

Action Spółka Akcyjna

Information on the status of application by the company of the recommendations and principles contained in the Code of Best Practice for GPW Listed Companies 2021

According to the current status of compliance with the Best Practices, the Company does not apply 12 principles: 1.5., 2.1., 2.2., 2.7., 2.11.5., 2.11.6., 3.3., 3.4., 3.10., 4.1., 4.3., 4.8.

1. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

- 1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.

The principle is applied.

Company's comment: *The Company operates a website where it posts all relevant corporate documents, the Company's articles of association and other documents. For this purpose, a special "Investor" tab has been created on the Company's website.*

- 1.2. Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.

The principle is applied.

Company's comment: *The company publishes its financial results as soon as possible after the end of the reporting period in compliance with the deadlines set out in § 79 of the Regulation of the Minister of Finance of 29 March 2018 on information current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state*

- 1.3. Companies integrate ESG factors in their business strategy, including in particular.

- 1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

The principle is applied.

Company's comment: *Action S.A. has had an environmental management system in place since 2005 in accordance with international standard ISO 14001:2004. In Q2 2018, the transition to the new edition of ISO 14001:2015. The Company is regularly audited by a renowned BSI (British Standards Institution) certification body. The scope of certification covers all processes at the Company's headquarters in Zamien near Warsaw. In accordance with the requirements of ISO 14001, Action S.A. has in place a documented Environmental Policy. It is communicated to the Company's employees already at the recruitment stage, and later during training. The Environmental Policy of Action S.A. is also available in an electronic version on printed version on notice boards in warehouses, service areas and production facilities, production. The document was also published for wider viewing on the Action S.A. corporate website. (www.action.pl). The policy is regularly reviewed and updated as necessary. Action S.A. declares complies with all legal regulations related to environmental protection. Activities Environmental activities undertaken by Action S.A. focus on: - protection of natural resources by limiting consumption and rational management of electricity and heat, - implementation of packaging and production waste recycling policy, rational waste management, marketing packaging of own brand products, which can be quickly biodegraded without polluting the natural environment. Pro-environmental ideas are popularized among employees, suppliers and customers through appropriate training and marketing activities, as well as by disseminating knowledge about environmentally friendly own brand products of Actina, Activejet and Actis.*

- 1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is applied.

Company's comment: Action S.A. employs people of different nationalities, cultures and ages, also disabled people, enabling them to become professionally active. Action strives to maintain a balance in the employment proportion between men and women. The company does not tolerate any form of discrimination. It treats all employees equally, regardless of race, nationality, religion, gender, age, sexual orientation, degree of disability or political opinion, among others. Decisions concerning employees are made objectively, based on knowledge of their achievements, competencies and attitudes. The Management Board of the Company declares compliance with the European Convention for the Protection of Human Rights and Fundamental Freedoms throughout the ACTION S.A. Capital Group with respect to its everyday business operations. Articles of the Convention concerning the right to respect for private and family life, freedom of thought, conscience and religion, freedom of expression, assembly and association and the prohibition of discrimination are of particular importance in everyday business operations. An expression of respect for human rights is the Code of Ethics implemented at Action S.A., which is broadly described in the chapter "Ethics Management". Within the framework of the adopted ethical principles, the company makes efforts to create a friendly atmosphere for every employee - regardless of his/her age, gender, religion, sexual orientation, race, origin, views or, for example, degree of disability (we employ people with disabilities in equivalent positions). Management makes reasonable efforts to ensure that the workplace provides employees with opportunities for professional development. Great attention is also paid to employee safety. The use of offensive vocabulary that stigmatises and discriminates is not welcomed. All employees and co-workers are obliged to respond if they witness social exclusion or stigmatisation of colleagues. Managers are guided in their decisions to promote or awards to subordinates, are based on merit. The Company has implemented safety procedures; they include, among others: protection of personal data of employees, co-workers and customers. Any breaches of security must be reported to your supervisor or the Ethics Officer. In accordance with the binding procedure of anonymous reporting of violations of law, procedures and ethical standards ACTION S.A. each person in the Company may report the above violations.

- 1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others.

The principle is applied.

Company's comment: The company provides detailed information on the assumptions of its strategy, measurable objectives, including the long-term ones, the planned actions and the progress in its implementation, defined by indicators, financial and non-financial ones, in the Management Board reports published together with the annual financial statements.

- 1.4.1 explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is applied.

Company's comment: Action S.A. has had an environmental management system in place since 2005 in accordance with international standard ISO 14001:2004. In Q2 2018, the transition to the new edition of ISO 14001:2015. The Company is regularly audited by a renowned BSI (British Standards Institution) certification body. The scope of certification covers all processes at the Company's headquarters in Zamien near Warsaw. In accordance with the requirements of ISO 14001 Action S.A. has in place a documented Environmental Policy. It is communicated to the Company's employees already at the recruitment stage, and later during training. The Environmental Policy of Action S.A. is also available in an electronic version on printed version on notice boards in warehouses, service areas and production facilities, production. The document was also published for wider viewing on the Action S.A. corporate website. (www.action.pl). The policy is regularly reviewed and updated as necessary. Action S.A. declares complies with all legal regulations related to environmental protection. Activities Environmental activities undertaken by Action S.A. focus on: - protection of natural resources by limiting consumption and rational management of electricity and heat, - implementation of packaging and production waste recycling policy, - rational waste management, - marketing packaging of own brand products, which can be quickly biodegraded without polluting the natural environment. Pro-environmental ideas are popularized among employees, suppliers and customers through appropriate training and marketing activities, as well as by disseminating knowledge about environmentally friendly own brand products of Actina, Activejet and Actis.

- 1.4.2 present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target;

The principle is applied.

Company's comment: The implementation of the HR policy in the area of equal treatment is also visible in the area of average gross remuneration broken down by gender. The company has a job and remuneration grid based The Company has a job and salary grid based on job evaluation, which was introduced in 2006 with the

involvement of an external company. Salaries of women and men are at a similar level, with a slight, 3 per cent, advantage in favour of women.

- 1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

The principle is not applied.

Company's comment: *The Company does not disclose the expenses incurred by it and its group for the support of culture, sport, charitable institutions, media charitable institutions, the media, social organisations, trade unions, etc., as the scale of the aforementioned expenses is not significant from the from the point of view of the Company's financial position and in relation to other costs incurred by the Company.*

- 1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

The principle is applied.

Company's comment: *The principle is applied with modifications. Due to the ongoing restructuring proceedings in 2016-2020, Company has, since mid-2017, changed the conference format to one-on-one meetings, sending periodic communications to media, as well as sending direct responses to enquiries from investors, analysts and the media. In addition, the Company summarised the reported periods in press materials and videos with the participation of the Management Board and published them in the listed media (online and paper editions) and on its own website. In connection with the positive completion of the restructuring proceedings, starting from 2021, in addition to the good practices developed in the restructuring proceedings, the Company intends to organise at least once a year a meeting for capital market representatives in the form of a conference.*

- 1.7. If an investor requests any information about a company, the company replies immediately and, in any case, no later than within 14 days.

The principle is applied.

Company's comment: *The Company provides investors with answers to their questions without any undue delay in accordance with limitations resulting from legal regulations.*

2. MANAGEMENT BOARD, SUPERVISORY BOARD

To ensure top standards of the responsibilities and effective performance of the management board and the supervisory board of a company, only persons with the adequate competences, skills and experience are appointed to the management board and the supervisory board.

Management Board members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

Supervisory board members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the company.

The supervisory board functions in the spirit of debate and analyses the position of the company in the context of the sector and the market on the basis of information provided by the management board of the company and via the company's internal systems and functions and obtained from external sources, using the output of its committees. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

- 2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

Company's comment: *This principle is not applied with regard to the introduction in the Company of a diversity policy for the management board and supervisory board, adopted respectively by the supervisory board or the general meeting. The Company's comment on the above rule: The Company has a diversity policy adopted by the Management Board*

concerning the entire organisation of the Company, but it does not provide for a minority participation of not less than 30% in a given body. Diversity management policy at ACTION S.A. is based on overcoming barriers such as age, gender or health condition - We believe that the professional potential of an employee depends mainly on his/her competences. Professional activation is also important. That is why among employees of ACTION there are people with different degrees of disability, working on various positions. The Management Board and the Supervisory Board of ACTION are composed of members with degrees in: economics, finance and accounting, management and having diverse professional experience. The Management Board of the Company is composed of 2 men and the Supervisory Board is composed of 1 woman and 4 men. Due to the number of persons in the Company's bodies (Management Board - 2 persons; Supervisory Board - 5 persons), reaching the above threshold (30%) is difficult. In the Company's opinion, while observing the principles of proportionality and adequacy in relation to individual needs, measured primarily by the size of the Company and the type and scale of its business, this principle will be the guideline for achieving the required level of diversity.

- 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

Company's comment: The principle is not applied in terms of acting on the basis of the diversity policy referred to in Principle 2.1. and ensuring gender comprehensiveness - in view of its non-implementation. Company commentary on the above principle: According to the explanations to principle 2.1, the Company has not implemented the diversity policy indicated in this principle. The persons making decisions on the election of management and supervisory board members are not restricted in proposing candidates and making selections.

- 2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

- 2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.

The principle is applied.

- 2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.

The principle is applied.

- 2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.

The principle is applied.

Company's comment: The members of the Company's Management Board do not engage in any professional activity other than by virtue of their function on the Management Board of the Company or its affiliates.

- 2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

Company's comment: The principle is not applied with regard to non-competitors. Pursuant to the Company's Articles of Association, the competences of the Supervisory Board include, among other things, granting consent to a member of the Management Board for the pursuit of interests competitive to the Company's business, and competing with the Company, participation in competing companies as a general partner or as a member of the authorities of such a company. The resolution on such consent may not be given if one independent member of the Supervisory Board has expressed a reasoned objection in writing unless the other independent member has given such consent. The Company emphasises at the same time that the relations of Management Board members indicated in the commentary to principle 2.6. have been in place for years and, in fact, ensure the implementation of the above principle.

- 2.8. Supervisory board members should be able to devote the time necessary to perform their duties.

The principle is applied.

Company's comment: The members of the Supervisory Board devote an appropriate amount of time to the performance of their duties. The Supervisory Board monitors the situation of the Company on an ongoing basis. Over the past few years, Supervisory Board meetings have been held on average once a quarter. In addition, members of the Supervisory Board participate in work outside meetings.

- 2.9. The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.

The principle is applied.

- 2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.

The principle is applied.

- 2.11. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.
- 2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;
The principle is applied.
Company's comment: Principle 2.11. is applied (excluding information on significant relationships with shareholder holding at least 5% of the total number of votes in the Company).
- 2.11.2. summary of the activity of the supervisory board and its committees;
The principle is applied.
- 2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;
The principle is applied.
- 2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;
The principle is applied.
- 2.11.5. assessment of the rationality of expenses referred to in principle 1.5;
The principle is not applied.
Company's comment: The information in paragraph 2.11.5 will not be published in connection with the Management Board's statement on principle 1.5.
- 2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.
The principle is not applied.
Company's comment: As of 2021, the Company will apply the above principle also with regard to point 2.11.6. year, the Supervisory Board of ACTION S.A. shall draw up a report on the results of its evaluation of the Management Board's report, consolidated financial statement, the Management Board's proposal and information on the appropriation of profit and the evaluation of situation of the ACTION Capital Group, in accordance with Article 382 § 3 of the Commercial Companies Code and the requirements of Best Practices 2016. connection with the extension of the scope of the reports specified in this rule, the Supervisory Board will include additional information to the extent indicated above in the next report.

3. INTERNAL SYSTEMS AND FUNCTIONS

Efficient internal systems and functions are an indispensable tool of exercising supervision over a company.

The systems cover the company and all areas of activity of its group which have a significant impact on the position of the company.

- 3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.
The principle is applied.
Company's comment: The Company's internal control, risk management and compliance are carried out in cooperation with departments: controlling and operational support, process optimisation coordinators; ISO management systems, legal department. In cooperation with the legal, accounting and controlling departments, the Company strives to minimise the risks specific to the industry/area in which the company operates. As part of its operations, Action S.A. effectively manages market risk, credit risk, liquidity risk, capital risk and event risk.

- 3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.
The principle is applied.
Company's comment: *The Company's internal control system and risk management system are organised on three independent levels: 1. the Company separates in its organisational structure the units responsible for performing the tasks within the control function, in accordance with the concept of three lines of defence. 2. the Internal Control System applied at the Company is organised on three independent levels, where: 1) the first line of defence consists of risk management in operating activities; 2) the second line of defence consists of risk management by employees in specially appointed positions or organisational units, irrespective of risk management in the first line of defence, in particular employees of the departments indicated in point IV, i.e: 1. controlling and operational support, 2. coordinators for process optimisation; ISO management systems, 3. the legal department. 3) the third line of defence consists of the activities of Audit Committee with regard to control of effectiveness and adequacy of internal control system. 3. all three lines of defence, as part of the Internal Control System, the Company's employees, in connection with the performance of their duties, apply the control mechanisms as appropriate or independently monitor compliance with the control mechanisms.*
- 3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.
The principle is not applied.
Company's comment: *The principle is not applied with regard to the appointment of an internal auditor. There is no internal auditor appointed in the structures of the Company internal auditor has not been appointed within the Company. The supervisory board and the audit committee assess whether there is a need to appoint an auditor. So far, the internal audit function has been performed as specified in the explanations to principles 3.1 and 3.2. Once a year those responsible for the internal control and risk management system submit to the management board and supervisory board a report on the annual assessment of the functioning of the internal control and risk management system in the company. In the Company's opinion this system complies with the principles of proportionality and adequacy in relation to individual needs, measured primarily the size of the Company and the type and scale of its operations.*
- 3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.
The principle is not applied.
Company's comment: *The principle is not applied to the extent that remuneration depends exclusively on the performance of the assigned tasks. In connection with the principles of the internal control system operating in the Company (explanations to principles 3.1.-3.3.), including lack of an internal auditor, the remuneration of those responsible for risk management and compliance and internal audit internal audit are based on fixed and variable components of remuneration.*
- 3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.
The principle is applied.
Company's comment: *The persons directly responsible for risk management and compliance are the persons directly reporting to the President of the Management Board of the Company, are persons holding decision-making positions in departments responsible for risk management and compliance.*
- 3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.
The principle is applied.
Company's comment: *The principle is applied with the reservation that the Company has not appointed an internal auditor. The Company does not have an internal auditor. The internal audit function is performed as specified in principles 3.1 - 3.3. The persons participating in the performance of the internal audit function report organisationally to the President of the Management Board and functionally to the chairman of the audit committee.*
- 3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.
The principle is applied.
Company's comment: *The principle is applied within the scope of application of principles 3.4-3.6 in the Company. In recent years, the Company has performed a number of consolidation operations within the structure of ACTION Capital Group. Currently, there are no companies within ACTION Capital Group whose operations are of key importance to the Group's activity and in which principles 3.4 to 3.6 should be implemented.*
- 3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.
The principle is applied.

Company's comment: Once a year, persons responsible for the internal control and risk management system submit to the Management Board and Supervisory Board a report on the annual assessment of the functioning of the internal control and risk management system in the Company.

- 3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is applied.

Company's comment: Once a year, the persons responsible for the internal control and risk management system shall submit Management Board and Supervisory Board a report on the annual assessment of the functioning of the internal control and risk management. The Supervisory Board makes an annual assessment of the effectiveness of the functioning of these systems and functions, in accordance with principle 2.11.3.

- 3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The principle is applied.

Company's comment: Once a year, the persons responsible for the internal control and risk management system shall submit Management Board and Supervisory Board a report on the annual assessment of the functioning of the internal control and risk management. The Supervisory Board makes an annual assessment of the effectiveness of the functioning of these systems and functions, in accordance with principle 2.11.3.

4. GENERAL MEETING, SHAREHOLDER RELATIONS

The management board and the supervisory board of listed companies should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting, either in person or through a proxy.

The general meeting should proceed by respecting the rights of all shareholders and ensuring that passed resolutions do not infringe on legitimate interests of different groups of shareholders.

Shareholders who participate in a general meeting exercise their rights in accordance with the rules of good conduct. Participants of a general meeting should come prepared to the general meeting.

- 4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not applied.

Company's comment: With regard to the use of electronic means of communication for the broadcasting of the General Meeting and two-way communication in real time, the Company does not currently apply this principle. So far the Company has not received notifications from the shareholders as regards their expectations for holding the General Meeting of General Meeting of Shareholders by means of electronic communication. The course of the meeting is recorded in the form of minutes notarial record, and then published on the Company's website (by providing at least the contents of adopted resolutions and results of voting). In addition, the Company provides the opportunity for the media to participate in the General Meeting. The Company shall enable to exercise voting rights at the General Meeting either in person or through a proxy.

- 4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

- 4.3. Companies provide a public real-life broadcast of the general meeting.

The principle is not applied.

Company's comment: The Company does not provide generally available transmission of the general meeting in real time. To date, the Company has not received any notifications from shareholders with regard to their expectations for broadcasting the general meeting of shareholders.

- 4.4. Presence of representatives of the media is allowed at general meetings.

The principle is applied.

- 4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2-4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is applied.

- 4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.

The principle is applied.

Company's comment: *On the day of convening of the general meeting, the Company, in addition to the contents of the notice of convening of the general meeting, publishes also a current report containing draft resolutions to be discussed at the General Meeting and the justifications for each resolution. When a given issue is put on the agenda of the General Meeting at the request of a shareholder, the Management Board asks for the proposed justification. At the same time the Company communicates in a current report about any supplementation or amendment to the agenda, presenting the text of the proposed resolution together with the justification.*

- 4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.

The principle is applied.

Company's comment: *The Company applies the above principle. The Supervisory Board each time gives its opinion on draft resolutions submitted by the Management Board to the agenda of the General Meeting. The opinion of the Supervisory Board in this respect is also made public to the public in the form of an appendix to the current report containing draft resolutions to be put on the agenda of the General Meeting.*

- 4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

The principle is not applied.

Company's comment: *The principle is not applied with regard to the 3-day deadline. Draft resolutions of the general meeting on issues put on the agenda of the general meeting are published by the Company in the form of a current report as to the agenda of the General Meeting and posted on the Company's website. The Company has not introduced the 3-day deadline for shareholders to submit draft resolutions, as Article 401§4 of the Polish Commercial Companies Code does not provide for such a limitation. In accordance with this provision, the proposal of draft resolutions should be made before the date of the General Meeting.*

- 4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office.

The principle is applied.

- 4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

The principle is applied.

Company's comment: *The Company shall use its best endeavours to ensure an appropriate time interval between announcing to the public disclosure of candidates for members of the Supervisory Board.*

- 4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company;

The principle is applied.

Company's comment: *The Company applies the above principle. The Company collects statements from the members of the supervisory board with regard to fulfilment of the requirements for audit committee members set out in the Act of 11 May 2017 on statutory auditors, audit firms auditors, audit firms and public supervision, as well as with regard to the existence of a candidate's actual and material relationship with shareholder holding at least 5% of the total number of votes in the Company (which is one of the conditions for independence of a Member of the of the Supervisory Board specified in the Company's Articles of Association).*

- 4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

The principle is applied.

Company's comment: *The Company's shareholders may demand that the Company provide certain information within the scope defined by applicable laws, in particular the Polish Commercial Companies Code. The Company shall immediately provide answers shareholders to the questions asked by them.*

- 4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.

The principle is applied.

Company's comment: *The Company applies the above rule. The following shall attend the general meeting at the place of the meeting at least one Member of the Management Board. The Management Board shall present to the participants of the ordinary general meeting the financial results Company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The Management Board discusses significant events concerning the past financial year, compares the presented data with previous years and indicates the degree of implementation of the plans of the past year. In addition, the auditor takes part in the deliberations, who discusses the Company's financial results. The Chairman of the Supervisory Board is also present at the General Meeting.*

- 4.12. Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.

The principle is applied.

- 4.13. Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:

- a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
- b) the persons granted the pre-emptive right are to be selected according to objective general criteria;
- c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.

The principle is applied.

- 4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:

- a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
- b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;
- c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
- d) the company generates insufficient cash flows to pay out dividends;
- e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
- f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

The principle is applied.

5. CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

For the purpose of this section, 'related party' is defined within the meaning of the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies and their groups should have in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify and disclose such cases and the course of action in the event that they occur.

Members of the management board and members of the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

- 5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.
The principle is applied.
- 5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.
The principle is applied.
- 5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.
The principle is applied.
- 5.4. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.
The principle is applied.
- 5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.
The principle is applied.
- 5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.
The principle is applied.
- 5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.
The principle is applied.
Company's comment: *The Company implements the above principle. The Company announces draft resolutions to be discussed at the General Meeting of Shareholders to the public by publishing an appropriate current report in this regard. And in accordance with the accepted practice The Supervisory Board gives its opinion on all draft resolutions to be discussed at the General Meeting. The opinion of the Supervisory Board is also made public in the form of an appendix to the current report containing draft resolutions.*

6. REMUNERATION

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and non-discriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

- 6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
The principle is not applied.
Company's comment: *The remuneration principles for members of the Management Board and Supervisory Board are regulated in the remuneration policy adopted by the company. The remuneration principles for members of the Management Board and Supervisory Board are regulated in the remuneration policy adopted by the Company and are set at a level sufficient to recruit, retain and motivate individuals with the competences necessary for the proper management and supervision of the Company. The amount of remuneration is adequate to the tasks and responsibilities carried out by individual persons and the related responsibility.*
- 6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its

financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

The principle is applied.

Company's comment: *The Company does not currently operate strictly incentive programmes, however, the remuneration principles for members of the However, the rules of remuneration of members of the management board and the supervisory board are regulated in detail in the remuneration policy adopted by the company and they make the level of remuneration of members of the management board and the remuneration of members of the Management Board and the Supervisory Board (the remuneration policy does not cover the remuneration of key managers) the actual long-term situation of the Company in terms of financial and non-financial performance and long-term increase in shareholder value and sustainable development, as well as the stability of the Company's operations.*

- 6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

The principle is applied.

Company's comment: *The Company does not currently have any management option schemes in operation. If such a programme is introduced programme, the Company will determine its terms and conditions in accordance with the aforementioned rule.*

- 6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is applied.

Company's comment: *The Company has adopted a remuneration policy for members of the Management Board and Supervisory Board. The amount of remuneration of members of the Supervisory Board is fixed and does not depend on the number of meetings held. The Supervisory Board performs control functions, therefore the remuneration of the members of the Supervisory Board includes only fixed components, constituting 100% of the remuneration, which are not dependent on the results obtained in the business areas under its control. Members of the Supervisory Board who are also members of the Audit Committee may receive monthly additional monthly remuneration in the form of a fixed monthly lump sum, as determined by resolution of the General Meeting. The chairman of The Chairman of the Audit Committee may be entitled to a basic remuneration which is 15-20% higher than the basic remuneration of the other members of the Audit Committee.*

- 6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.

The principle is applied.

Company's comment: *The remuneration of the members of the Supervisory Board is fixed and does not depend on the short-term financial results of the Company.*