



**SUPERVISORY BOARD'S REPORT OF
PEPEES S.A.**

**FOR THE PERIOD FROM 1 JANUARY
2022 TO 31 DECEMBER 2022**

INTRODUCTION

The Supervisory Board of PEPEES S.A., exercising constant supervision over the Company's operations in all areas, in accordance with the provisions of the Code of Commercial Partnerships and Companies, submits to the Annual General Meeting a report on its operations in the financial year of 2022.

The report covers the period of operation of the Company from 1 January 2022 to 31 December 2022, together with background information on the operations of the Audit Committee.

The Supervisory Board of PEPEES S.A. acts under generally applicable legal provisions, as well as the Company's Articles of Association and the Regulations of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES. S.A.

The report has been prepared in accordance with the following regulations:

- Article 382(3) CCPC,
- rule 2.11 of the Code of Best Practice for WSE Listed Companies 2021 adopted by way of Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange of 29 March 2021.

TABLE OF CONTENTS

Composition of the Supervisory Board	3
Assessment of the Supervisory Board Members' fulfilment of the independence criteria	4
Form and manner of supervision	4
Audit Committee of the Supervisory Board	7
Assessment of the Company's and Group's standing in the financial year of 2022, including the assessment of the internal control systems, risk management, compliance and internal audit function ¹¹	
Assessment of the fulfilment of information obligations by the Management Board towards the Supervisory Board	13
Assessment of the Company's compliance with its disclosure obligations as regards the application of corporate governance principles	14
Assessment of the reasonableness of the Company's charitable activities	14
Assessment of the fulfilment of the diversity policy	15
Assessment of the financial statements of the Company and the PEPEES Capital Group for 2022	15
Assessment of the proposal of the Management Board as regards the distribution of net profit for the period from 1 January 2022 to 31 December 2022	17
Information on the total remuneration payable by the company for all audits commissioned by the Supervisory Board during the financial year in accordance with the procedure set out in Article 382(1) of the CCPC	17
Self-assessment of the Supervisory Board	18

In this report, the Supervisory Board refrains from discussing financial issues in detail, as they are comprehensively presented in the Company's financial statements.

Composition of the Supervisory Board

In the financial year of 2022, the composition of the Supervisory Board of PEPEES S.A. ensured adequate supervision of the nature and scale of the Company's operations. The composition of the Supervisory Board – the versatility and rich and varied professional experience, knowledge and skills of its members reflect the diligence of PEPEES S.A. in providing supervisory functions in all areas of the Company's operations.

For the period from 1 January 2022 to 14 April 2022, the composition of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego S.A. presented itself as follows:

Function on the Supervisory Board	Composition as at 01/01/2022 – 14/04/2022
Chairperson of the Supervisory Board	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Supervisory Board	2. Tomasz Nowakowski*
Secretary of the Supervisory Board	3. Robert Malinowski*
Members of the Supervisory Board	4. Piotr Taracha*
	5. Krzysztof Stankowski*
	6. Agata Czerniakowska

**Member of the Supervisory Board meeting the statutory independence criteria*

The Supervisory Board, in the composition described above, commenced its activities as at 18 December 2018. The terms of office of its members expired on the date of the Annual General Meeting approving the financial statements for 2021, which was the last full financial year within the term of three (3) years of office of the existing Supervisory Board (Article 386(2) in conjunction with Article 369(4) CCPC).

On 14 April 2022, the Annual General Meeting of Shareholders (hereinafter referred to as the "AGM"), appointed for a new term of three (3) years of office the existing four (4) members of the Supervisory Board: Maciej Jacek Kaliński, Tomasz Nowakowski, Robert Malinowski, Agata Czerniakowska, and two new members of the Supervisory Board: Jacek Jan Okoński and Kajetan Rościszewski.

Function on the Supervisory Board	Composition as at 14/04/2022 – 03/12/2022
Chairperson of the Supervisory Board	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Supervisory Board	2. Tomasz Nowakowski*
Secretary of the Supervisory Board	3. Robert Malinowski*
Members of the Supervisory Board	4. Agata Czerniakowska
	5. Jacek Jan Okoński*
	6. Kajetan Rościszewski*

**Member of the Supervisory Board meeting the statutory independence criteria*

The mandate of Deputy Chairperson Mr Tomasz Nowakowski expired as a result of his death on 3 December 2022. The Management Board of Przedsiębiorstwo Przemysłu Spożywczego Pepees S.A., with its registered office in Łomża, informed through current report no. 28/2022 on 5 December 2022 of the death of Mr Tomasz Nowakowski, who had served as the Supervisory Board Member continuously from 18 December 2018. In view of the above, from 3 December 2022 until the date of adoption of this report, the Supervisory Board comprised five (5) members.

The composition fulfilled the requirement for the minimum composition of the Supervisory Board in a public company as set out in Article 385(1) of the CCPC and Section 15(1) of the Company's Articles of Association, and the Company's Supervisory Board was capable of taking all actions provided for by law and the Articles of Association.

Function on the Supervisory Board	Composition as at 03/12/2022 – by the date of publication of the report
Chairperson of the Supervisory Board	1. Maciej Jacek Kaliński*
Secretary of the Supervisory Board	2. Robert Malinowski*
Members of the Supervisory Board	3. Agata Czerniakowska
	4. Jacek Jan Okoński*
	5. Kajetan Rościszewski*

**Member of the Supervisory Board meeting the statutory independence criteria*

Assessment of the Supervisory Board Members' fulfilment of the independence criteria

In accordance with the Good Practices of Companies Listed on the WSE 2021 adopted by way of Resolution of the Supervisory Board of the Stock Exchange of 29/03/2021. ("Best Practices 2021"), at least two (2) members of the Supervisory Board should meet the independence criteria set out in the Act of 11/05/2017 on Chartered Auditors, Auditing Firms and Public Supervision.

Accordingly, each and every member of the Supervisory Board has submitted a declaration indicating whether or not they meet the independence criteria thus defined. According to the said declarations, the independence criteria referred to in the Act are met by the independent members, namely: Maciej Jacek Kaliński, Robert Malinowski, Jacek Jan Okoński and Kajetan Rościszewski. The criteria for independence are not met by Ms Agata Czerniakowska.

While remaining on the Supervisory Board of the Company in the financial year from 01/01/2022 until the date of adoption hereof, none of its members has reported any change in their independence status and personal, factual and organisational links with the shareholders of PEPEES S.A. The Members are obliged to notify immediately if circumstances arise that affect their independence.

Form and manner of supervision

The Board exercises constant supervision over the Company's operations and performs its tasks within the specific powers granted under the Company's Articles of Association, the Supervisory Board Regulations and the Resolutions of the General Meeting, taking into account the Good Practices of Companies Listed on the WSE (DPSN2021). The Supervisory Board kept an eye on the Company's standing and gave its opinion on current affairs and planned activities. During

the reporting period, irrespective of the regular meetings, the Supervisory Board Members, in order to comprehensively supervise the Company's activities, were in constant contact with the Management Board, consulting on specific aspects of the Company's activities and providing the Management Board with an advisory vote. The Management Board received decision-making support for its actions from the Supervisory Board, as well as the required approvals and consents to carry out significant activities and enter into key transactions. In 2022, the Supervisory Board analysed the documents and proposals presented by the Company's Management Board in detail and, in the event of doubts, requested additional information, made recommendations and made proper decisions.

The powers of the Supervisory Board include:

- assessment of the financial statements of the Company and the PEPEES Capital Group in terms of their conformity with the books and documents as well as with the facts, and the Management Board's proposals on the distribution of profits and coverage of losses,
- approving annual financial plans for the Company and controlling their implementation,
- appointment of an auditor to examine the Company's financial statements,
- consents on transactions comprising sale of purchase of shares or other property, or contracting a cash borrowing, if a value of a given transaction exceeds 15% of the net value of the Company's assets based on the latest balance sheet,
- appointing, suspending in activities and dismissing members of the Management Board,
- assigning members of the Supervisory Board to perform activities of the Company's Management Board in case the entire Management Board is suspended or dismissed or when the Management Board cannot operate for other reasons,
- approving the regulations of the Company's Management Board,
- determining the terms and conditions of remuneration of the Company's Management Board and the amount of remuneration of its respective members,
- adopting the regulations of the Company's Supervisory Board,
- appointing the Audit Committee with a composition in accordance with legal provisions,
- adopting the Regulations of the Audit Committee.

In 2022, the Supervisory Board held ten (10) minuted meetings using Skype (remotely) on: 15 March 2022, 16 March 2022, 17 March 2022, 18 March 2022, 13 April 2022, 4 May 2022, 14 June 2022, 28 August 2022, 28 November 2022, 14 December 2022, at which it adopted forty one (41) resolutions. The Supervisory Board meetings were either duly convened or were held despite the lack of formal convening, seven (7) days in advance, by mutual agreement and with all the Supervisory Board Members present. The Company's Management Board Members were invited to the Supervisory Board meetings to exchange views and provide detailed information and explanations.

Within the scope of its competences as defined in the Regulations of the Supervisory Board and the CCPC, the Supervisory Board of PEPEES S.A. deliberated on a number of matters of key importance for the Company's operations. It adopted resolutions and expressed its opinions and conclusions in the minutes of the meeting on the issues presented below:

1. assessment of related party transactions for H2 2021;

2. assessment of related party transactions for 2021;

3. approval of the Company's budget for 2022;

4. approval of the consent to incur loans and the provision of security for the "Autumn 2022," "Autumn 2023" and "Autumn 2024" campaigns;

5. approval of the report on the implementation of the Company's Investment Plan in 2021;

6. approval of the Company's investment plan for 2022;

7. assessment of the report on the Company's activities and financial statements for the financial year of 2021;

8. assessment of the report on the operations of the issuer's Capital Group in the financial year of 2021 and the consolidated financial statements for the financial year of 2021;

9. adoption of the statement on the operations of the Audit Committee;

10. adoption of the statement on the selection of the auditing firm;

11. adoption of the report on the operations of the Audit Committee in the financial period from 1 January 2021 to 31 December 2021;

12. adoption of the report on the operations of the Supervisory Board in the financial period from 1 January 2021 to 31 December 2021;

13. approval of the agenda of the Company's Annual General Meeting and positive opinion on draft resolutions to be discussed at the Company's AGM;

14. recommendation on the acknowledgement of the fulfilment of duties by the Company's Management Board President for the financial year of 2021;

15. recommendation of the acknowledgement of the fulfilment of duties by the Company's Management Board Member for the financial year of 2021;

16. assessment of the recommendation of the Company's Management Board to cover the net loss for 2021 from the share capital;

17. adoption of the remuneration report pursuant to Article 90(1) of the Public Offering Act, drawn up in accordance with the applicable Remuneration Policy;

18. amending the substance of Annex 1 to the Regulations of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.;

19. Approval of the bonus policy for the Company's Board of Directors from 2022 to 2024;

20. election of the Supervisory Board Chairperson;

21. election of the Supervisory Board Deputy Chairperson;

22. election of the Supervisory Board Secretary;

23. appointment of the Company's Audit Committee;

24. election of the Chairperson of the Audit Committee;

25.	election of the Deputy Chairperson of the Audit Committee;
26.	election of the Audit Committee Members;
27.	consent to the mode of share redemption and determining the share purchase price;
28.	assessment of related party transactions for the period 1 January 2022 to 30 June 2022;
29.	renewal of cooperation with the auditing firm qualified to carry out specific auditing activities;
30.	assessment of the Company's application of corporate governance principles and the manner in which it fulfils its disclosure obligations;
31.	assessment of the Company's Management Board's fulfilment of its information obligations towards the Supervisory Board.

The detailed description of the activities of the Supervisory Board is reflected in the minutes of the meetings, which – together with the resolutions adopted – are kept at the Company's registered office. The detailed summary of resolutions adopted by the Supervisory Board in 2022 is attached as Annex 1 hereto.

Audit Committee of the Supervisory Board

There is an Audit Committee within the Supervisory Board of PEPEES S.A.; it operates under applicable legal provisions and the Audit Committee Regulations adopted by way of Resolution of the Supervisory Board No. VIII/47/2017 of 9 August 2017.

The Audit Committee of the Supervisory Board of the 10th term was established by way of Resolution of the Supervisory Board of the 10th term No. X/4/2019 of 24 January 2019 and Resolution No. X/45/2020 of 13 April 2020, as amended, and the Audit Committee of the Supervisory Board of the 11th term was established by way of Resolution of the Supervisory Board of the 11th term No. XI/6/2022 of 4 May 2022 from among the members of the Supervisory Board, as required by the Act of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision.

The term in office of the Audit Committee coincides with that of the Supervisory Board. The Audit Committee of the 10th term continued to discharge its duties in the financial year of 2022 until 14 April 2022 with the following composition:

Function on the Audit Committee	Composition as at 01/01/2022 – 14/04/2022
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Audit Committee	2. Krzysztof Stankowski* 3. Piotr Taracha*
Members of the Audit Committee	4. Robert Malinowski*

5. Tomasz Nowakowski *

*Member of the Audit Committee meeting the statutory independence criteria

Following the appointment of a new term of the Supervisory Board on 14 April 2022 by the Annual General Meeting of PEPEES S.A., the Supervisory Board on 4 May 2022 appointed the Audit Committee with the following composition:

Function on the Audit Committee	Composition as at 4/05/2022–03/12/2022
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński* (appointed on 14/06/2022)
Deputy Chairperson of the Audit Committee	2. Tomasz Nowakowski*
Members of the Audit Committee	3. Agata Czerniakowska
	4. Robert Malinowski*
	5. Kajetan Rościszewski*

*Member of the Audit Committee meeting the statutory independence criteria

The mandate of Deputy Chairperson of the Audit Committee Mr Tomasz Nowakowski expired as a result of his death on 3 December 2022. As from 3 December 2022 until 27 February 2023, the composition of the Audit Committee presented itself as follows:

Function on the Audit Committee	Composition as at 03/12/2022–27/02/2023
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
Members of the Audit Committee	2. Agata Czerniakowska
	3. Robert Malinowski*
	4. Kajetan Rościszewski*

*Member of the Audit Committee meeting the statutory independence criteria

On 27 February 2023, the Supervisory Board completed the composition of the Audit Committee by appointing Mr Jacek Jan Okoński as the Deputy Chairperson. As from 27 February 2023 until the date of the report, the composition of the Audit Committee presented itself as follows:

Function on the Audit Committee	Composition as at 27/02/2023 – until the date of the report
Chairperson of the Audit Committee	1. Maciej Jacek Kaliński*
Deputy Chairperson of the Audit Committee	2. Jacek Jan Okoński*
Members of the Audit Committee	3. Agata Czerniakowska
	4. Robert Malinowski*

5. Kajetan Rościszewski*

*Member of the Audit Committee meeting the statutory independence criteria

The Audit Committee of the Supervisory Board of PEPEES S.A. in the above composition meets the criteria set out by the Act of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision. Each member of the Audit Committee has made a declaration indicating whether they meet the independence criteria or not. According to the said declarations, the independence criteria referred to in the Act are met by the independent members: Maciej Jacek Kaliński, Robert Malinowski, Kajetan Rościszewski and Jacek Jan Okoński. While remaining on the Audit Committee during the reporting period, none of its members reported any change in their independence status as defined in Article 129(3) of the Act of 11 May 2017 on Chartered Auditors, Auditing Firms and Public Supervision.

The Committee's activities improve the work of the Supervisory Board and its performance of its statutory duties. It allows an in-depth and comprehensive analysis of respective issues and supports the Supervisory Board with analytical results as well as opinions and recommendations.

In addition to matters arising from the Company's day-to-day operations, the subject matter of the meeting was the Audit Committee's cooperation with the auditing firm and the implementation of the Audit Committee's tasks in the context of the requirements of the Act on Chartered Auditors, as well as issues related to the work of the Audit Committee during the period covered by the report.

The subject matter of the Audit Committee's regular activities was to monitor the work related to the process of preparing and revising the Company's financial statements; therefore, the Committee cooperated with the auditor in this field on an ongoing basis, meeting with the auditor's representatives as part of the audit of the financial statements. The Audit Committee analysed, together with the Management Board and the external auditors, the financial statements and the results of the audit of those statements that had been audited by the auditor, and made recommendations to the Supervisory Board on the approval of the audited annual financial statements of the Company and the Group.

Within the scope of its statutory powers, the Audit Committee investigated the issue of the independence of the chartered auditor WBS Audyt Sp. z o.o., the auditing firm that examines the Company's and the Group's financial statements, both in relation to the Company and its management and supervisory personnel. Independence was established on the basis of the relevant declarations made in the course of selecting the auditing firm and was further confirmed on the basis of the declarations contained in the additional reports to the Audit Committee; furthermore, it was confirmed at various stages of the audit conducted in the course of discussions with the auditing firm's representatives.

As part of its work, the Audit Committee, in accordance with its scope of competencies, examined in particular the adequacy of the systems operated by the Management Board to identify, monitor and mitigate risks to the Company's operations, as well as the systems of internal control to ensure compliance with legal provisions and internal regulations and to ensure an adequate response to the possibility of abnormal developments in the Company's operations.

During the financial year of 2022, the Audit Committee held meetings convened by the Chairperson of the Audit Committee dedicated to the performance of the Audit Committee's duties, in particular concerning:

- adoption of the annual report on the operations of the Audit Committee in 2021,
- cooperation with the auditor in the course of the audit of the issuer's management report and the financial statements and consolidated financial statements of the Group for the financial year ended on 31 December 2021, and control and monitoring of the independence of the auditor and the audit firm auditing the Company's financial statements,
- monitoring the Company's financial reporting processes, the effectiveness of internal control and risk management systems and internal audit, including with regard to financial reporting,
- notifying the Supervisory Board of the results of the audit of the Company's financial statements and explanation how the audit contributed to the integrity of the Company's financial reporting,
- assessing the independence of the chartered auditor and auditing firm examining the Company's financial statements,
- cooperation with the chartered auditor during the review of the condensed interim consolidated financial statements of the PEPEES Capital Group for the period from 01/01/2022 to 30/06/2022;
- recommendation to the Supervisory Board of the extension of the agreement with WBS Audyt Sp. z o.o., with its registered office in Warsaw at ul. Grzybowska 4 lok. U9B, as the entity authorised to carry out for the next five years, i.e. 2023-2027, a review of the individual and consolidated financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., review of financial statements of all subsidiaries, audit of individual and consolidated financial statements of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., review of consolidation packages of unaudited subsidiaries (as part of the audit of consolidated financial statements), audit of individual financial statements of ZPZ Lublin Sp. z o.o., audit of individual financial statements of PPZ Bronisław S.A.;
- consideration of other important matters raised by Members of the Committee or the Supervisory Board,
- notification to the Supervisory Board of any important matters within the scope of its competencies.

The detailed scope of the Committee's work in 2022 is documented in the minutes of the Committee's meetings, which – together with the resolutions adopted by the Audit Committee in 2022 – are archived at the Company's registered office.

A summary of the Audit Committee's activities in 2022 is the subject of a separate report prepared by the Audit Committee. The Supervisory Board, having reviewed the Audit Committee's Report on its operations in 2022, positively assesses the effectiveness of its operations. The Supervisory Board concludes that the Audit Committee 2022 performed its duties with due diligence.

Assessment of the Company's and PEPEES Capital Group's standing in the financial year of 2022, including the assessment of the internal control systems, risk management, compliance and internal audit function;

The Supervisory Board, in accordance with the Code of Best Practice for WSE Listed Companies 2021, assessed the Company's standing in 2022, including the assessment of the internal control system, risk management, compliance and the internal audit function. During the financial year of 2022, the Supervisory Board performed the continuous supervision of the Company's operations in accordance with the provisions of the CCPC, the Company's Articles of Association and the Regulations of the Supervisory Board by analysing materials received from the Management Board at the request of the Supervisory Board, obtaining information and detailed explanations from the Management Board Members during the meetings of the Supervisory Board, the activities of the Audit Committee, the activities of the auditor who reviewed and audited the financial and accounting documentation and the financial statements prepared on the basis thereof. The Supervisory Board evaluated the financial performance of the Company and the Capital Group and the work of the Management Board in managing the Company and the PEPEES Capital Group.

In assessing the Company's standing and its performance, the Supervisory Board factored in the general development of the economic situation in Poland and the situation on global markets. In 2022, the Company operated in an environment of increasing inflationary pressures, reflected in rising material, fuel and energy prices. Despite unfavourable circumstances beyond the Company's direct control, sales revenue was increased and a profit was made (in the previous year a loss was incurred). It is noteworthy that the Company's Management Board closely monitors the situation related to unforeseen events, such as the effects of the Covid-19 pandemic, the macroeconomic situation (high inflation) and the geopolitical situation (the Russian invasion of Ukraine, which is a factor significantly destabilising the economic environment in the entire region) and takes measures to minimise their negative impact on the functioning of the Company and the Capital Group. During the reporting period indicated, the Company consistently pursued its development path and, despite adverse conditions, flexibly adapted to the changing environment, taking effective measures to reduce losses and maintain liquidity.

Despite the occurrence of these generally negative factors for the economy as a whole, the year 2022 was decidedly successful for both the Company and the entire Group, which generated a consolidated net profit of PLN 10,843 thousand (say: ten million eight hundred and forty-three thousand Polish zloty).

The sales revenue of the PEPEES Capital Group in 2022 amounted to PLN 254,952 thousand (say: two hundred and fifty-four million nine hundred and fifty-two thousand Polish zloty) and was by PLN 32,862 thousand (say: thirty-two million eight hundred and sixty-two thousand Polish zloty) higher than the 2021 value, which is mainly attributable to the increased potato starch prices on the market.

The Group's assets, representing total assets as at 31 December 2022 of PLN 376,014 thousand (say: three hundred and seventy-six million fourteen thousand Polish zloty), increased by PLN 22,525 thousand (say: twenty-two million five hundred and twenty-five thousand Polish zloty), i.e. by 6.37% compared to the previous year. Non-current assets decreased due to higher depreciation on capital expenditure. Current assets in 2022 increased by 13.3% when compared to 2021. The largest increase was in the cash item due to the increased sales value

and loans. There has also been an increase in the value of stocks at the end of 2022 in comparison to 31/12/2021

According to the Supervisory Board's assessment, the pursuit of such a strategy, rational cost policy and financial security will enable the Company to function properly and achieve its investment objectives. The Company grew steadily in the financial year of 2022. The outlook is optimistic, both in terms of the financial standing and positioning on the domestic and international markets.

Considering the above, the Supervisory Board proposes to the General Meeting to grant discharge to the Members of the Management Board of PEPEES S.A. for the performance of their duties in the financial year of 2022.

Assessment of the internal control system, risk management, compliance and internal audit function

In accordance with Rule 3.9 of the Code of Best Practice for WSE Listed Companies 2021, the Supervisory Board assessed the effectiveness of the internal control system, risk management, compliance and the internal audit function, including all relevant controls, especially the ones related to financial reporting and operations. The system of internal control, risk management, compliance and the internal audit function is designed to ensure the effectiveness and efficiency of the Company's operations, the integrity of financial reporting and the compliance of the Company's operations with legal provisions and internal regulations.

The Company does not have a dedicated unit for internal control, risk management, compliance and the internal audit function. The Company has a clear division of responsibilities and tasks. The implementation of tasks in the aforementioned area is of a dispersed nature, primarily based on the division of competencies in key decision-making by adapting to the Company's organisational structure. Taken together, these units constitute a system of internal control that ensures a sufficient level of security in the Company's operations and, furthermore, allows for the active management of risks, particularly the ones that may exert a negative impact on the Company's and the Group's financial results. The Supervisory Board concluded that, given the nature and size of the Company's business, the solution used to date has been and continues to be sufficient. The Management Board is responsible for maintaining effective systems of internal control, risk management, compliance and the internal audit function within the Company.

Control activities are performed in all phases of operations in the form of initial, ongoing and follow-up controls. Financial and accounting documents are subject to substantive, formal and accounting checks. In accordance with current legislation, the financial statements are reviewed by external, independent auditors and the results of this assessment are made public. In the Supervisory Board's opinion, the Company has a system of internal control that is tailored to its needs, which enables the efficient and reliable flow of financial information and the proper safeguarding of the Company's resources.

The supervision of the Company's and the PEPEES Group's compliance with the law is supported by legal services and auditing services, which verify the correctness of compliance with procedures – implementation of applicable laws, regulations, rules and standards. The implementation of tailored internal procedures has the effect of reducing to a minimum the occurrence of

irregularities. In the Supervisory Board's opinion, the Company is correctly implementing the applicable law so that all regulations, provisions and standards are clearly and transparently introduced and applied duly. The Supervisory Board emphasises that the effectiveness of compliance management in 2022 is to be commended, and the commitment of the Management Board and the actions taken in developing compliance culture testify to the validity and completeness of the measures adopted for this area.

Risk analysis and strategic decisions are made on an ongoing basis by the Management Board in the context of applicable legal provisions and the changing market situation. The Company analyses changes in the business environment to assess the risks associated with its operations. Such risks are managed by identifying and assessing areas of risk for all areas of activity of the Company and its Group. The Company's key processes for reducing its exposure to business risks are operating properly and efficiently, particularly through the oversight of the Management Board. Both the identification of risk factors, their monitoring and the application of risk mitigation measures adequately safeguard the Company's interests.

On the basis of its monitoring activities, the Supervisory Board is of the opinion that the internal control process, the risk management process and the compliance process operate effectively and adequately at the Company.

Assessment of the fulfilment of information obligations by the Management Board towards the Supervisory Board

The spectrum of issues subject to the assessment of the Management Board's fulfilment of its disclosure obligations to the Supervisory Board covered a wide range. Within the framework of the control exercised by the Supervisory Board, the Management Board at the Supervisory Board's meetings provided on an ongoing basis comprehensive materials and information covered by the agenda of the meetings, presented financial data, provided explanations requested by the Supervisory Board and presented all information relevant to the operation of the Company related to the current business and its future development. The Supervisory Board was notified at its meetings of all relevant processes occurring in the Group, including the ones related to the impact of the war, which has been waged from 24 February 2022 in Ukraine, on the Capital Group's operations and the actions taken in this regard. Any matters considered by the Supervisory Board or its Committee to be relevant from the perspective of overseeing the Company's operations were subject to close scrutiny and, on the basis of detailed enquiries and arrangements with the Management Board – effective monitoring.

In the Supervisory Board's opinion, the adopted system of communication between the supervisory body and the Management Board, due to the timely submission of materials prepared for the meetings of the Supervisory Board and the Audit Committee, the reliable manner of their preparation and their high substantive value, as well as the possibility to clarify, on an ongoing basis, during the meetings of the Supervisory Board, any doubts and detailing of the issues presented and the implementation by the Management Board of the recommendations and directions of the Supervisory Board and the Audit Committee, ensures the efficient conduct of the Company's affairs. The Management Board Members have demonstrated professionalism and integrity, using their expertise, experience and skills to carry out the functions entrusted to them.

In view of the overall performance, thanks to the high competence of the Management Board Members and the efficient organisation, the Supervisory Board is convinced that the Management Board has shown due diligence

and commitment in fulfilling its disclosure obligations to the Supervisory Board and managed the Company effectively, guided in its conduct by the interests of the Company.

Based on its assessment, the Supervisory Board concludes that the Management Board fulfils the obligations imposed on it by the provisions of the Companies Act, other applicable laws related to the operation of a public limited company, as well as fulfils its duties under the statutory regulations.

Assessment of the Company's compliance with its disclosure obligations as regards the application of corporate governance principles

The Company's Supervisory Board, in accordance with Rule 2.11.4 of the 2021 Best Practices, assessed the Company's compliance with the disclosure obligations as regards the application of the 2022 corporate governance principles set out in the Stock Exchange Rules and in the Regulation of the Minister of Finance 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 was subject to the Good Practices 2021 (i.e. the corporate governance principles entitled "Good Practices of Companies Listed on the WSE 2021" adopted by way of resolution of the Exchange Council on 29 March 2021 No. 13/1834/2021, which came into force on 1 July 2021). This document is available at www.gpw.pl/dobre-praktyki.

In view of the information and documents available to the Supervisory Board members on the events taking place in the Company and the Group, as well as taking into account the Supervisory Board's monitoring of current and periodic reports and other documents made public by the Company, including with the support of external advisers and law firms, the Supervisory Board positively assesses the manner in which the Company fulfils its information obligations as regards the application of the principles of corporate governance and finds no violations in this respect. In the Supervisory Board's opinion, the information made available by the Company is compliant and fairly represents the status of the application of corporate governance principles. The Company's published explanations of the scope of the Company's corporate governance principles transparently, accurately and comprehensively present the Company's operating mechanisms to shareholders, investors and other interested parties. The Supervisory Board did not observe any failures by the Company to fulfil its disclosure obligations during the financial year ended on 31 December 2022.

Assessment of the reasonableness of the Company's charitable activities

In 2022, the Company undertook sponsorship activities to responsibly support social, cultural, sporting and other needs of a similar nature, based on recognising the needs of the local community and supporting initiatives relevant thereto. Although the Company does not have a formalised policy as regards its sponsorship, charitable or other similar activities, for many years PEPEES S.A. has conducted various types of charitable activities, providing support both directly to children in need and to institutions such as hospices, schools, which implement various projects in the areas of culture, sport, support for young talents, development of entrepreneurship, local and regional initiatives relevant to the development and support of local communities. The total amount of support in the reporting period was PLN 88,840.47 (say: eighty-eight thousand eight hundred and forty Polish zloty 47/100)

The Supervisory Board, having assessed the Company's policy on sponsorship and charitable activities, concludes that the activities conducted by the Company in this regard are sufficient and reasonable in relation to the Group's growth strategy and the nature of the Company's business. The Company's actions in this regard taken in 2022 are assessed by the Supervisory Board as socially useful and the expenditure made as reasonable.

Assessment of the implementation of the diversity policy;

The Company has not prepared and does not comply with a diversity policy. When electing persons for the functions of the Management Board and the Supervisory Board Members, the Company acts in compliance with the highest standards and, in this respect, it does not discriminate against candidates due to their gender or other features. The primary criterion of selection of the Company's governing bodies are high competences, skills and professional conduct of candidates. The Supervisory Board positively assesses the activities and commitment of the Company's Management Board in this regard.

Assessment of the financial statements of the Company and the PEPEES Capital Group for 2022

Assessment of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A.

- of the consolidated financial statements for 2022 as to their conformity with the books and documents,
- report on the operations of the PEPEES Group in 2022, including the statement on the application of corporate governance
- of the consolidated financial statements for 2022 as to their conformity with the books, documents and facts,
- report on the operations of the Capital Group (including disclosures requisite for the Management Board's Report on the Issuer's operations in 2022.

The Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A., acting pursuant to Article 382 (3) of the Code Commercial Partnerships and Companies and Article 20(2)(1) and (2) of the Articles of association of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. (Company, Issuer) made an assessment as regards compliance with the books and documents:

- consolidated financial statements of the PEPEES Capital Group for the financial year of 2022 including:
 - a) consolidated statement of the financial standing as of 31 December 2022 with the total assets, equity and liabilities in the amount of PLN 376,014 thousand (say: three hundred and seventy-six million fourteen thousand Polish zloty),
 - b) consolidated statement of comprehensive income showing, for 2022, total net income of PLN 10,866 thousand (say: ten million, eight hundred and sixty-six thousand Polish zloty) and net profit of PLN 10,843 thousand (say: ten million, eight hundred and forty-three thousand Polish zloty),
 - c) consolidated statement of changes in equity showing, for 2022, increased equity of PLN 11,481 thousand (say: eleven million four hundred and eighty-one thousand Polish zloty),
 - d) consolidated cash flow statement showing a net increase in cash of PLN 15,714 thousand (say: fifteen million, seven hundred and fourteen thousand Polish zloty) for 2022
- report on the operations of the PEPEES Capital Group for the financial year of 2022,

In addition, the Company's Supervisory Board assessed:

- financial statements of the Company for 2022 including:
 - a) the statement of the financial standing as of 31 December 2022 with the total assets, equity and liabilities in the amount of PLN 289,420 thousand (say: two hundred and eighty-nine million four hundred and twenty thousand Polish zloty),
 - a) statement of comprehensive income showing, for 2022, total net income in the amount of PLN 9,227 thousand (say: nine million, two hundred and twenty-seven thousand Polish zloty) and a net profit of PLN 9,204 thousand (say: nine million, two hundred and four thousand Polish zloty),
 - b) statement of changes in equity showing, for 2022, increased equity of PLN 9,003 thousand (say: nine million three thousand Polish zloty),
 - c) cash flow statement showing, for 2022, a net increase in cash of PLN 17,849 thousand (say: seventeen million, eight hundred and forty-nine thousand Polish zloty)
- report on the Issuer's operations in the financial year of 2022,

Based on the analysis of the contents of the aforementioned reports, the documents and accounting books submitted by the Company's Management Board and the information provided by the Company's Management Board, the results of additional checking activities performed in selected financial and operational areas, the report of the audit firm WBS Audyt Sp. z o. o., with its registered office in Warsaw, on the audit of the consolidated financial statements of the Capital Group for the financial year 2022, on the audit of the financial statements of the Issuer for the financial year 2022, the additional report of the auditing firm to the Audit Committee referred to in Article 131 of the Act on Chartered Auditors, Auditing Firms and Public Supervision, the results of meetings with representatives of the auditing firm including the key chartered auditor, information of the Audit Committee on the course, results and significance of the audit for the reliability of financial reporting at the Company and the role of the Committee in the process of the audit of the financial statements and the audit of the consolidated financial statements, the Supervisory Board made a positive assessment of the aforementioned reports.

In the Supervisory Board's opinion, the audited financial statements in all material respects:

- give a true and fair view of the information relevant to the assessment of the financial standing of the Company and the PEPEES Group as at 31 December 2022, and of their financial performance for the financial year from 1 January 2022 to 31 December 2022,
- These financial statements were prepared in compliance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission and adopted accounting principles (policies),
- present data in accordance with the requirements of the Regulation of the Minister of Finance of 29 March 2018 on Current and Periodical Information Published by Security Issuers and Conditions to Consider it Equivalent to the Information Required by Legal Provisions of a Country that is not a Member State)

Based on the knowledge of the Company and the extensive activities undertaken in relation to the preparation and audit of the aforementioned financial statements for the period from 1 January 2022 to 31 December 2022, the Supervisory Board of the Company is of the opinion that the aforementioned statements were prepared in compliance with applicable legal provisions and comply with the accounting books, documents and factual circumstances, and truly reflect the issuer's development, achievements and standing and are, furthermore, unobjectionable in terms of the form and contents thereof.

Taking the above into account, the Supervisory Board concludes that the Company's financial standing is secure. Thanks to the measures taken, the Company's current and future activities enable it to achieve its objectives. The Supervisory Board assesses the statements submitted to it as complete and comprehensive.

Assessment of the proposal of the Management Board as regards the distribution of net profit for the period from 1 January 2022 to 31 December 2022

The Supervisory Board, acting pursuant to Article 382(3) of the Code Commercial of Partnerships and Companies, decides to positively assess the proposal of the Management Board of PEPEES S.A., with its registered office in Łomża, on the manner of distribution of net profit for the financial year of 2022.

The Management Board of PEPEES S.A. asked for a positive opinion on the proposal for the distribution of net profit in the amount of PLN 9,203,815.70 (say: nine million two hundred and three thousand eight hundred and fifteen Polish zloty 70/100) for the financial year of 2022 for the purpose in part to reserve capital in the amount of PLN 1,970,411.91 (say: one million nine hundred and seventy thousand four hundred and eleven 91/100 Polish zloty) and in part in the amount of PLN 7,233,403.79 (say: seven million two hundred and thirty-three thousand four hundred and three Polish zloty 79/100), increased by the amount of PLN 1,209,812.38 (say: one million two hundred and nine thousand eight hundred and twelve Polish zloty 38/100) transferred from supplementary capital (in part from profit) – a total of PLN 8,443,216.17 (say: eight million four hundred and forty-three thousand two hundred and sixteen Polish zloty 17/100) for the payment of dividends (0.09 PLN per share, excluding treasury shares which do not participate in the dividend).

The Supervisory Board, having considered the Management Board's proposal on the distribution of profit, gives a positive opinion on this recommendation and is in favour of presenting the General Meeting with a draft resolution with the wording proposed by the Management Board.

Information on the total remuneration payable by the company for all audits commissioned by the Supervisory Board during the financial year in accordance with the procedure set out in Article 382(1) of the CCPC

The new Supervisory Board rules are directed at ensuring that the Supervisory Board performs informed and genuine oversight of the Company's activities, while at the same time seeking to guarantee sufficient transparency of the Supervisory Board's operations. The Supervisory Board is authorised to supervise the exercise of the Company's group interest by the subsidiary. Within the framework of this power, the subsidiary's bodies are obliged to make available relevant documents and information to guarantee the supervision of the subsidiary. The Supervisory Board has the right to examine all documents related to any transaction, and may in particular obtain inspection of source documents and request ad hoc explanations and reports from the Management Board Members and employees.

In order to fulfil its statutory tasks, the Supervisory Board is also authorised to engage an external advisor to investigate a specific matter related to the Company's objects or to prepare a specific opinion or analysis on behalf of the Supervisory Board. Total remuneration payable by the Company for all audits commissioned by the Supervisory Board during

the financial year of 2022 in accordance with Article 382(1) of CCPC was PLN 29,475.00 (say: twenty-nine thousand four hundred and seventy-five Polish zloty 00/100).

Self-assessment of the Supervisory Board

In 2022, the Supervisory Board's work focused on current issues related to the Company's and the Group's operations. In its opinion, during the reporting period, the Supervisory Board supervised the activities of the Management Board and the overall operations of the Company with diligence and diligence and performed its duties in accordance with the provisions of the CCPC, the Company's Articles of Association, the Regulations of the Supervisory Board and other applicable legal provisions, taking into account the principles contained in the Good Practices of Companies Listed on the WSE. The Supervisory Board maintained independent views on the work of the Management Board and the Group's operations. The Supervisory Board members represent a high level of professional training and have the relevant background requisite to serve their functions. All the Supervisory Board Members exercised due diligence in the performance of their duties, using their knowledge, and professional experience and skills. Thanks to the high competence and commitment of the respective Supervisory Board Members and its efficient organisation, the Supervisory Board effectively carried out its statutory tasks guided by the interests of the Company in its conduct. The issues addressed and analysed by the Supervisory Board were aimed at improving the management of the Company in order to maximise its financial performance, increase its value and ensure its long-term growth.

In the Supervisory Board's opinion of the 2022, this body has acted in an effective manner to ensure the sufficient oversight of the Company, cooperating with the Company's Management Board.

By submitting this report, the Supervisory Board requests that its members be discharged for the financial year of 2022.

This report was considered and adopted by the Supervisory Board by way of resolution No. XI/31/2023 for submission to the Annual General Meeting.

Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.

SIGNATURES OF THE SUPERVISORY BOARD MEMBERS

Maciej Jacek Kaliński

Robert Malinowski

Agata Czerniakowska

Jacek Jan Okoński

Kajetan Rościszewski

Łomża, 28/03/2023.

Annex 1 – summary of resolutions of the Supervisory Board.