

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A.  
ON THE SUPERVISION OF THE COMPANY'S ACTIVITIES FOR THE FINANCIAL  
YEAR 2022**

The Supervisory Board of the 11th term of office was appointed by the Resolution of the General Meeting of Shareholders of PROCHEM S.A. for a new 3-year term on August 25, 2020.

In 2022, the composition of the Supervisory Board of PROCHEM S.A. of the 11th term of office has remained unchanged since June 25, 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

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 Company's Management Board 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 acted 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 exercised supervision over the Company's activities in all areas of the company's activity in accordance with Art. 382 of the Code of Commercial Companies, with the Statutes of PROCHEM S.A. and with the Bylaws of the Supervisory Board.

In 2022, the Supervisory Board held 5 meetings. At the meetings of the Supervisory Board, mainly economic and financial matters as well as strategic matters for PROCHEM S.A. and the PROCHEM S.A. Capital Group were discussed, the current and expected status of contracting, as well as other matters important for the functioning of the Company.

The Supervisory Board of the 11th term of office, at its first meeting on August 25, 2020, appointed an Audit Committee composed of:

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

In 2022, the Audit Committee acted in the same composition.

Independent members of the Audit Committee are Karol Żbikowski and Wiesław Kiepiel.

**In the range of economic and financial matters:**

- the financial position 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 2022 were analyzed in detail,
- based on detailed materials prepared by the Company's Management Board, were systematically examined profit and loss account and balance sheet, the Company's receivables and liabilities, financial flow analysis, ratio analysis (profitability, financial liquidity, solvency and capital ratios), cost of sales analysis, and also situation was analyzed in terms of the state of contracting and the degree of implementation of the plan,
- the assumptions for the financial and economic plan for the financial year 2023 were discussed,
- the effectiveness of the companies belonging to the PROCHEM S.A. Capital Group was analyzed,

- floating market conditions related to inflation, the rising cost of money and the war in Ukraine were discussed, assessing their impact on the Company's situation,
- an annual report on the remuneration of members of the management board and the supervisory board was prepared, which had to be certified by a statutory auditor,
- in accordance with the adopted procedure, a periodic assessment of significant transactions carried out by the Company with related entities on market conditions as part of ordinary business was performed,
- the conditions for the buyback of the company's shares for redemption, proposed by the Management Board in the draft resolution of the Extraordinary General Meeting of PROCHEM S.A., were reviewed in 2022.

In the scope of the implementation of major projects implemented by the Company:

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

### **The Audit Committee**

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

At the meeting of the Supervisory Board on September 6, 2022, the applicable policy and procedure for selecting an audit firm were reviewed, as a result of which the Supervisory Board adopted an update of the following documents:

- policy of selecting the audit company for PROCHEM S.A,

- procedure of selecting the audit company for PROCHEM S.A,
- policy of providing by the audit company conducting the audit of permitted services not being services to PROCHEM S.A.

The report on the activities of the Audit Committee in 2022 is attached to the Report of the Supervisory Board.

### **Additional assessments of the Supervisory Board in accordance with the requirements of Art. 382 § 3[1] of the Code of Commercial Companies**

- The assessment of the company's situation, taking into account the adequacy and effectiveness of the used internal control systems, risk management, ensuring compliance of operations with standards or applicable practices and internal audit, is contained in a separate document adopted by the Supervisory Board;
- Assessment of the fulfillment by the Management Board of the obligations referred to in Art. 380[1] of the Code of Commercial Companies - the Supervisory Board states that the Management Board fulfilled its information obligations towards the Supervisory Board specified in Art. 380[1] of the Commercial Companies Code in accordance with applicable regulations;
- Evaluation of the method of preparing or submitting to the Supervisory Board by the Management Board of information, documents, reports or explanations requested in the mode specified in Art. 382 § 4 of the Code of Commercial Companies - the Supervisory Board positively evaluates the cooperation in this respect and does not make any comments;
- Information on the total remuneration due from the company for all audits commissioned by the Supervisory Board during the financial year in the mode specified in art. 382[1] - the Supervisory Board did not order any additional research in 2022.

## **Conclusion**

Acting on the basis of the provisions of Article 382 § 3 of the Commercial Companies Code and the Company's Statutes, the Supervisory Board analyzed and assessed the documents listed below in terms of their compliance with the books and documents, as well as with the facts:

- separate financial statements of PROCHEM S.A. for the financial year 2022 together with the opinion and report of the independent statutory auditor,
- consolidated financial statements of the PROCHEM S.A. Capital Group for the financial year 2022 together with the opinion and report of the independent statutory auditor,
- report of the Management Board on the business activity of PROCHEM S.A. and the PROCHEM S.A. Capital Group for the financial year 2022,
- motion of the Management Board regarding the distribution of net profit for 2022.
- report of the Audit Committee.

Above mentioned financial statements for 2022 were subject to audit by Misters Audytor Adviser Sp. z o. o. seated in Warsaw. Reports from these audits and opinions of experts, constituting their synthesis, were the basic analytical material, subject to the Council's assessment.

Therefore, taking into account the findings and assessments contained in the above-mentioned source materials as competent and comprehensive, the Supervisory Board decided that the financial statements for 2022 were prepared in all material respects in accordance with applicable laws, accounting principles and standards, as well as in accordance with the facts disclosed in books. The Supervisory Board recommends the General Meeting of Shareholders to approve the financial statements of PROCHEM S.A. for the financial year 2022 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 business activities conducted in 2022. The Supervisory Board stated that the report reliably presents the economic activities undertaken and also allows for the assessment of the financial and property condition of the Company.

At the same time, the Supervisory Board recommends the General Meeting to approve the resolution on the allocation of profit for 2022 to supplementary capital. The Supervisory Board recommends granting discharge for 2022 to all members of the Management Board.

### **Information required by the Code of Best Practice for WSE Listed Companies 2021, effective from July 2021**

From July 1, 2021, the Warsaw Stock Exchange introduced the DPSN2021 (Good Practices for Listed Companies 2021). On July 30, 2021, the company provided information on the state of application by the company of the principles contained in the Code of Best Practice for Companies Listed on the Warsaw Stock Exchange 2021. On August 31, 2021, the above information was discussed by the Management Board at the meeting of the Supervisory Board and the members of the Supervisory Board accepted it without comments.

### **Assessment of meeting the independence criteria by the Supervisory Board Members (2.11.1)**

Members of the Supervisory Board of the 11th term: Karol Żbikowski and Wiesław Kiepiel submitted declarations on meeting the independence criteria set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, and that they have no actual and significant connections with a shareholder holding at least 5% of the total number of votes in the company, in accordance with item 2.3 of the Code of Best Practice for WSE Listed Companies 2021. Members of the Supervisory Board Andrzej Karczykowski, Marek Garliński and Jarosław Stępniewski (member of the Supervisory Board from June 24, 2021) declared that they did not meet the independence criteria. After analyzing the statements and the circumstances indicated therein, the Supervisory Board assumed that Members of the Supervisory Board Karol Żbikowski and Wiesław Kiepiel meet the criteria of independence in relation to Prochem S.A., which meets item 2.3 of the Code of Best Practices of Companies Listed on the Warsaw Stock Exchange 2021. The Supervisory Board

actively fulfilled its duties and monitored the situation of the Company on an ongoing basis, taking appropriate actions.

#### Summary of activities of the Supervisory Board and its committees (2.11.2)

A summary of the activities of the Supervisory Board and the Audit Committee is presented in the first part of the Report of the Supervisory Board.

#### Assessment of the Company's situation in 2022, taking into account the assessment of the internal control system and the risk management system (2.11.3.)

Assessment of the situation of PROCHEM S.A. in 2022, taking into account the assessment of the internal control and risk management system, is presented in a separate document of the Supervisory Board.

#### Evaluation of the Company's compliance with the disclosure obligations regarding the application of the corporate governance rules set out in the Stock Exchange Regulations and the regulations on current and periodic information provided by issuers of securities (2.11.4)

The Supervisory Board accepted the information presented by the Management Board of the Company regarding the application of the Best Practices of Companies Listed on the Warsaw Stock Exchange 2021 by the Company in 2022, with particular emphasis on explanations regarding recommendations and rules that the Company does not apply and which do not apply to the Company.

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

#### Assessment of the legitimacy of expenses for sponsorship, charity or other activities of a similar nature referred to in item 1.5 (2.11.5)

Pursuant to the rule 2.11.5 of the Code of Best Practice for WSE Listed Companies 2021, the Supervisory Board informs that the Company does not have a policy regarding sponsoring, charity or other activities of a similar nature, and in 2022 the Company did not incur any expenses in this respect.

Information on the degree of implementation of the diversity policy in relation to the Management Board and the Supervisory Board (2.11.6)

The Company does not have a formalized diversity policy. The basic criterion when making decisions on the selection of persons to the Management Board and the Supervisory Board are the competences of the candidates, while recognizing the principle of non-discrimination of candidates for any non-substantive reasons.

Signatures of Members of the Supervisory Board:

1. Marek Garliński \_\_\_\_\_
2. Karol Żbikowski \_\_\_\_\_
3. Andrzej Karczykowski \_\_\_\_\_
4. Wiesław Kiepiel \_\_\_\_\_
5. Jarosław Stępniewski \_\_\_\_\_