

Report of the Supervisory Board of ACTION S.A.

on the results of the assessment of the report of the Management Board on the operation of the Company and the Capital Group, the financial statements of the Company and the Capital Group, the Management Board's proposal for the distribution of profit, the assessment of the situation of the Company and the Capital Group and the activities of the Supervisory Board for the financial year 2023

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

- assessed the report of the Management Board on the operations of the Capital Group of ACTION S.A. for financial year 2023, the financial report of the Company for financial year 2023 and the consolidated financial statement of the ACTION S.A. Capital Group for financial year 2023 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 for the financial year 2023, pursuant to Article 382 § 3, point 1 i 2 of the Commercial Companies Code;
- the assessment of the Company's situation and the activities of the Supervisory Board, taking into account the requirements of Article 382 § 3¹ of the Commercial Companies Code and Rule No. 2.11. of the "Code of Best Practice for WSE Listed Companies 2021" the from which this written report for the past financial year is prepared, pursuant to Article 382 § 3, point 3) of the Commercial Companies Code.

I. THE MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF ACTION S.A. AND THE ACTION S.A CAPITAL GROUP

The Management Board of the Company drew up a Report on the operations of ACTION S.A. and the Capital Group for the period from 1 January 2023 to 31 December 2023 (including a combined report on the operations of the Company and the Capital Group), in which it indicated:

General information on the Company and the entities of the ACTION S.A. Capital Group, own brands, internet portals. The roles of the individual Group members in the business were also highlighted, taking into account their specific characteristics, sales channels, supply chains and markets.

Basic economic and financial parameters in 2023, presenting in particular the following data for the Company (in thousands of PLN):

I. Net revenues from sales of products, goods and materials	2 497 547
II. Gross profit/loss on sales	215 769
III. Profit/loss on operating activities	44 357
IV. Net profit/loss attributable to the Company's shareholders	37 717
V. Net cash flow from operating activities	67 518
VI. Net cash flow from investment activities	-13 692
VII. Net cash flow from financial activities	-33 839
VIII. Net increases (decreases) in cash	19 987
IX. Profit/loss per one ordinary share*) (in PLN/EUR)	1,93
X. Total assets	696 093
XI. Liabilities	247 274
XII. Long-term liabilities	64 366
XIII. Short-term liabilities	182 908
XIV. Equity attributable to the Company's shareholders	448 819
XV. Share capital	1 874
XVI. Weighted average number of shares** (quantity)	19 549 055
XVII. Book value per share ***) (in PLN/EUR)	22,96

and consolidated data, i.e. for the ACTION S.A. Capital Group. (also in thousand PLN):

I. Net revenues from sales of products, goods and materials	2 510 437
II. Gross profit on sales	220 889

III. Operating profit	44 069
IV. Profit net attributed to the Company's Shareholders	36 768
V. Net cash flow from operating activities	69 081
VI. Net cash flow from investment activities	-15 364
VII. Net cash flow from financial activities	-34 158
VIII. Net increases (decreases) in cash	-19 559
IX. Total assets	698 732
X. Liabilities	250 525
XI. Long-term liabilities	64 674
XII. Short-term liabilities	185 851
XIII. Equity attributable to the Company's shareholders	447 876
XIV. Share capital	1 874
XV. Number of shares* (in units)	19 549 055
XVI. Profit per ordinary share** (in PLN/EUR)	1,88
XVII. Book value per share **** (in PLN/EUR)	22,91

The Management Board also indicated the basic assumptions of ACTION S.A.'s strategy for the coming years, which involves building a strong trading company based on two pillars: the B2B segment (aimed at business partners) and B2C (marketplace platforms and online shops with the assumption of diversity of the offer along with the development of new industries). In addition, the Company anticipates increased investment in technology and process automation to generate satisfactory results in a competitive business environment.

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

- In relation to internal factors:

- Inclusion of ongoing servicing of arrangement payments as an essential element in liquidity management of the Issuer.
- Strict control of the effectiveness of managing the current assets, in particular inventories.
- Ongoing analysis and control of:
 - profitability of transactions and markets served with a clear focus on the market of small clients and the retail market, in particular e-commerce in Poland and abroad;
 - risks connected with the Company's operations and undertaking measures aimed at their limitation or elimination.
 - the cost and operational efficiency of the business;
 - the efficiency of logistics processes.
- Continuous supervision of the development of the Sferis.pl, Krakvet.pl, Bron.pl, pomocedlaseniora.pl and 1.pl platforms.
- Actively seeking out new opportunities to develop your own e-commerce.
- Activities related to active participation in the electromobility market.

- With regard to external factors, attention was drawn to the macroeconomic situation (low economic growth in 2023 and a decline in private consumption with an expected recovery in the following years) and the ongoing war in Ukraine.

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

- events of an unusual nature affecting the business and the financial statements,
- exposure to key risk factors,
- information on significant agreements,
- Capital Group structure,
- information on transactions between related parties,
- information on borrowing and loan agreements entered into and terminated,
- information on loans granted during the financial year, including those granted to related parties of the Company,

- information on sureties and guarantees given and received during the financial year,
- information on issue proceeds,
- information concerning the explanation of differences between the financial results disclosed in the annual report and previously published profit forecasts for the year,
- assessment of the management of financial resources, including the following data for the Company and the Capital Group:

Margin indicators:

ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
gross margin	revenue from sale of goods and materials – cost of goods and materials sold) / revenue from sale of goods and materials	8,53%	8,77%	-2,73%
EBIT margin	(operating profit + depreciation) / revenue from sale of goods and materials	1,75%	2,36%	-25,50%
Gross profit margin	Gross profit / revenue from sales of goods and materials	1,77%	2,52%	-29,76%
Net profit margin	Net profit / revenue from sales of goods and materials	1,42%	2,09%	-32,12%

GK ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
gross margin	revenue from sale of goods and materials – cost of goods and materials sold) / revenue from sale of goods and materials	8,69%	8,78%	-1,03%
EBIT margin	(operating profit + depreciation) / revenue from sale of goods and materials	1,74%	2,33%	-25,35%
Gross profit margin	Gross profit / revenue from sales of goods and materials	1,72%	2,45%	-29,76%
Net profit margin	Net profit / revenue from sales of goods and materials	1,37%	2,07%	-33,56%

Return on equity ratios:

ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
ROE (Return on Equity)	net profit / equity	7,94%	11,20%	-29,10%

GK ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
ROE (Return on Equity)	net profit / equity	7,74%	11,05%	-29,99%

Return on assets ratios:

ACTION S.A.				
indicator	Methodology	2023	2022	change y/y [%]
ROA (Return on Assets)	net profit / assets	5,10%	7,66%	-33,46%

GK ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
ROA (Return on Assets)	net profit / assets	4,94%	7,56%	-34,65%

Liquidity ratios:

ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
Cash liquidity	cash / current liabilities	0,41	0,44	-8,15%
Current liquidity	(cash + short-term receivables + inventories) / liabilities Short-term	2,93	4,01	-26,85%

Fast flow	(cash + short-term receivables / short-term Short-term	1,32	1,89	-30,27%
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GK ACTION S.A.				
indicator	methodology	2023	2022	Change y/y [%]
Cash liquidity	cash / current liabilities	0,40	0,45	-9,63%
Current liquidity	(cash + short-term receivables + inventories) / short-term liabilities	2,91	3,99	-26,97%
Fast flow	(cash + short-term receivables) / short-term liabilities	1,30	1,88	-30,78%

Equity debt ratios:

ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
D/E	Total liabilities / equity	26,28	33,93	-22,55%

GK ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
D/E	Total liabilities / equity	26,41	33,85%	-21,97%

Performance indicators:

ACTION S.A.				
indicator	methodology	2023	2022	change y/y [%]
Receivables turnover cycle	(average short-term receivables / revenue from sales of goods and materials)* 365 days	25	28	-9,10%
Stock turnover cycle	(average stock/cost of goods and materials sold)*365 days	45	43	3,32%
Liability turnover cycle	(average current liabilities / cost of goods and materials sold)*365 days	25	21	19,78%
Cash conversion	Receivables turnover cycle + inventory turnover cycle – liabilities turnover cycle	45	51	-10%

GK ACTION S.A.				
indicator	methodology	2023	2022	Change y/y [%]
Receivables turnover cycle [days]	(average short-term receivables / revenue from sales of goods and materials)* 365 days	25	28	-9,46%
Stock turnover cycle [days]	(average stock/cost of goods and materials sold)*365 days	45	43	3,58%
Payables turnover cycle [days]	(average current liabilities / cost of goods and materials sold)*365 days	25	23	9,43%
Cash conversion	Receivables turnover cycle + inventory turnover cycle – liabilities turnover cycle	45	49	-7%

In addition, the Management Board provided information in the activity report:

- concerning a change in the fundamental principles of management of the Company's business and its Capital Group;
- on the agreements between the Company and the managers providing for compensation,
- on the value of remuneration, rewards or benefits, including those arising from the Company's equity-based incentive or bonus schemes,
- on the remuneration of supervisory and management personnel,
- on liabilities arising from pensions and benefits of a similar nature,
- of the total number and nominal value of the Company's shares,

- on changes in the ownership of the Company's shares by supervisory and management personnel,
- about agreements, including those concluded after the balance sheet date, which may result in future changes in the proportions of shares held by existing shareholders and bondholders,
- about the system of control over employee share programmes,
- in the field of litigation.

Statements are included as appendices to the Management Board's report on the operations of ACTION S.A. and the ACTION S.A. Capital Group for the 2023 financial year:

- the application of corporate governance principles,
- on non-financial information

The Supervisory Board finds that the aforementioned data and facts audited by the Supervisory Board contained in the Management Board's report on operations of the Capital Group for 2023 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 the operations of ACTION S.A. and ACTION S.A. Capital Group for 2023 and the consolidated financial statement of the ACTION S.A. Capital Group for 2023,
- b) the report of the additional independent statutory auditor on the audit of the statutory annual financial statements – Grant Thornton Polska Prosta Spółka Akcyjna with its registered office in Poznań and the information and explanations provided by the audit firm to the Audit Committee and the Supervisory Board,
- 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 2023,
- d) own analyses contained in the 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 situation and the Supervisory Board's activities for financial year 2023.

II. FINANCIAL STATEMENTS OF THE COMPANY

The financial statements for financial year 2023 were prepared by the Company in accordance with the International Financial Reporting Standards ("IFRS"), as approved by the EU, issued and applicable as at the balance sheet date and, in matters not regulated by those Standards, in accordance with the Accounting Act of 29 September 1994.

The annual financial statement of ACTION S.A. for the period ended 31 December 2023 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.

The consolidated financial statements for 2023 include a declaration by the Management Board that they have been prepared in accordance with the applicable rules of accounting and that they give a true, fair and clear view of the Group's assets, financial position and profit or loss, and the Management Board's annual report on activities of the Group gives a true picture of the Group's development, achievements and position, including a description of the principal risks and threats. In addition, the Management Board made a declaration of the legality of the selection of the entity authorised to audit the financial statements.

In accordance with the data contained in the financial statements of the Company for the period from 1 January 2023 to 31 December 2023:

- the statement of comprehensive income as at 31 December 2023 shows comprehensive income for the period of PLN 39,676 thousand;
- statement of financial position as of 31 December 2023, with total assets, equity and liabilities of PLN 696,093 thousand;
- the statement of changes in equity for the period from 1 January 2023 to 31 December 2023 shows a value of PLN 448,819 thousand at the end of the period;

- the cash flow statement for the period from 1 January 2023 to 31 December 2023 shows a value of PLN 75,198 thousand at the end of the period.

In addition, the Company's financial statements contain further details and information relating to the financial year 2023, which are included in the notes and explanatory notes to the financial statements.

The Supervisory Board finds that the aforementioned data and factual circumstances included in the Company's financial statements for 2023, 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 the operations of ACTION S.A. and ACTION S.A. Capital Group for 2023 and the consolidated financial statement of the ACTION S.A. Capital Group for 2023,
- b) the report of the additional independent statutory auditor on the audit of the statutory annual financial statements – Grant Thornton Polska Prosta Spółka Akcyjna with its registered office in Poznań and the information and explanations provided by the audit firm to the Audit Committee and the Supervisory Board,
- 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 2023,
- d) own analyses contained in the 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 situation and the Supervisory Board's activities for financial year 2023.

III. CONSOLIDATED FINANCIAL STATEMENT OF THE CAPITAL GROUP

The consolidated financial statements of the ACTION S.A. Capital Group for the financial year 2023 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, issued and effective as of the balance sheet date. In matters not addressed by these standards, the requirements of the Accounting Act of 29 September 1994 were followed.

The annual consolidated financial statements of the ACTION S.A. Group for the period ended 31 December 2023 comprise: the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in consolidated equity, the consolidated cash flow statement and notes containing a description of key accounting principles and selected explanatory notes.

The consolidated financial statements for 2023 include a declaration by the Management Board that they have been prepared in accordance with the applicable rules of accounting and that they give a true, fair and clear view of the Group's assets, financial position and profit or loss, and the Management Board's annual report on activities of the Group gives a true picture of the Group's development, achievements and position, including a description of the principal risks and threats. In addition, the Management Board made a declaration of the legality of the selection of the entity authorised to audit the financial statements.

During the period covered by the Consolidated Financial Statements, the companies in the Group, excluding ACTION S.A., kept their account books in line with the accounting policy (principles) determined by the Accounting Act of 29 September 1994 and the regulations issued on its basis. The Consolidated Financial Statements comprises adjustments not included in the books of the Group's entities, entered in order to bring the financial statements of these entities into line with the IFRS. Since 1 January 2010 ACTION S.A. has been keeping its account books in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, issued and binding as of the balance sheet date and in matters not regulated by these Standards – in accordance with the Accounting Act dated 29 September 1994.

In accordance with the data contained in the consolidated financial statements of the Capital Group for the period from 1 January 2023 to 31 December 2023:

- the statement of comprehensive income as of 31 December 2023 shows comprehensive income for the period of PLN 38,614 thousand;
- the consolidated statement of financial position as of 31 December 2023, showing total assets and liabilities of PLN 698,732 thousand;
- the statement of changes in consolidated equity for the period from 1 January 2023 to 31 December 2023 shows a value of PLN 448,207 thousand at the end of the period;
- the cash flow statement for the period from 1 January 2023 to 31 December 2023 shows a value of PLN 75,461 thousand at the end of the period.

In addition, the Company's consolidated financial statements include further details and information for the financial year 2023, which are included in the notes and explanatory notes to the financial statements.

The Supervisory Board finds that the aforementioned data and facts audited by the Supervisory Board contained in the Group's consolidated financial statements for 2023 are consistent with the 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 the operations of ACTION S.A. and ACTION S.A. Capital Group for 2023 and the consolidated financial statement of the ACTION S.A. Capital Group for 2023,
- b) the report of the additional independent statutory auditor on the audit of the statutory annual financial statements – Grant Thornton Polska Prosta Spółka Akcyjna with its registered office in Poznań and the information and explanations provided by the audit firm to the Audit Committee and the Supervisory Board,
- 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 2023,
- d) own analyses contained in the 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 situation and the Supervisory Board's activities for financial year 2023.

IV. 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 at the amount of PLN 37.716.557.91 for the financial year 2023, covering the period from 1 January 2023 to 31 December 2023, be distributed by allocating it entirely to the Company's supplementary capital.

With regard to the Group's other entities, the Management Board reported that those companies with a profit had decided to allocate it to the payment of dividends, either to capital reserves or to cover previous years' losses. The companies that incurred losses decided to cover them with profits earned in future periods or by allocating funds from the supplementary capital.

The Supervisory Board endorses the aforementioned motion of the Management Board and expresses its intention to approve the said motion. 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. Having regard in particular to the need to settle obligations to creditors under the agreement and the current macroeconomic situation, securing an appropriate amount of funds within its own equity is justified in the opinion of the Supervisory Board.

V. ASSESSMENT OF SITUATION OF THE COMPANY AND THE CAPITAL GROUP AND THE ACTIVITY OF THE SUPERVISORY BOARD

1. Overall assessment of the situation of the Company and the Capital Group.

The financial year 2023 was the third year of operation of the Company following the completion on 15 December 2020 of the restructuring proceedings, which had been ongoing since 1 August 2016, within the meaning of the Act of 15 May 2015

- Restructuring Law. 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. During the reporting period, the Company consistently pursued its strategy of diversifying its sources and assortments of supply and sales channels. The year 2023 was also a time for the Company to embark on a number of operations related to its development in a changing reality (preparations for sustainability reporting, introduction of a new IT system, implementation of acquisition activities). The Company also continued to service arrangement liabilities in a timely manner. The company managed to make a profit of more than PLN 37,717 thousand in 2023. In the opinion of the Supervisory Board, the above profit level should be regarded as a symptom of properly conducted operations following the completion of the restructuring process and the implementation of the assumptions developed during the process. The Supervisory Board emphasises that the actions taken by the Management Board in 2023 should be assessed positively. The Supervisory Board indicates that it continuously monitors issues relating to the Company's operations, including the progress of the implementation of the arrangement. The Management Board has been in constant contact with the Supervisory Board to provide necessary information and clarifications.

With regard to the ACTION S.A. Capital Group, in 2023, it comprised the following entities:

Parent company:

ACTION S.A. with its registered office in Zamienie

Subsidiaries and associates

KRAKVET MARKETING Sp. z o. o. (former name SFERIS MARKETING Sp. z o. o.) with its registered office in Zamienie - subsidiary (70%)¹. KRAKVET MARKETING Sp. z o. o. provides advertising services and trades pet products.

CLOUDTEAM Sp. z o. o. (formerly ACTION CENTRUM EDUKACYJNE Sp. z o.o.) with its registered office in Warsaw – an associated entity (24.38%)². The main business profile of CLOUDTEAM Sp. z o.o. is training and IT services, and the rental of computer hardware.

BRON.PL Spółka Akcyjna with its registered office in Warsaw - subsidiary (75.32%)³. BRON.PL Spółka Akcyjna is the operator of one of the largest Polish online and brick and mortar shops in the field of unlicensed weapons, survival and personal protection.

¹ KRAKVET MARKETING Sp. z o. o with its registered office in Zamienie was incorporated on 12 December 2011 and is under consolidation from the same day. The change of name took place on 22 July 2022.

² CLOUDTEAM Sp. z o.o. with its registered office in Warsaw – a company measured using the equity method as of 1 October 2012. On 28 February 2020, SYSTEMS Sp. z o.o. was merged with CLOUDTEAM Sp. z o.o. as the acquirer.

³ BRON.PL Spółka Akcyjna, with its registered office in Warsaw, was consolidated as of 20 June 2023.

In addition, the Company holds 18.84% of shares in ACTION ENERGY Sp. z o.o., with its registered office in Krakow, ul. Opatkowska 10A /10, 30-499 Krakow. This company is not consolidated.

Changes in the Group's composition during the reporting period:

In the reporting period, ACTION S.A. acquired a total of 814,434 shares in BRON.PL Spółka Akcyjna, holding 75.32% of the share capital and the same number of votes at the general meeting.

The key assumption of the Group's policy is business flexibility and a continuous search for attractive growth areas. New sources of supply and sales of a diverse range of products are and will continue to be acquired. The Group assumes maintaining the current policy to ensure a sustained increase in the value of own brands as well as continued growth of the Group.

2. Evaluation of the internal control systems, including the adequacy and effectiveness of the Company's

systems of internal control, risk management, ensuring compliance of operations with standards or applicable practices and internal audit.

In assessing the Company's situation, the Supervisory Board also carried out an analysis of the effectiveness of the internal control systems, risk management, compliance (compliance of operations with standards or applicable practices) and the internal audit function. The systems in question are subject to constant monitoring by the Supervisory Board. In this respect, the Management Board's compilations contained in the "Annual assessment of the effectiveness of the internal control systems and functions, risk management, compliance and the internal audit function" and the findings of the Audit Committee included in the 2023 Report on activities were assessed. For the purpose of verifying the items discussed, the Supervisory Board, in addition to the findings of the Management Board and the Audit Committee, carries out an analysis of the Company's situation at each meeting, taking into account the information provided by the Management Board. The members of the Supervisory Board (including the Audit Committee) are in constant contact (also outside the meetings) with the Company's management and employees dealing with specific issues within the systems of internal control, risk management, compliance and the internal audit function (in accordance with the Company's System described below).

Internal control, risk management and compliance functions in ACTION S.A. are performed by and with the involvement of the Controlling and Operational Support departments, 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.

With the involvement of the Legal, Accounting and Controlling departments, ACTION S.A. seeks to minimise the risks typical for its business and the industry.

As part of its activity, ACTION S.A. actively and effectively manages the market and credit risks, liquidity, capital and random events.

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 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 reliable partner for its clients. It 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 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 functioning of these systems is verified by the Management Board, the Audit Committee and the Supervisory Board. These activities take place, among others, through the analysis of the Management Board's reports in this respect, as well as direct discussions with the Company's representatives (not only Members of the Management Board, but also persons holding positions in the departments forming the internal control system) on the effectiveness of the functioning of internal control systems and functions, internal control, risk management, compliance and the internal audit function. The results of the analyses are included in the relevant reports of the above-mentioned bodies.

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

Internal Control System of 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 the ensuring of the functioning of an adequate and effective internal control system in the Company,
- 2) according to the applicable laws, the financial statements are drawn up by the Issuer's Management Board. This process is subject to audit and evaluation by a statutory auditor (appointed by the Supervisory Board) and the Supervisory Board, which draws up a report on said subject matter and submits it to the General Meeting of the Company. The entity which audits the financial statements participates in the General Meeting during which the financial statements are examined and approved.
- 3) in accordance with the regulations in force in the Company, at least 2 members of the Supervisory Board meet the independence criteria. Their participation is also significant during internal control and risk management related to the process of preparing financial statements. In particular, their position is significant when the entity auditing the financial statements is being selected as well as during other important activities concerning members of the Management Board and related parties (see § 15(2)(6), (11–12), (13–14) of the Statute).

2. 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 task of the Audit Committee is ongoing monitoring of the internal control system and risk management as well as internal audit systems, including with regard to financial reporting.

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 Management Board of the Company 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. Chart 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.:
 - a) controlling and operational support,
 - b) process optimisation coordinators; ISO management systems,
 - c) 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. legal department.

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 Chief Financial Officer, of the Company's financial situation in the context of the Company's current financial liquidity in relation to the need to repay claims under the concluded composition agreement in connection with the restructuring proceedings which have been finalised.

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 these requirements 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 business does not adversely affect the natural environment, and has therefore implemented ISO 14001.

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.

The systems and regulations presented above determine the course of operations. They enable correct information flow and financial reporting.

The Supervisory Board emphasises that in 2023, following the action plan set by the European Commission called the European Green Deal, the adoption of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting ("CSRD"), and the establishment of the European Sustainability Reporting Standards ("ESRS"), the Company has started preparations to ensure compliance with the enacted legislation and thus readiness to comply with its obligations under the new non-financial reporting rules. As a member of the group of the largest public interest entities, the Company will be required to meet its sustainability reporting obligations starting in 2024. In preparation for sustainable reporting, the Company has established an interdisciplinary team, including staff from the legal, accounting, human resources, quality, and environment departments, who have attended dedicated lectures and workshops. Subsequently, the appointed team, as part of its work, analysed documents, policies, procedures, regulations, internal materials of Group companies and external publications. The principles of risk management and the various intangible areas such as labour, social, environmental, respect for human rights as well as anti-corruption and anti-bribery were analysed. The aim of the work carried out was, firstly, to create an ESG Strategy to define the principles, directions, and methods by which the Company builds value in a professional, systematic, and long-term manner, based not only on tangible (financial) but also on intangible (non-financial) factors. This approach is driven by the observed significant increase in the importance of the latter in value creation in capital markets. Additionally, in the longer term, it aims to prepare the Company to duly fulfil its sustainability reporting obligations. In the opinion of the Supervisory Board, the implementation of the above strategies and policies will significantly contribute to increasing the effectiveness of internal control systems within the Company.

At the same time, the Supervisory Board, in fulfilment of its duty under Rule 3.3. of the Code of Best Practice for WSE Listed Companies 2021, is of the opinion that there is no need to appoint within the Company an internal auditor in charge of the internal audit function and a separate internal audit department. At the Company, functions of the internal control, risk management and compliance systems as well as internal audit functions are performed by, in particular: controlling and operational support department, process optimisation coordinators, ISO management systems and legal department.

The Supervisory Board analysed the Annual Assessment of the effectiveness of the internal control, risk management, compliance and internal audit systems and functions prepared by the Company, including the risks identified therein and the manner in which they were reduced or eliminated.

The Supervisory Board, on the basis of the aforementioned assessment and the measures taken to carry it out, concludes that the above system adequately ensures the purpose of the Company's internal control, risk management, compliance and internal audit functions.

As regards the assessment of the internal control system and the risk management system in the Capital Group, it should be emphasised that in the case of subsidiaries, the internal control standards (as described above) are implemented mainly through regular reporting of the activities of these entities to the Company, as well as the combination of the functions of members of the Management Board in the Company and its subsidiaries by the same persons in some of the companies.

3. Assessment of the application of corporate governance principles and the fulfilment of disclosure obligations.

The Supervisory Board carried out an evaluation of the Company's application of the rules of corporate governance and the manner in which it fulfils its information obligations regarding their application as set out in the Regulations of the WSE and the regulations on current and periodic information provided by issuers of securities. The Supervisory Board notes that in the Capital Group the above obligations apply only to ACTION S.A.. As far as the other entities of the Capital Group are concerned, they are not public companies and their obligations focus on proper communication of information in order to enable ACTION S.A. to fulfil its publication obligations.

As of 1.07.2021. ACTION S.A. is subject to the rules of corporate governance "Code of Best Practice for WSE Listed Companies 2021" introduced by Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange S.A. 29.03.2021.

Pursuant to § 29 section 3 of the regulations of the WSE, in order to ensure comprehensive information on the current status of application of corporate governance rules, the issuer publishes information indicating which rules it applies and which rules it does not apply on a permanent basis. For rules that are not applied by the issuer, the information shall include a detailed explanation of the circumstances and reasons for not applying the rule in question. In the event of a change in the status of the application of the rule or the occurrence of circumstances that justify a change in the content of the explanation of non-application or the manner of application of the rule, the issuer shall promptly update the previously published information. In turn, § 29 section 3a. of the aforementioned regulation stipulates that if a specific corporate governance rule has been breached incidentally, the issuer shall promptly publish information about this fact, indicating the circumstances and reasons for the breach of the rule in question and explaining how it intends to remedy the consequences, if any, of not applying the rule or what steps it intends to take to reduce the risk of not applying the rule in the future, as well as whether there have been any cases of incidental breaches of the rule in the past two years. The companies were obliged to submit the above information by 31.07.2021.

Furthermore, in accordance with § 70 section 6 point 5) and § 71 section 5 of the Ordinance of the Minister of Finance of 29 March 2018 (Journal of Laws 2018.757) 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, the Company makes annual declarations on the application of corporate governance rules in accordance with the requirements set out in the aforementioned regulations.

The Supervisory Board has determined that the Company - in performance of § 29 of the Regulations of the WSE – published EBI Report No. 1/2021 on 16.07.2021 with information on the status of application of the “Code of Best Practice for WSE Listed Companies 2021”. The Company did not make any changes to the above-mentioned information, nor did it notify any incidental breaches of the corporate governance rules.

In accordance with the information on the state of application of the "Code of Best Practice for WSE Listed Companies 2021" the Company has referred to all rules and provided explanations as to whether or not they are applied. Also, the Company's declarations on the application of corporate governance rules for 2023 meet the requirements of the regulation of the Minister of Finance of 29 March 2018. In particular, ACTION S.A. explained that, subject to the circumstances and explanations indicated below, it applies the rules of the Code of Best Practice for WSE Listed Companies 2021. The Company stressed that, in a reference to the "Code of Best Practice for WSE Listed Companies 2021", it applies the above rules with the exception of the rules: with which the Company applies the above rules with the exception of the rules: 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., which are not used or are used with modifications. With regard to these rules, the Company submits the following explanations:

- with reference to rule no.1.5. of the Code of Best Practice 2021, ACTION S.A. informs that it does not disclose expenses incurred by it and its group to support culture, sport, charitable institutions, media, social organisations, trade unions, etc., as the scale of the above-mentioned expenses is not significant from the point of view of the Company's financial situation and in relation to other costs incurred by the Company. In contrast, the Company is actively pursuing the areas described above as set out in the Management Board's declaration.

- with reference to rule no.2.1. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is not applied in the scope of introducing a diversity policy towards the Management Board and the Supervisory Board, adopted by the Supervisory Board or the General Meeting respectively. However, the Company adopted a Diversity Policy by the Management Board concerning the entire organisation of the Company, but it does not provide for a minority share in a given body at a level not lower than 30%. The diversity management policy of ACTION S.A. is based on overcoming barriers such as age, gender and health condition. We believe that an employee's competencies are key for their professional potential. It is also important to promote employment among people with disabilities. Therefore, the employees of ACTION include people with varying degrees of disability, working in different positions. The Management Board and Supervisory Board of ACTION comprise members with education in economics, finance and accounting, management and various professional experience. The Management Board is composed of 2 men, and the Supervisory Board is composed of 1 woman and 4 men. Due to the number of people in the Company's bodies (Management Board of 2 persons; Supervisory Board of 5 persons), achieving 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 enterprise and type and scale of the Company's activity, this principle will be a way to achieve the required level of diversity. Overall at ACTION S.A. approx. - with regard to principle no. 2.1. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is not applied in the scope of introducing a diversity policy towards the Management Board and the Supervisory Board, adopted by the Supervisory Board or the General Meeting respectively. However, the Company adopted a Diversity Policy by the Management Board concerning the entire organisation of the Company, but it does not provide for a minority share in a given body at a level not lower than 30%. The diversity management policy of ACTION S.A. is based on overcoming barriers such as age, gender and health condition. We believe that an employee's competencies are key for their professional potential. It is also important to promote employment among people with disabilities. Therefore, the employees of ACTION include people with varying degrees of disability, working in different positions. The Management Board and Supervisory Board of ACTION comprise members with education in economics, finance and accounting, management and various professional experience. The Management Board is composed of 2 men, and the Supervisory Board is composed of 1 woman and 4 men. Due to the number of people in the Company's bodies (Management Board of 2 persons; Supervisory Board of 5 persons), achieving 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 enterprise and type and scale of the Company's activity, this principle will be a way to achieve the required level of diversity.

Overall at ACTION S.A. approx. - with regard to principle no. 2.1. of the Code of Best Practice 2021, ACTION S.A. informs

that this rule is not applied in the scope of introducing a diversity policy towards the Management Board and the Supervisory Board, adopted by the Supervisory Board or the General Meeting respectively. However, the Company adopted a Diversity Policy by the Management Board concerning the entire organisation of the Company, but it does not provide for a minority share in a given body at a level not lower than 30%. The diversity management policy of ACTION S.A. is based on overcoming barriers such as age, gender and health condition. We believe that an employee's competencies are key for their professional potential. It is also important to promote employment among people with disabilities. Therefore, the employees of ACTION include people with varying degrees of disability, working in different positions. The Management Board and Supervisory Board of ACTION comprise members with education in economics, finance and accounting, management and various professional experience. The Management Board is composed of 2 men, and the Supervisory Board is composed of 1 woman and 4 men. Due to the number of people in the Company's bodies (Management Board of 2 persons; Supervisory Board of 5 persons), achieving 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 enterprise and type and scale of the Company's activity, this principle will be a way to achieve the required level of diversity.

Overall, at ACTION S.A., approximately 37.48 % of employees are women and approximately 62.52 % are men. Such gender structure results from the fact of possessing own logistic centre, in which – due to the specifics of required competencies – mainly men are employed. They account for approx. 80% of employees in the warehouse and the logistic department. Among office employees, the proportions of employment broken down by gender are as follows: 40% women and 60% men. Regarding managerial positions: 41,38% women; 58,62% men.

- with reference to rule no.2.2. of the Code of Best Practice 2021, ACTION S.A. informs that the rule is not applied in the scope of acting on the basis of the diversity policy referred to in rule 2.1 and ensuring gender versatility – in view of failure to implement such a policy. According to explanations to rule no. 2.1. the Company did not implement the diversity policy indicated in this rule. Persons deciding on the appointment of members of the Management Board and the Supervisory Board are not limited in terms of submitting applications and making choices.

- with reference to rule no.2.7. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is currently applied. On the basis of Resolution No. 10 of the Extraordinary General Meeting of Shareholders of ACTION S.A. of 26.10.2022 on amending § 17 section 5 of the Company's Statute, a rule was also introduced that a Member of the Management Board may not perform functions in the bodies of entities outside the Company's capital group without the consent of the Supervisory Board.

- with reference to rule no.2.11.5. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is not applied in connection with the Management Board's statement on non-application of rule 1.5 to which this rule applies.

- with reference to rule no.2.11.6. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is applied starting from the statement for 2021 the Supervisory Board has previously prepared the Report of the Supervisory Board of ACTION S.A. on the results of the assessment of the Management Report, the consolidated financial statements, the Management Board's motion and information regarding the distribution of profit and the assessment of the standing of the ACTION Capital Group, pursuant to Article 382(3) of the Commercial Companies Code and the requirements of the Code of Best Practice 2016. In connection with the extension of the scope of the statements specified in this rule, the Supervisory Board will take into account additional information to the extent indicated above starting from the statement for 2021.

- with reference to rule no.3.3. of the Code of Best Practice 2021, ACTION S.A. informs that this rule is not applied in the scope of appointing an internal auditor. On the other hand, the Supervisory Board and the Audit Committee assess whether there is a need to appoint an auditor. Internal control, risk management and compliance functions in the Company are performed by and with the involvement of the Controlling and Operational Support departments, process optimisation coordinators, ISO management systems and the Legal Department. In such a system, the Company strives to minimise risks characteristic of the industry/area in which it operates. Once a year, persons responsible for the internal control and risk management system submit to the management board and the 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 by the size of the enterprise and type and scale of the Company's operations.

- with reference to rule no.3.4. of the Code of Best Practice 2021, ACTION S.A. informs that the rule is not applied in the scope of making the remuneration conditional only on the performance of assigned tasks. In connection with the principles

of the Company's internal control system, including the lack of an internal auditor, remuneration of persons responsible for risk management and compliance and internal audit are based on fixed and variable components of remuneration.

- with reference to rule no.3.10. of the Code of Best Practice 2021, ACTION S.A. informs that in connection with the rules of the Company's internal control system, participation of persons holding substantive positions in the Company's structure, the Management Board, the Audit Committee, the Supervisory Board and the audit firm, as well as published reporting in this respect, the Company considers that this system complies with 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 operations.

- with reference to rule no.4.1. of the Code of Best Practice 2021, ACTION S.A. informs that, with respect to the use of electronic communication to broadcast General Meetings and real-time bilateral communication, currently the Company does not apply this rule. So far, the Company has not received any notifications from shareholders regarding their expectations of holding a general meeting of shareholders using electronic means of communication. The course of the meetings is recorded in the form of the minutes taken by a civil law notary, and later published on the Company's website (including at least the text of resolutions adopted and the voting results). In addition, the Company allows the media to attend the General Meeting. The Company allows for the exercise of a voting right at the General Meeting in person or through an agent.

- with reference to rule no.4.3. of the Code of Best Practice 2021, ACTION S.A. informs that the Company does not provide publicly available real-time broadcast of General Meetings. So far, the company has not received any notifications from shareholders as to their expectations of broadcasting the general meeting of shareholders.

- with reference to rule no.4.8. of the Code of Best Practice 2021, ACTION S.A. informs that the rule is not applied in the scope of the 3-day period. Draft resolutions of the General Meeting on matters included in the agenda of the General Meeting are published by the Company in the form of a current report supplementing the agenda of the General Meeting and are published on the Company's website. The Company did not introduce a 3-day deadline for submitting draft resolutions by the shareholders, as Article 401 (4) of the Commercial Companies Code does not provide for such a limitation. Pursuant to this provision, draft resolutions should be submitted before the date of the General Meeting.

Taking into account the above explanations, the Company explicitly applies 81% of the principles of the Code of Best Practice 2021, while the remaining principles are either not applied or are applied with modifications. The Company's principle compliance ratio is higher than that of other issuers in the sector, the ratio of the sWIG80 index, as well as the overall ratio of issuers that have published a report.

The Supervisory Board has taken into account the above-mentioned information and declarations of the Company when analysing the Company's application of the corporate governance rules. The Supervisory Board also analysed how the Company complied with its disclosure obligations as set out in the Stock Exchange Rules and the regulations on current and periodic information provided by issuers of securities. To verify the discussed matters, the Supervisory Board conducts an analysis of the Company's situation at each meeting, including the occurrence and potential occurrence of reportable events. The members of the Supervisory Board are also in regular contact (including outside meetings) with the Company's management and employees dealing with specific issues within the analysis of the Company's compliance with the corporate governance rules and the performance of its disclosure obligations. These contacts make it possible to obtain information on an ongoing basis and audit the correctness of the Company's activities in the field in question. The Supervisory Board, on the basis of the aforementioned assessment and the actions taken for its purpose, concludes that the Company has properly complied with its disclosure obligations regarding the rules on corporate governance as set out in the Regulations of the WSE S.A. and the regulations on current and periodic information provided by issuers of securities in 2023.

4. Information on the implementation of diversity policy

The Company does not have a diversity policy for the Management Board and the Supervisory Board adopted by the Supervisory Board or the General Meeting, respectively. As a result, the Company has communicated that it does not apply rule 2.1. and 2.2. of the Code of Best Practice 2021. However, the Company adopted a Diversity Policy by the Management Board concerning the entire organisation of the Company, but it does not provide for a minority share in a given body at a level not lower than 30%.

The Company's diversity policy is based primarily in following the principles of equal treatment and preventing all forms of discrimination, in belief that it brings tangible benefits and influences growth and innovation within the organisation. In its operations, the Company respects diversity, multiculturalism and attaches great importance to the policy of equal treatment of employees regardless of gender, age, disability, health, race, nationality, ethnicity, religion, political conviction, sexual orientation, gender identity, form, scope and basis of employment, and regardless of any other potential grounds of discriminatory behaviour. The Company is successively implementing the rules of diversity management and equal treatment policies and their promotion and dissemination to all stakeholders of the organisation.

ACTION believes that its employees, in building a strong team that is satisfied with its work, are the Company's greatest asset, determining its economic success. The recruitment process concentrates primarily on the candidates' professional skills.

The diversity management policy at ACTION is based on breaking down barriers such as age, gender and health. The Company agrees that the professional potential of an employee depends primarily on his/her competencies. It is also important to promote employment among people with disabilities. Therefore, the employees of the Group include people with varying degrees of disability, working in administration, office and warehouse positions. The modern infrastructure of the office and warehouse facility of ACTION S.A. is fully adapted to the needs of disabled people who are employed at ACTION S.A.. In addition, measures are in place to support the reconciliation of work and private life. ACTION S.A. supports health and an active lifestyle of its employees, providing them with a wide range of benefits, such as private healthcare and access cards to a number of sports facilities. The office complex includes a music and social club, providing our employees with an opportunity to socialise. The Company takes every effort to prevent undesired behaviour, such as mobbing and discrimination. Such behaviours are not tolerated in the Company's structure. The company is committed to being a place where employees feel respected and can fulfil themselves professionally.

Confirmation of the practical implementation of the diversity policy is provided by the parameters for employment and remuneration:

Employment

At the end of 2023, Action S.A. employed 558 people, and 569 people in the entire Group. As indicated above, in ACTION S.A., women account for approx. 37.2% of employees and men for approx. 62.8%.

Action S.A. takes an active part in the employment activation of disabled people. The modern infrastructure of the office and warehouse facility is fully adjusted to the needs of disabled people. At the end of 2023, Action S.A. employed 29 people with varying degrees of disability, accounting for 5.2% of the total staff.

In Action S.A., the majority of employees (approx. 64%) is employed on the basis of employment agreements (made mainly for an indefinite period of time). Agreements for a definite period of time are applied as standard in the case of new employees.

Employment by gender and duration of employment contracts was as follows:

ACTION S.A.:

TYPE OF AGREEMENT	Women	Men
Agreement for an indefinite period of time	165	314
Agreement for a definite period of time	42	32
Agreement for a trial period	1	1
Total	208	347

GK ACTION S.A.:

TYPE OF AGREEMENT	Women	Men
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Agreement for an indefinite period of time	169	323
Agreement for a definite period of time	42	33
Agreement for a trial period	1	1
Total	212	357

Additionally, Action S.A. also applies civil law agreements. Pursuant to the principles applicable in the Company, this kind of agreements is limited to a maximum extent and signed only in the case of positions at which flexible working time is essential. At the end of 2023, 66 people were employed in Action S.A. on the basis of civil law agreements. The other units of the GK ACTION did not conclude the aforementioned agreements.

Payroll

The average remuneration per employment contract was PLN 8,432 gross at ACTION S.A. and PLN 8,370 gross at GK ACTION S.A. With regard to the gender breakdown, the difference between the level of average gross remuneration of women and men was 6.25% at ACTION S.A., respectively. (PLN 8,108 women and 8,615 men) and 5.82% in the GK ACTION S.A. (PLN 8 077 women and PLN 8 547 men).

Relationships with employees and freedom of association

The area of employee relations is carried out at the ACTION S.A. Capital Group primarily by means of internal communication, which is conducted mainly through internal meetings in person as well as online using instant messaging and current information displayed on screens. It is the place of publication of information and news about strategy, business, marketing, human resources and organisational topics.

In the ACTION S.A. Capital Group there are no trade unions.

ACTION S.A., in order to minimise the risk of conflicts in the place of work, established Regulations on internal reporting of violations of law and follow-up at ACTION S.A. The aforementioned regulations have been introduced on the basis of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law for the purpose of limiting damage to the public interest, taking follow-up action and ensuring balanced and effective protection of whistleblowers. The objective indicated above and popularisation of the whistleblowing attitude are implemented by the Employer on the basis of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law and protection programmes for persons who wish to report breaches internally. Elections were held for employee representatives and 3 persons representing employees were selected.

Development and education

The fulfilment in the ACTION S.A. Capital Group of employees' development needs requires ensuring the opportunities to improve professional qualifications and skills. Internal as well as external training tailored to the needs of the employees of the Company and the Capital Group is provided within the Group.

In 2023, due to the business profile of the Company and its Group, training activity focused on the areas of e-commerce sales and logistics and the use of AI tools. Furthermore, in addition to the standard training, the training project "Grow with Action" continued, which included training of the following competences: Project Management, ABC of Manager and MS Excel.

Training courses are carried out also in the case of business needs or employees' promotions. Moreover, new employees in the first days of their employment undergo induction training during which they get to know the work of other departments, the company's structure and policies. Employees have the opportunity to deepen their expert knowledge of law, accounting and human resources on an ongoing basis by access to paid sector-related portals, such as LEX, LEGALIS.

At the beginning of 2024, the Company implemented a Policy on Respect for Human Rights, which confirms compliance with the Minimum Guarantees within the meaning of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation

(EU) 2019/2088 (Taxonomy), and is working intensively on the development and implementation of a sustainability policy (ESG Policy), the implementation of which will be a further step towards respecting equal rights and diversity.

5. Activities of the Supervisory Board.

Financial year 2023 was another, 17th 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 2023, the Supervisory Board consisted of the following members:

Iwona Bocianowska – Chairman of the Supervisory Board,
Piotr Chajderowski – Deputy Chairman of the Supervisory Board, Adam Świtalski – Independent Member of the Supervisory Board,
Krzysztof Kaczmarczyk – Independent 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. 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 Rule 2.11.1. of the Code of Best Practice 2021. The Supervisory Board Members submit statements on meeting the independence criteria on a regular basis. The independence criteria, as set out in the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017, are met, and there are no actual and material links with a shareholder holding at least 5% of the total voting rights in the Company: Piotr Chajderowski, Adam Świtalski, Krzysztof Kaczmarczyk - who are also members of the Company's Audit Committee.

In financial year 2023, the Supervisory Board held 6 meetings during which it adopted a number of resolutions resulting mainly from the supervisory and control powers of the Supervisory Board. Key issues raised last year:

- analysis of "Annual assessment of the effectiveness of the systems and functions of internal control, risk management, compliance and the internal audit function" drawn up by the Management Board of ACTION S.A.;
- detailing the "Remuneration Policy" to the extent set out in Article 90d, section 7 of the Act of 29 July 2005 on the public offerings and the terms for introducing financial instruments to an organised trading system and on public companies and item 12 of the Remuneration Policy with regard to cash and non-cash benefits of the Members of the Management Board for 2023;
- participation in a discussion with the statutory auditor on the conduct of the audit and review of the financial statements;
- expressing opinions on draft resolutions (and their justifications) for the Company's General Meetings;
- analysis of the materials for the reports to be prepared by the Supervisory Board for the 2022 financial year;
- analysis of the Management Board's information and the Supervisory Board's assessment of the Company's situation;
- analysis of the report on the activities of the Audit Committee in the financial year 2022 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;
- preparation of reports of the Supervisory Board (concerning the Company and the Capital Group) for 2022;
- analysing the conditions for the submission of statements pursuant to § 70, sections 1, 7, 8 and 14 as well as § 71 point 1, 7, 8 and 12 of the Resolution of 29 March 2018 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;
- preparation of a remuneration report for 2022 by the Supervisory Board in accordance with Article 90 g of the Act on public offerings and the terms for introducing financial instruments to an organised trading system and on public companies and the statement of the statutory auditor.
- examining requests from the Management Board for approval of the Company's acquisition of shares in another joint stock company;
- ongoing analysis of the implementation process of the final agreement concluded in the Company's sanitation

proceedings;

- conducting a periodic assessment of transactions with related entities and approving the Management Board's report on the assessment of transactions with related entities;
- awarding additional remuneration to Management Board Members;

The Management Board of the Company, in clarifying rule 1.5 of the Code of Best Practice 2021 (regarding non-disclosure of expenses incurred in support of culture, sports, charitable institutions, media, social organisations, trade unions, etc.), also informed that in 2023 the Company conducted sponsorship and charitable 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 the opinion of the Supervisory Board, both the assumptions of the aforementioned 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.

6. Evaluation of the Management Board's fulfilment of the information obligations referred to in Article 380¹ of the Code of Commercial Companies.

The Supervisory Board explains that, in this respect, the Company has modified its statutory disclosure obligations by amending its Articles of Association. This amendment was made on the basis of Resolution No. 11 of the Extraordinary General Meeting of 26.10.2022 on amending § 17 section 7 of the Company's Articles of Association. In accordance with its contents, the General Meeting, on the basis of Articles 430 et seq. of the Code of Commercial Companies and Article 380¹ § 5 of the Code of Commercial Companies, decided to amend §17 of the Company's Articles of Association by adding a section 7 with the following wording:

"7 The Management Board is required to provide the Supervisory Board at its meetings with information on significant circumstances and events concerning the Company's situation and information held from its subsidiaries. Outside the meetings of the Supervisory Board, the Management Board provides the Supervisory Board with all information relating to the Company and information held from subsidiaries at the request of the Supervisory Board or its members. The disclosure obligations set out in Article 1 380¹ § 1 and 2 of the Commercial Companies Code are excluded, without prejudice to the Management Board's disclosure obligations under other laws and regulations applicable to the Company. The transmission of information to the Supervisory Board may take place in any form, including electronically or orally at meetings of the Supervisory Board."

Accordingly, the information duties in question were carried out by the Management Board on a statutory basis. At the same time, the Supervisory Board is of the position that, both after the introduction of the above regulation and previously, the Supervisory Board Members had and have access to the information and documents necessary to carry out activities within the scope of the Supervisory Board's competence. The Company shall ensure that the Management Board and persons directly performing tasks subject to the Board's evaluation attend meetings or provide information. The Supervisory Board is also informed about the Company's activities through the Audit Committee, in particular within the scope of this body's powers. The Supervisory Board considers that the Management Board's implementation of the disclosure obligations referred to in Article 380¹ of the Code of Commercial Companies. is carried out correctly and in accordance with the applicable regulations, so that the Supervisory Board can properly perform the duties incumbent upon it.

7. Evaluation of the manner in which the Management Board prepares or submits to the Supervisory Board the information, documents, reports or explanations requested under 382§4 of the Code of Commercial Companies.

The Supervisory Board, in line with its position expressed in item 6 above, is of the opinion that also with regard to the Management Board's provision of information, documents, reports or explanations in the manner described, no irregularities or impediments occurred. The Supervisory Board receives the required documents and information duly and

in a timely manner.

8. Information on the total remuneration payable by the Company for all audits commissioned by the Supervisory Board during the financial year in accordance with Article 382¹ of the Code of Commercial Companies.

The Supervisory Board did not commission an audit by a selected advisor in 2023 pursuant to Article 382¹ of the Code of Commercial Companies.

In addition, the Supervisory Board explains that, with regard to the Supervisory Board's authority to appoint an adviser in the manner in question, the Company's Articles of Association provide for a regulation modifying the statutory solutions. Pursuant to Resolution No. 9 of the Extraordinary General Meeting of 26.10.2022 on amending §15 section 3 of the Company's Articles of Association, the General Meeting, pursuant to Article 430 et seq. of the Code of Commercial Companies and Article 382¹ § 8 of the Code of Commercial Companies, amended the title of §15 section 3 of the Company's Articles of Association by making it read as follows:

"3. The Supervisory Board may adopt a resolution to examine, at the Company's expense, a specific matter relating to the Company's business or its assets and to prepare certain analyses and opinions by a selected advisor under the rules set out in Article 382¹ of the Code of Commercial Companies after the General Meeting has determined the maximum total remuneration of all the Supervisory Board's advisors that the Company may incur during the financial year and within the limits of the amounts arising from this authorisation. The General Meeting is authorised to determine the maximum total remuneration of all Supervisory Board advisors that the Company may incur during the financial year".

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, 25 April 2024

Iwona Bocianowska

Piotr Chajderowski

Adam Świtalski

Krzysztof Kaczmarczyk

Marek Jakubowski