE Listed Companies 2021." Through the EBI system, the Company reported on the degree of application of the principles contained in this set, together with an explanation of the reasons and circumstances for not applying selected principles.

The Supervisory Board actively monitors the Company's compliance with its information obligations and the application of the corporate governance principles. Reports on the publication of current and periodic information, ensuring transparency and the timeliness of relevant data are regularly discussed. In order to verify the correctness of PEPEES S.A.'s compliance with its obligations arising from the Best Practices, the Supervisory Board reviews both the list of principles applied by the Company and the documents and information published on the Company's website, in accordance with the principles contained in the Code of Best Practices for WSE Listed Companies 2021. Additionally, the Supervisory Board carefully reviews the Company's explanations for not applying respective principles of the Best Practices.

The Board positively assesses the Company's fulfilment of its obligations and the explanations for the non-application of the respective principles, considering them to be transparent, accurate and comprehensive. Having reviewed the Corporate Governance Statement 2023, the Board concludes that the information contained therein is accurate and in accordance with applicable standards.

Based on this analysis, the Board contends that the Company is adequately fulfilling its information obligations pertaining to the application of corporate governance principles, which provides a solid basis for shareholder confidence and ensures that a high level of transparency and compliance with market requirements is maintained.

ASSESSING THE RATIONALITY OF THE COMPANY'S CHARITABLE ACTIVITIES

In 2023, PEPEES S.A. continued its mission to support the local community through varied charitable and sponsorship initiatives. Despite the lack of a formal policy in this field, the Company was strongly involved in cultural, sporting, charitable and other projects relevant to local communities.

The total amount of support was PLN 28,050.00 (say: twenty-eight thousand and fifty Polish zloty). The Supervisory Board viewed this decision positively, emphasising the prudence and thoughtfulness of the actions taken. The focus on specific areas of support and the rational selection of projects contributed not only to fulfilling the charitable objectives, but also to building a positive image for the Company.

This commitment was evident both in the social context, where the Company becomes an integral part of the local community, and in the corporate sphere, where caring for the community translates into increased trust from customers and business partners. PEPEES S.A. remains committed to continuing these valuable activities, and therefore contributes to the growth and well-being of the community where the Company operates.

ASSESSMENT OF THE IMPLEMENTATION OF THE DIVERSITY POLICY

The Company has not prepared and does not comply with a diversity policy. When electing persons for the functions of the Management Board and the Supervisory Board Members, the Company acts in compliance with the highest standards and, in this respect, it does not discriminate against candidates due to their gender or other characteristics. The primary criterion of selection of the Company's governing bodies are high competences, skills and professional conduct of candidates. The Supervisory Board positively assesses the activities and commitment of the Company's Management Board within this scope.

ASSESSMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY AND PEPEES CAPITAL GROUP FOR 2023

Assessment of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.

- the consolidated financial statements for 2023,
- report on the operations of the PEPEES Group in 2023, comprising the corporate governance statement,
- the Issuer's financial statements for 2023,
- a report on the operations of the Capital Group, including the disclosures required for the Management Board's Report on the Issuer's operations in 2023.

The Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., acting pursuant to Article 382 (3) of the Code of Commercial Partnerships and Companies and Article 20(2)(1) and (2) of the Articles of Association (the Company, the Issuer) made an assessment as regards compliance with the books and documents:

- the consolidated financial statements of the PEPEES Capital Group for 2023, including:
 - a) the consolidated statement of the financial standing as of 31 December 2023 with the total assets, equity and liabilities in the amount of PLN 378,493 thousand (say: three hundred and seventy-eight million four hundred and ninety-three thousand Polish zloty),
 - b) the consolidated statement of comprehensive income with net comprehensive income for 2023 in the amount of minus PLN 3,603 thousand (say: three million six hundred and three thousand Polish zloty) and net profit in the amount of PLN 3,668 thousand (say: three million six hundred and sixty-eight thousand Polish zloty),
 - c) the consolidated statement of changes in equity indicating a decreased equity for 2023 by the amount of PLN 6,238 thousand (say: six million two hundred and thirty-eight thousand Polish zloty),

- d) the consolidated cash flow statement indicating a net decrease in cash and cash equivalents for 2023 of PLN 12,955 thousand (say: twelve million nine hundred and fifty-five thousand Polish zloty),
- report on the operations of the PEPEES Group in the financial year of 2023, including the statement on the application of corporate governance.

In addition, the Company's Supervisory Board assessed:

- financial statements of the Company for 2023 including:
 - a) the statement of the financial standing as of 31 December 2023 with the total assets, equity and liabilities in the amount of PLN 292,566 thousand (say: two hundred and ninety-two million five hundred and sixty-six thousand Polish zloty),
 - b) the statement of comprehensive income indicating for 2023 total net income of PLN 7,713 thousand (say: seven million seven hundred and thirteen thousand Polish zloty) and net profit of PLN 7,778 thousand (say: seven million seven hundred and seventy-eight thousand Polish zloty),
 - c) the statement of changes in equity indicating for 2023 the decreased equity by the amount of PLN 2,868 thousand (say: two million eight hundred and sixty-eight thousand Polish zloty),
 - d) the cash flow statement indicating for 2023 the decreased net cash by PLN 13,645 thousand (say: thirteen million six hundred and forty-five thousand Polish zloty),
- a report on the operations of the Capital Group, including the disclosures required for the Management Board's Report on the Issuer's operations in 2023.

Based on the analysis of the contents of the aforementioned reports, the documents and accounting books submitted by the Company's Management Board and the information provided by the Company's Management Board, the results of additional checking activities performed in selected financial and operational areas, the report of the audit firm WBS Audyt Sp. z o. o., with its registered office in Warsaw, on the audit of the consolidated financial statements of the Capital Group for the financial year of 2023, on the audit of the financial statements of the Issuer for the financial year of 2023, the additional report of the auditing firm to the Audit Committee referred to in Article 131 of the Act on Chartered Auditors, Auditing Firms and Public Supervision, the results of meetings with representatives of the auditing firm including the key chartered auditor, information of the Audit Committee on the course, results and significance of the audit for the reliability of financial reporting at the Company in the PEPEES Capital Group, the role of the Committee in the process of the audit of the financial statements and the audit of the consolidated financial statements, the Supervisory Board made a positive assessment of the aforementioned reports.

In the Supervisory Board's opinion, the audited financial statements in all material respects:

- give a true and fair view of the information relevant to the assessment of the financial standing of the Company and the PEPEES Group as at 31 December 2023, and of their financial performance for the financial year from 1 January 2023 to 31 December 2023,
- were prepared in compliance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission and adopted accounting principles (policies),
- present data in accordance with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information disclosed by issuers of securities and conditions of treatment of the information required by the provisions of a non-EU Member State as equivalent.

Based on its knowledge of the Company and the wide range of activities undertaken in relation to the preparation and audit of the above financial statements for the period from 1 January 2023 to 31 December 2023, the Supervisory Board of the Company is of the opinion that the aforementioned statements were prepared in compliance with applicable legal provisions and comply with the accounting books, documents and factual circumstances, and truly reflect the Issuer's and PEPEES Capital Group's development, achievements and standing and are, furthermore, unobjectionable in terms of the form and contents thereof.

Taking into account the information presented above, the Supervisory Board, after careful analysis, concludes that the Company's financial standing is sound and not a cause for concern. The actions taken by the Company's Management Board, both current and planned for the future, allow the Company to effectively achieve its strategic objectives. Having carefully reviewed the reports submitted to it, the Supervisory Board is convinced that they are comprehensive and reliable, which allows for the comprehensive assessment of the Company's current standing and prospects for growth.

ASSESSMENT OF THE MANAGEMENT BOARD'S PROPOSAL PERTAINING TO THE DISTRIBUTION OF NET PROFIT FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

Pursuant to the provisions of Article 382(3) of the Polish Code of Commercial Partnerships and Companies and Article 20(2)(5) of the Articles of Association of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A., the Supervisory Board issued a positive opinion on the Management Board's proposal for the distribution of profit for the financial year of 2023 in the amount of PLN 7,777,632.99 (say: seven million, seven hundred and seventy-seven thousand, six hundred and thirty-two Polish złoty 99/100), recommending that it be allocated to supplementary capital, with no objections.

In addition, it recommends that the General Meeting adopt the proposal proposed by the Management Board for the distribution of the Company's profit in accordance with the recommendation presented.

INFORMATION ON THE TOTAL REMUNERATION PAYABLE BY THE COMPANY FOR ALL AUDITS COMMISSIONED BY THE SUPERVISORY BOARD DURING THE FINANCIAL YEAR OF 2023 IN ACCORDANCE WITH THE PROCEDURE SET OUT IN ARTICLE 382¹ CCPC

In 2023, detailed analyses were conducted to assess the marketability of related party transactions, as required by the Supervisory Board. This was to ensure transparency and effective supervision of the legal compliance of the Company's operations, as well as to verify the compliance of the transactions conducted with the applicable market regulations. Such analyses are key to ensuring fairness and transparency in the Company's operations.

In 2023, the total remuneration for all commissioned studies, as stipulated in Article 382¹ CCPC, amounted to PLN 15,999.60 net (say: fifteen thousand nine hundred and ninety nine Polish złoty 60/100).

SELF-ASSESSMENT OF THE SUPERVISORY BOARD

In assessing the Supervisory Board's own activities in 2023, the Board emphasises its firm commitment and diligence in performing the duties entrusted to it, with a constant endeavour to ensure the continuous supervision of the Company's operations. The effective protection of the Company's interests, based on independent judgement and impartiality, was a priority.

The Supervisory Board actively engaged on key topics during its meetings, focusing on issues crucial to the effective management of the Company and the achievement of its strategic objectives. Its activities were conducted in accordance with applicable legal provisions and the requirements arising from the Company's Articles of Association and the Supervisory Board's Rules and Regulations.

The Board Members had a high level of qualification and a wealth of professional experience, which enabled them to provide a comprehensive analysis of the topics covered. The number and duration of meetings, as well as the availability of the necessary resources, ensured that the Board performed its duties effectively and responsibly.

All the Board Members actively participated in the meetings, showing full commitment and professionalism in decision-making. The Board's activities in 2023 are assessed as effective and in line with the highest standards of professionalism.

The Supervisory Board requests that the Supervisory Board Members be granted discharge for the performance of their duties in the financial year of 2023.

This report was considered and adopted by the Supervisory Board by way of resolution No. XI/48/2024 for submission to the Annual General Meeting.

Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

SIGNATURES OF THE SUPERVISORY BOARD MEMBERS

Maciej Jacek Kaliński

Robert Malinowski

Agata Czerniakowska

Jacek Jan Okoński

Kajetan Rościszewski

Łomża, 4 April 2024.

Annex 1 – summary of resolutions of the Supervisory Board.