

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM S. A.
ON THE EXERCISING OF SUPERVISION OVER THE COMPANY'S ACTIVITIES
FOR THE FINANCIAL YEAR 2020**

IN 2020 the Supervisory Board of PROCHEM S. A. of the XIth term of office has been working in the following composition:

- from the date of holding the Ordinary General Meeting on August 25, 2020 :

1. Marek Garliński - Chairman of the Supervisory Board
2. Karol Żbikowski - Vice Chairman of the Supervisory Board
3. Andrzej Karczykowski
4. Wiesław Kiepiel
5. Krzysztof Obłój

- from 1 January 2020 to August 25, 2020 the Supervisory Board of the Xth term of office operated in the following composition: h

1. Marek Garliński - Chairman of the Supervisory Board
2. Karol Żbikowski - Vice Chairman of the Supervisory Board
3. Andrzej Karczykowski
4. Krzysztof Obłój
5. Marcin Pędziński

On June 12, 2018, the Supervisory Board appointed the Management Board of the Company for a 3-year term of office. In 2020, the composition of the Management Board of the Company was unchanged.

The Supervisory Board has supervised the Company's activity in the whole range of the enterprise's operations in accordance with Article 382 of the Code of Commercial Companies, the Statute of the Company PROCHEM S.A. and the Bylaws of the Supervisory Board.

In 2020 the Supervisory Board held 6 meetings. At the meetings of the Supervisory Board were mainly discussed economic and financial and strategic issues for PROCHEM S.A. and the PROCHEM S.A., Capital Group, current and expected state of contracting, as well as other matters material for the Company's operations.

The Supervisory Board of the Xth term of office at the first meeting on July 7, 2017 appointed the Audit Committee in the following composition:

1. Karol Żbikowski - Chairman of the Committee
2. Marek Garliński
3. Marcin Pędziński

The Audit Committee in the above composition operated until August 25, 2020.

The Supervisory Board of the XIth term of office at the first meeting on August 25, 2020 appointed a new Audit Committee composed of :

1. Karol Żbikowski - Chairman of the Committee
2. Marek Garliński
3. Wiesław Kiepiel

In the scope of economic and financial matters:

- the financial situation of the Company and the PROCHEM S.A. Capital Group was assessed on an ongoing basis,
- the economic results of the Company's and the Capital Group's operations in the subsequent quarters of 2020 were analyzed in detail,
- on the basis detailed materials prepared by the Company's Management Board were examined systematically: Company's results and balance sheet, Company's receivables and liabilities, cash flow analysis, ratio analysis (profitability ratios, financial liquidity ratio, solvency ratio and capital ratios), analysis of cost of sales, and of state in the scope of contracting and the degree of the implementation of the plan,
- assumptions for the financial and economic plan for the financial year 2021 were discussed,
- the efficiency of operations of the companies included in the PROCHEM S.A. Capital Group was analyzed
- the strategy and possible directions of the company's development were discussed,

- opinions were given on the draft remuneration policy for members of the management board and supervisory board, and which then was adopted by the General Meeting of Shareholders,
- the transfer pricing policy presented by the Management Board was discussed.

As regards the implementation of the main projects carried out by the Company:

- the progress in the lease of the ASTRUM Business Park office building in Warsaw was analyzed and assessed,
- an analysis and evaluation of the dynamics of risks related to the activities of PROCHEM S.A. and the companies of the Capital Group were carried out.

The Audit Committee

On May 20, 2020, the Supervisory Board selected an audit company to audit the financial statements and the Management Board report on the Company's activities for 2020, 2021 and 2022 as well as the consolidated financial statements and the report on the activities of the Capital Group for 2020, 2021 and 2022, in accordance with the applicable in the company policy and the procedure for selecting an audit firm to conduct the audit. On the basis of the Audit Committee's recommendation, the Supervisory Board entrusted the above-mentioned audits for the next three years to the current auditor - the company Mistery Audytor Adviser sp. z o.o.

The report on the activities of the Audit Committee in 2020 is an attachment to the Report of the Supervisory Board.

Conclusion

Acting pursuant to the provisions of Art. 382 § 3 of the Commercial Companies Code and the Company's Statute, the Supervisory Board has analyzed and assessed the documents listed below in terms of their compliance with the books and documents, as well as with the actual state of affairs:

- separate financial statements of PROCHEM S.A. for the financial year 2020 along with the opinion and report of the independent auditor,

- consolidated financial statements of the PROCHEM S.A. Capital Group for the financial year 2020, together with the opinion and report of an independent statutory auditor,
- Management Board report on the business activity of PROCHEM S.A. and the PROCHEM S.A. Capital Group for the financial year 2020,
- the Management Board's motion regarding the distribution of the net profit for 2020.
- Audit Committee report.

Above financial statements for 2020 were audited by Misters Audytor Adviser Sp. z o. o. based in Warsaw. Reports from this study and expert opinions, constituting their synthesis, were the basic analytical material subject to the Supervisory Board's assessment.

Therefore, taking into account the findings and assessments contained in the above-mentioned source materials as competent and comprehensive, the Supervisory Board concluded that the financial statements for 2020 in all material respects were prepared in accordance with the applicable legal regulations, accounting principles and standards, as well as with the facts disclosed in books. The Supervisory Board recommends to the General Meeting of Shareholders to approve the financial statements of PROCHEM S.A. for the financial year 2020 and the consolidated financial statements of the PROCHEM S.A. Capital Group. for the same period.

The Supervisory Board also analyzed the Management Board's report on economic activities conducted in 2020. The Supervisory Board stated that this report fairly presents the undertaken economic activities, and also allows for the assessment of the financial and property condition of the Company.

At the same time, the Supervisory Board recommends to the General Meeting to adopt a resolution on allocating the profit for 2020 to supplementary capital.

The Supervisory Board recommends granting a discharge for 2020 to all members of the Management Board.

Information required by the Best Practices of WSE Listed Companies 2016, effective from January 1, 2016.

Assesment of meeting the independency criteria by Members of the Supervisory Board (II.Z.6)

Members of the Supervisory Board of the XIth terms of office: Karol Żbikowski and Wiesław Kiepiel made statements on meeting the independence criteria, in accordance with the obligation specified in rule II.Z.5 of the Best Practices of WSE Listed Companies 2016. Krzysztof Obłój declared that he is a member of the Supervisory Board of Prochem S.A. for more than 3 terms of office, however, taking into account the current manner of performing the duties of a Supervisory Board member, in particular obligations described in item 2 of Annex II to the Recommendation of the European Commission of February 15, 2005/162 / WE, as a member of the Supervisory Board, Mr. Obłój remains independent in relation to Prochem S.A. Members of the Supervisory Board Andrzej Karczykowski and Marek Garliński stated that they do not meet the independence criteria. Upon analyzing the statements and circumstances indicated in them, the Supervisory Board accepted that Members of the Supervisory Board, Karol Żbikowski and Wiesław Kiepiel, meet the criteria of independence in relation to the company Prochem S.A., which meets item II.Z.3 of the Best Practices of WSE Listed Companies 2016. The Supervisory Board actively fulfilled its duties and monitored the situation of the Company on an ongoing basis, taking appropriate actions.

Member of the Supervisory Board of the Xth term of office, Marcin Pędziński, submitted a statement on meeting the independence criteria, in accordance with the obligation set out in rule II.Z.5 of Best Practices of WSE Listed Companies 2016.

Assessment of the way of fulfilment of the Company's disclosure obligations regarding the application of the principles of corporate governance set out in the Rules of the Stock Exchange and in regulations concerning current and periodic information provided by issuers of securities (II.Z.10.3)

The Supervisory Board accepted information presented by the Management Board concerning the application of Best Practices of WSE Listed Companies 2016 by the Company in 2020 with special regard to the explanations related to recommendations and principles, which are not applied by the Company, as well as ones which do not relate to the Company.

The company properly and in compliance with applicable regulations submits current and periodic information. The Supervisory Board assesses that the Company correctly fulfilled its disclosure obligations.

Sponsoring activity, charity or other of a similar nature (II.Z.10.4)

Pursuant to the stipulations of the principle II.Z.10.4 of Best Practices of WSE Listed Companies 2016, the Supervisory Board informs that the Company does not have policy on sponsorship activity, charitable, or any other with similar nature.

Signatures of the Members of the Supervisory Board*:

1. Marek Garliński _____
2. Karol Żbikowski _____
3. Andrzej Karczykowski _____
4. Wiesław Kiepiel _____
5. Krzysztof Oblój _____

**(appropriate signatures on the original document)*