

**Appendix No. 1 to Minutes No. 2/2021 of the ACTION S.A. Supervisory Board Meeting of 31.03.2021.**

**Report of the Supervisory Board of ACTION S.A. on the results of the assessment of the Management Report, the Company's financial statements, the Management Board's motion regarding the distribution of profit and the assessment of the Company's standing and the activities of the Supervisory Board for financial year 2020.**

The Supervisory Board of ACTION S.A. with its registered office in Zamienie conducted:

- the evaluation of the Management Board's report on the Company's operations for the 2020 financial year, the Company's financial statement for the 2020 financial year to the extent of their correspondence to the books and documents, as well as to the facts and the Management Board's motion regarding the distribution of profit made by the Company in the 2020 financial year, pursuant to Article 382(3) of the Commercial Companies Code;
- assessment of the Company's situation and the activities of the Supervisory Board, on which it hereby reports.

### **I. MANAGEMENT BOARD REPORT**

In its report on operations in the financial year 2020, the Company Management Board indicated:

Key financial data in 2020 and a discussion of the development prospects in the coming financial year, providing the following information:

Sales revenues:	PLN 2,062,352
Profit on sales:	PLN 128,573
Operating profit:	PLN 157,997
EBITDA:	PLN 166,020
Net profit:	PLN 185,890

The Management Board drew attention to the fact that sales revenue generated in 2020 increased by 25.7% in comparison with the value from the previous year.

At the same time, the Management Board emphasised that, as in the previous year, the values presented above are burdened by the effects of the restructuring proceedings pending in the Company within the meaning of the provisions of the Act of 15 May 2015. Restructuring Law (consolidated text of the Journal of Laws of 2019, item 2217 – hereinafter: the Restructuring Law). Bearing in mind, 2020 was the last year of the Company's operation under the restructuring proceedings.

In addition, the Management Board indicated that the values described above are burdened by other factors and events of an unusual nature described in more detail in point 17 of this Report. Bearing in mind the burdens arising from the implementation of the approved arrangement, the Management Board signalled that it would focus on the further implementation of the assumed forecast described in detail in current report No. 59/2018 of 24 October 2018 (updated in current report No. 40/2019 of 3.09.2019) taking into account its deviations that may arise from the Board's assessment of the impact of the COVID-19 threat on the Company's operations.

As the main areas of planned activities and the basic pillars of the Company's new strategy, the Management Board has identified:

- I) The exploitation of the current market situation connected with the COVID-19 pandemic, which strengthens the demand for products offered by the Company
- II) The use of strong business pillars worked out during the restructuring process.
  - i) Action Business Centre
  - ii) E-commerce Automation

iii) Consumer Product

III) Development of the product portfolio in the scope of high-margin products, compliant with current trends and innovations.

However, irrespective of the strategic assumptions adopted, the Board highlighted that the events related to the ongoing state of the epidemic and the potential risks arising from the adverse effects of the COVID-19 epidemic are a cause for concern.

In the Management Board's opinion, the main factors influencing the financial performance in the future are:

- In relation to internal factors:

- a) Current analysis of effects of changes resulted from the restructuring plan implementation.
- b) Current analysis of the profitability of transactions and markets served with a clear focus on the market of small customers and the retail market, in particular e-commerce in Poland and abroad.
- c) Constant supervision over the development of Sferis.pl and Krakvet.pl
- d) Operations connected with active participation in the renewable energy market, in particular the PV market.
- e) Current supervision over the scope of commercial offer and entering new markets.
- f) Strict control of the effectiveness of managing the current assets, in particular stocks.
- g) Current monitoring of risks connected with the Company's operations and undertaking measures aimed at their limitation or elimination.
- h) Current analysis and strict control of the cost effectiveness of operations conducted.
- i) Current control and effective management of finances in the conditions of limited financing.
- j) Effective use of logistic resources.
- k) Impact of the COVID-19 epidemic effects, in particular in relation to possible staff limitations and subsequent changes in the existing processes and in the scope of the above listed issues.

In relation to external factors:

- a) Further course of fiscal proceedings conducted against the Company and appeal proceedings connected therewith.
- b) Results of fiscal proceedings conducted against the Company's biggest competitors and their impact on their operating activities and the market structure.
- c) Attitude of financial institutions, including banks and insurers, towards the results of fiscal proceedings pending against entities from the sector.
- d) Changes on the distribution market and consumer behaviours.
- e) Technological changes in products offered.
- f) Changes in market shares of the Company's largest suppliers and customers.
- g) Economic and political situation in Poland and around the world.
- h) Effects of implemented and planned changes in law.
- i) Scale of investments implemented in Poland, in particular IT investments.
- j) Changes in the current and long-term monetary policy in Poland and around the world.
- k) Impact of the COVID-19 epidemic effects, in particular on supply and demand for goods offered by the Company and the above-mentioned issues.

In its report on operations, the Management Board also presented:

- material risk factors related to the Company's activities,
- risk factors related to the environment in which the Company operates,
- corporate governance principles,
- information on material proceedings to which the Company is a party,
- information on basic groups of goods offered by the Company and their share in total sales,
- information on sales markets,
- information on agreements that are significant for the Company's operations,
- information on equity relationships and specification of major capital investments,

- major transactions with related entities concluded on non-market conditions,
- information on loans taken by the Company, on loan agreements and on guarantees and sureties granted in favour of the Company,
- information on loans, guarantees and sureties granted,
- description of the use of proceeds from the issue of shares,
- information on the acquisition of treasury shares,
- information concerning the explanation of differences between the forecasts and figures disclosed in the annual report,
- assessment of financial resource management, including the following data:

<b>Liquidity ratios</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Current ratio (current assets/current liabilities)	2.06	0.86
Quick ratio (liquid current assets/current liabilities)	1.22	0.51
Cash ratio (financial resources/current liabilities)	0.45	0.16

The liquidity ratios observed at the end of 2020 indicate that, as a result of the continuation of activities related to the implementation of the restructuring plan, the Company has significantly improved its already increasing liquidity ratios. Certainly, the depreciation of the value of composition liabilities had an impact on such a significant improvement. As a consequence, the above-described liquidity ratios significantly exceed values recorded in the sector and in general in the economy. At the same time, the Management Board stressed that it must be borne in mind that the challenges associated with the implementation of the composition agreement may to some extent correct this picture in the coming years.

<b>Level and structure of working capital in thousands of PLN</b>	<b>Change</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
1. Current assets	23.18%	470,260	381,770
2. Cash and securities	31,521	103,822	72,301
3. Adjusted current assets (1-2)	18.41%	366,438	309,469
4. Current liabilities	-48.28%	228,794	442,409
5. Short-term loans	-100.00%	0	103,707
6. Adjusted current liabilities (4-5)	-32.45%	228,794	338,702
7. Working capital (1-4)	-498.20%	241,466	-60,639
8. Need for working capital (3-6)	-570.85%	137,644	-29,233
9. Net cash balance (7-8)	-430.58%	103,822	-31,406
10. Share of equity in the financing of current assets (7:1) in %	2.62%	51%	-16%

The Management Board noted that, as in the case of the liquidity ratios, the completion of the remedial proceedings and the very good results related to operations recorded in 2020 reflected positively on the image of the management of current assets. Despite a significant increase in current assets, the Company managed to rotate them faster than in the previous year. In addition, the value of the reduction in liabilities from the period before the restructuring together with adequate share of this value in increase of equity and full reduction of debt allowed independent financing of assets necessary for the implementation of business goals. As a consequence, the Company presented a very safe image of working capital, indicating full possibilities to serve both business needs and composition liabilities.

<b>Debt ratios</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
General debt ratio	0.52	0.82
Equity to assets ratio	0.48	0.18
Interest debt / Equity	0.00	1.05

Carrying amounts recorded in 2020 also significantly improved the value of debt ratios. As a result, the value of the total debt ratio dropped to the level of 0.52 despite the recognition of the value of composition liabilities in equity and liabilities. The value of debt liabilities at the end of 2020 decreased to zero.

Moreover, the Management Board's report presents:

- assessment of ability to fulfil investment plans,
- evaluation of the factors and non-typical events influencing the result of operations,

- description of the external and internal factors significant for the Company's development,
- changes in the basic principles of managing the Company,
- agreements entered into between the Company and its managing persons,
- information on the value of remuneration, awards or benefits for persons managing or supervising the Company,
- information on the nominal value and total number of all the Company's shares,
- information on the agreements which may influence the current shareholder structure,
- information on the system of control over employee share incentive programmes,
- information concerning the entity authorised to audit financial statements;
- expected development of the Company and its financial standing,
- summary of changes in the ownership of the Company's shares or rights thereto (options) by persons managing and supervising the Company, in accordance with the information available to the Company,
- statement on non-financial information.

The appendix to the Management Board's report on operations includes a statement on the principles of corporate governance, containing the elements indicated in Article 70(6)(5) of the Regulation of the Minister of Finance of 29.03.2018 (Journal of Laws of 2018, item 757) on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, Article 29 of the Rules of the Warsaw Stock Exchange and Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015 on the adoption of the "Best Practices for Companies Listed on the WSE 2016".

**The Supervisory Board estimates** that the aforementioned data and factual circumstances included in the Management Report for 2020 and audited by the Supervisory Board are consistent with the books, the Company's documents and the facts. The above assessment was carried out by the Supervisory Board on the basis of:

- a) the Management Board's report on ACTION S.A.'s operations for 2020 and the financial statement of ACTION S.A. for 2020,
- b) the additional report regarding the statutory audit of the annual financial statement performed by the independent certified auditor, i.e. Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań,
- c) information of the Audit Committee of ACTION S.A. about the course and results of the reliability of the audit of the Company's financial reporting contained in the Report on the activities of the Audit Committee for 2020,
- d) own analyses contained in this Supervisory Board's report on the results of the assessment of the Management Board's report on the Company's operations, the Company's financial statement, the Management Board's motion regarding the distribution of profit and the assessment of the Company's standing and the Supervisory Board's activities for financial year 2020.

## **II. FINANCIAL STATEMENT**

The Company prepared its financial statements for the financial year 2020 in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, issued and binding as at the balance sheet date and in matters not regulated by these Standards, in accordance with the Accounting Act dated 29 September 1994.

The annual financial statement of ACTION S.A. for the period ended 31 December 2020 comprises: the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

The Company has kept its accounting books in accordance with IFRS since 1 January 2010.

In accordance with the data contained in the financial statements of the Company for the period from 1 January 2020 to 31 December 2020:

- the statement of comprehensive income as at 31.12.2020 shows comprehensive income for the period of PLN 185,890;

- statement of financial position as of 31.12.2020, with total assets, equity and liabilities of PLN 629,556;
- the statement of changes in equity for the period from 1 January 2020 to 31 December 2020 shows a value of PLN 300,437 at the end of the period;
- the cash flow statement for the period from 1 January 2020 to 31 December 2020 shows a value of PLN 103,822 at the end of the period.

**The Supervisory Board estimates** that the aforementioned data and factual circumstances included in the Company's financial statements for 2020, audited by the Supervisory Board, are consistent with the Company's books, documents and facts. The above assessment was carried out by the Supervisory Board on the basis of:

- a) the Management Board's report on ACTION S.A.'s operations for 2020 and the financial statement of ACTION S.A. for 2020,
- b) the additional report regarding the statutory audit of the annual financial statement performed by the independent certified auditor, i.e. Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Poznań,
- c) information of the Audit Committee of ACTION S.A. about the course and results of the reliability of the audit of the Company's financial reporting contained in the Report on the activities of the Audit Committee for 2020,
- d) own analyses contained in this Supervisory Board's report on the results of the assessment of the Management Board's report on the Company's operations, the Company's financial statement, the Management Board's motion regarding the distribution of profit and the assessment of the Company's standing and the Supervisory Board's activities for financial year 2020.

### **III. MANAGEMENT BOARD 'S MOTION REGARDING THE DISTRIBUTION PROFIT**

The Management Board of ACTION S.A. with its registered office in Zamienie requested that the Company's profit for the financial year 2020, covering the period from 1 January 2020 to 31 December 2020, be distributed at the amount of PLN 185,890,719.62. by allocating it entirely to the Company's supplementary capital.

**The Supervisory Board endorses** the aforementioned proposal of the Management Board and expresses its intention to approve the said proposal. Justifying the foregoing, it should be pointed out that the profit distribution method proposed by the Management Board is justified, as the profit earned should be allocated to the share capital. Considering, in particular, the need to settle liabilities towards creditors under the composition agreement as well as the current situation related to COVID-19, the Company's security of an appropriate amount of cash within its equity is justified in the opinion of the Supervisory Board.

### **IV. ASSESSMENT OF THE COMPANY'S STANDING AND THE ACTIVITIES OF THE SUPERVISORY BOARD**

#### **1. General assessment of the Company's standing.**

The financial year 2020 was another and the last reporting period in the Company's activity in the course of the ongoing restructuring proceedings within the meaning of the provisions of the Restructuring Law Act of 15 May 2015. Since the opening of the remedial proceedings until the present day, the Company has continued to consistently conduct its business and has implemented and completed restructuring procedures aimed at improving its financial situation. However, despite the ongoing remedial proceedings and the state of the Covid-19 epidemic in 2020, the Company managed to generate a profit of over PLN 185,890, which, in the opinion of the Supervisory Board, should be regarded as an optimistic element of the restructuring process and its effective completion, providing a realistic chance for the Company to implement the assumptions resulting from the composition agreement as well as implementing the financial forecast adopted by the Company in November 2019 (published in current report 40/2019).

The completion of the Company's remedial proceedings on 15 December 2020 allowed for opening a new chapter in its operations, without restrictions related to restructuring. At this point, the Supervisory Board

emphasises that actions undertaken by the Management Board (during the remedial proceedings and after their completion as well as in the scope of implementation of the arrangement) should be assessed positively, primarily due to the size of Action's enterprise and many difficulties, especially at the initial stage of restructuring. The Supervisory Board indicates that it monitors the performance of the composition agreement on an ongoing basis. In this respect, the Supervisory Board is kept informed about the most important events. The Management Board has been in constant contact with the Supervisory Board to provide necessary information and clarifications.

## **2. Assessment of internal control systems.**

The Supervisory Board assessed the effectiveness of the systems of internal control, risk management, compliance and the internal audit function on the basis of continuous monitoring of the above systems as well as on the basis of the report on the annual assessment of the effectiveness of the functioning of the systems and functions of internal control, risk management, compliance and the internal audit function prepared by the Management Board and the Management Board's Proxy for Controlling and Operational Support (prepared in accordance with Principle III.Z.4 of the Best Practices 2016) and on the basis of the opinion of the Audit Committee in this respect on the monitoring of the effectiveness of the systems of internal control, internal audit and risk management by the Audit Committee.

On the basis of the above-mentioned annual assessment and on the basis of the supervision analysis carried out by the Audit Committee in the scope indicated in this point, the Supervisory Board concludes that the above system duly ensures the performance of internal audit tasks in the Company.

Internal control, risk management and compliance at Action S.A. are performed in cooperation with the following departments: controlling and operational support, process optimisation coordinators; ISO management systems and the legal department. These activities are carried out in accordance with the Description of the Internal Control System of ACTION S.A.

In cooperation with the legal, accounting and controlling departments, the company makes every effort to minimise the risks specific to the industry/area in which Action S.A. operates.

As part of its operations, Action S.A. actively and effectively manages market risk, credit risk, liquidity risk, capital risk and event risk.

The risk management policy is implemented through measures such as verifying contracts in terms of legal and accounting aspects, and in terms of potential long-term financial and legal consequences. Since Action S.A. is listed at the Warsaw Stock Exchange, the Company puts great emphasis on transparency and credibility. Action S.A. makes every effort to be a reliable and solid partner for its customers. The Company ensures that all actions taken are in accordance with applicable laws, which is supervised by the legal department. In addition, in the case of new customers, Action S.A. verifies the legal and accounting/financial aspects of potential contracts before entering into them and also performs a general verification of the financial standing of such customers by requesting that the relevant documentation be presented to prevent them from entering into contracts with insolvent customers.

The internal control system within the Company's structure has been shaped as follows:

### **Internal Control System ACTION S.A.**

#### **I. Objectives of the internal control system of ACTION S.A.**

1. The purpose of the internal control system is to ensure:

- 1) effectiveness and efficiency of the Company's operations,
- 2) reliability of financial reporting,
- 3) comply with the principles of risk management in the Company,
- 4) compliance of the Company's operations with the provisions of law, internal regulations and market standards.

## **II. Role of the Company's authorities in the implementation of the internal control process 1. Supervisory Board**

1) supervises the implementation and ensuring the functioning of an adequate and effective internal control system in the Company;

### **2. The Audit Committee**

1) The Company has an Audit Committee appointed by the Supervisory Board from among its members, acting in accordance with the Rules of the Audit Committee of ACTION S.A.

2) The Audit Committee shall have the task of monitoring the internal control, risk management and internal audit systems, including financial reporting, on an ongoing basis.

The tasks of the Audit Committee with respect to monitoring effectiveness of internal control, internal audit and risk management in the Company include in particular:

- a) reviewing the performance of the internal control and internal audit system, taking account of the recommendations of the audit firm,
- b) verifying adequacy and effectiveness of the Company's internal control system with the involvement of a statutory auditor, individuals performing internal audit, finance and accounting functions, including third parties,
- c) supporting internal audit upon identifying irregularities, problems or communication issues with the Management Board,
- d) monitoring material changes in the financial and accounting processes which could affect the Company's stability or ability to prepare credible data or reporting documents on time,
- e) analysing information on increased exposure to specific risk, information on risk identification and monitoring, and evaluating steps taken by the management to reduce such risk,
- f) expressing opinions on submitted draft rules concerning: cautious and stable management, and acceptable risk levels in the areas of the Company's business; processes for evaluating internal capital, capital management and planning,
- g) analysing compliance with risk management rules in the Company based on information and reports received, and providing recommendations in that regard.

### **3. The Company's Management Board**

1) The Management Board of the Company is responsible for designing, implementing and ensuring in all organisational units and entities the functioning of an adequate and effective internal control system, which includes the control function.

2) The Company's Management Board ensures continuity of the internal control system, including proper cooperation of all employees of the Company within the control function. The Management Board provides employees of these units with access to necessary source documents in connection with the performance of their official duties.

3) The Company's Management Board establishes and periodically, at least once a year, updates the criteria for assessing the adequacy and effectiveness of the internal control system, the criteria for identifying significant processes and the rules for categorising irregularities detected by the internal control system. The Management Board defines the types of corrective and disciplinary actions to eliminate irregularities detected by the internal control system.

4) The Company's Management Board approves the list of significant processes and their connection with general and detailed objectives of the internal control system and ensures a regular review of all processes functioning in the Company in terms of their significance.

5) The Company's Management Board defines the rules for periodic reporting of irregularities detected by the control system and the status of corrective and disciplinary actions taken.

6) Once a year, the Management Board informs the Supervisory Board about the manner of performing tasks ensuring the functioning of an effective and adequate internal control system, with particular emphasis on:

- a) adequacy and effectiveness of the internal control system in ensuring the achievement of the objectives of the internal control system,
- (b) the scale and nature of critical and significant irregularities and the most important actions to address them, including corrective and disciplinary measures taken,

### **III. Diagram of organisation of 3 lines of defence within the organisational structure of ACTION S.A.**

The Company's internal control system and the risk management system are organised on three independent levels:

1. In its Organisational Structure, the Company distinguishes units responsible for the performance of tasks under the Control Function, in accordance with the concept of three lines of defence.
2. The Company's Internal Control System is organised on three independent levels, where:
  - 1) the first line of defence consists of operational risk management;
  - 2) the second line of defence consists of risk management by employees on specially appointed positions or in organisational units, regardless of risk management at the first line of defence, in particular employees of departments indicated in point IV, i.e.:
    1. controlling and operational support,
    2. process optimisation coordinators; ISO management systems,
    3. the Legal Department.
  - 3) the third line of defence comprises the activities of the Audit Committee in the scope of controlling the effectiveness and adequacy of the internal control system.
3. On 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 appropriate control mechanisms or independently monitor compliance with control mechanisms.

### **IV. Location, scope of tasks, independence of departments responsible in the Company's structure for internal control, risk management and compliance**

Internal control, risk management and compliance at Action S.A. are carried out in cooperation with the following departments:

1. controlling and operational support,
2. process optimisation coordinators; ISO management systems,
3. the Legal Department.

In cooperation with the legal, accounting and controlling departments, the company makes every effort to minimise the risks specific to the industry/area in which Action S.A. operates. .

As part of its activities, Action S.A. actively and effectively manages market risk, credit risk, liquidity risk, capital risk and event risk.

The risk management policy is implemented by, among other things: reviewing contracts from a business, legal, accounting and potential long-term financial perspective. Since Action is listed at the Warsaw Stock Exchange, the Company puts great emphasis on transparency and credibility. Action S.A. makes every effort to be a reliable and solid partner for its customers. Ensures that all actions taken are compliant with applicable law, which is ensured by the legal department. In addition, in the case of new customers, Action S.A. verifies the legal and accounting/financial aspects of potential contracts with them before concluding them, as well as performs a general verification of the financial standing of such customers by requesting them to present relevant documentation in order to prevent concluding contracts with insolvent customers.

As part of the evaluation of the internal control system and the risk management system, particular attention must be paid to the currency risk management principles applicable by the Company, including in particular:

1. continuous monitoring of foreign exchange items and constant adaptation of hedge levels;
2. split of controlling and supervising competences between three independent departments within the Company.

As part of internal control, the Controlling Department monitors specific aspects of the Company's business:

- monitoring of the monthly budget performance by the Company's departments;



- management accounting;
- sales support – accounting for bonuses due to the Company, supervising conclusion and performance of marketing agreements in a specific form;
- monitoring of monthly fixed costs incurred by the Company;
- budget planning, including constant monitoring with the Management Board of the 2019–2028 financial forecast, which was published in current report no. 40/2019;
- verification of sales targets;
- monitoring of fixed costs incurred by the Company, including analysing and reporting on monthly fixed costs, approving and verifying cost invoices for formal aspects;
- supervision, with the participation of the Management Board and the Financial Director, over the Company's financial situation in the context of the Company's current financial liquidity, in view of the need for expected repayment of claims under the composition agreement as part of the restructuring proceedings.

The Company has also implemented management systems conforming to the international standards ISO 9001, ISO 14001, ISO 27001 and ISO 28000.

Our information security system conforming to ISO 27001 has special significance. It functions properly and without any disruptions. Action S.A. maintains an implemented information security policy and the IT department constantly supervises the efficiency of this system. As part of the implemented standard ISO 27001, the following areas function without any disruptions: asset management, HR security, physical and environment security, system and network management, access control, business continuity management, acquisition, development and maintenance of IT systems, and information security incident management.

The implemented standard ISO 9001 ensures monitoring of documents and records, management commitment to building a quality management system, resource management organisation, definition of product realisation processes and regular measurements (of customer satisfaction, products and processes). All of these measures are meticulously implemented by Action S.A. The Company's focus is on the customer (the organisation's market position depends on its customers), leadership (the organisation's management sets its development directions), commitment by our people (people are our most valuable asset), process-oriented approach (the organisation's efficiency and effectiveness depend mainly on the quality of its processes), systemic approach to management (quality management is regarded as management of interrelated processes), continual improvement (the organisation's standing goal is to constantly improve its process), subject-matter oriented approach to decision making (decisions are made based on a logical or intuitive analysis of all available data and information), mutual benefits in relations with suppliers (establishing mutually beneficial relations with suppliers of goods and materials ensures high quality for the organisation).

Action S.A. makes sure that its operations do not have a negative impact on the environment, which is why it has implemented the ISO 14001 standard.

Since the operations of Action S.A. are mainly based on the distribution of goods, the Company has implemented ISO 28000, which is an international standard for a supply chain security management system. The ISO 28000 certificate is a valuable framework for organisations whose business involves or is based on the logistics industry, helping them minimise the risk of incidents in the security system and ensure problem-free and punctual delivery. The system implemented in the Company functions without any disruptions. This has been confirmed by a positive outcome of a number of audits performed by external auditors.

It should also be noted that during the remedial proceedings in 2020, activities that exceed the scope of the regular management require the Administrator's approval. The actions listed in Article 129 of the Restructuring Law required approval of the Board of Creditors. Since 15.12.2020, the above authorities have no longer performed their functions in connection with the completion of the restructuring proceedings. On that date, however, the Company commenced the performance of the composition agreement, and the verification of the measures is carried out by the Supervisory Board.

### **3. Activities of the Supervisory Board.**

Financial year 2020 was another, 14th full year of operation of ACTION S.A. as a public company. The increased requirements related to the foregoing also applied to the Supervisory Board. In the discussed

period, the Supervisory Board consisted of 5 Members, which is the minimum number specified by law. In the financial year 2020, the Supervisory Board consisted of the following members:

Iwona Bocianowska – Chairperson of the Supervisory Board,

Piotr Chajderowski – an independent member of the Supervisory Board – Vice-Chairperson of the Supervisory Board,

Adam Świtalski – Independent Member of the Supervisory Board,

Krzysztof Kaczmarczyk – Member of the Supervisory Board,

Marek Jakubowski – Member of the Supervisory Board (Secretary of the Supervisory Board).

During the last financial year, there were no changes in the composition of the Supervisory Board. On 25 June 2019, the General Meeting of Shareholders of ACTION S.A. adopted Resolution no. 12 pursuant to which it elected the Company's Supervisory Board in its current composition for another term of office covering the period from 20 July 2019 to 19 July 2022. Pursuant to the Company's Articles of Association, the Supervisory Board must include 2 Independent Members. The independence criteria defined in the Articles of Association fully meet the independence requirements set forth in principle II.Z.4 of the Best Practices of WSE Listed Companies 2016. The Supervisory Board Members submit statements on meeting the independence criteria on a regular basis. In the opinion of the Supervisory Board, the independence criteria are met.

During the financial year 2020 there were 4 Supervisory Board meetings held during which the body adopted a number of resolutions resulting mainly from the supervisory and control powers of the Supervisory Board. Key issues raised last year:

- analysing the conditions for the submission of statements pursuant to § 70 (1) (7), (8), (14) and § 71 (1) (7), (8) and (12) required by the Regulation on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 2018, item 757) and submitting the above statements.

- giving opinions on draft resolutions of the General Meeting of Shareholders;

ongoing assessment of the Company's operations, its internal control systems as well as the activities and objectives of the Management Board and the Audit Committee;

- analysis of financial statements and activities (separate and consolidated) for the financial year 2019;

- analysis of the report on the activities of the Audit Committee in the financial year 2019 and information on the course and results of the audit of the reliability of financial reporting in the Company, including the independence of the audit firm and members of the team performing the statutory audit;

- preparing reports of the Supervisory Board for 2019;

- appointing the Management Board of ACTION S.A. in restructuring for another term of office and delegating functions in the Management Board to appointed members;

- assessment of the draft Remuneration Policy for Members of the Company's Management Board and Supervisory Board;

- select a statutory auditor to statutory audit the financial statements of ACTION S.A. and the consolidated financial statements of the ACTION S.A. Capital Group for the financial years 2020 and 2021;

- periodic assessment of related-party transactions and approval of the Management Board's report on the assessment of related-party transactions;

- adopting regulations concerning detailed rules for participation in the General Meeting, meetings of the Supervisory Board and the Management Board of the Company, using means of direct remote communication;

- exercising ongoing control over the course of remedial proceedings.

The Supervisory Board Members have access to information and documents necessary to perform activities in the scope of responsibilities of the Supervisory Board. The Company ensures that persons directly performing tasks subject to an assessment by the Board attend its meetings or provide information. The Supervisory Board is notified of the Company operations by the Audit Committee, in particular with respect to its own responsibilities. The Supervisory Board is of the opinion that it performs its obligations in a correct manner and in compliance with applicable regulations.

The Supervisory Board concludes that the Company properly complied in 2020 with its disclosure obligations regarding the application of the corporate governance principles set out in the regulations on current and periodic information provided by issuers of securities. The Company prepared and published reports on the above matters (together with the annual financial statements and reports for 2020).

Taking into account recommendation no. I.R.2. of the Code of Best Practice 2016, reported that in 2020 the Company carried out sponsorship and charity activities. The policy of ACTION S.A. in this area is based on the assumption that the Company needs to help those who are in a difficult position for reasons beyond their control and to support initiatives connected with the development of sport and physical activity.

In 2020, due to the ongoing restructuring in the organisation and the global outbreak of the COVID-19 epidemic, ACTION S.A. became involved in actions supporting Polish institutions, which are on the front line in fighting the epidemic. In addition, the Company also supported assistance activities for seriously ill children that in connection with the epidemiological risk had limited contact with medical specialists.

Within activities supporting public institutions in the fight against the effects of the coronavirus pandemic, the Company donated to the hospital in the Mazovia Region, the Provincial Hospital in Tychy and the police headquarters in Łódź: nitrile gloves, disinfectants, cloths and mops – products necessary for the staff of the above-mentioned facilities for taking care of themselves and people in need. In addition, the Company together with one partner delivered to the police headquarters in Łódź a washing machine and drying machine thanks to which police officers may wash their uniforms, minimising the risk of being infected with COVID-19. In the next turn of support, ACTION S.A. transferred to the same police headquarters masks and face shields.

In order to support the youngest, the Company got involved in two campaigns promoting fund-raising for two seriously ill children through own information channels and cooperation with the sector media.

In the scope of sponsoring activities, the Activejet brand belonging to ACTION S.A. supports locally the Association of Football Fans, FC Lesznowola. In 2020 thanks to the support for the brand with the white and red logo, the club members could take part in a number of league matches of the winter and summer round and the FC Lesznowola club became the official Partner Club of the Legia Warsaw Academy. In addition, two players were selected in their age categories to Legia Warsaw and the Team of the Mazovian Football Association. Moreover, during the national lockdown the players of the FC Lesznowola club took part in online training and other activities at home so that they could exercise in an active way and feel as if they participated in normal training. In April 2020, the players of the club sponsored by Activejet together with the Dinamo Zagrzeb Club organised assistance in collection of funds for Croatia affected by the earthquake.

In the opinion of the Supervisory Board, both the assumptions of the above Company's policy and the activities undertaken as part of this policy should be recognised as useful and reasonable. Apart from an ethical dimension and supporting local initiatives, charity and sponsorship activities involve clear benefits for the Company in the area of promotion and building a positive image. The costs of these activities do not have a significant influence on the Company's operations.

The Supervisory Board is of the opinion that the data contained in the reports covered by the evaluation and this report allow concluding that the current situation of the Company is stable, directed towards further development.

Zamienie, 31 March 2021

Iwona Bocianowska

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Piotr Chajderowski

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Adam Świtalski

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