

## CORPORATE GOVERNANCE PRINCIPLES STATEMENT

As per § 70 section 6 item 5 and § 29 section 3 of the Regulations of the Warsaw Stock Exchange S.A., the Management Board of Boryszew S.A submits its Statement on application of corporate governance rules in 2020.

Boryszew Spółka Akcyjna listed on the Warsaw Stock Exchange was bound to observe in 2020 the rules of corporate governance specified in the “Code of Best Practice for WSE Listed Companies 2016” (attachment to Resolution No 26/1413/2015 of the Warsaw Stock Exchange Supervisory Board of 13 October 2015.) The content of the rules is available on the website of the Warsaw Stock Exchange.

The Company is making every effort to follow the corporate governance principles in all aspects of its activity. Moreover, in order to pursue an clear and efficient information policy, it ensures its shareholders, analysts and investors s fast and secure access to information, utilising both the traditional as well as modern technologies for publishing information on the Company to the widest possible extent.

### THE CORPORATE GOVERNANCE RULES WHICH APPLY TO BORYSZEW S.A., WHERE THESE RULES ARE AVAILABLE, THE EXTENT OF THE COMPANY’S DEPARTURE FROM THE SET OF CORPORATE GOVERNANCE RULES AND THE REASONS FOR THIS.

In 2020, the Company complied with the general corporate governance standards included in the “Code of Best Practice of WSE Listed Companies”, except for the following rules/recommendations:

Detailed information on the withdrawal from use are described in a dedicated statement available on the Company's website. [www.boryszew.com](http://www.boryszew.com).

	<b>Recommendation / Principle</b>	<b>Explanation of non-compliance with specific rules in 2020</b>
<b>I.Z.1.20.</b>	A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, the course of general assembly in audio or video form	<i>The Company has not so far recorded the course of general assembly in audio or video form. Due to the failure to register the course of the general meeting in any other method than by preparing the protocol required by law, the Company does not publish the course of the general meeting in its audio or video form on its website.</i>
<b>IV.R.2.</b>	If justified due to the shareholder structure or the shareholders’ expectations reported to the company, provided that the company is able to provide the technical infrastructure necessary for the orderly conduct of the general meeting by means of electronic communication, it shall enable shareholders to participate in the general meeting using such means	<i>In 2020, the Company did not follow the recommendation. Some risks are involved in the implementation of this recommendation at present, including the quality of transfer, delay in the data transfer etc and also it would undermine the effectiveness of the Resolutions adopted by the General Meeting. The Company does not rule out the possibility of implementing this rule the future.</i>
<b>IV.Z.2.</b>	If justified due to the company's shareholder structure, the company shall provide a real-time generally available broadcast of the general meeting	<i>According to the Company, a real-time generally available transmission of the general meeting is not expected by shareholders. In addition, the current form of documenting the debates of the General Meeting allowed for transparency and protection of shareholders' rights. The Company provides information on the adopted resolutions in the form of current reports, and publishes it on its website <a href="http://www.boryszew.com">www.boryszew.com</a></i>
<b>V.Z.6.</b>	In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent,	<i>In its internal regulations, the company does not currently define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. After verification of the practices in this area, the company will consider</i>

	<p>identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise</p>	<p>the possibility of introducing such regulations in the future.</p>
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## **THE MAIN CHARACTERISTICS APPLIED IN THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCEDURE OF COMPILING FINANCIAL REPORTS AND CONSOLIDATED FINANCIAL REPORTS**

As the binding procedures in Boryszew Capital Group relating to the capital market and publishing information must be adapted in line with the current legal provisions, that is new regulations on disclosure duties for companies listed at the Warsaw Stock Exchange, the Management Board of Boryszew S.A. adopted resolution on 27 June 2016 on the matter of accepting: "The regulations for cooperation in fulfilling information obligations within the Boryszew Capital Group", specifying:

- requirements regarding the scope and form of fulfilling information obligations by Boryszew SA with the participation of companies from the Boryszew Capital Group,
- correct process of identification, circulation and protection of information as part of fulfillment of information obligations required by the MAR Regulation, Act on Public Offering and other regulations, in particular by defining the rules of conduct for entities obliged to apply the Regulations in connection with the possession of information subject to reporting; dates of performing information obligations,
- model of cooperation between the companies from the Boryszew Capital Group and all organizational units of Boryszew S.A., including the bodies of the companies from the Boryszew Capital Group and the Boryszew S.A. management Board Office,
- duties of managing and supervising persons as well as persons having access to confidential information related to access to confidential information and transactions on Boryszew S.A. securities and related financial instruments.

Also the Regulations define in a transparent manner the responsibility of persons who are involved in compiling and verification of the Company's financial report.

Responsibility for preparation of financial statements and formal verification of the same lies with the Financial Director (CFO).

The manner and schedule of preparation of financial statements are each and every time defined in a separate document drafted by the Chief Accountant.

Works on preparation of financial statements are supervised by the Chief Accountant.

The various Department Managers in Boryszew S.A. are responsible for submitting information which is the subject of financial reports to the Chief Bookkeeper on time and reliably.

The Presidents of affiliated and jointly controlled companies, Branch Managing Directors are responsible for designating persons responsible (entrusted persons) for ensuring that information which is the subject of financial reports is submitted to the Chief Bookkeeper on time and reliably.

The Company's annual and six-monthly financial reports are subject to independent examination and review as appropriate by a chartered accountant.

The Company manages risk involved in the process of compiling financial reports also by at all times keeping abreast of the changes in provisions and internal regulations relating to the reporting requirements of companies and prepares their implementation well in advance of time.

The Company updates the accountancy rules on an on-going basis, based on which it prepares financial reports.

In order to ensure the stability of Boryszew Capital Group, the Company co-ordinates and influences the activities of its subsidiaries through representatives of the Company in statutory bodies of companies.

**SHAREHOLDERS WHO, DIRECTLY OR INDIRECTLY, HOLD SUBSTANTIAL PACKETS OF SHARES WITH INDICATION OF THE NUMBER OF SHARES HELD BY SUCH PARTIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, THE NUMBER OF VOTES RESULTING FROM THE SHARES AND THEIR PERCENTAGE SHARE IN THE OVERALL NUMBER OF VOTES AT THE GENERAL MEETING.**

The table below presents Shareholders holding more than 5% of the share capital and of the total number of votes as at 31.12.2020 and the date of submitting the report for publication:

<b>Shareholders</b>	<b>Number of shares</b>	<b>% of capital</b>	<b>Number of votes</b>	<b>% of votes</b>
Roman Krzysztof Karkosik (*)	156 832 020	65.35%	156 832 020	65.35%
Including:				
Boryszew S.A. (**)	34 795 000	14.50%	34 795 000	14.50%
RKKK Investments Sp. z o.o.	119 998 000	50.00%	119 998 000	50.00%
Others	83 167 980	34.65%	83 167 980	34.65%
<b>Total:</b>	<b>240 000 000</b>	<b>100.00%</b>	<b>240 000 000</b>	<b>100.00%</b>

(\*) *Mr Roman Krzysztof Karkosik with subsidiaries (as per notification of 1 October 2018).*

(\*\*) *As per the notification of Boryszew S.A. of 30 October 2020*

The Company is not aware of any agreements other than those disclosed in point 30 under which changes might occur in future in the proportions of shares held by the existing Shareholders.

The Company did not issue any securities that would confer any special controlling rights on any of its shareholders. All shares are equal, each share entitles to one vote at the General Meeting.

**LIMITATIONS ON VOTING RIGHTS ON SECURITIES ISSUED BY BORYSZEW S.A.**

No statutory restrictions exist regarding exercise of voting rights attached to securities such as restrictions on exercise of voting rights by holders of any particular part or number of votes, timing restrictions regarding exercise of the voting rights or provisions under which, with the Company's co-operation, equity rights attached to securities are separated from the holding of securities.

Boryszew S.A. and subsidiaries do not exercise voting rights from the shares held in Boryszew S.A.

**LIMITATIONS ON TRANSFER OF PROPRIETARY RIGHTS TO SECURITIES ISSUED BY BORYSZEW S.A.**

Company's shares are transferable. No limitations exist on the transfer of proprietary rights to securities issued by Company.

**PRINCIPLES OF APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND THEIR POWERS**

Pursuant to the Company's Articles of Association, duties of the Supervisory Board include appointing and recalling from office the Management Board Members. the Supervisory Board first appoints a President and on his proposal the remaining Management Board Members.

The term of office of the Management Board is three years and is common for all members of the Management Board.

The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The powers of the Management Board include all matters which are not reserved either by law or by provisions of the Company's Articles of Association.

The Management Board of the Company has no special rights to make decisions on the issue or redemption of shares.

**RULES ON AMENDING ARTICLES OF ASSOCIATION**

Amendments to the Articles of Association require resolution of the General Meeting of Shareholders and must be registered with the National Court Register.

In order to amend the Articles of Association, the Management Board quotes, in the notification on General Meeting of the Company's Shareholders, the provisions then in force and the proposed amendments. If the intended amendments are extensive, the Management Board must also include the proposed consolidated text of the entire Articles of Association in the notification along with a list of its new or amended provisions.

Any amendment to the Articles of Association must be adopted by the General Meeting with the majority of ¾ of votes.

An amendment to the Articles of Association becomes effective upon its registration with the National Court Register. The responsibility for registration of any such amendments lies with the Company's Management Board. The Management Board is obliged to file an amendment to the Articles of Association within 3 months after adoption of relevant resolution. If the given amendment to the Articles of Association consists in increase in the Company's share capital, it may be filed within 6 months of resolving to increase the Company's share capital, and in the event that the consent has been granted to the introduction of a new issue to public trading – within 6 months of the date of such consent being granted, provided that the application for granting of the same is filed no later than four months after resolving to increase the Company's share capital. Resolution on reduction of the share capital should be filed with the National Court Register no later than 6 months after adoption of the same.

While filing an amendment with the registration Court, the Management Board must include the full consolidated text of the Articles of Association.

#### **DESCRIPTION OF THE MANNER IN WHICH THE GENERAL MEETING ACTS, AS WELL AS OF ITS PRINCIPAL POWERS AND THE MANNER OF EXERCISING THE SAME**

General Meeting of Shareholder is the ultimate body of the Company.

The General Meeting acts pursuant to the provisions of the Commercial Companies Code and of the Company's Articles of Association. The Company's Articles of Association provide that the General Meeting of Shareholders may adopt the General Meeting Regulations, which stipulate the principles of its functioning. The Regulations of the General Meeting were adopted in the Company. The Company's Articles of Association and the Regulations of the General Meeting of Shareholders are available on the Company's website [www.boryszew.com](http://www.boryszew.com).

The General Meeting is convoked by the Management Board. The Supervisory Board may convoke an Ordinary General Meeting in the event that the Management Board should fail to convoke the same at the prescribed time, and an Extraordinary General Meeting where they deem it appropriate. Shareholders representing at least half of the share capital or at least half of all votes in the Company may convoke an Extraordinary Meeting of Shareholders. Shareholders appoint the chairman of the Meeting. A Shareholder or Shareholders representing at least 1/20 of the share capital may demand convocation of an Extraordinary Meeting of Shareholders and placement of specific matters on the agenda of that Meeting.

The General Meeting convoked by the Management Board as an Ordinary General Meeting takes place once per year, no later than in June. In 2020 the Ordinary General Meeting of Boryszew S.A. took place on 23 July 2020 (because of the COVID-19 pandemic the dates of the meeting were changed).

The agenda of the General Meeting is determined by the Management Board. A Shareholder or Shareholders representing at least 1/20 (one-twentieth) of the share capital may demand placement of specific matters on the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than twenty-one days prior to the date of the Meeting.

The General Meeting is convoked by way of notification published on the Company's website and in the manner prescribed for passing current information according to the provisions of law. Such notification must be published at least twenty-six days before the date of the General Meeting.

The General Meeting of Shareholders is valid regardless of the number of shares represented and resolutions of the General Meeting are adopted with absolute majority of votes cast, unless the Commercial Companies Code or the Articles of Association provide otherwise.

Pursuant to the Articles of Association of Boryszew S.A., apart from other matters stipulated by the Commercial Companies Code, the following matters require a resolution of the General Meeting of Shareholders:

- considering and approval of the Management Board's report on the Company's activities and financial statements for the previous year,
- adopting a resolution on distribution of profit or covering of loss,
- acknowledgement of fulfilment of duties by member of the Company's governing bodies,
- amending the Company's Articles of Association, including increasing and decreasing the share capital and changing the object of the Company's activities,
- decisions concerning claims to remedy a loss inflicted upon incorporation of the Company or upon exercising management or supervision of the same.
- appointment and dismissal of members of the Supervisory Board,
- determining the principles of remuneration for members of the Supervisory Board and the amount of their remuneration,

- redemption of shares or determining terms of such redemption,
- issue of senior bonds or convertible bonds,
- disposal or lease-out of the enterprise or of an organized part of the same, and establishing a limited right in rem on the same,
- dissolution of the Company and appointment of liquidators,
- establishing the record date for the purposes of dividend and the date of dividend payment.

The General Meeting of Shareholders may resolve to refrain from considering a matter placed on the agenda only for important reasons. Resolutions on removal of a matter from the agenda or on refraining from consideration of any matter placed on the agenda at the request of Shareholders require the majority of 75% of votes cast, provided that those Shareholders present at the General Meeting who petitioned that the matter be placed on the agenda have already granted their consent to removal of the same from the agenda or to refraining from consideration of the same.

All matters raised at the General Meeting are first presented to the Supervisory Board for consideration.

Shareholders participate in the General Meeting in person or by a proxy.

The power of attorney to participate in the General Meeting and to exercise the voting right must be made in writing to be valid.

The power of attorney to participate in the General Meeting of a public corporation and to exercise the voting right must be granted in writing or in an electronic form. Power of attorney granted in an electronic form does not require confirmation with a secure electronic signature having a valid qualified certificate.

A member of the Management Board and an employee of the Company may serve as proxies at the General Meeting of a public corporation.

If a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of a public corporation, or a member of governing bodies or an employee of a company or a cooperative being a subsidiary of that corporation serves as a proxy at the General Meeting, the power of attorney may authorise such person to participate in only one General Meeting. The proxy is obliged to disclose to the Shareholder any circumstances indicating existence of a possible conflict of interests. Granting of a further power of attorney shall be excluded.

The proxy votes in accordance with instructions given by the Shareholder.

The principles of participation in General Meetings and of exercising the voting rights are regulated by the Rules of the General Meeting of Shareholders of Boryszew S.A.

Voting at the General Meeting of Shareholders is open. A secret ballot is to be ordered at elections of and upon voting upon motions to dismiss members of the Company's governing bodies or liquidators of the Company, or on holding them accountable, as well as in personnel matters. Also, a secret ballot is to be ordered when requested by at least one of the Shareholders present or represented at the General Meeting.

Resolutions of the General Meeting of Shareholders are passed with simple majority of votes, unless provisions of the Commercial Companies Code stipulate otherwise.

As per the practice implemented at the Company, all relevant materials for the General Meeting of Shareholders are made available to the shareholders in accordance with the applicable provisions of Polish Commercial Companies Code and of the Regulation of the Council of Ministers dated 19 February 2009 on current and periodical information to be provided by issuers of securities and on conditions under which information required by laws of another state, other than a Member State, can be considered equivalent (Official Journal of Laws no. 33, item 259 of 2009). No. 33, item 259 of 2009 with subsequent amendments)

Pursuant to the Rules of the Sessions of General Meeting of Shareholders, the Chairperson oversees proper and efficient proceedings of the Meeting. Chairperson of the General Meeting of Shareholders also ensures that rights and interests of all Shareholders are respected. The Chairperson must not resign the position without important reason.

The shareholders of Boryszew S.A. are entitled to no rights other than those resulting from generally applicable laws.

## **PERSONAL COMPOSITION AND PRINCIPLES OF FUNCTIONING OF MANAGING AND SUPERVISORY BODIES AND THEIR COMMITTEES**

### **SUPERVISORY BOARD**

Pursuant to the Company's Articles of Association, the Supervisory Board is composed of at least five members. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders. Any member of the Supervisory Board whose mandate expired during the Board's term of office must be compulsorily replaced by the Supervisory Board with another person appointed to hold the position. Appointment of members of the Supervisory Board during the Supervisory Board's term of office must be approved by the next General Meeting of Shareholders. Should the General Meeting of Shareholders refuse to approve any of the new members of the

Supervisory Board appointed during the Supervisory Board's term of office, the General Meeting will elect a new member of the Supervisory Board to replace the person who was not approved.

The term of office of a member of the Supervisory Board is three years and is common for all members of the Supervisory Board.

The Supervisory Board, on its first meeting, elects its Chairperson, Deputy Chairperson and Secretary from among its members, in secret ballot.

The Supervisory Board exercises continuous supervision over the Company's operation in all fields of its activity. Members of the Supervisory Board when performing their functions have regard to the interests of the Company. The emphasis of the Supervisory Board includes measures to improve the efficiency of management of the Company to obtain maximum financial performance of the Company as well as increase its stock market value and ensure its long-term development.

The tasks of the Supervisory Board include:

- approving annual business plans of the Company and long-term Company's growth plans,
- assessment of the Management Board's report and financial statements for previous financial year in terms of compliance with books, documents and facts as well as proposals of the Management Board on distribution of profit or coverage of loss and submitting annual written report to the General Meeting of Shareholders on the results of the assessment,
- determining the number of the Management Board members, appointing and dismissing any or all Members of the Company's Management Board,
- suspending from service, for important reasons, of any or all Members of the Company's Management Board
- determining the remuneration for Management Board members,
- delegating Members of the Supervisory Board, for a period not longer than three months, to temporarily perform duties of Members of the Management Board who have been dismissed, resigned or are unable to perform their duties for other reasons.
- selecting statutory auditors for conducting the audit of the financial statements,
- approving proposals of the Management Board to establish and discontinue branches and other organized units of the Company,
- approving acquisition and disposal of real estate property, perpetual usufruct or share in real estate,
- approving transactions concerning subscribing to, disposal or acquisition of shares and stocks where the transaction value exceeds 1/20th of the Company's share capital,
- approving acquisition and disposal of fixed assets the value of which exceeds 1/20th of the Company's share capital,
- approving conclusions by the Company of loan, borrowing agreements, granting guarantees and sureties if the value exceeds in each case 1/20th of the Company's share capital,
- adopting the consolidated text of the Company's Articles of Association for internal purposes of the Company,
- approving draft resolutions submitted by the Management Board to the General Meeting of Shareholders,
- determining the issue price of new shares approving proposals of the Management Board on concluding an agreement with a sub-issuer,
- adoption of the Regulations of Management Board and Company's Organizational Rules,

The Supervisory Board holds its meetings as required, but not less than three times a year. Meetings of the Supervisory Board are convened by its Chairman on his or her own initiative or at the request of the authorised parties.

Should a meeting be requested by the Management Board or a member of the Supervisory Board, the Chairman of the Supervisory Board is obliged to convene a meeting within two weeks of receipt of such request. Should the Chairman fail to convene a meeting of the Supervisory Board, the applicant may convene it individually, stating the date, time and proposed agenda.

Validity of resolutions of the Supervisory Board requires proper notice of the meeting of all the members of the Supervisory Board and presence of at least half of the members of the Supervisory Board, including the Chairman or Vice-Chairman.

The agenda of the meeting of the Supervisory Board is determined 5 days before the scheduled date of the meeting and approved by the Chairman and then submitted to the members of the Supervisory Board along with other materials, unless extraordinary circumstances exist justifying shortening of this period. The agenda may be amended or supplemented if all members of the Supervisory Board are present and express consent.



In emergency, the Chairman of the Supervisory Board may order another way to notify members of the Board on the date of the meeting.

In order to enable the Supervisory Board to exercise constant supervision over the Company, the Management Board provides basic financial information on the Company and Boryszew Capital Group as well as information on any events that could significantly affect the results of operations or the state of the Company's assets.

Management Board members are invited to attend meetings of the Supervisory Board and in the case of discussing matters concerning them directly, in particular: removal, responsibilities and remuneration of the Management Board Members, Supervisory Board meetings held without participation of the Management Board members. Meetings of the Supervisory Board may also be held without formal convocation if all members of the Supervisory Board were notified and agree to hold a meeting and include specific items on the agenda. The Supervisory Board adopts resolutions only on matters included in the agenda. The Chairman administers and leads the work of the Supervisory Board and represents it to other bodies of the Company and other parties.

At each meeting of the Supervisory Board the Management Board reports on all relevant matters associated with Company's operations. In urgent matters the members of the Supervisory Board are notified by the Management Board by circulation. The President may, on their own initiative or upon a written motion of Management Board or members of the Supervisory Board, invite other persons to the meeting, in particular employees of the Company, who are responsible for the issues discussed.

The Supervisory Board may - without prejudice to the competences of other bodies of the Company - express opinions on all matters of the Company, including motions and proposals to the Management Board, which, in such case, is obliged to submit to the Chairman information on the intended use of these motions and proposals within twenty one days from the date of submission.

Members of the Supervisory Board may exercise their rights and carry out their duties in person.

Supervisory Board resolutions are adopted by an absolute majority of votes, i.e. with the number of votes exceeding half of valid votes when at least half of the Supervisory Board members are presents and all members were invited. In the event of a tie in the voting the Chairman has the casting vote.

The Supervisory Board may pass resolutions in writing or using direct means of distance communication. The resolution is valid if all member of the Supervisory Board have been notified of the contents of the draft resolution. Members of the Supervisory Board may participate in adopting resolutions by casting their votes in writing, acting through another Member of the Supervisory Board who attends the meeting.

The procedure of casting a vote in writing cannot be applied with respect to matters added to the agenda in the course of the given meeting of the Supervisory Board. The voting is open.

A secret ballot is ordered for elections and dismissal of the Chairman, Vice Chairman or Secretary of the Board as well as on appointment and dismissal of members of the Management Board and on suspending duties, for important reasons, of individual members or the entire Management Board, and also at the request of any member of the Board, participating in the meeting.

Meetings of the Supervisory Board are recorded. The minutes are to be signed by all members present during the meeting. List of attendance at the meeting is attached to the minutes.

The administrative and technical support for the Supervisory Board is provided by the Management Board, by appointing from employees of the Company the person directly responsible for handling and documentation of meetings of the Board.

Members of the Management Board must notify the Supervisory Board on any existing conflict of interest resulting from their performed functions. Statement format is determined by the Regulations of the Supervisory Board.

Remuneration of the members of the Supervisory Board is determined by the General Meeting, subject to the remuneration of Supervisory Board members, delegated to temporarily perform the duties of a member of the Management Board, being determined by resolution of the Supervisory Board.

The total remuneration of all members of the Supervisory Board, as well as each of individual members of the Board, is disclosed in the annual report.

Detailed principles of operation of the Supervisory Board are determined in the Rules for Supervisory Board of Boryszew S.A.

### **Supervisory Board Committees**

The Audit Committee operates in the structure of the Supervisory Board.

In accordance with the Rules of the Supervisory Board, adopted on 18 August 2020, the Supervisory Board may also appoint a Remuneration Committee if necessary.

### **Audit Committee**

Composition of the Audit Committee as at 1 January 2020:

Mr Jarosław Antosik - Chairman  
Mr Janusz Wiśniewski  
Mr Arkadiusz Krężel.

On 6 April 2020 Mr Janusz Wiśniewski resigned from his membership at the Audit Committee and was replaced by Mr Wojciech Kowalczyk appointed to the Audit Committee by the Supervisory Board on 16 June 2020.

Following the appointment of the Supervisory Board on 20 July 2020 for a new term of office, the Supervisory Board appointed the Audit Committee with the following members:

Mr Jarosław Antosik - Chairman  
Mr Andrzej Juszczyński  
Mr Mirosław Kutnik

On 1 September 2020 the Audit Committee elected Mr Jarosław Antosik as its Chairman.

On 11 December 2020, Mr Andrzej Juszczyński, who is an independent member of the Audit Committee, resigned from the Supervisory Board. On the same day the Supervisory Board appointed Mr Damian Pakulski to the Supervisory Board of the Company and to the Audit Committee. Mr Damian Pakulski is an independent member of the Audit Committee.

As of 31 December 2020, the Audit Committee had the following members:

Mr Jarosław Antosik - Chairman  
Mr Mirosław Kutnik  
Mr Damian Pakulski

By the date of publication of the report, no changes occurred in the composition of the Committee.

The Audit Committee operates on the basis of applicable laws and regulations, including but not limited to the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (the Act), Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the Regulation), the Company's Articles of Association and the Regulations of the Supervisory Board of Boryszew S.A.

The Audit Committee meets the independence criteria and other requirements of Article 128 and Article 129 of the aforementioned Act, namely at least one member of the Audit Committee has knowledge and skills in accounting or auditing financial statements:

- 1)
  - a. Mr Jarosław Antosik is a graduate of the Warsaw School of Economics, Higher School of Finance and Banking (1997). In 1998 he graduated a post graduate program with the French Institute of Management earning his International Management Diploma. In 2002 he became a certified tax advisor (member of the Audit Committee between 1 January and 31 December 2020).
  - b. Mr Andrzej Juszczyński is a graduate of the Faculty of Mathematics at Maria Curie-Skłodowska University (UMCS) in Lublin and postgraduate studies at the Warsaw School of Economics (Management Accounting and Controlling), ESCP Europe Campus London Controlling Business School and Solvay Brussels School Economics & Management /Professional in Real Estate/ (member of the Audit Committee between 18 August and 11 December 2020).
- 2) at least one member of the Audit Committee has knowledge and skills in the industry in which the Company or its individual members operate; in accordance with certain rules, this knowledge and these skills are:
  - a. Mr Arkadiusz Krężel has knowledge and skills in the industry in which the Company operates gained during his long years in the Supervisory Board of the Company and also as the of President of the Management Board for Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency). (member of the Audit Committee until 23 July 2020).
  - b. Mr Janusz Wiśniewski has many years of experience gained in his functions in management and supervisory boards for commercial law companies, including public companies, operating in the processing industry. (member of the Audit Committee until 6 April 2020).
  - c. Mr Damian Pakulski has knowledge and skills in the industry in which the Company operates gained during his long years in commercial law companies, including public companies. (member of the Audit Committee as of 11 December 2020).
- 3) The majority of the members of the Audit Committee, including the Chairman, are independent of the Company:
  - a. Mr Jarosław Antosik - Chairman of the Audit Committee, according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision.

Mr Damian Pakulski - according to the statement submitted to the Company, meets the independence criteria in the Act of 11 May 2017 on certified auditors, audit firms and public supervision. The Audit Committee is an advisory



and consultative body of the Supervisory Board for the correct financial reporting, internal control and internal audit principles applied in the Company as well as the risk management system. The Audit Committee cooperates with the Management Board and employees of the Company and the certified auditor for a good understanding of the company's operating principles and to form its own opinion on the Company's financial statements integrity.

The tasks of the Audit Committee include:

- 1) monitoring:
  - financial reporting process,
  - effectiveness of internal control and risk management systems as well as internal audit, including financial reporting,
  - performing financial auditing activities, in particular audits by an audit company, including all conclusions and findings of the Polish Financial Supervision Authority resulting from inspections carried out in the audit firm;
- 2) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm provides services to the public interest entity other than audit of financial statements;
- 3) notifying the supervisory board or other supervisory body or control body of public interest entity about the results of the audit and explaining how this audit contributed to the reliability of financial reporting in the public interest entity, and what was the role of the audit committee in the audit process;
- 4) evaluating the independence of the auditor and consenting to the provision by the auditor of permitted non-audit services to the public interest entity;
- 5) drafting a policy of selecting an audit firm to conduct the audit;
- 6) drafting a policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;
- 7) determining the procedure for selecting an audit firm by a public interest entity;
- 8) presenting to the supervisory board or other supervisory or control body, or to the body referred to in art. 66 par. 4 of the Accounting Act of 29 September 1994, recommendation referred to in art. 16 sec. 2 of Regulation No. 537/2014, in accordance with the policies referred to in points 5 and 6;
- 9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in a public interest entity.

The Committee holds its meetings as required, but not less than once every quarter. The meetings of the Audit Committee shall be convened by its Chairman and in his absence – by the Vice-Chairman or another Committee member indicated by the Chairman. The Meetings of the Audit Committee may also be convened by the Chairman of the Supervisory Board.

The Audit Committee has access to all Company documents and is entitled to request specific information and explanations from the Company and its employees.

The Audit Committee may conduct or commission (with the consent of the Supervisory Board) the execution of specific assessments or monitoring activities within the scope of its responsibility.

The Audit Committee shall submit the following to the Supervisory Board:

- annual reports on its activities in a given financial year and a situation assessment for the Company and the Capital Group in areas within its competence,
- the conclusions, positions and recommendations developed in relation to the performance of the Audit Committee functions in a timely manner enabling the Supervisory Board to take appropriate actions.

#### **Audit firm selection policy**

The Audit Committee of the Supervisory Board for Boryszew S.A. recommends an entity authorised to audit financial statements of Boryszew S.A. on the basis of adopted policies and procedures. The auditor is selected by the Supervisory Board on the basis of a recommendation by the Audit Committee.

In the course of preparing recommendations for the Supervisory Board by the Audit Committee, the following is considered:

- whether the auditing firm meets the independence requirements referred to in Articles 69-73 of the Act on certified auditors;
- the existence of threats to the independence of the audit firm and the application of safeguards to minimise them;
- knowledge of the industry in which the Company operates;
- the price conditions of the offer,

- whether the audit firm has competent staff, time and other resources at its disposal to conduct the audit properly;
- whether the person designated as the key auditor has the qualifications to carry out mandatory audits, obtained in the European Union member state where the audit is required, including whether that person is registered in the relevant registers of auditors maintained of the European Union member state where the audit is required.
- independence of the audit firm and persons involved in financial audit activities in the light of Articles 69-73 of the Act on certified auditors;
- statutory restrictions on providing services to the Company, possible conclusions and guidelines contained in the annual audit report issued by the Audit Supervision Committee, referred to in Article 90 section 5 of the Act on certified auditors that may influence the appointment of an audit firm.

The selection is made from any audit firms which submitted a bid to provide the statutory audit service in accordance with accepted procedures, provided that:

- the audit firm that audited the Financial Statements of the Company after the expiry of the maximum duration of the mandate may not undertake the audit of the Company's financial statements within four consecutive years,
- the organisation of the procurement procedure may not exclude from participation in the selection procedure companies which have received less than 15% of their total audit fees from public-interest entities in the European Union member state concerned, in the previous calendar year, included on the list of audit firms,

#### **Restrictions on choice**

- the maximum continuous duration of statutory audit engagements carried out by an audit firm or any member of the network established in the European Union to which these audit firms belong may not exceed 5 years;
- The key certified auditor may not conduct an audit of the annual financial statements in the Company for a period longer than 5 years;
- The key certified auditor may again perform audits of the Company's annual financial statements after at least 3 years from the end of the last audit.
- the first agreement on auditing the Financial Statements is concluded with the Eligible Entity for a period of not less than two years with the possibility of extension for further periods of at least two years.

#### **Remuneration rules:**

Remuneration for the audit work received by the audit firm, its statutory auditors and subcontractors acting in their name and on their behalf may not be:

- dependent on any conditions, including the result of the audit;
- shaped or dependent on the provision to the Company or its related entities of additional services which are not audited by an Entitled Entity or any entity related to an audit firm or belonging to a network.

The audit fees must reflect the workload and complexity of the work and the qualifications required.

#### **Appointment of an audit firm to audit financial statements for 2020 and 2021**

The Audit Committee during its meeting on 2 April 2020 recommended to the Supervisory Board to appoint BDO Sp. z o. o. sp. k. to audit the financial statements for 2020 - 2021.

The recommendation of an entity authorised to audit financial statements was prepared in accordance with the requirements of the Act of 11 May 2017 on certified auditors, audit firms and public supervision, Company's policy and procedure on selection of an entity authorised to audit financial statements in Boryszew S.A.

The Supervisory Board, having reviewed of the recommendation of the Audit Committee, on 26 May 2020 appointed BDO Sp. z o. o. sp. k. to conduct the audit of the separate financial statements of Boryszew S.A. and the consolidated financial statements of Boryszew Capital Group for 2020 and 2021.

#### **Services allowed**

##### **Policy on provision of permitted non-audit services by the audit company engaged to carry out audits of financial statements, by economic operators associated with that audit firm as well as by a member of the audit firm's network;**

The policy of providing permitted services was prepared by the Audit Committee operating within the Supervisory Board of the Company. In accordance with the policy adopted by the Company, the provision of permitted services is possible only after the Audit Committee has carried out an assessment of threats and safeguards of independence referred to in Articles 69-73 of the Act on certified auditors.

The Audit Committee of Boryszew S.A., following appropriate assessment of risks and independence safeguards as per Art. 5 sec. 4 of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on the detailed requirements for statutory audits of public interest entities, consented to the performance by BDO Spółka z ograniczoną odpowiedzialnością Spółka komandytowa the following services:

- verification of the dividend capacity of Impexmetal capital.
- verification of the electricity consumption intensity factor.
- BDO's assessment of the Supervisory Board's report on the implementation of the remuneration policy for the Management Board and Supervisory Board.

#### **Audit Committee meetings**

In 2020 the Audit Committee held 9 meetings, the main topics of which were associated with the fulfilment of its statutory duties.

#### **CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD**

##### **SUPERVISORY BOARD OF BORYSZEW S.A.**

On 1 January 2020, the Supervisory Board had the following members:

- Mr Arkadiusz Krężel – Chairman of the Supervisory Board
- Mr Janusz Wiśniewski – Deputy Chairman of the Supervisory Board,
- Mr Mirosław Kutnik – Secretary of the Supervisory Board
- Mr Jarosław Antosik – Member of the Supervisory Board,
- Ms Małgorzata Waldowska – Member of the Supervisory Board.

On 15 June 2020 the Extraordinary General Meeting of the Company adopted a resolution on appointing Mr Wojciech Kowalczyk to the Supervisory Board as of that date.

On 23 July 2020 the Ordinary General Meeting of Shareholders of the Company appointed the Supervisory Board for a new three-year term of office in the following composition:

- Mr Jarosław Antosik,
- Mr Andrzej Juszczynski,
- Mr Wojciech Kowalczyk,
- Mr Mirosław Kutnik,
- Ms Małgorzata Waldowska.

On 11 December 2020, Mr Andrzej Juszczynski handed in his resignation from the position of Vice-Chairman of the Supervisory Board. On the same day the Supervisory Board appointed Mr Damian Pakulski to the Supervisory Board, replacing Mr Andrzej Juszczynski.

As at the date of publication of the report, the following persons are members of the Supervisory Board:

- Mr Wojciech Kowalczyk – Chairman of the Supervisory Board,
- Mr Mirosław Kutnik – Secretary of the Supervisory Board,
- Mr Jarosław Antosik – Member of the Supervisory Board,
- Mr Damian Pakulski – Member of the Supervisory Board,
- Ms Małgorzata Waldowska – Member of the Supervisory Board.

#### **MANAGEMENT BOARD OF THE COMPANY**

Pursuant to the Company's Articles of Association of Boryszew S.A., the Company's Management Board is composed of one to five persons, including: President of the Management Board, up to two Vice-Presidents and members of the Management Board. The term of office of the Management Board is three years and is common for all members of the Management Board. The Management Board, under the chair of the President, manages the Company's affairs and represents the Company.

The Board is responsible for the fair conduct of the Company's affairs and implementation of its statutory functions, in accordance with law and good practice. All matters that are not reserved for the competence of the General Meeting of Stockholders and the Supervisory Board fall within the competence of the Management Board. The Management Board prepares the strategy of the Company and is responsible for its implementation and execution. The strategy is subject to approval by the Supervisory Board. The Management Board of the Company carefully analyses all actions and decisions.

A resolution of the Management Board is required in matters falling beyond the scope of ordinary management, in particular on:

- incurring loans,
- issuing sureties and guarantees
- disposal and acquisition of fixed assets,
- approval for publication of midyear and annual Management Board's reports on the activities of the Company and of the Capital Group, as well as financial statements of the Company and consolidated statements of the Capital Group,
- proposals for profit distribution or loss coverage,
- adoption of the growth programme for the Company and for the Capital Group,
- adoption of the budget of the Company and of the Capital Group,
- establishing of proxies,
- appointing, on the basis of civil law, representatives to perform certain tasks within the limits of their authorisation (with the exception of one-time power of attorney to perform certain legal actions and powers of attorney to sign the papers and documents that do not result in incurring liabilities by the Company or disposing property rights of the Company as well as power of attorney ad litem)
- approving the remuneration system and work regulations based on agreements with the trade unions,
- taking a position on issues commissioned by the Supervisory Board in the form of a resolution.

Subject to the pending share buyback, the Management Board holds no individual rights to buy back own shares. The Management Board may not resolve on share issue.

The Board recommends to the Supervisory Board the appointment of an auditor, upon analysis of the tenders submitted.

Authorized to make declaration of will and sign documents on behalf of the Company are: the President of the Management Board acting independently or two members of the Management Board acting jointly, or a member of the Management Board acting jointly with a commercial proxy.

The Management Board convenes on as-needed basis. Management Board meeting can be participated by employees of the Company or other persons, competent for the matters discussed.

Resolutions of the Management Board are adopted by an absolute majority of votes. In case of a tied vote, the President has the casting vote.

A member of the Management Board, absent during a meeting, shall acknowledge and follow, on the first day at work after absence, resolutions passed during his or her absence, confirming it with a signature on the original copy of the minutes.

Meetings of the Management Board are recorded and signed by members of the Management Board present during the meeting.

Members of the Management Board must notify the Supervisory Board on any existing or potential conflict of interest resulting from their performed functions.

The principles of remuneration of the Management Board members are determined by the Supervisory Board of the Company, considering the responsibilities and function as well as the economic and financial situation of the Company.

The aggregate remuneration of all members of the Management Board and of individual members of the Management Board, with details on individual elements of remuneration, is disclosed in the annual report.

The Management Board makes every effort to ensure that the Company conducts an effective economic activity, respecting the interests of all groups of shareholders and other groups associated with the Company's interest.

#### **CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD**

As at 1 January 2020, the composition of the Management Board of Boryszew S.A. was as follows:

Mr Piotr Lisiecki – President of the Management Board, CEO,  
 Mr Mikołaj Budzanowski – Member of the Management Board  
 Mr Krzysztof Kołodziejczyk – Member of the Management Board, Chief Financial Officer.

On 14 July 2020, the Supervisory Board of Boryszew S.A. appointed the Company's Management Board in its current composition for a new, three-year term of office (joint term of office), starting on the date of the Ordinary General Meeting approving the financial statements of the Company for 2019.

The following persons were appointed to the Management Board of the new term of office:

Mr Piotr Lisiecki as the President of the Management Board of Boryszew S.A., General Director,

Mr Mikołaj Budzanowski as Member of the Management Board, Development Director,  
Mr Krzysztof Kołodziejczyk as Member of the Management Board, Financial Director.

On 11 December 2020, Mr Krzysztof Kołodziejczyk, Member of the Management Board handed in his resignation. At the same time, the Supervisory Board of the Company, on 11 December 2020, decided to appoint, as of the same date, Mr Andrzej Juszczyński as Member of the Management Board, Chief Financial Officer of the Company.

As at 31 January 2020, the composition of Boryszew S.A. Management Board was as follows:

Mr Piotr Lisiecki – President of the Management Board, CEO,  
Mr Andrzej Juszczyński – Vice-President of the Management Board, CFO,  
Mr Mikołaj Budzanowski – Member of the Management Board

From 31 December 2020 to the date of submitting the report for publication, no changes took place in the composition of the Company's Management Board.

#### **DESCRIPTION OF DIVERSITY POLICY**

No formal document has been drafted by the Company on its diversity policy in relation to the management body and management team. Recruitment of Management Board members and key managers is based on experience, qualifications and competences of candidates, in line with legislation on equal treatment of employees. The Company is committed to ensure diversity of gender, education, age, professional experience for all its employees, with particular emphasis on senior management and key managers.

## **DECLARATIONS OF THE MANAGEMENT BOARD**

The Management Board of Boryszew S.A. represent hereby that:

- a) to the best of their knowledge the annual financial statements of Boryszew S.A. and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result Boryszew S.A.
- b) the annual consolidated financial statements of Boryszew Capital Group for the first six months and the comparable data were compiled as per the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition as well as the financial result of Boryszew Capital Group.
- c) this annual report on operations presents a true view of development, accomplishments and situation Boryszew S.A. and Boryszew Capital Group, including a description of fundamental risks and threats.