

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM S. A.
ON THE EXERCISING OF SUPERVISION OVER THE COMPANY'S ACTIVITIES
FOR THE FINANCIAL YEAR 2021**

In 2021 the Supervisory Board of PROCHEM S.A. of the XIth term of office has been working in the following composition:

- since holding the AGM on June 24, 2021 :

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

- from January 1, 2021 to June 23, 2021, the Supervisory Board of the 11th term of office worked in the following composition:

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

Independent members of the Supervisory Board of PROCHEM S.A. are Karol Żbikowski and Wiesław Kiepiel.

On May 26, 2021, the Supervisory Board appointed the Management Board of the Company for a joint 3-year term of office starting on June 25, 2021, composed of:

1. Marek Kiersznicki - President of the Management Board
2. Krzysztof Marczak - Vice President of the Management Board
3. Michał Dąbrowski - Member of the Management Board

Until June 24, 2021, the Management Board of the Company worked in the following composition:

1. Jarosław Stępniewski - President of the Management Board
2. Marek Kiersznicki - Vice President of the Management Board
3. Krzysztof Marczak - Vice President of the Management Board

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 2021 the Supervisory Board held 5 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 XIth term of office at the first meeting on September 25, 2020:

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

In 2021, the composition of the Audit Committee remained unchanged.

Independent members of the Audit Committee are Karol Żbikowski and 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 2021 were analyzed in details,
- 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 2022 were discussed,

- the efficiency of operations of the companies from the PROCHEM S.A. Capital Group was analyzed,
- the strategy and possible directions of the company's development were discussed,
- an annual report on remuneration of members of the management board and supervisory board was prepared, which was attested by a certified auditor,
- in accordance with the adopted procedure, periodic assessment of material transactions carried out by the Company with related entities under market conditions has been performed as part of the ordinary course of business,
- opinions were given on the conditions for the purchase of the company's shares for redemption proposed by the Management Board in the draft resolution of the General Meeting of Shareholders of PROCHEM S.A. in 2021.

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

- the progress in the lease process of the ASTRUM Business Park office building in Warsaw was analyzed and assessed as well as the progress in the sale process,
- an analysis and evaluation of the dynamics of risks related to the activities of Prochem SA 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 Misterys Audytor Adviser sp. z o.o.

The report on the activities of the Audit Committee in 2021 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 2021 along with the opinion and report of the independent auditor,
- consolidated financial statements of the PROCHEM S.A. Capital Group for the financial year 2021, together with the opinion and report of an independent statutory auditor,
- Management Board reports on the business activity of PROCHEM S.A. and PROCHEM S.A. Capital Group for the financial year 2021,
- the Management Board's motion regarding the distribution of the net profit for 2021.
- Audit Committee report.

Above financial statements for 2021 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 2021 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 2021 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 2021. 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 2021 to supplementary capital.

The Supervisory Board recommends granting a discharge for 2021 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 **XI**th 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 (member of the Supervisory Board until June 23, 2021) 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.

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 2021 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.

Remark:

Information on the scope of application of the Best Practices of WSE Listed Companies contained in this report was presented in accordance with DPSN 2016. From July 1, 2021, the DPSN 2021 was introduced by the WSE. On July 30, 2021, the company announced information on the status of the company's application of the principles contained in the Code of Best Practice for WSE Listed Companies 2021. On August 31, 2021, above information was discussed by the Management Board during the meeting of the Supervisory Board, and the Supervisory Board acknowledged the information without comments.

Signatures of the Members of the Supervisory Board:

1. Marek Garliński _____

2. Karol Żbikowski _____

3. Andrzej Karczykowski _____

4. Wiesław Kiepiel _____

5. Jarosław Stępniewski _____