

**Report of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego
PEPEES Spółka Akcyjna
in Łomża**

***on the operations in the financial year from
1 January 2019 to 31 December.***

Warsaw, March 2020

I. The basis for this report

This report of the Supervisory Board of the company Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna (hereinafter: the “Company”, “PEPEES” S.A.) has been drawn up on the basis of Article 382(1) and (3) of the Commercial Companies Code and Article 20(2)(1) and (2) of the Company’s Statutes, taking into account the Good Practices of Companies Listed on the WSE¹.

II. Composition of the Supervisory Board in 2019

The Supervisory Board of “PEPEES” S.A. in the 10th term (hereinafter: the “Supervisory Board”) was appointed at the Extraordinary General Assembly of Shareholders of the Company on 18 December 2018 (Proceedings Register A No. 12992/2018).

Composition of the appointed Supervisory Board in the 10th term:

1. Maciej Jacek Kaliński,
2. Tomasz Nowakowski,
3. Robert Malinowski,
4. Piotr Taracha,
5. Krzysztof Stankowski,
6. Agata Czerniakowska.

On 24 January 2019, the first meeting of the Supervisory Board of PEPEES S.A. was held in order to set up the Board and appoint an Audit Committee (for a new term).

Composition of the Supervisory Board in the period covered by this report has not changed, however, on 24 July 2019 Mr Piotr Taracha resigned from the office of Secretary of the Supervisory Board. The resignation was accepted by the Chairman of the Supervisory Board. On 25 July 2019, Mr Robert Malinowski was appointed to this position.

During this period, the Supervisory Board operated on the basis of the provisions of the Commercial Companies Code, provisions of the Company’s Statutes, the Rules of the Supervisory Board of “PEPEES” S.A., as well as the principles of corporate governance accepted by the Company

¹ The principles accepted by resolution No. 26/1413/2015 of the Stock Exchange Council of 13 October 2015 on the adoption of “Good Practices of Companies Listed on the WSE 2016”.

specified in the Good Practices of Companies Listed on the WSE, maintaining supervision of the Company's operations in all areas of its business, and also considering issues and proposals submitted by the Management Board.

The members of the Supervisory Board made every effort to duly perform their duties concerning reports and permanent supervision of the Company's operation in all areas of its business.

According to the Good Practices of Companies Listed on the WSE, at least two members of the Supervisory Board should be independent - the Company meets this requirement. Two members

of the Supervisory Board, who were also elected to the Audit Committee, meet the independence criteria in accordance with the Statutory Auditors Act².

Scope of the Company's application of the principles contained in the Good Practices of Companies Listed on the WSE is available on the Company's website at:

www.pepees.pl in the Corporate Governance tab.

III. Operations of the Supervisory Board

Between 1 January 2019 and 31 December 2019, the tenth-term Supervisory Board held 5 meetings. It adopted 27 resolutions, including 7 by written procedure. The list of resolutions adopted by the Supervisory Board in 2019 is attached as appendix 1 to this report. All meetings of the Supervisory Board were convened in accordance with the Company's Statutes and the Rules of the Supervisory Board

The main issues that the tenth-term Supervisory Board dealt with in 2019 included:

- election of the Chairman of the Supervisory Board,
- election of the Deputy Chairman of the Supervisory Board,
- election of the Secretary of the Supervisory Board,
- establishment of the Company's Audit Committee,

² Act of 11 May 2017 on statutory auditors, audit firms and public supervision (OJ Item 1089, as amended).

- election of the Chairman of the Audit Committee,
- election of the Deputy Chairman of the Audit Committee,
- election of the Audit Committee Member,
- approval of amendments to the Rules of the Supervisory Board,
- establishment of a uniform text of the Company's Statutes,
- approval of the Company's budget for 2019,
- recommendation to use the document entitled The Procedure and Acceptance of Information Relevant to
"PEPEES" S.A.,
- approval of the report on the implementation of the Company's investment plan for 2018,
- approval of the performance by the President of the Company's Management Board of his duties for the financial year 2018,
- approval of the performance by the Member of the Company's Management Board of his duties for the financial year 2018,
- allocation of net profit for the financial year 2018,
- approval of the report of the Supervisory Board on the performance of statutory duties during the period from 1 January to 31 December 2018,
- approval of the agenda of the Ordinary General Assembly,
- repeal of the resolution approving the agenda of the Ordinary General Assembly,
- approval of the agenda of the Ordinary General Assembly,
- adoption of the Strategy of the PEPEES Capital Group for the years 2019-24,
- granting of bonuses to the Members of the Company's Management Board in connection with the adoption of the Strategy of the PEPEES Capital Group for the years 2019-24,
- establishment of a uniform text of the Company's Statutes,

- election of the Secretary of the Supervisory Board,
- adoption of the Strategy implementation plan,
- approval of the Company's investment plan for 2020,
- approval of changes to the Strategy implementation plan.

All the convened meetings of the tenth-term Supervisory Board were held in a composition which allowed to adopt resolutions. The agendas of the Supervisory Board's meetings were agreed by the members of the Supervisory Board and of the Management Board. Other matters agreed with the Company's Management Board included the issues related to the preparation of necessary materials, analyses and explanations for the topics to be discussed at the meetings. During its meetings, the Supervisory Board operating in 2019 considered matters arising from the provisions of the Commercial Companies Code, the Company's Statutes, the Rules of the Supervisory Board, as well as from the current needs of the Company's business.

The members of the Supervisory Board also cooperated on a regular basis and supervised the Company's business as part of the Audit Committee composed of the Supervisory Board members elected to join it. On 24 January 2019, by resolution No. X/4/2019, the Supervisory Board established the Audit Committee composed of:

1. Maciej Kaliński – Chairman of the Audit Committee,
2. Krzysztof Stankowski – Deputy Chairman of the Audit Committee,
3. Piotr Taracha – Member of the Audit Committee.

In 2019, the Audit Committee held two meetings and adopted no resolution.

Apart from the Audit Committee, no other committees are active within the Supervisory Board.

Detailed activities of the Audit Committee of the Supervisory Board of "PEPEES" S.A. were presented in the report on the operations of the Audit Committee of the Supervisory Board of "PEPEES" S.A. in 2019 of 5 March 2020, enclosed as appendix 2 to this Report.

IV. Evaluation of the Company's compliance with the information obligations regarding the application of the principles

The Supervisory Board analysed compliance of "PEPEES" S.A. with the information obligations in 2019 in the following scope:

- (a) publication of current reports concerning cases of incidental volitions or waivers of application of corporate governance principles,
- (b) inclusion of a statement on the application of corporate governance principles in the annual report of the Management Board on the operations of the Company, and
- (c) publication of required disclosures on the Company's corporate website.

A detailed description of the Company's application of recommendations and principles contained in the Good Practices of Companies Listed on the WSE was included in the Report of the Management Board on the operations in 2019 (p. 57 et seq.).

The Supervisory Board identified no breaches in this respect and therefore considers that the Company correctly and diligently fulfils its information obligations regarding the application of corporate governance principles.

V. Cooperation of the Supervisory Board with the Company's Management Board

In accordance with the provisions of the Commercial Companies Code, the Company's Statutes and the Rules of the Supervisory Board, the Supervisory Board exercised continuous supervision of the Company's business in all its areas by:

- meetings of the Supervisory Board,
- current activities and checks.

The Supervisory Board relied on the information provided by the Company's Management Board and on its own reports. At the meetings of the Supervisory Board, topics presented by the Management Board were discussed, treating them as important or necessary for the implementation of the Company's strategic objectives.

The Supervisory Board submitted its decisions in the form of resolutions to the Company's Management Board. In the opinion of the Supervisory Board, the Management Board duly fulfilled its duties in 2019.

VI. Evaluation of the Company's condition

The Supervisory Board has evaluated the Company's condition as favourable in terms of stabilisation of its market position, operational tasks implemented and prospects for development. 2019 was another year in which the Company generated a positive financial result. The Supervisory Board operating in operation in 2019 monitored the implementation of the Company's strategy on an ongoing basis. The Management Board's activities in this area are evaluated positively.

The Company has no formal systems for internal control and risk management, compliance and internal audit functions. Risk identification and assessment are carried out by the Company's relevant business units responsible for defining and taking the necessary mitigation actions. The Management Board performs this supervision and takes the key decisions to reduce risk factors in strategic, operational, financial and legal areas. In the opinion of the Supervisory Board, the Management Board correctly identifies risk factors occurring in the Company's business, monitors and manages them effectively, thereby limiting as far as possible the impact of negative events on the Company's performance of the business tasks. In the opinion of the Supervisory Board, there is no need to separate the internal audit department in the Company.

The Supervisory Board has a positive view of the Company's sponsorship and charitable policies. As the largest employer in the region, the Company is particularly sensitive to the needs of the local community, supporting cultural, educational and sporting initiatives. Local sports clubs and cultural events, as well as social and charitable activities, receive both financial and in-kind support. In 2019, the Company allocated a net amount of PLN 73,822.09 (seventy-three thousand eight hundred and twenty-two zlotys and nine grosz) for these purposes.

VII. Self-evaluation of the Supervisory Board

The operations and composition of the Supervisory Board in 2019 was in compliance with the law. The members of the Supervisory Board had the necessary knowledge

and experience, which they used in the work of the Supervisory Board, and at the same time they worked in a complementary manner, devoting the necessary time to carry out their duties.

In the opinion of the tenth-term Supervisory Board, the Supervisory Board operating in 2019 fulfilled its obligations with due diligence and supported the Management Board in the implementation of strategic tasks and objectives.

VIII. Request for evaluation of the Supervisory Board's operation

This report presents the main areas of work of the Supervisory Board in 2019. In the course of their duties, all members of the Supervisory Board exercised due diligence, used their best knowledge and experience in the supervision of the Company. On the basis of its evaluation, the Supervisory Board concludes that it has fulfilled its statutory and code-of-law obligations and requests that all members of the Supervisory Board be approved for the performance of their duties in the financial year 2019.

The Supervisory Board has decided not to present the detailed financial and economic results of the Company as they are presented in the financial statements, in the report on the Company's operations and in the auditor's report and opinion.