

**MANAGEMENT BOARD REPORT  
ON THE ACTIVITIES OF THE COMPANY  
PROCHEM S.A.  
IN 2021**

Warsaw, April 28 2022

### **1. Principles of presentation of financial statements**

Principles of preparation of the separate financial statements of the Company Prochem S.A. for 2021 have been included in Explanatory notes to the financial statements.

### **2. Overview of basic economic and financial data disclosed in the annual financial report and presentation of development prospects of the Issuer in 2021**

In 2020 the Company achieved revenues from basic activity i. e. sale of engineering services and construction services in the amount of PLN188.2 million. They are PLN 129.7 million lower than those achieved in 2020. The largest increase took place in the segment of implementation services, where sales revenue were 45% lower than those in the previous year. It also had significant impact on the effects of the operating activity in 2021, which closed with a profit in the amount of PLN 2.9 million.

The company has acquired and is implementing several large, long-term design contracts, which in 2022 will significantly increase revenues in this segment of services. A threat to the development of the Company's operations may, however, be a possible decline in new inquiries to the Issuer, resulting from a potential crisis caused by the coronavirus pandemic and the effects of the ongoing war in Ukraine.

### **3. Description of significant risk factors and threats to the Issuer's activity**

Company Prochem S.A. during its activity is exposed to the following types of risks and threats:

#### **3.1 Economic fluctuations in the investment market**

The company provides services on the investment market, characterized by a large scale of fluctuations in demand, strongly related to the general macroeconomic situation of the country, which is currently strongly influenced by the coronavirus pandemic and the situation related to the consequences of the war in Ukraine. Methods used by the Company to limit the negative impact of these factors on financial results (accumulation of financial reserves, diversification of services provided, using appropriate IT tools and solutions), may not fully neutralize this risk.

#### **3.2 Possibility of threats occurrence during the performance of contracts**

Types of activity conducted by PROCHEM S.A., in particular, the preparation and management of technically complex investment projects, often implemented on the basis of contracts concluded

under conditions of a strong price competition, cause that there is a constant risk of the technical and financial problems occurrence in this scope.

### **3.3 Dependence on the staff**

Raising the quality of services provided, undertaking the implementation of complicated production technology projects, the use of modern IT systems, and the work for the renowned clients require from the staff the highest professional qualifications. Acquiring such people, especially in the situation of the liberalization of the European labor market can be difficult. The Company is trying to minimize such treat by raising qualifications of the staff employed and using incentive programs associating employees with the company.

### **3.4 Exchange rate risk**

Part of contracts for the sale of services is concluded with foreign companies in foreign currencies (EUR, US\$). In the event of a significant fluctuation in the exchange rate of the national currency, this may have a significant impact on the Company's results. This risk is partially mitigated in a natural way i. e. through the purchase of equipment and services necessary for the execution of these contracts abroad, as well as acquisition of appropriate financial instruments.

### **3.5 Risk of dependence on significant service buyers**

The execution of contracts for implementation with a significant value by the Company requires significant expenditures to be incurred on the purchase of services and equipment, which are then sold to the customer in the form of a ready facility. Lack of proper correlation between the expenditure incurred and proceeds from the execution of a contract with a customer may involve necessity of the use of external financing by the Company, and in special circumstances, may cause for the Issuer even temporary loss of a financial liquidity. Such risk is largely hedged by appropriate provisions in the contract with the client, under which the client is obliged to successively return the expenses incurred during the execution of the order.

## **4 Statement of application of principles of corporate governance in the Company Prochem S.A. in 2021**

In connection with the entry into force on 1 January 2016 of "Good practices of companies listed on the WSE 2016" introduced by the resolution of the Warsaw Stock Exchange Council of October 13, 2015 (hereinafter referred to as DPS 2016), the Management Board of Prochem S.A. informs that has introduced for application DPS 2016 from January 1, 2016, except for the principle

#### **I.Z.1.20. Record of the proceedings of the general assembly, in form of audio or video**

Principle is not applied.

**Company commentary:** The structure of the Company's shareholding does not justify the generally available broadcast from the proceedings of General Meeting. The Company also does not record the proceedings of the General Assembly in the form of audio or video. As a result, the Company does not have at its disposal the recordings that could be made available.

In connection with the principle I.Z.1.15 Good Practices for WSE Listed Companies GPW 2016, the Company declares that does not apply diversity policy. The basic criterion for making decisions about the selection of persons for the Company's managing bodies and when appointing key managers are the competencies of the candidates.

The full text of the corporate governance principles to which the Company is subject, together with a list of principles which the Company does not apply and a commentary in this regard is available on the website of Prochem S.A. – [www.prochem.com.pl](http://www.prochem.com.pl).

## **5 Description of the Issuer's internal control system**

Internal control is one of the functions of the ongoing management of the Company. Such control is being exercised directly by the Management Boards of the companies, directors, proxies and other employees and other employees employed in managerial positions or entrusted with such a function. PROCHEM S.A. has a comprehensive system of internal control, with the aim of to ensure timely and accurate disclosure of facts concerning all material elements of the company's operations. That contributes to obtain a complete knowledge of the financial position, results of operations, the Company's property and management efficiency. The scope of control includes above all:

- business activities of the company, basic and auxiliary,
- financial reporting and accounting settlements,
- compliance with the company's activity with the applicable laws, and with internal regulations,
- employment and wages.

Institutional internal control analyses the accomplished undertakings and documentation related to it. The main task of it is to carry out comprehensive checks in respect of the most important issues for the Company and collecting and elaboration of the information on the activities of the organizational units of the Company, selected economic problems and other issues that in the given period were regarded as the most relevant by the Management Board of the Company. Apart from the institutional internal control, there is also the so-called functional control in the Company which is exercised by managers of various ranks. Managers perform the supervision over the employees subject to them, consisting in the checking of the state of accomplishment of tasks set.

Institutional internal control is exercised in PROCHEM S.A. mainly by services from financial and accounting departments, and also by the employees of the legal and organizational department. Part of the tasks of the internal control is carried out by teams and commissions appointed for this purpose.

Control activities are carried out in all phases of activity in the form of the preliminary control, current and next. Financial and accounting documents are subject to substantive, formal and accounting control. Information on formal and substantive correctness and calculation correctness bears signature in an identifiable manner (full name and surname), or bears the personal stamp of the authorized person and the date of approval of the document.

The internal control system which is functioning in PROCHEM S.A. ensures completeness of the recognizing of the economic operations, and the proper qualification of source documents as well the correct valuation of the resources had at disposal at particular stages of the registration, and thus ensures the correctness of preparation of the financial statements and enables the Management Board to carry out the Company's activities based on a verified and complete information.

## **6 Description of the risk management system in the Issuer's enterprise**

In the activity of PROCHEM S.A. the following risks exist:

- risk of economic fluctuations in the investment market,
- risk of threats occurrence during execution of the contracts,
- risk of losing key employees,
- currency risk,
- risk of dependence on significant buyers of services,
- risk of payment unreliability,
- **Risk management in particular areas consists in:**
  - monitoring of the phenomena generating the risk,
  - undertaking the activities aiming at the reducing the level of a risk.

In the scope of individual risks, the following activities are used to mitigate their potentially negative effects:

The risk of economic fluctuations in the investment market:

- monitoring of the macroeconomic situation and in the selected industries
- scope diversification (development of the activities being alike to engineering services such as maintenance, developer's activity)

- field diversification (development of exports)
- accumulation of the financial reserves.

#### The risk of threats occurrence at execution of the contracts

- realistic price calculation when concluding contracts,
- monitoring the progress in execution of contracts, and disclosure of threats on the basis of the “Control of Service Costs” procedure introduced by Cost Control Team,
- selection of reliable subcontractors,
- contract clauses restricting the maximum amount of contractual penalties

#### The risk of loss of key employees

- monitoring of the level of employment, remuneration and staff fluctuation
- monitoring of the labor market and of the level of the remuneration in the market
- maintaining the training system and raising qualifications
- incentive programs for key employees
- active recruitment system – cooperation within the environment and maintaining of relations with Universities

#### The foreign currency risk::

- monitoring and forecasting of currency exchange rates
- forward type currency transactions
- purchase of equipment and services in the currency of the contract
- maintaining a high level of domestic sales

#### The risk of dependence on significant buyers of services

- monitoring of the the execution of contracts with the significant buyers of services
- contractual provisions containing the cushioning elements
- maintaining of the partner relations with recurring customers

#### The risk of payment unreliability

- monitoring the financial standing of key clients before and during the execution of contracts
- the use of specialized recovery procedures

Note No. 34 of the Separate Financial Statements for 2021 includes a description of financial instruments in the scope of:

- risks: changes in prices, credit risk, significant disruption in cash flows and loss of financial liquidity to which the entity is exposed;
- financial risk management objectives and methods adopted by the entity, including methods of securing significant types of planned transactions for which hedge accounting is applied.

## **7 Information on shareholders holding large blocks of shares of the Issuer**

According to the knowledge of the Company as at the date of hereby report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	975 250	975 250	33.21	33.21
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900	284 900	9.70	9.71

Company's share capital amounts to PLN 2,935,000 and is divided into 2,935,000 shares with a nominal value of PLN 1.

Acting pursuant to resolutions No. 20 and 21 of the Ordinary General Meeting of June 24, 2021, the Management Board of Prochem S.A. on August 5, 2021, announced an invitation to submit sales offers for shares in Prochem S.A. The subject of this announcement was the purchase by the Company of no more than 580,000 shares of Prochem S.A. with a nominal value of PLN 1 each, issued by the company, dematerialized and registered by the National Depository for Securities S.A. in Warsaw ("KDPW") at the price of PLN 26 per share. The purchase of the Company's shares was settled on August 25, 2021. The Company purchased 580,000 own shares for redemption.

After the settlement of the purchase of shares, 2,355,000 shares are in trade, the total number of votes from these shares is 2 356 160.

There are no securities that would give special control rights in relation to the Issuer.

There are no restrictions on the transfer of ownership of the Issuer's securities.

## **8 Principles governing the appointment and dismissal of the Management Board members and their powers**

Persons serving in the Issuer's Management Board are appointed by its Supervisory Board. The term of office of the Issuer's Management Board lasts three years. Powers of the managing persons are defined by the Statute of Prochem S.A. and they do not go beyond the framework set by the Commercial Companies Code. In particular, the right to decide on the issue or redemption of shares has only a General Meeting of Shareholders.

**9 Description of the rules for amending the statute or articles of association of the Issuer.**

The rules of amendment the statute or the articles of association of the Issuer are determined in accordance with the provisions of the Code of Commercial Companies.

**10 Procedure of the General Meeting of Shareholders of Prochem S.A.**

Procedure of the General Meeting of Shareholders of Prochem S.A. and its basic powers, and descriptions of the rights of shareholders and the way of their exercising are contained in the Statutes of Prochem S.A. and in the Bylaw of the General Meeting of Prochem S.A. Above mentioned documents are available on the website of Prochem S.A. [www.prochem.com.pl](http://www.prochem.com.pl).

**11 The composition and the changes that occurred during the last fiscal year, and a description of the activities of the Management Board, Supervisory Board or administrative authorities of the Issuer and of their committees.**

In the period from January 1, 2021 to December 31, 2021 there was a change in the position of the President of the Management Board of the Company. Mr. Jarosław Stępniewski resigned from membership in the Company's Management Board as of June 23, 2021.

On May 26, 2021 the Supervisory Board appointed the Management Board for the next term of office composed of:

- Marek Kiersznicki - President of the Management Board
- Krzysztof Marczak - Vice President of the Management Board
- Michał Dąbrowski - Member of the Management Board

The three-year joint term of the company's management board began on June 25, 2021.

As at the date of preparation hereby separate financial statements, the Supervisory Board comprises of the following persons:

- Marek Garliński
- Andrzej Karczykowski
- Jarosław Stępniewski
- Wiesław Kiepiel
- Karol Żbikowski

In the period from January 1st, 2021 to December 31, 2021 there was a change in the composition of the Company's Supervisory Board. Mr. Krzysztof Obłój resigned from membership in the



Supervisory Board as of June 23, 2021. General Meeting of Shareholders of Prochem S.A. on June 24, 2021, appointed Mr. Jarosław Stępniewski as a Member of the Supervisory Board

Description of the operation of the Management Board is contained in the Bylaw of the Management Board, and description of the operation of the Supervisory Board in the Bylaw of the Supervisory Board. These documents are available on the website of the Issuer [www.prochem.com.pl](http://www.prochem.com.pl).

On August 25, 2020 the Issuer's Supervisory Board appointed an audit committee composed of:

Karol Żbikowski - Chairman of the Audit Committee

Marek Garliński - Member of the Audit Committee

Wiesław Kiepiel - Member of the Audit Committee

Mr. Karol Żbikowski oraz Mr. Wiesław Kiepiel meet the statutory independence criteria and, due to their education and professional experience, have the necessary knowledge and skills in accounting. Mr. Marek Garliński due to his education and professional experience (Mr. Garlinski performed the function of the President of the Management Board of Prochem S.A. for 11 years) has the necessary knowledge and skills in the industry in which the Issuer operates.

Company Misters Audytor Adviser sp. z o.o. in addition to auditing financial statements, it also provides evaluation service on the report on remuneration.

**Main assumptions of the audit company's selection policy for the audit and audit policy of the audit company conducting the audit, by entities related to this audit company and by a member of the network of audit firms of permitted non-audit services:**

1. According to § 22 section 2 item 9 of the Statutes of the Company, the audit company is selected to audit financial statements by the Supervisory Board.
2. The Supervisory Board, when setting the policy of selecting an audit company, is primarily aimed at the high quality of financial information, which is addressed to the Company's stakeholders.

While accomplishing above objective, the Supervisory Board and the Audit Committee which was selected from its composition perform the tasks of supervising the accounting system, internal control and risk management as well as selecting an audit company and monitoring the financial audit process.

3. The audit company is selected for a period not shorter than 2 years and not longer than 5 years. The decision on such the period selected is taken by the Supervisory Board.

4. When submitting the offer, the auditing companies are bound to meet the following formal requirements:
  - a. Documentary evidence for an entry in the list of audit companies kept by the National Council of Statutory Auditors as well as in the list of audit companies carrying out statutory audits in the public interest entities in the previous year together with the information referred to in Art. 16 section 3 letter a) of Regulation No. 537/2014.
  - b. Documentary evidence of having a third party liability insurance.
  - c. Submission of a statement on having an internal quality control system with the commitment to develop and made available by the Offering side of a policy of quality control of the order execution in case of selecting a company to audit financial statements of Prochem S.A.
  - d. Submission of a statement of no obstacles in carrying out the audit of financial statements of Prochem S.A. which were marked in Art. 69 sections 7 and 9 of the Act of May 11, 2017 on statutory auditors, audit companies and public supervision (hereinafter: the Act), in the event when this company is selected.
  - e. Submission of the Offering side independence statement, under pain of of criminal responsibility for a false statement.
  - f. Submission of the statement whether the Offering side was punished for violation of the provisions of the Act or Regulation No. 537/2014
5. The evaluation of offers submitted by audit companies is based on the following criteria:
  - a. The amount of remuneration for auditing financial statements of the Company PROCHEM S.A. and its subsidiaries.
  - b. The number of statutory auditors employed by the audit company and their professional qualifications, and in particular, is the qualifications of statutory auditor who will perform the function of a key statutory auditor.
  - c. Experience in auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange S.A.
  - d. Industry specialization.
  - e. The description of the audit methodology presented by the company,
  - f. The schedule of audits carried out by the auditing company.
6. The Audit Committee may set additional selection criteria.

The recommendation to select an audit company to conduct the audit has met the applicable conditions and was prepared following the selection procedure organized by the Issuer that met the applicable criteria.

In 2021 the Audit Committee held four meetings.

## 12 Proceedings pending before the court, competent authority for arbitration or public administration body

PROCHEM S.A. is not a party to any proceedings before the court, competent authority for arbitration or public administration body, which value constitutes at least 10% of its equity.

PROCHEM S.A. is also not a party to two or more any proceedings before the court, competent authority for arbitration or public administration body, which total value constitutes at least 10% of its equity.

## 13 Information on basic products and services of the Issuer

PROCHEM S.A. is an engineering company, which activity includes: designing, general contracting, project management and technical consulting. The company specializes mainly in customer service in the following segments: industrial building, environmental protection facilities, public facilities buildings and infrastructure projects. Revenues from sale of these services in 2021 constituted 96.9% of total Company's revenues, and their value is by 40.8% lower than those achieved in the previous year.

Breakdown of revenues by separate types of activity and their structure is shown below:

(Revenues in PLN thousands)

Description	Revenues in PLN thousands		% + increase - decrease	Revenue structure %	
	2021	2020		2021	2020
1. Sale of services	188,202	317,905	- 40.8%	96.9	98.6
2. Sale of goods	1,649	2,870	- 42.5%	0.9	0.9
3. Revenues from other operating activity	1,600	962	66.3%	0.8	0.3
4. Revenues from financial activity	2,803	819	242.3%	1.4	0.2
<b>Total</b>	194,254	322,556	- 39.8%	100.0	100.0

As shown in the table below, in 2021, revenues from design and engineering services were at the previous year's level, and revenues from general contracting decreased by PLN 129.4 million. Other services includes mainly revenues from rental of scaffolding and building shuttering.

#### 14. Breakdown into markets of sale of services in 2021

Description	Total revenues from sale of services		+ increase - decrease 2021/2020
	2021	2020	
1. Design and engineering services	27,847	27,957	- 0.4%
2. Contracting services	158,352	287,758	- 45.0%
3. Other services	2.003	2.190	- 8,5%
<b>TOTAL</b>	<b>188.202</b>	<b>317.905</b>	<b>- 40,8%</b>

#### 14 Podział na rynki zbytu sprzedaży usług w 2021 r.:

The share of exports in the sale of services amounted to 0% in 2021.

The recipient of the Company's services, whose share in sales revenues in 2021 exceeded 10%, was Anwil S.A. - 68.9% share in revenues from sales of services. There are no other formal ties with this entity, apart from trade agreements.

#### 15 Information on agreements concluded significant for the Issuer's activity

As of today, the main revenues of the Issuer, anticipated in 2022, will be obtained as a result of the implementation of contracts for the provision of execution services for Anwil S.A. and design services for Hyundai, PCC and Posco Engineering & Construction.

The Company is not aware of any agreements concluded between the shareholders of Prochem S.A. that would be significant for its economic activity.

#### 16 Information on the Issuer's organizational or capital connections and its major investments

Company Prochem S.A. is the Parent Entity in the Capital Group. It has no branches or factories.

Prochem S.A. Capital Group includes among others companies:

##### Subsidiaries:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);

- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% share in capital and profit, 72.3% share in votes);
- Prochem Zachód Sp. z o.o. seated in Słubice - subsidiary directly (80.0%)
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contain data of the subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (50.1% of share belongs directly to Prochem Inwestycje Sp. z o.o. subsidiary in 100%%);
- Prochem RPI Sp. z o.o. seated in Warsaw - subsidiary directly and indirectly in 100%;

Subsidiary directly and indirectly in:

- IRYDION Sp. z o.o. seated in Warsaw – 50.0% share in voting rights and share capital
- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% share of voting rights and capitals belongs directly to Prochem S.A. and and 23.3% holds Prochem RPI Sp. z o.o. subsidiary (in 100%))

## 17 Related party transactions

In 2021 no significant transactions were concluded between companies from the Issuer's Capital Group on terms other than market terms.

## 18 Information on loans and borrowings

The issuer does not have any loans contracted.

## 19 Information on loans granted

- Loans granted to jointly-controlled company Irydion Sp. z o.o. seated in Warsaw:
  - in the amount of PLN 11 000 thousand, including: amount of the loan PLN 11 000 thousand. The interest rate is set annually according to WIBOR 3M rate on the first business day of each calendar quarter increased by a margin of 2.3%, repayment date of the loan with interest was set on September 22, 2031;
  - in the amount of PLN 6 000 thousand, including: amount of the loan PLN 6 000 thousand. The interest rate is set annually at 3% per year, repayment date of the loan with interest was set on September 22, 2031;

- loan granted to subsidiary Prochem Inwestycje Sp. z o.o.:
  - in the amount of PLN 5 628 thousand, including: amount of the loan 5 000 thousand, interest in the amount of PLN 628 thousand. interest is set annually according to the WIBOR 3M rate applicable on the first day of each calendar quarter, increased by a margin of 2.3%. Repayment date of the loan with interest was set on December 31, 2023.

***Increase:***

- Accrued interest on loans granted to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 457 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o.o.– PLN 885 thousand,

***Decrease:***

- repayment of loans by subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 11 500 thousand.
- Repayment of interest on loans by subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 1 408 thousand.
- Repayment of interest on loans by jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 540 thousand.

**20 Information on guarantees and sureties granted and received**

The value of guarantees and sureties granted related to the Issuer's operating activity amounts to PLN 38,760 thousand, including :

- a) bank guarantees of good performance of services – PLN 26,940 thousand;
- b) tender guarantees – PLN 25 thousand;
- c) guarantee of return of advance payment – PLN 3,363 thousand;
- d) rent payment guarantee – PLN 1,058 thousand;
- e) surety for the return of an advance payment from a company from the Prochem Capital Group – PLN 7,374 thousand

The total amount of contingent receivables under guarantees of good performance and statutory warranty received as at December 31, 2021 is PLN 20,969 thousand.

In 2021 the Issuer did not grant sureties and guarantees to related entities.

## **21 Description of the use of the proceeds from the issue**

In 2021 the Company did not issue any securities.

## **22 Explanation of differences between the achieved financial result and forecasts**

In 2021 the Company did not publish forecast of financial results.

## **23 Assessment of the management of financial resources**

In 2021 any disruptions of financial liquidity in Prochem S.A. did not occur. Both the state of owned financial resources and available credit lines allow for timely fulfillment of incurred obligations.

## **24 Assessment of the feasibility of investment plans**

Since 2013 the jointly-controlled company Irydion carried out the construction and commercialization of the office and service building in Warsaw under the name of Astrum Business Park. The sale process of the office building is expected to be completed in 2022.

## **25 Assessment of factors and unusual events affecting the financial results achieved**

A significant impact on the financial results achieved in 2021 had revenues achieved from orders executed by Prochem for the companies Bioagra and Anwil. This resulted in full use of the Company's potential, and thus maintaining the profitability of its basic activity.

## **26 Characteristics of external and internal factors important for the development of the Issuer's enterprise in 2022**

Macroeconomic surrounding will have the significant effect on the activities of Prochem S.A. in 2022, in particular, the condition of the Polish economy which in material way influences the undertaking of decisions on the starting of the new investment objectives by potential clients of Prochem S.A. (in particular by industrial companies).

The company's portfolio of orders allows to assume that the financial results in 2022 will continue to improve.

The entity's company has not experienced any noticeable impact of the ongoing coronavirus pandemic on the entity's sales or supply chain. Currently realized orders are not endangered and should be completed in accordance with signed contracts.

The war in Ukraine, which started in February 2022, increased the prices of goods and services, and extended delivery times for equipment and materials. There are also restrictions on the availability of

certain goods. Therefore, there may be some problems with the implementation of implementation contracts. However, due to the fact that the vast majority of orders held by the Issuer concern design services, no significant impact of this situation on the Company's operations is expected.

Management Board of Prochem S.A. monitors the current situation with particular attention and, if necessary, is prepared to take appropriate actions to adapt its potential to the new conditions in order to mitigate any negative effects on the entity.

## **27 Changes in the basic principles of management of the Issuer and of its Capital Group**

In 2021 there were no significant changes affecting the principles of management of the Issuer and of its Capital Group.

## **28 Description of the agreements concluded between the Issuer and managing persons providing for compensation**

Contracts of employment concluded by the Issuer with the managing persons provide for compensation in the amount of remuneration for six months in case of dismissing from office of a member of the Management Board, except when the dismissal resulted from reasons attributable to the managing person's obvious fault.

## **29 Value of remuneration for the Issuer's managing persons and supervising persons**

The remuneration paid in 2021 in the Issuer's enterprise to the members of the Management Board and the Supervisory Board was presented in the explanatory notes to the separate financial statements for 2021.

## **30 The total number of shares of the Issuer and related entities held by the persons managing and supervising the Issuer**

As at the date of the financial statements the following members of the Company's Management Board and the Supervisory Board held shares in Prochem S. A.;

- Marek Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak – 30,268 pcs.;
- Marek Garliński – 49,929 pcs.;
- Andrzej Karczykowski – 111,692 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;

The nominal value of 1 share is PLN 1.

Managing persons and supervising persons do not hold any shares in related entities.



### **31 Information on contracts that may result in changes in the proportions of shares held by existing shareholders**

The company is not aware of any agreements that may result in changes in the proportions of shares held by existing shareholders.

### **32 Information on the system of controlling employee share programs**

There is no employee share program in the company.

### **33 Information on the agreement with the entity authorized to audit the Issuer's financial statements**

Based on the resolution of the Supervisory Board of Prochem S.A. of May 20, 2020 on the selection of the auditor, on June 9, 2020, an agreement was concluded with the entity authorized to audit financial statements, Misters Audytor Adviser sp.z o.o. for the audit and review of separate and consolidated statements of Prochem S.A. The agreement was concluded for the audit of reports for 2020, 2021 and 2022. The total amount of remuneration of Misters Audytor Adviser sp.z o.o. resulting from the contract is PLN 30,400 net for the review of financial statements for 2021 and PLN 45,900 for the audit of financial statements for 2021.

Additionally, due to the evaluation of the report on remuneration for 2021, Misters Audytor Adviser sp.z o.o. will receive a remuneration of PLN 7,800 net.

On account of the audit and review of financial statements for 2020, Misters Audytor Adviser sp.z o.o. received a remuneration of PLN 70,700 net.

Additionally, due to the evaluation of the report on remuneration for 2020, Misters Audytor Adviser sp.z o.o. received a remuneration of PLN 7,800 net.

Michał Dąbrowski

Krzysztof Marczak

Marek Kiersznicki

Member  
of the Management Board

Vice President  
of the Management Board

President  
of the Management Board