



AUDIT COMMITTEE'S REPORT

1.01.2024 - 31.12.2024

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INTRODUCTION

This report covers a detailed review of the operations of the Audit Committee of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. in the financial year of 2024, including the scope of its operations, resolutions adopted and key areas of supervision. The Audit Committee performed an advisory and monitoring function, supporting the Supervisory Board in its responsibilities for supervising the financial reporting processes, the internal control system and risk management.

During the reporting period, the Audit Committee of the Company's Supervisory Board acted in accordance with generally applicable legal provisions, including in particular the Polish Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (the "Act"), as well as in accordance with the provisions of the Company's Articles of Association, resolutions of the General Meeting and the Supervisory Board and the Regulations.

The Audit Committee of the Supervisory Board of the 11th term was established by way of a resolution of the Supervisory Board no. XI/6/2022 of 4 May 2022, selecting its members from the composition of the Supervisory Board, in accordance with the norms of the Act.

The rules of organisation and method of operation of the Audit Committee are specified in the Rules of Procedure of the Audit Committee of 9 August 2017, adopted by Resolution No. VIII/47/2017 of the Supervisory Board, as amended, adopted by Resolution No. XI/55/2024 of 4 April 2024.

COMPETENCES, COMPOSITION AND INDEPENDENCE CRITERIA OF THE AUDIT COMMITTEE

The Audit Committee of the Supervisory Board of Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. comprised members with the relevant competence and experience requisite to effectively monitor the Company's activities. Thanks to the knowledge and skills of the Members, the Committee was effective in performing its tasks, providing high quality analysis and recommendations that supported the supervisory body in making key decisions and in supervising operational and risk management processes.

The Audit Committee operated with a high degree of independence in accordance with Article 129 of the Act. The majority of its members fulfilled the criteria for independence, which ensured the objectivity of the analyses and recommendations made. The Members of the Committee made proper representations as to their independence, which representations were subject to detailed verification. During the reporting period, the independence status of the Committee Members remained unchanged, confirming the stability and transparency of the Committee's operations.

The term in office of the Audit Committee coincides with that of the Supervisory Board. The Audit Committee of the 11th term, composed of the following members, continued to perform its duties during the financial year 2024.

Composition of the Audit Committee, including independence criteria, connections to shareholders and knowledge and skills:

Function of the Committee Composition	Composition of the Audit Committee of the Supervisory Board 01.01.2024 until the date of preparation of the report	Criteria			
		Independence	No links with shareholders of more than 5%	Knowledge and skills (accounting and financial auditing)	Knowledge and skills (Company sector)
Chairperson of the Audit Committee	Maciej Kaliński	Yes	Yes	X	X
Deputy President of the Audit Committee	Jacek Okoński	Yes	Yes	X	X
	Agata Czerniakowska	X	Yes	X	Yes
Members of the Audit Committee	Robert Malinowski	Yes	Yes	Yes	Yes
	Kajetan Rościszewski	Yes	Yes	Yes	X

INFORMATION ON THE NUMBER AND FREQUENCY OF MEETINGS OF THE AUDIT COMMITTEE

During the past financial year, the Audit Committee consistently discharged its duties according to the approved schedule, holding meetings tailored to the Company's current needs. As part of the Committee's activities, four meetings were held on fixed dates: 21 March, 6 May, 5 September and 18 December. A total of four resolutions were passed at these meetings, including one (1) in writing.

The Committee Members actively participated in the meetings, engaging in substantive discussions and making recommendations in key areas of the Company's operations. The course of all the meetings was documented in detail in the minutes, which are an important source of information on the decisions made and the issues analysed.

With the right mix of people, each meeting ran efficiently and all participants showed a high level of commitment to the Committee's objectives. In addition, the participation of members of the Company's Board of Directors allowed for an in-depth analysis of the issues discussed and improved the process of exchanging information and opinions.

The representatives of the auditor, WBS Audyt Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, participated in two (2) meetings. Their presence allowed for key clarifications and information on the audit processes and results of the analyses conducted, which contributed to even better supervision of the financial reporting area.

OPERATIONS OF THE AUDIT COMMITTEE

The Audit Committee performs its duties in accordance with applicable legal provisions, ensuring that the Company's operations comply with legal regulations and supporting the effectiveness of the Supervisory Board in terms of financial supervision. Its purpose is to ensure transparency in the Company's operations and to monitor the financial reporting process.

The Audit Committee performed its tasks independently, acting in the interests of the Company and its shareholders and ensuring the highest standards of transparency and integrity in financial reporting.

The scope of the Audit Committee's powers is precisely defined in Article 130 of the Polish Act on Chartered Auditors. In particular, the Committee is responsible for:

1. monitoring the financial reporting process and submission of recommendations aimed at ensuring the reliability of the said process in the Company;
2. monitoring the effectiveness of internal control systems, internal audit and risk management at the Company;
3. monitoring the financial review performance, in particular the examination by the auditing firm, with the consideration of all requests and findings of the Committee of Audit Supervision, resulting from the control performed at the auditing firm;
4. controlling and monitoring the independence of the auditor and the auditing firm, in particular where services other than the audit are provided for and on behalf of the Company by the auditing firm;
5. notifying the Supervisory Board of the results of the audit and to explain how the audit contributed to the integrity of the Company's financial reporting and the Committee's role in the audit process.
6. assessing the chartered auditor's independence and approving the use of non-audit services provided by the chartered auditor ("non-audit permitted services");
7. working out the policy of the selection of the auditing firm for the audit of the Company's
8. working out the policy of rendering non-audit permitted services by the auditing firm, by affiliates of the auditing firm and by a member of the auditing firm's network;
9. defining the procedure of selecting the auditing firm by the Company.
10. making recommendations to the Supervisory Board in accordance with the provisions of Article 130(1)(8) and (2) of the Act.

In 2024, the Audit Committee focused on monitoring the Company's activities in key areas of its operation, including compliance with applicable legislation, the effectiveness of the internal control system and the adequacy of the internal audit and financial reporting processes. The Committee has taken a number of steps to adapt the Company's operations to changing market and regulatory conditions, as well as to strengthen risk management processes and improve the transparency of the Company's operations. The following is a detailed overview of the Audit Committee's key areas of operations for the past year.

In response to guidance from the Office of the Polish Financial Supervision Authority (FSA), the Committee decided to update the procedure for selecting the audit firm, introducing a contingency mode so as to ensure a smooth response in the event of the auditor's disqualification. The decision was made by written vote. As a result of this update, the Committee ensured full compliance with the FSA guidelines, with the aim of increasing the transparency and efficiency of audit processes.

At its first meeting, which was held on 21 March 2024, the Audit Committee met with representatives of the audit firm WBS Audyt Sp. z o.o. to discuss in detail the scope of the audit of the Company's and the Group's 2023 financial statements. The purpose of the meeting was to review the results of the audit, including an in-depth analysis of key areas of operations. The auditors presented their findings and recommendations with a report including both a general summary and specific comments on potential irregularities, risks and areas for further attention and improvement.

As a result of the meeting with the auditors, the Management Board was advised to continue to monitor key business activities in the upcoming accounting period, with a particular focus on maintaining the Company's financial stability and ensuring its operational liquidity.

Particular attention was also given to assessing the auditor's independence. The Audit Committee conducted a meticulous assessment of the chartered auditor's independence, confirming that the auditors met the requirements for objectivity and independence and maintained the highest ethical standards in performing the audit.

During its first meeting, the Audit Committee also conducted a detailed review of its members' declarations, assessing the fulfilment of the independence criteria and the timeliness of the other qualification requirements. The analysis showed that the Committee was characterised by a high degree of independence, with the vast majority of members meeting the required criteria under Article 129 of the Polish Act of 11 May 2017 on Chartered Auditors, Audit Firms and Public Supervision. The composition of the Audit Committee was selected in order to ensure high professional standards, taking into account the relevant competences, experience and knowledge requisite to perform its functions effectively.

Yet another important area discussed by the Committee was a detailed analysis of the Audit Committee's regulations to bring them in line with the current standards and the current needs of the Company. As a result of the review, the Committee made recommendations to the Supervisory Board for changes to improve supervisory processes and ensure they were in line with the best market practice.

Within the framework of its tasks, the Audit Committee conducted a detailed assessment of the effectiveness of its own operations in 2023. Based on its analysis, the Committee confirmed that its processes were adapted effective and fully to the changing regulations and market requirements. Additionally, the Committee adopted the report on its activities for 2023 and passed a resolution to that effect, therefore confirming that the objectives set and the high quality of supervision were maintained.

Furthermore, the Audit Committee agreed to commission an additional assurance service, including the assessment of the remuneration report of the Management Board and the Supervisory Board. At the next meeting, which was held on 6 May 2024, a recommendation was made to the Supervisory Board to approve this report.

During the third meeting of the Audit Committee, which was held on 5 September 2024, work related to the review of the Group's interim consolidated financial statements for the first half of 2024 was discussed in detail with the representatives of WBS Audyt Sp. z o.o.. The Company's financial position for the first half of 2024 was then discussed, both on a standalone and on a consolidated basis, comparing the results with the same period of the previous year. The key areas of operations were identified, including such actions as to improve the Company's results and to boost the purchase of potatoes. Attention was also paid to the analysis of the costs of agricultural production and farm rental. It was recommended that the ongoing monitoring of the situation in the agricultural sector be implemented to ensure stability and to enable rapid response to market changes.

Particular attention was paid to the expected credit loss model, emphasising the necessity of

incorporating this model into accounting policies to ensure full compliance with international accounting standards. Further, the chartered auditor's independence was examined, confirming that the audit team adhered to the principles of professional ethics, therefore guaranteeing the full independence of the audit.

The Audit Committee also approved a work plan for the next period, including framework meeting agendas and key topics to be discussed, adapted to the Company's changing situation and regulations, ensuring continuity of supervision-related activities.

On 18 December 2024, the Audit Committee conducted a comprehensive assessment of the internal control system, risk management, compliance and internal audit function at the Company. The results of this assessment confirmed that these systems are operating effectively and are compliant with applicable standards and regulations, and that their adequacy was in line with the scale of the Company's operations.

What the Audit Committee also noted was the need to step up the Company's efforts as part of sustainable development, particularly in the context of new carbon reporting regulations. Cooperation with the Supervisory Board and the Management Board enabled the development of effective solutions to ensure that the Company's operations conform to the environmental requirements.

The Audit Committee also performed a detailed analysis of the Management Board's operations in updating the accounting policy, particularly in the context of implementing the changes pursuant to the chartered auditor's recommendations. Attention was paid to the strict compliance of the implemented changes with the best practices in the accounting area and the applicable legal provisions.

After each meeting, the Audit Committee systematically provided the Supervisory Board with comprehensive recommendations, which were the result of in-depth analyses aimed at identifying such areas as may require the optimisation and improvement of the Company's internal processes.

Below is a list of resolutions adopted by the Audit Committee in 2024. All the resolutions were duly documented in the minutes, according to the law, the Company's Articles of Association and the Regulations of the Audit Committee. The decisions made were also in line with the recommendations of the Polish Financial Supervision Authority (FSA).

List of resolutions adopted by the Audit Committee in 2024



Resolution no.	Resolution subject
5/2024	Resolution on updating the procedure for selecting the audit firm to conduct the audit of the Company's financial statements
6/2024	Resolution on granting consent to perform an additional certification service on the evaluation of the remuneration report prepared in accordance with the applicable Remuneration Policy under Article 90g (1) of the Polish Act on Public Offering.
7/2024	Resolution on the adoption of the Audit Committee's report on operations in 2023
8/2024	Resolution on the recommendation of the remuneration report prepared pursuant to the applicable Remuneration Policy under Article 90g(1) of the Polish Act on Public Offering.

CONCLUSION

The Audit Committee effectively fulfilled the tasks assigned to it, demonstrating a high level of effectiveness in terms of control and support for the Supervisory Board. Its involvement in meetings, detailed analyses and accurate recommendations had a significant impact on optimising decision-making processes. The Committee's activities were fully compliant with applicable regulations and best practice, ensuring full compliance with supervisory requirements.

The Committee expresses a positive opinion on the Company's growth prospects, highlighting its potential to improve its financial performance. The Company has a solid foundation for further growth, and the efficient use of resources and the optimisation of processes offer real opportunities for improved performance. The Board demonstrates a high capacity to effectively identify and manage the risks related to the Company's operations, taking proactive measures to minimise risks.

SIGNATURES OF THE MEMBERS OF THE AUDIT COMMITTEE

Maciej Jacek Kaliński		Signed by: Maciej Jacek Kaliński Date: 2025-03-21 00:52
Jacek Jan Okoński		
Agata Czerniakowski		PODPIS ZAUFANY AGATA CZERNIAKOWSKA 24.03.2025 11:32:08 [GMT+1] <small>Dokument podpisany elektronicznie podpisem zaufanym</small>
Robert Malinowski		
Kajetan Rościszewski		

Łomża, 19 March 2025

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Date: 11.05.2025 6:41 pm
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Signed by: KAJETAN
ROŚCISZEWSKI
Date: 09.05.2025 10:33 am
□ **mSzofir**