

RESOLUTION No. XI/9/21
of the Supervisory Board of Grupa KĘTY S.A.
of 26 March 2021

Pursuant to § 14.2 clauses 4 and 5 of the Company Articles of Association, and based on the principle provided in Chapter II.Z.10 of ‘The Best Practice for GPW Listed Companies 2016’, the Supervisory Board resolves as follows:

§ 1

1. There is approved and presented to the Annual General Meeting the Supervisory Board Report for the period from 1 January 2020 to 31 December 2020 comprising:
 - the assessment of the Company standing in consideration of the assessment of the internal control system, risk management, compliance and internal audit function, as referred to in Principle II.Z.10.1 of ‘The Best Practice for GPW Listed Companies 2016’;
 - the information on the membership of the Supervisory Board and its Committees, the number of meetings held, the fulfilment of the independence criteria by the Supervisory Board Members, and the self-assessment of the work of the Supervisory Board, as referred to in Principle II.Z.10.2 of ‘The Best Practice for GPW Listed Companies 2016’;
 - the assessment of the fulfilment by the Company of the disclosure obligations related to abiding by the corporate governance principles set out in the Warsaw Stock Exchange By-law and in the regulations regarding the current and interim information disclosed by the issuers of securities, as referred to in Principle II.Z.10.3 of ‘The Best Practice for GPW Listed Companies 2016’;
 - the assessment of the rationality of the Company policy with regard to sponsoring, charity or other similar activities, as referred to in Principle II.Z.10.4 of ‘The Best Practice for GPW Listed Companies 2016’.
2. The Report referred to in section 1 has been appended to this Resolution.

§ 2

The Resolution comes into force on the date of its passing.

There were 6 votes cast “for” the Resolution, there were no votes “against” the Resolution or “abstained”.

.....
Wojciech Golak

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Piotr Kaczmarek

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Paweł Niedziółka

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Przemysław Rasz

.....
Piotr Stępnik

.....
Agnieszka Zalewska

1) Legal basis for preparing the Supervisory Board Report

This Report (hereinafter referred to as the ‘Report’) of the Supervisory Board of Grupa KĘTY S.A. (hereinafter referred to as the ‘Company’) for the period from 1 January 2020 to 31 December 2020 was prepared for the purpose of fulfilling the duties set out in the Code of Commercial Companies, the Company Articles of Association, the Company Supervisory Board By-law and ‘The Best Practice for GPW Listed Companies 2016’ (hereinafter referred to as the ‘Best Practice’).

The Report comprises in particular:

- the information required by Principle II.Z.10.2 of the Best Practice;
- the assessment of the existence of any relations or circumstances which may affect the fulfilment by the particular Supervisory Board Members of the independence criteria set out in Principle II.Z.6 of the Best Practice;
- the assessment of the Company standing in consideration of the assessment of the internal control system, risk management, compliance and internal audit function, as referred to in Principle II.Z.10.1 of the Best Practice;
- the assessment of the fulfilment by the Company of the disclosure obligations related to abiding by the corporate governance principles set out in the Warsaw Stock Exchange By-law and in the regulations regarding the current and interim information disclosed by the issuers of securities, as referred to in Principle II.Z.10.3 of the Best Practice;
- the assessment of the rationality of the Company policy with regard to sponsoring, charity or other similar activities, as referred to in Principle II.Z.10.4 of the Best Practice.

2) Membership of the Supervisory Board and information on the Board activities

As at 1 January 2020, the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Szczepan Strublewski – Chairman of the Supervisory Board,
- Mr Paweł Niedziółka – Deputy Chairman of the Supervisory Board,
- Mr Piotr Kaczmarek – Member of the Supervisory Board,
- Mr Bartosz Kazimierczuk – Member of the Supervisory Board,
- Mr Piotr Stępniaak – Member of the Supervisory Board,
- Mr Wojciech Włodarczyk – Member of the Supervisory Board.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting held on 20 August 2020 appointed the Supervisory Board of the 11th term, consisting of: Wojciech Golak, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępniaak, Agnieszka Zalewska. The Members of the Supervisory Board selected the Supervisory Board Chairman from among themselves, i.e. Mr Piotr Stępniaak.

As at 31 December 2020, the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Piotr Stępnik – Chairman of the Supervisory Board,
- Mr Piotr Kaczmarek – Deputy Chairman of the Supervisory Board,
- Mr Wojciech Golak – Member of the Supervisory Board.
- Mr Paweł Niedziółka – Member of the Supervisory Board,
- Mr Przemysław Rasz – Member of the Supervisory Board,
- Ms Agnieszka Zalewska – Member of the Supervisory Board.

Based on the information received from the Supervisory Board Members on the date of their appointment, the Company concluded that all of the Members fulfil the independence criteria referred to in Annex II to the European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Subsequently, Ms Agnieszka Zalewska filed a declaration that she did not fulfil the aforesaid independence criteria.

Moreover, to the best knowledge of the Supervisory Board, the Members of the Supervisory Board are not the employees of the Company, its subsidiary or associate, and are not related with the companies by any agreement of similar nature.

To the best knowledge of the Supervisory Board, there are no actual and significant relations with a shareholder holding at least 5% of the total number of votes in the Company as regards all of the Supervisory Board Members, except Ms Agnieszka Zalewska.

Bearing in mind the above, in accordance with Principle II.Z.6 of the Best Practice, the Supervisory Board has concluded that there are no relations or circumstances which may result in the non-fulfilment of the independence criteria by the Supervisory Board Members, except Ms Agnieszka Zalewska.

In 2020, acting pursuant to the Code of Commercial Companies, the Company Articles of Association, and the Company Supervisory Board By-law, the Supervisory Board held 10 (say: ten) meetings. In the meetings and outside of them, the Supervisory Board passed the total of 41 (say: forty one) resolutions.

The activities of the Supervisory Board in 2020 focused on the following issues:

- monitoring the annual audit of the separate and consolidated annual financial statements as well as reviews of the separate and consolidated semi-annual financial statements of the Company and the Capital Group by an independent auditor, for the purpose of detecting the possible major irregularities, including omissions in the process of financial reporting;
- monitoring and analysis of the financial results for the particular periods of the reporting year as well as the financial standing of the Company, including its financial liquidity and indebtedness;
- selection of the audit firm to carry out the audit of the 2020 financial statements of the Company;
- adoption of the Annual Audit Plan for 2020;
- approval of the Company and the Company Capital Group budget for the year 2020;

- assessment of the financial statements of the Company and the consolidated financial statements of the Company Capital Group for the year 2019, as audited by the statutory auditor, as well as assessment of the Report of the Management Board on the Operations of the Company and the Company Capital Group for the year 2019;
- approval of the Supervisory Board Report on its activities in 2019;
- approval and submission to the General Meeting of the assessment of the Company standing, the assessment of the fulfilment of disclosure obligations, abiding by the corporate governance principles, and the rationality of the Company policy with regard to sponsoring and charity;
- approval of the new By-laws of the Company Management Board, Supervisory Board, Audit Committee and the Nomination and Remuneration Committee;
- issue of an opinion on the Remuneration Policy of the Grupa KĘTY S.A. Management Board and Supervisory Board Members;
- approval of the Rules of Participation in the General Meeting of Grupa KĘTY S.A. with the use of electronic communication means;
- reading of the specification submitted by the Company with regard to transactions concluded on arm's length basis within the regular business by Grupa KĘTY S.A. and its subsidiaries with related companies;
- change of the basic remuneration of the Management Board Members;
- acceptance of the Management Options Plan for the years 2020–2028 to be presented to the Annual General Meeting;
- issue of an opinion with regard to amendment of the Company Articles of Association;
- assessment of the Management Board proposal for 2019 profit distribution;
- evaluation and recommendation to the General Meeting of draft resolutions submitted by the Company Management Board as well as other materials;
- appointment of the Audit Committee and the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A. of the 11th term;
- adoption of the Rules of the Management Options Plan Performance at Grupa KĘTY S.A. with its registered office in Kęty in the years 2020–2028;
- determination of the terms of issue of N, O and P series bonds with the pre-emptive right to take up I series shares, and the contents of proposal to acquire the bonds;
- determination of the list of Eligible Persons being the Management Board Members to be assigned registered bonds of N series, with the pre-emptive right to take up I series shares, and acceptance without reservations of the list of Eligible Persons who are not the Management Board Members to be assigned registered bonds of N series, with the pre-emptive right to take up I series shares, as presented by the Management Board;
- approval of the Internal Audit Rules;
- approval of the Annual Internal Audit Plan in reference to risk analysis for the year 2021;
- adoption of the Strategy of the Capital Group for the years 2021–2025, the Consolidated Budget for 2021, and the Company Budget for 2021;
- other issues related to the current operations of the Company, including investment directions, relations with financial institutions, position on the domestic and foreign markets, as well as the competences of the Company governing bodies.

As regards the above listed tasks, the Supervisory Board of Grupa KĘTY S.A. passed the following resolutions:

- repealing of the prior Supervisory Board By-law and adoption of a new Supervisory Board By-law (Resolution No. X/1/20 of 17 January 2020);
- approval of the Annual Audit Plan for the year 2020 (Resolution No. X/2/20 of 17 January 2020);
- selection of the audit firm to carry out the audit of the 2020 financial statements of the Company (Resolution No. X/3/20 of 29 January 2020);
- adoption of the budget of the Company and the Capital Group for the year 2020 (Resolution No. X/4/20 of 5 February 2020);
- typing error correction with regard to determination of the basis for annual bonus calculation, as specified in Appendix 1 to Resolution No. X/17/17 of the Supervisory Board of Grupa KĘTY S.A. (Resolution No. X/5/20 of 5 February 2020);
- approval of the Report of the Nomination and Remuneration Committee for the activities in 2019 (Resolution No. X/6/20 of 26 March 2020);
- acceptance of statement on the selection of an audit firm in accordance with the binding regulations, the professional standards, and the principles of professional ethics, which also refers to the selection and procedure of selection of the audit firm (Resolution No. X/7/20 of 26 March 2020);
- acceptance of a statement regarding the functioning of the Audit Committee in relation to the publication of separate and consolidated financial statements for the year 2019 (Resolution No. X/8/20 of 26 March 2020);
- reading the report on the audit of the annual financial statements of Grupa KĘTY S.A. and the report on the audit of the annual consolidated financial statements of the Grupa KĘTY S.A. Capital Group and the issued unreserved opinions of the auditor, as well as positive assessment of the statements (Resolution No. X/9/20 of 26 March 2020);
- acceptance and presentation to the Annual General Meeting of the Report on the Activities of the Supervisory Board for the period from 1 January 2019 to 31 December 2019 (Resolution No. X/10/20 of 26 March 2020);
- awarding to the Members of the Management Board of the annual incentive for the year 2019 (Resolution No. X/11/20 of 26 March 2020);
- awarding to the former Members of the Management Board of the annual incentive for the year 2019, as refers to the period of their fulfilment of the function of the Management Board Members (Resolution No. X/12/20 of 26 March 2020);
- awarding to the Management Board Member/Financial Director of the discretionary bonus for the year 2019 (Resolution No. X/13/20 of 26 March 2020);
- change in the principles of payment of the annual incentive to the Members of the Management Board (Resolution No. X/14/20 of 8 April 2020);
- approval of the new By-law of the Company Management Board, as proposed by the Management Board (Resolution No. X/15/20 of 29 April 2020);
- repealing of the prior By-law of the Audit Committee of the Supervisory Board and adoption of a new By-law of the Audit Committee of the Supervisory Board (Resolution No. X/16/20 of 29 April 2020);

- repealing of the prior By-law of the Nomination and Remuneration Committee of the Supervisory Board and adoption of a new By-law of the Nomination and Remuneration Committee of the Supervisory Board (Resolution No. X/17/20 of 29 April 2020);
- repealing of the prior Supervisory Board By-law and adoption of a new Supervisory Board By-law (Resolution No. X/18/20 of 29 April 2020);
- approval of the Rules of Participation in the General Meeting of Grupa KĘTY S.A. with the use of electronic communication means (Resolution No. X/19/20 of 29 April 2020);
- reading of the specification submitted by the Company with regard to transactions concluded on arm's length basis within the regular business by Grupa KĘTY S.A. and its subsidiaries with related companies (Resolution No. X/20/20 of 29 May 2020);
- issue of an opinion on the Remuneration Policy of the Grupa KĘTY S.A. Management Board and Supervisory Board Members (Resolution No. X/21/20 of 5 June 2020);
- approval of the Rules of Participation in the General Meeting of Grupa KĘTY S.A. with the use of electronic communication means (Resolution No. X/22/20 of 15 July 2020);
- issue of an opinion with regard to amendment of the Company Articles of Association (Resolution No. X/23/20 of 15 July 2020);
- change of the basic remuneration of the Management Board Members (Resolution No. X/24/20 of 15 July 2020);
- issue of an opinion on the Management Board proposal with regard to profit distribution and dividend payment (Resolution No. X/25/20 of 15 July 2020);
- acceptance of the Management Options Plan for the years 2020–2028 to be presented to the Annual General Meeting (Resolution No. X/26/20 of 20 July 2020);
- issue of an opinion with regard to amendment of the Company Articles of Association (Resolution No. X/27/20 of 20 July 2020);
- approval of minutes from the Supervisory Board meeting held on 15 July 2020 (Resolution No. X/28/20 of 31 July 2020);
- passing of a change of the parameter determining the principles of annual incentive payment (Resolution No. X/29/20 of 4 August 2020);
- appointment of the Audit Committee of the Supervisory Board of Grupa KĘTY S.A. (Resolution No. XI/1/20 of 20 August 2020);
- appointment of the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A. (Resolution No. XI/2/20 of 20 August 2020);
- adoption of the Rules of the Management Options Plan Performance at Grupa KĘTY S.A. with its registered office in Kęty in the years 2020–2028 (Resolution No. XI/3/20 of 16 September 2020);
- determination of the terms of issue of N, O and P series bonds with the pre-emptive right to take up I series shares, and the contents of proposal to acquire the bonds (Resolution No. XI/4/20 of 16 September 2020);

- determination of the list of Eligible Persons being the Management Board Members to be assigned registered bonds of N series, with the pre-emptive right to take up I series shares, and acceptance without reservations of the list of Eligible Persons who are not the Management Board Members to be assigned registered bonds of N series, with the pre-emptive right to take up I series shares, as presented by the Management Board (Resolution No. XI/5/20 of 16 September 2020);
- passing of the Rules of Costs Reimbursement to the Supervisory Board Members (Resolution No. XI/6/20 of 21 October 2020);
- approval of the By-law of the Company Management Board (Resolution No. XI/7/20 of 30 October 2020);
- approval of an amendment to the Supervisory Board By-law and adoption of a consolidated text of the Supervisory Board By-law (Resolution No. XI/8/20 of 30 October 2020);
- positive opinion on the contents of the draft Internal Audit Rules (Resolution No. XI/9/20 of 6 November 2020);
- repealing of Resolutions Nos X/3/17 and X/5/17 of the Supervisory Board of 21 June 2017 (Resolution No. XI/10/20 of 12 November 2020);
- approval of the Annual Internal Audit Plan in reference to risk analysis for the year 2021 (Resolution No. XI/11/20 of 2 December 2020);
- adoption of the Strategy of the Capital Group for the years 2021–2025, the Consolidated Budget for 2021, and the Company Budget for 2021 (Resolution No. XI/12/20 of 16 December 2020).

As a result of the self-assessment of its work, the Supervisory Board declares a diligent performance of duties by its particular Members in 2020. The meetings of the Supervisory Board were held systematically in the form of a video-conference, in a manner which enabled passing legally binding resolutions. All of the Supervisory Board Members maintain standing contacts with the Company Management Board, which ensures the Supervisory Board access to the data and information related to the Company and the Capital Group.

All of the Supervisory Board Members have adequate knowledge and qualifications needed to perform their duties, in consideration of the specifics of operation of the Company and the Capital Group of Grupa KĘTY S.A. In the opinion of the Supervisory Board, the work during the meetings of the Supervisory Board, the Audit Committee, and the Nomination and Remuneration Committee, as well as during the meetings with the Company Management Board, was transparent and efficient, which resulted in professional and substantive support to the Management Board and effective supervision of the Company.

3) Membership of the Audit Committee and information on the Committee activities

As at 1 January 2020, the Audit Committee of the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Piotr Stępnik – Chairman of the Audit Committee,
- Mr Bartosz Kazmierczuk – Member of the Audit Committee,
- Mr Piotr Kaczmarek – Member of the Audit Committee,
- Mr Paweł Niedziółka – Member of the Audit Committee,
- Mr Szczepan Strublewski – Member of the Audit Committee,
- Mr Wojciech Włodarczyk – Member of the Audit Committee.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting of the Grupa KĘTY S.A. held on 20 August 2020 appointed the Supervisory Board for a new, joint term of 3 years. After the Annual General Meeting session, on 20 August 2020 the Supervisory Board of the 11th term appointed the Audit Committee of the Supervisory Board of Grupa KĘTY S.A. consisting of: Wojciech Golał, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępniał, Agnieszka Zalewska. The Members of the Audit Committee selected the Audit Committee Chairman from among themselves, i.e. Mr Piotr Kaczmarek.

As at 31 December 2020, the Audit Committee of the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Piotr Kaczmarek – Chairman of the Audit Committee,
- Mr Wojciech Golał – Member of the Audit Committee,
- Mr Paweł Niedziółka – Member of the Audit Committee,
- Mr Przemysław Rasz – Member of the Audit Committee,
- Mr Piotr Stępniał – Member of the Audit Committee,
- Ms Agnieszka Zalewska – Member of the Audit Committee.

Acting pursuant to the Code of Commercial Companies, and the Act on Statutory Auditors, Audit Companies and Public Supervision, as well as the Company Articles of Association and the Company Audit Committee By-law, the Audit Committee of the Supervisory Board held 7 meetings in 2020, performing the tasks provided by the legal regulations, and specifically monitoring the process of financial reporting and financial audit, the independence of the auditor, and the effectiveness of the internal control systems as well as risk management and internal audit systems functioning at the Company. The Audit Committee meetings were attended – apart from the Committee Members – by the Management Board Member in charge of Finance, Internal Audit Director, the representatives of the E&Y audit firm, and the invited employees of the Company.

The activities of the Audit Committee in 2020 focused on the following issues:

- discussion and selection of an offer presented by Ernst & Young Audyt Polska, as an audit company, with regard to the audit of the financial statements of the Company and the consolidated financial statements of the Capital Group for 2020, and the review of the semi-annual condensed financial statements of the Company and the condensed consolidated financial statements of the Capital Group for the period of 6 months ending 30 June 2020;
- discussion of the scope and strategy of audit, including a justification for the application of full or limited scope of audit;
- discussion of key areas of audit of the financial statements, including the impairment of assets, deferred tax assets within the activities in Special Economic Zones, valuation of long-term contracts and completion of investment projects;
- discussion of the impact of COVID-19 on the operations of the Capital Group;
- discussion and analysis of the reports on the activities of Internal Audit in the year 2020, plus information on the implementation of follow-up recommendations;

- discussion with the representatives of the audit firm of the results of the audit of the financial statements of the Company for the year 2019 and the consolidated financial statements of the Capital Group for the year 2019, as well as conclusions from the audit, and the report on the audit of financial statements and the additional report for the Audit Committee;
- discussion of the results of the review of interim condensed financial statements of Grupa KĘTY S.A. as well as the interim condensed consolidated financial statements of the Capital Group of Grupa KĘTY S.A. for the year 2020;
- confirmation of independence of the audit firm and the statutory auditors delegated to carry out the review of the interim condensed financial statements of Grupa KĘTY S.A. and the interim condensed consolidated financial statements of the Capital Group of Grupa KĘTY S.A.;
- discussion of the approach to the scope of work ending the reporting year 2020 based on the carried out preliminary audit. The areas of particular interest included the major types of risk: impairment of assets, disclosure and measurement of the deferred tax asset calculated in reference to the operations in Special Economic Zones, income recognition, hedge accounting policy;
- reading of the annual Internal Audit Plan for the year 2021, and discussion of the assumed methods to select the audit tasks, and the number of hours needed to carry out the tasks under the Plan.

4) Membership of the Nomination and Remuneration Committee and information on the Committee activities

The Remuneration Committee of Grupa KĘTY S.A. was established by way of Resolution No. VI/4/05 of the Supervisory Board of 19 May 2005. By way of Resolution No. X/11/19 of 5 June 2019, the Supervisory Board changed the name of the Remuneration Committee into the Nomination and Remuneration Committee ('N&R Committee') and passed the Committee By-law.

As at 1 January 2020, the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Bartosz Kazimierczuk – Member of the N&R Committee,
- Mr Paweł Niedziółka – Chairman of the N&R Committee,
- Mr Wojciech Włodzarczyk – Member of the N&R Committee.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting held on 20 August 2020 appointed the Supervisory Board for a new, joint term of 3 years. After the Annual General Meeting session, on 20 August 2020 the Supervisory Board of the 11th term appointed the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A. consisting of: Wojciech Golak, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępiak, Agnieszka Zalewska. The Members of the Nomination and Remuneration Committee selected the Committee Chairman from among themselves, i.e. Mr Piotr Stępiak.

As at 31 December 2020, the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A. consisted of:

- Mr Piotr Stępniaak – Chairman of the N&R Committee,
- Mr Wojciech Golak – Member of the N&R Committee,
- Mr Piotr Kaczmarek – Member of the N&R Committee,
- Mr Paweł Niedziółka – Member of the N&R Committee,
- Mr Przemysław Rasz – Member of the N&R Committee,
- Ms Agnieszka Zalewska – Member of the N&R Committee.

Acting pursuant to the Code of Commercial Companies, as well as the Company Articles of Association and the Remuneration Committee By-law, the Nomination and Remuneration Committee of the Supervisory Board held 6 meetings in 2020.

The activities of the Nomination and Remuneration Committee in 2020 focused on the following issues:

- verification of the calculation of the annual incentive for the Members of the Management Board of Grupa KĘTY S.A. for 2019 and submission of the related recommendation to the Supervisory Board;
- assessment of the value of basic remuneration of the Management Board Members compared to market data (also in the context of relationship to variable remuneration), which resulted in recommending to the Supervisory Board an increase of the basic remuneration;
- review of the bonus and incentive system and recommendation to the Supervisory Board of the system amendment;
- analysis of the proposed Management Options Plan for the years 2020–2028 and recommending the same to the Supervisory Board;
- discussion on the Remuneration Policy of the Capital Group of Grupa KĘTY S.A., the Nomination and Remuneration Committee By-law and assumptions for the new bonus and incentive system.

5) Assessment of the Company standing in consideration of the assessment of the internal control system, risk management, compliance and internal audit function

Assessment of the standing of the Company and the Capital Group of Grupa KĘTY S.A.

On a current basis, the Supervisory Board reviewed and analysed the financial standing of the Company and its Capital Group, as well as the operating activities in 2020. The Supervisory Board has concluded that in 2020:

1) Despite the challenges related to the COVID-19 pandemic and variable economic environment, thanks to many operating activities implemented, the Company and the Capital Group generated record results in their history, achieving the objectives of the Strategy 2015-2020 and exceeding all of the objectives assumed for the year 2020: sales revenue was higher by PLN 176 million (growth by 54%), EBITDA was higher by PLN 158 million (growth by 31%), and net profit was higher by as much as PLN 167 million (growth by 64%).

2) The activities of the Company and the Capital Group concentrated on further organic development, improvement of their strong position on the domestic market, and export sales development in all three business segments.

3) The one-off positive effect of the lock-down in the Flexible Packaging Segment amounted to PLN 66 million as regards sales revenue, PLN 60 million for EBIDA and EBIT, and PLN 51 million for net profit, which has significantly affected the generated financial results of the Segment and the Capital Group.

4) The Company has published the Strategy of the Capital Group Development for the years 2021–2025, the aim of which is organic development and generation of sales and profit growth rates exceeding the expected market rates of development for each of the segments.

5) the Company and the Capital Group maintained a balanced growth of sales both with regard to quantity and volume, which resulted in higher separate and consolidated sales revenue that amounted to PLN 1,149 million and PLN 3,533 million, respectively, and were higher by 2% and 10%, respectively, than the sales of the preceding year.

6) In 2020, the Capital Group reported PLN 672.4 million of consolidated EBITDA (29% growth) and PLN 430.2 million of consolidated net profit (45% growth). In the separate statements the values were PLN 365.9 million (35% growth) and PLN 296.2 million (44% growth), respectively.

7) High return on equity (ROE) and return on assets (ROA) were maintained both by the Company and the Capital Group, and amounted to 45% and 25%, respectively, for separate figures, and 27% and 15%, respectively, for consolidated figures.

8) Thanks to high positive cash flows on operating activities, the net debt of the Capital Group dropped by 20%, to PLN 561.7 million, whereas the net debt of the Company grew slightly, by 4%, to PLN 344.5 million. The debt level does not contribute to the risk of the Company or the Capital Group loss of liquidity, thanks to good financial results as well as high and stable cash flows on operating activities, which enable servicing of the current debt level.

Therefore, the Supervisory Board has positively assessed the standing of the Company and the Capital Group of Grupa KĘTY S.A., both as regards finance and operations, as well as with regard to the development perspectives in the following year.

Assessment of the internal control system and the system of managing risk material to Grupa KĘTY S.A. as well as the compliance and internal audit function

The Supervisory Board supervises the operation of the internal control system, evaluating its relevance, effectiveness and efficiency through the Audit Committee and the Internal Audit Department, whose objective is to systematically review and monitor the control mechanisms, and identify risk in the areas of operation of the Capital Group of Grupa KĘTY S.A., and to indicate irregularities and departures as regards both the particular processes and the binding legal and internal regulations. As regards the identified irregularities and departures, recommendations are defined, which are subject to monitoring by internal auditors.

The basis for the internal audit function operation through a separate Internal Audit Department are the binding Organisational Rules of Grupa KĘTY S.A., the internal regulations, and the International Standards of Internal Audit Professional Practice published by the Institute of Internal Auditors.

On 13 November 2020, upon prior obtaining of an opinion of the Company Supervisory Board expressed in the form of Resolution No. XI/9/20 of 6 November 2020, the Management Board of Grupa KĘTY S.A. passed Resolution No. 163/2020 on approving the Internal Audit Rules. The Internal Audit Rules determine the purpose, rights, responsibility and principles of operation of the Internal Audit Department at the Capital Group of Grupa KĘTY S.A. In accordance with the provisions of the Rules, the Internal Audit Department is functionally subordinated to the Supervisory Board of the Company, and organisationally to the President of the Management Board.

Owing to the pandemic the method of operation of the Internal Audit Department has been reorganised in 2020, such as to include the following tasks, among other things:

- monitoring of the risks related to the situation caused by the COVID-19 pandemic;
- monitoring and verification of the internal control system within the identified risks resulting from the pandemic;
- performance of audits aimed at verification of the Company security in the selected areas, as well as identification of the possibility of development and improvement of the selected issues.
- provision of advisory services with regard of the Risk Management System at the Capital Group of Grupa KĘTY S.A.

As at the end of 2020, three people were employed at the Internal Audit Department.

In the analysed reporting period the activities of the Internal Audit Department at the Capital Group of Grupa KĘTY S.A. were independent of any other issues threatening the objective performance of duties and tasks (which included the selection of the audit subjects, scope of tasks, procedures as well as frequency and schedule of works, or the contents of the report on the tasks performed). Within the audit activities carried out there was not identified or received any information about situations which could be perceived as a conflict of interest or would contradict the performed function within the Organisation.

Therefore, the Supervisory Board has positively assessed the efficiency of the Internal Audit function within the periodical assessment of the Company standing.

The financial statements are prepared directly by Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa KĘTY S.A. Dekret employs accounting specialists whose knowledge is supported with the required certificates and education as well as experience needed to prepare the statements in an appropriate way. The Financial Division is supervised by a Member of the Management Board/Financial Director of Grupa KĘTY S.A.

Grupa KĘTY S.A. adopted the Accounting Policy conforming to the International Financial Reporting Standards, the chart of accounts and reporting databases, having regard for the format and detailed nature of the financial figures presented in financial statements.

The aim of the internal control system within the process of preparing financial statements is to ensure accurate, complete and correct accounting for all business transactions in a given period. The system is based on the division of duties, the approval of transactions and data on multiple levels, and verification of correctness of the obtained information.

Additionally, in accordance with the binding legal regulations, the Company has its financial statements audited (annual statements) or reviewed (semi-annual statements) by an independent statutory auditor. The statutory auditor is selected by the Supervisory Board from

among the established audit firms, based on the Audit Committee recommendation. Within the audit work, the statutory auditor provides an independent assessment on the fairness and correctness of separate and consolidated financial statements and takes into account the efficiency of the internal control and risk management systems.

The process of preparing financial statements comprises control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of control reports outcomes). The following risks have been identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation;
- application of erroneous estimates;
- missing IT systems integration.

The risks are mitigated by:

- maintenance of a uniform system of data mapping from the source systems to financial statements, which ensures the proper presentation of data;
- periodical reviews of financial figures conducted by internal specialists, with the main purpose to confront their knowledge with the financial figures and detect any possible improper presentations of data and erroneous input data;
- making estimates based on the best knowledge of the Management Board, including also with the assistance of independent advisers (e.g. licensed actuaries or property appraisers), if needed;
- auditing the annual separate and consolidated financial statements as well as reviewing the semi-annual separate and consolidated financial statements of the Company and its Capital Group by an independent auditor, for the purpose of detecting major irregularities, including omissions in the process of financial reporting;
- use of an integrated in-house IT system (ensuring complete data integration), which is subject to control in accordance with the Company security procedures binding for that system;
- application of uniform principles in the reporting process of the Capital Group companies, and compliance with the uniform chart of accounts binding at the Group.

Observance of the respective laws and regulations (compliance-related tasks)

The organisational structures of Grupa KĘTY S.A. enable the coordination of measures aimed at ensuring compliance with the respective laws and regulations, both at the business segments and on the Capital Group level. The structures comprise the departments at the Head Office of Grupa KĘTY S.A. responsible for separate areas, the corresponding structures at the subsidiaries, the Group procedures system called OrangeBook as well as the defined competences and responsibility for the particular areas.

The OrangeBook – being an established system of guidelines – enables the Capital Group companies to take advantage of the common knowledge and apply a proper approach to any matters related to legal requirements and conducting business.

6) Assessment of the fulfilment by the Company of the disclosure obligations related to abiding by the corporate governance principles set out in the Warsaw Stock Exchange By-law and in the regulations regarding the current and interim information disclosed by the issuers of securities

The Supervisory Board is of the opinion that the Company fulfils its disclosure obligations related to abiding by the corporate governance principles in an accurate manner. The Company has published a report on the status of its abiding by the recommendations and detailed principles set out in 'The Best Practice for GPW Listed Companies 2016', and has displayed the information on its website.

In addition, the Supervisory Board reviewed the corporate governance statement included in the annual report for 2020, which is a separate part of the report on the issuer's activities, prepared in accordance with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information disclosed by the issuers of securities and conditions of considering equivalent the information required by the laws of a country other than a member state. This statement describes in detail the corporate governance issues and contains the information defined in the aforesaid Regulation. In the opinion of the Supervisory Board, the disclosure made in the statement is complete and reflects the actual status.

Therefore, the Supervisory Board has come to the conclusion that the Company properly fulfils its disclosure obligations with regard to abiding by the corporate governance principles set out in the Warsaw Stock Exchange By-law and the regulations regarding the current and interim information disclosed by the issuers of securities.

7) Assessment of rationality of the Company policy with regard to sponsoring, charity or other similar activities

For many years the Company has been consistently focusing on the performance of the Corporate Social Responsibility Policy. In 2020, the efforts and resources of the Company were focused on maintaining security and protection of workplaces and supporting the medical services in fighting COVID-19. The Capital Group made donations to hospitals and the emergency service in the places where its production plants are located. The total financial engagement of the Capital Group in that regard amounted to PLN 660,000, including PLN 260,000 donated by Grupa KĘTY S.A. Apart from the financial support, Aluporof S.A. manufactured and donated visors (over 10,000 pieces).

The charity and social activities concentrate around the 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation. The systematic solution adopted several years ago at the entire Capital Group contributes to a clear and legible message, and brings about palpable effects of the financial and substantive involvement in the local community.

The 'Grupa Kęty for the Children of Podbeskidzie Region' Foundation is active in the region of Podbeskidzie, in the districts of Bielsko-Biała, Oświęcim, Cieszyn, Pszczyna, and Żywiec. It supports nearly 300 children and young people (in 2020 the Foundation allocated PLN 264,000 to its statutory activities).

The Foundation's activities are very often intertwined with the activities and projects of the Capital Group. The Company integrates communities by way of organising common sports

events, ecological actions, and engaging the employees in voluntary work within the 'Together with the GROUP' programme. In 2020 already the sixth edition of the programme was held (despite the pandemic, there were carried out 30 projects with the financial commitment of the Company of PLN 45,000). The 2020 edition focused on one of the foundations of the CSR Policy, i.e. care for the natural environment. The activities were supported by the motto: 'Together for the Earth'.

Within its social activities, Grupa KĘTY S.A. has promoted for many years the idea of educating through sport, by way of engaging in all kinds of sports projects with the main objective to motivate children and young people to practise sports, and to prevent obesity – the 21st century disease (due to the pandemic, the sports events planned for 2020 had not been held; at the beginning of the year, the Company was only the patron of the 'Reksio the Dog's Cup' skiing competition for the children).

Aluprof S.A. continued its sponsoring agreement with BTS Rekord Bielsko-Biała football club, of the value of PLN 60,000.

Grupa KĘTY S.A. also engages in ecological projects, building environmental awareness among a broad group of stakeholders. The activities in that regard comprise the following recurring initiatives: 'Let's Clean the Beskids', 'Green Hand' environmental education programme, and 'Bike HELPS' initiative. The Company allocated over PLN 80,000 for the activities in 2020.

Apart from the above mentioned activities, the Company did not carry out any other activities of similar nature in 2020.

The Supervisory Board is of the opinion that the Company and the Capital Group applies a well-thought-out, diverse and complete charity and social policy.

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Wojciech Gólak

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Piotr Kaczmarek

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Paweł Niedziółka

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Przemysław Rasz

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Piotr Stępnia

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Agnieszka Zalewska

Prepared on 26 March 2021