

## **STATEMENT ON APPLICATION OF CORPORATE GOVERNANCE STANDARDS IN 2019**

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### **1. INDICATION OF THE CORPORATE GOVERNANCE STANDARDS TO WHICH THE ISSUER IS SUBJECT, TOGETHER WITH THE LOCATION WHERE THE TEXT CONCERNING SUCH PRINCIPLES IS PUBLICLY AVAILABLE**

In 2019, RAWLPLUG S.A. observed regulations contained in the document "Best practices for WSE-listed companies 2016," adopted through Resolution 26/1413/2015 of the Exchange Council on 13 October 2015 (in effect from 1 January 2016). The set of corporate governance standards is available online at [https://www.gpw.pl/dobre\\_praktyki\\_spolek\\_regulacje](https://www.gpw.pl/dobre_praktyki_spolek_regulacje), the WSE's website dedicated to corporate governance. The statement on application of corporate governance standards is available in the IR section of the Company's website ([www.rawlplug.pl](http://www.rawlplug.pl)).

### **2. INFORMATION ON THE EXTENT TO WHICH THE ISSUER DIVERGED FROM THE SET OF CORPORATE GOVERNANCE STANDARDS, INDICATION OF THOSE STANDARDS AND REASONS FOR THEIR OMISSION**

In 2019, RAWLPLUG S.A. decided to not apply the following corporate governance standards:

#### **I. Information policy and communication with investors**

*I.Z.1. The Company maintains a corporate website, which contains, aside from legally-required information, in a clearly readable and separate place, the following:*

*I.Z.1.16. Information regarding planned broadcast of general meeting - no later than 7 days prior to the general meeting date.*

The Company does not apply this rule, and does not intend to apply it in the future, due to the low interest shown by the Company's shareholders in conducting General Meetings in this form.

*I.Z.1.20. Audio or video recording of general meetings.*

Presently, the Company does not employ audio or video recording of general meetings. According to the Company, the existing methodology of documenting General Meetings by publishing adopted resolutions on its website in the form of current reports fully ensures the transparency of General Meetings and provides investors and analysts with full access to the matters being examined. The Company is contemplating introducing this practice at a later time.

#### **IV. General meetings and relations with shareholders**

*IV.R.2. If justified given the shareholding structure or shareholder expectations indicated to the company and if the company is able to provide the technical infrastructure necessary to effectively conduct the general meeting using electronic means of communication, the company should make it possible for shareholders to participate in the general meeting using such means, in particular through:*

*1) real-time broadcast of the general meeting,*

*2) two-way communication in real time, using which shareholders may make verbal statements in the course of the general meeting while being physically at another location,*

3) exercise, either in person or through an attorney, of voting rights in the course of the general meeting.

The Company does not apply this rule, and does not intend to apply it in the future, due to the low interest shown by the Company's shareholders in conducting General Meetings in this form.

*IV.Z.2. If justified given the company's shareholding structure, the company ensures a commonly accessible broadcast of the general meeting in real time.*

The Company does not apply this rule, and does not intend to apply it in the future, due to the low interest shown by the Company's shareholders in conducting General Meetings in this form. According to the Company, the existing methodology of documenting General Meetings by publishing adopted resolutions on its website in the form of current reports fully ensures the transparency of General Meetings and provides investors and analysts with full access to the matters being examined.

## **V. Conflicts of interest and related party transactions**

*V.Z.6. The company uses internal regulations to specify the criteria and circumstances in which a conflict of interest might arise as well as rules for proceeding with an actual or potential conflict of interest. The company's internal regulations take into consideration, among other things, ways of preventing, identifying and resolving conflicts of interest as well as rules for excluding a member of the management board or supervisory board from participating in examining cases involving an actual or potential conflict of interest.*

The Company currently does not have internal regulations referred to in this rule. Elements relating to preventing conflicts of interest are described in the Company's Code of Ethics. The Company is contemplating introducing the internal regulations described in this rule at a later time.

## **VI. Salaries and wages**

*VI.Z.4. In its report on operations, the company presents a report on its remuneration policy, which contains at least the following:*

- 1) overall information regarding the company's remuneration system,*
- 2) information on the terms and level of remuneration for each member of the management board, broken down by fixed and variable components of remuneration, with indication of the key parameters for establishing the variable components as well as rules for the payment of severance pay and other payments related to terminating employment, commission or other legal relation of a similar nature - separately for the company and each entity in its group,*
- 3) information on non-financial components of remuneration for Management Board members and key managers,*
- 4) indication of significant changes in the remuneration policy being introduced in the past financial year or information on a lack thereof,*
- 5) assessment of the remuneration policy's performance from the viewpoint of achieving its objectives, in particular long-term growth in value for shareholders and the enterprise's operational stability.*

In its report on operations, the Company presents a report concerning its remuneration policy in the scope indicated above, except for the following:

*- Information on the remuneration terms for each member of the Management Board - the Company considers its existing remuneration system for Management Board members as a business secret. At the same time, in reference to publishing information on remuneration of Management Board and Supervisory Board members, the Company applies the relevant existing rules of law.*

### **3. DESCRIPTION OF THE KEY FEATURES OF THE ISSUER'S INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM, AS THESE RELATE TO THE PROCESS OF PREPARING SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**

The Company prepares financial reports and periodic reports based on existing laws and internal procedures.

The Management Board is responsible for the Company's internal control system and its functioning in the process of preparing financial statements.

Technical supervision over the process of preparing financial statements and periodic reports is performed by the Company's finance director.

The accounting and financial reporting department, together with the management accounting department, are responsible for organising work on preparing annual and interim financial statements.

Financial data constituting the basis for financial statements and periodic reports is taken from the Company's accounting and financial system, where all transactions are recorded in accordance with the Company's adopted accounting principles.

Once approved by the head of accounting and financial reporting, financial statements are provided to the management board member and finance director for preliminary evaluation and subsequently to the Management Board, in full composition, for final evaluation.

Annual and semi-annual financial statements are subject to independent audit and review by a statutory auditor. Results of the review and audit are presented to the head of accounting and financial reporting and management board member, finance director at a meeting.

The Supervisory Board performs an annual review of the Company's financial statements for the preceding year and issues recommendations to the general meeting concerning their approval.

### **4. INDICATION OF SHAREHOLDERS DIRECTLY OR INDIRECTLY HOLDING SIGNIFICANT STAKES, TOGETHER WITH INDICATION OF THE NUMBER OF SHARES HELD BY SUCH ENTITIES, THEIR SHARE IN CAPITAL, THE NUMBER OF VOTES CARRIED BY SUCH SHARES AND THEIR SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING**

List of shareholders directly or indirectly holding significant stakes in the Company as at 31 December 2019 (unchanged until the date on which these financial statements were prepared):

<b>Shareholder</b>	<b>Number of shares</b>	<b>% in share capital</b>	<b>Number of votes at the general meeting</b>	<b>% of votes at the general meeting</b>
Amicus Polinae Sp. z o.o.	16 902 750	51.91	16 902 750	51.91
Radosław Koelner	2 935 915	9.02	2 935 915	9.02
PKO BP Bankowy PTE S.A.	2 933 639	9.01	2 933 639	9.01
Nationale Nederlanden PTE S.A.	2 842 138	8.73	2 842 138	8.73
Quercus TFI S.A.	1 705 831	5.24	1 705 831	5.24
Other	5 239 727	16.09	5 239 727	16.09
<b>TOTAL</b>	<b>32 560 000</b>	<b>100.00</b>	<b>32 560 000</b>	<b>100.00</b>

**5. HOLDERS OF SECURITIES WITH SPECIAL CONTROL ENTITLEMENTS, TOGETHER WITH DESCRIPTION THEREOF**

Not applicable.

**6. INDICATION OF ALL LIMITATIONS RELATING TO EXERCISE OF VOTING RIGHTS, SUCH AS A LIMITATION CONCERNING EXERCISE OF VOTING RIGHTS BY HOLDERS OF A SPECIFIED STAKE OR NUMBER OF VOTES, TIME LIMITATIONS CONCERNING EXERCISE OF VOTING RIGHTS - PURSUANT TO WHICH, AND WITH THE COMPANY'S SUPPORT, THE ENTITLEMENTS ATTACHED TO SECURITIES ARE SEPARATED FROM OWNERSHIP OF SUCH SECURITIES**

Not applicable.

**7. INDICATION OF ANY LIMITATIONS CONCERNING TRANSFER OF SECURITIES OWNERSHIP**

Not applicable.

**8. DESCRIPTION OF PRINCIPLES CONCERNING THE APPOINTMENT AND DISMISSAL OF MANAGEMENT PERSONNEL AND THEIR ENTITLEMENTS, IN PARTICULAR THE RIGHT TO MAKE DECISIONS ON THE ISSUE OR BUYBACK OF SHARES**

Pursuant to § 27 sec. 1 of the Articles of Association, the Management Board comprises one or more members, including the President and Vice-Presidents, elected and dismissed by the Supervisory Board. The Company may be represented by each Management Board member individually. The Company may also be represented by attorneys appointed by the Management Board pursuant to, and within the scope of, the relevant power of attorney. The Management Board term is three years and commences on the election date.

Management Board meetings are held as and when needed, however at least once every quarter. Minutes are kept at Management Board meetings.

The Management Board manages the Company's business, its movables and immovables and its rights, as well as adopts resolutions and makes decisions in all matters which are not reserved for the general meeting or Supervisory Board.

Management Board resolutions may be adopted if all persons entitled to participate in Management Board meetings had been properly invited, and at least two Management Board members are present.

Management Board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise.

The following activities require Management Board resolutions:

- 1) incurrence of debt other than a regular trade credit;
- 2) issue of shares, bonds, warrants or promissory notes;
- 3) provision of collateral for any debt of another entity, including subsidiaries;
- 4) establishment of a mortgage or any other encumbrance of the Company's assets;
- 5) execution of an agreement resulting in the Company's obligation - or a risk of such an obligation arising - to provide, within a single financial year, items, services or cash in an amount exceeding PLN 2 000 000.00, unless the execution of such an agreement is included in the Company's annual financial plan (budget)

adopted by the Management Board and approved by the Supervisory Board;

- 6) calling a general meeting or Supervisory Board meeting;
- 7) submission of a court request to declare as invalid or to waive general meeting resolutions;
- 8) submission of a court request to declare the Company's bankruptcy.

The Company's Articles of Association do not grant any special authorisation to the Management Board as regards decisions on issue or buyback of shares. In accordance with the articles of association, however, prior to a decision on issue of shares the Management Board is required to adopt a relevant resolution.

## **9. DESCRIPTION OF THE PRINCIPLES FOR AMENDING THE COMPANY'S ARTICLES OF ASSOCIATION**

Pursuant to §16 sec. 2 point 2 of RAWLPLUG S.A.'s articles of association, all changes thereto are reserved exclusively for the general meeting. All matters concerning amendment of articles of association are exclusively regulated by the absolutely binding provisions of the Polish Commercial Companies Code, and the Company's articles of association do not contain any special provisions in this regard.

## **10. MODUS OPERANDI OF THE GENERAL MEETING, ALONG WITH ITS MAIN AUTHORISATIONS; DESCRIPTION OF SHAREHOLDER RIGHTS AND THE MEANS OF THEIR EXERCISE, IN PARTICULAR THOSE RESULTING FROM THE GENERAL MEETING RULES, IF THESE WERE ADOPTED, UNLESS SUCH INFORMATION IS NOT PROVIDED FOR BY THE PROVISIONS OF LAW**

The general meeting operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association.

The means of organising and conducting general meetings are described in the general meeting regulations adopted by the general meeting and available at [www.rawlplug.pl](http://www.rawlplug.pl).

As per the articles of association in effect in 2019, the general meeting may be held at the Company's registered office.

General meetings are called by the Company's Management Board.

An ordinary general meeting should take place no later than six months from the end of the financial year.

The Supervisory Board has the right to call an ordinary general meeting if the Management Board does not do so within the above time period as well as an extraordinary general meeting if it deems doing so appropriate. Each independent member of the Supervisory Board may request that a general meeting be called and request the introduction of specific matters to the general meeting agenda.

Shareholders representing at least half of share capital or at least half of the Company's voting rights may call an Extraordinary General Meeting. A shareholder or shareholders representing at least one twentieth of share capital may, prior to the General Meeting date, submit to the Company, in writing or in electronic form, draft resolutions concerning items on the General Meeting agenda or those which are yet to be included in the agenda.

A General Meeting is called by publishing a notification on the Company's website at least 26 days prior to the General Meeting date and in the manner specified for provision of current information in accordance with regulations on public offerings and the terms and conditions for admitting financial instruments to an organized trading system, and on public companies.

Draft resolutions for the general meeting are presented to shareholders within the time limits specified by laws on trade in financial instruments, the Polish Commercial Companies Code and other relevant regulations.

The right to participate in a General Meeting of a publicly-listed company belongs only to persons who are shareholders in the Company 16 days before the General Meeting. Shareholders have the right to participate in a general meeting either personally or through attorneys. A power of attorney should be granted in writing or in electronic form, and be attached to the General Meeting minutes.

The main rights and obligations of shareholders authorised to participate in a general meeting are as follows:

- 1) exercising voting rights,
- 2) submitting requests,
- 3) requesting secret ballots,
- 4) submitting appeals and requiring that they be entered into minutes,
- 5) submitting questions and requesting explanations from members of the Company's authorities present at the meeting as regards items on the meeting's agenda,
- 6) observing the meeting's agenda, legal regulations, provisions of the Company's Articles of Association and good practices.

Each shareholder participating in the general meeting has the right to propose candidates for all positions being filled.

Rules for appointing the Supervisory Board by the general meeting are specified in the Company's articles of association.

The general meeting is valid regardless of the number of shares represented.

General Meeting resolutions are adopted with an absolute majority of votes cast, unless an absolutely binding provision of law or the Articles of Association state otherwise.

Voting may be done with or without the use of an electronic voting and vote counting system.

In matters not included on the meeting's agenda, resolutions may not be adopted, unless the entire share capital is represented at that general meeting and no one appeals adoption of such a resolution.

According to the articles of association in effect in 2019, other than the matter specified in the Polish Commercial Companies Code, general meeting resolutions should concern the following:

- 1) examining and approving the Company's financial statements and management report, together with the Supervisory Board report, for the previous financial year,
- 2) adopting resolutions on the distribution of profit or coverage of loss from prior years,
- 3) adopting resolutions concerning votes of approval for members of the Company's authorities,
- 4) electing the Company's new authorities, if these are elected by the general meeting and the mandates of their members expire on the general meeting date.

In addition, the following competences lie exclusively with the general meeting:

- 5) appointment and dismissal of Supervisory Board members, subject to § 18 of the Company's articles of association,
- 6) amendment to the Company's articles of association,

- 7) decision on issue or buy-back of shares,
- 8) issue of convertible bonds or bonds with pre-emptive rights to the Company's shares,
- 9) issue of warrants,
- 10) establishment of salary regulations and amounts for members of the Supervisory Board,
- 11) merger or dissolution of the Company and selection of liquidators,
- 12) sale, lease or encumbrance of the Company's business,
- 13) examination of claims against members of the Company's authorities or the Company's founders concerning damages resulting from illegal actions.

General meeting resolutions are placed on the agenda, prepared by a notary.

## **11. COMPOSITION OF THE ISSUER'S MANAGEMENT BOARD, SUPERVISORY BOARD, ADMINISTRATIVE AUTHORITIES AND THEIR COMMITTEES, ALONG WITH CHANGES OVER THE PAST FINANCIAL YEAR**

### **Management Board**

Composition of RAWLPLUG S.A.'s Management Board as at 31 December 2019:

Radosław Koelner	- President
Marek Mokot*	- Vice-President
Piotr Kopydłowski	- Member, responsible for finance

\* Mr. Marek Mokot was appointed Vice-President of RAWLPLUG S.A.'s Management Board on 29 March 2019.

The Company's Management Board operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association. The organisation and modus operandi of the Management Board are specified in the Management Board regulations approved by the Supervisory Board, which are available online at [www.rawlplug.pl](http://www.rawlplug.pl).

The Company may be represented by each Management Board member individually. The Company may also be represented by attorneys appointed by the Management Board pursuant to, and within the scope of, the relevant power of attorney. The Management Board term is three years and commences on the election date. A Management Board member's mandate expires on the date of the Ordinary General Meeting approving the financial statements for the last year of such a member's term.

Management Board meetings are held as and when needed, however at least once every quarter. Minutes are kept at Management Board meetings.

The Management Board manages the Company's business, its movables and immovables and its rights, as well as adopts resolutions and makes decisions in all matters which are not reserved for the general meeting or Supervisory Board.

Management Board resolutions may be adopted if all persons entitled to participate in Management Board meetings had been properly invited, and at least two Management Board members are present.

Management Board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise.

The following activities require Management Board resolutions:

- 1) incurrence of debt other than a regular trade credit;

- 2) issue of shares, bonds, warrants or promissory notes;
- 3) provision of collateral for any debt of another entity, including subsidiaries;
- 4) establishment of a mortgage or any other encumbrance of the Company's assets;
- 5) execution of an agreement resulting in the Company's obligation - or a risk of such an obligation arising - to provide, within a single financial year, items, services or cash in an amount exceeding PLN 2 000 000.00, unless the execution of such an agreement is included in the Company's annual financial plan (budget) adopted by the Management Board and approved by the Supervisory Board;
- 6) calling a general meeting or Supervisory Board meeting;
- 7) submission of a court request to declare as invalid or to waive general meeting resolutions;
- 8) submission of a court request to declare the Company's bankruptcy.

### **Supervisory Board**

The composition of the Company's Supervisory Board did not change in 2019.

Composition of the Company's Supervisory Board as at 31 December 2019:

- |                          |                      |
|--------------------------|----------------------|
| – Krystyna Koelner       | - Chairperson        |
| – Tomasz Mogilski        | - Deputy Chairperson |
| – Włodzimierz Frankowicz | - Member             |
| – Janusz Pajka           | - Member             |
| – Zbigniew Pamuła        | - Member             |
| – Zbigniew Stabiszewski  | - Member             |

The Supervisory Board operates pursuant to the provisions of the Polish Commercial Companies Code and the Company's articles of association. The organisation and modus operandi of the Supervisory Board, as well as the means of adopting resolutions, are detailed in Supervisory Board regulations, as approved by the Supervisory Board. The regulations are available online at [www.rawlplug.pl](http://www.rawlplug.pl).

The number of Supervisory Board members is specified by the general meeting prior to their election. The Supervisory Board is elected for a three-year term.

Supervisory board members may not be employees of the Company nor members of the authorities or employees of the Company's subsidiaries. They may not engage in activities competing with the Company's interest.

At least two supervisory board members should fulfil the independence criteria specified in the Company's articles of association.

Furthermore, an independent Supervisory Board member should fulfil the criteria specified in art. 129 sec. 3 of the Act on statutory auditors, audit firms and public oversight of 11 May 2017 (Polish Journal of Laws of 2017, item 1089, and the rationale resulting from Best Practices for WSE-Listed Companies 2016, including those pertaining to restrictions indicated in Annex II of Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) (EU Journal of 25 February 2005, L 52, page 51, as amended).

The General Meeting appoints the Supervisory Board chairperson from amongst Supervisory Board members, who are appointed by the General Meeting. The Supervisory Board appoints its Deputy Chairperson through a secret ballot.



Supervisory Board resolutions may be adopted if all members have been properly invited to the meeting.

Supervisory Board resolutions are adopted by an absolute majority of votes cast, unless the articles of association state otherwise. In the case of an even number of votes, the Supervisory Board Chairperson holds the deciding vote. Minutes are kept at Supervisory Board meetings.

Supervisory Board members may perform their functions only in person.

The Supervisory Board may delegate its members to perform certain supervisory functions on an individual basis.

Management Board members may participate in Supervisory Board meetings with an advisory vote.

Supervisory Board members receive remuneration for the functions they perform in the amounts specified by the general meeting.

Supervisory Board meetings are called at least once every quarter by the Supervisory Board chairperson or - in his/her absence - by the Supervisory Board deputy chairperson, on his/her own initiative, at the request of the Management Board or at the request of a Supervisory Board member.

An invitation to a Supervisory Board meeting is deemed effective if it is sent at least 10 days before the meeting date. Supervisory Board meetings may be conducted using long-distance communications, provided that all participants of such a meeting will be able to hear the other participants as well as be able to speak, and that all participants will be provided the same documents concerning items on the agenda.

The adoption of a resolution in writing by circulation is permissible.

The responsibilities of the Supervisory Board include:

- 1) reviewing and examining the Management Board's report on the operations of the Company and Rawplug Group in terms of compliance with documents, accounts and the facts,
- 2) reviewing and examining the separate and consolidated financial statements for the previous financial year in terms of compliance with documents, accounts and the factual state,
- 3) reviewing and examining Management Board requests regarding the allocation of profit or coverage of loss,
- 4) preparing a report on the Supervisory Board's activities,
- 5) assessing the Company's situation, taking into consideration an assessment of internal control, risk management and compliance systems as well as the internal audit function,
- 6) assessing the way in which the Company fulfils its information obligations resulting from corporate governance rules,
- 7) assessing the rationality of the Company's sponsorship, charity or other similar policy if the Company is involved in such activities.

The Supervisory Board provides continuous oversight of the Company's operations along with exercise of the entitlements and obligations specified by law, and in particular the following:

- 1) establishing the remuneration of Management Board members and the principles for their employment;
- 2) consenting to the Management Board members' engagement in competing activities, either personally or as participants in partnerships, members of the corporate authorities of companies or cooperatives, as well as shareholders of companies or cooperatives, if their share of the capital of such companies or cooperatives exceeds 5% or if they are entitled to appoint, pursuant to the articles of association or founding agreement, at least one member of the Management Board or supervisor board;

- 3) approving the formation of a new company or entry into an existing company by Rawlplug S.A.;
- 4) approving the purchase or sale of fixed assets with net accounting value exceeding 20% of equity, as indicated in the Company's most recent financial statements;
- 5) approving the Company's loans and borrowings exceeding 20% of equity, as indicated in the Company's most recent financial statements;
- 6) approving loans or guarantees by the Company for natural or legal persons, subject to sec. 2 points 7 and 8), with value exceeding 20% of equity, as indicated in the Company's most recent financial statements;
- 7) approving loans or guarantees by the Company for Rawlplug Group entities, with value exceeding 20% of equity, as indicated in the Company's most recent financial statements;
- 8) approving agreements being executed by the Company in excess of PLN 2 000 000.00 with a shareholder holding at least 5% of the total votes in the Company or related party;
- 9) consenting to the sale, acquisition or encumbrance of property or shares in property;
- 10) approving the Management Board regulations;
- 11) appointing a statutory auditor to carry out the audit or review of financial statements;
- 12) delegating supervisory board members to the management board in the event that management board members are suspended.

The Supervisory Board represents the Company in agreements and disputes with members of the Management Board, with the Supervisory Board Chairperson or another Supervisory Board member designated through a Supervisory Board resolution signing on behalf of the Supervisory Board pursuant to a one-time authorisation granted through a resolution.

The Supervisory Board examines and issues opinions on matters that are to be the subject of General Meeting resolutions.

The detailed means of calling and operation of the Supervisory Board are presented in the Supervisory Board Regulations adopted by the General Meeting at the request of the Supervisory Board Chairperson.

According to its regulations, the Supervisory Board may appoint and in cases where it is legally required does appoint permanent committees from amongst Supervisory Board members. In particular, the Supervisory Board appoints an audit committee.

Through a resolution of 28 November 2005, the Supervisory Board appointed an **Audit Committee**.

In accordance with the Audit Committee Regulations adopted by the Supervisory Board, the Audit Committee's tasks include supporting the Supervisory Board as a statutory body of the Company in performing its supervisory responsibilities as well as other activities specified in Polish and EU law, including especially:

- 1) monitoring:
  - a) the financial reporting process,
  - b) internal control and risk management systems, within a scope that applies to financial reporting,
  - c) the performance of financial review functions, including in particular audits being carried out by audit firms, taking into account all conclusions and findings by the Audit Supervision Commission resulting from inspections carried out at the audit firms;
- 2) controlling and monitoring the statutory auditor's and audit firm's independence, especially if non-audit

services are being performed for the Company by the audit firm (the monitoring of the independence of the statutory auditor and audit firm includes reviewing whether the audit firm is in compliance with the existing guidelines concerning the rotation of statutory auditors, the level of remuneration paid by the Company to the audit firm and the regulatory requirements in this scope);

- 3) informing the Supervisory Board of audit results and explaining how the audit contributed to the reliability of the Company's financial reporting and what the Audit Committee's role in the audit process was;
- 4) examining the statutory auditor's independence and expressing consent for provision of non-audit services by such statutory auditor for the Company (control of the character and scope of permissible non-audit services, including especially based on disclosures by the audit firm or statutory auditor of all fees paid by the Company to the audit firm and its network, with a view to preventing any conflicts of interest in this aspect);
- 5) drafting and reviewing the audit firm selection policy;
- 6) drafting and reviewing the policy concerning provision of non-audit services by the audit firm conducting the audit, by its related parties or a member of the audit firm's network;
- 7) defining and reviewing the procedure to select the Company's audit firm;
- 8) evaluating the process of selecting the audit firm and presenting to the Supervisory Board the recommendations referred to in art. 16 sec. 2 of Regulation 537/2014 regarding the appointment of statutory auditors or audit firms, in accordance with the policies referred to in points 5 and 6 above;
- 9) reviewing the effectiveness of the external audit process, and the responsiveness of management to the recommendations made by statutory auditors;
- 10) investigating the issues giving rise to any resignation of the external auditor, and make recommendations as to any required action;
- 11) making recommendations intended to ensure the reliability of the Company's financial reporting process;
- 12) review at least annually the internal control and risk management systems, with a view to ensuring that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed,
- 13) supervising the organisational unit responsible for the Company's internal audit;
- 14) if the Company has a separate internal audit function - ensuring the effectiveness of the internal audit function, especially through appointing, re-appointing and dismissing the head of internal audit and the related budget as well as monitoring the responsiveness of management to its conclusions and recommendations.

The composition of the Audit Committee did not change in 2019. As at 31 December 2019 and at the date on which these financial statements were prepared, the Audit Committee's composition was as follows: Zbigniew Stabiszewski, Janusz Pajka and Włodzimierz Frankowicz. The Audit Committee held seven meetings in 2019.

Zbigniew Stabiszewski and Włodzimierz Frankowicz meet the independence criteria for independent supervisory board member in the meaning of Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, taking into account the requirements specified in Good Practices for WSE-Listed Companies, as well as for independent Audit Committee members in the meaning of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Polish Journal of Laws of 2017, item 1089).

Audit Committee members' competences in accounting and the industry:

Zbigniew Stabiszewski has:

- knowledge and skills in the area of accounting, resulting from the fact that he has been operating since 2006 in the economic advisory sector, mainly for businesses and local government units. He is authorised as supervisory board member for State Treasury companies. He has many years of experience working at supervisory boards, including audit committees, for entities related to the banking sector, investment funds, trade of financial instruments and businesses.
- knowledge and skills in the relevant industry, gained as member of the Company's Supervisory Board in 2011-2018 and resulting from the fact that he has been operating since 2006 in the economic advisory sector, mainly for businesses and local government units.

Włodzimierz Frankowicz has:

- knowledge and skills in the area of accounting, resulting from the fact that in 1990-2016 he was the owner and manager of Biuro Księgowo-Rachunkowe "STORNO" sp. z o.o. and has the following professional authorisations:
  - Qualification Certificate 2000/97 issued by the Minister of Finance for people providing bookkeeping services - 1997
  - Tax adviser no. 3055, entered onto the list of tax advisers by the Minister of Finance - 1997
- knowledge and skills in the industry, resulting from the fact that in 1988-1990 he served as director general at Zakład Wytwarzania Urządzeń Elektronicznych ARMATRONIC, where he personally oversaw the operation of a plastics processing facility, production and repair of injection forms and the work of a team of designers.

The Supervisory Board selects the statutory auditor to audit the Company's separate and consolidated financial statements.

Statutory auditor authorised to audit the Company's financial statements is understood as the entity specified in the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Polish Journal of Laws of 2017, item 1089),

Pursuant to § 23 sec. 13 point 8 of the Company's Articles of Association, the Audit Committee evaluates the process to select the statutory auditor and provides a recommendation to the Supervisory Board on audit firm selection. The entity authorised to audit RAWLPLUG S.A.'s separate financial statements and RAWLPLUG Group's consolidated financial statements for 2019 is Grant Thornton Polska Sp. z o.o. sp.k. The audit firm was selected by the Company's Supervisory Board on 24 May 2019. The Audit Committee's recommendation regarding extension of cooperation with the existing audit firm was drafted following an organised procedure in compliance with the existing laws.

The Company has the following documents in place:

- "Policy for selecting audit firm to audit by public-interest entity - RAWLPLUG S.A., based in Wrocław,"
- "Policy for selecting audit firm by public-interest entity - RAWLPLUG S.A., based in Wrocław,"
- "Policy for the provision of permitted non-audit services by the audit firm conducting the audit, by its related parties or a member of the audit firm's network, for a public-interest entity - RAWLPLUG S.A., based in Wrocław,"

the provisions of which are in compliance with the requirements of the Act on statutory auditors, audit firms and public oversight of 11 May 2017 (Polish Journal of Laws of 2017, item 1089).

In the course of selecting the audit firm to audit the Company's financial statements, the Company's bodies and the Audit Committee (as a body created within the Supervisory Board, which is not a body of the Company in the

legal and formal sense) apply due care to follow Polish and EU legal regulations as well as guidelines and clarifications from authorities carried out oversight of public-interest entities, intended to:

- 1) ensure the appropriate quality of audit by increasing audit reporting standards;
- 2) eliminating the risk of violating the independence and the professional scepticism rule by the selected audit firm;
- 3) ensuring the independence and objectivity of the selected audit firm and statutory auditor.
- 4) increasing the Audit Committee's competences as body playing an important role in ensuring the high quality of statutory audits.

The Company observes the prohibition on provision of non-audit services by the audit firm conducting the audit, by its related parties or a member of the audit firm's network. Grant Thornton Polska Sp. z o.o. sp.k., as auditor of the Company's separate financial statements and Rawlplug Group's consolidated financial statements for financial year 2019, did not provide non-audit services to the Company.

## **12. DIVERSITY POLICY CONCERNING THE COMPANY'S AUTHORITIES AND KEY MANAGERS**

RAWLPLUG S.A.'s diversity policy is an extension of the Group's Code of Ethics and is an integral part thereof.

The policy aims to build awareness and organisational culture open to diversity, which leads to more efficient work, development of trust and counteracts discrimination.

The Company's diversity policy intends to fully use the employees' potential, their diverse skills, experiences and talents in an atmosphere of respect and support.

RAWLPLUG S.A. is implementing diversity management rules and an equal treatment policy, taking into account respect for a diverse, multi-cultural society and placing special emphasis on equal treatment in terms of gender, age, disability, health, race, nationality, ethnic origin, religion, faith, lack of religious beliefs, political beliefs, trade union participation, sexual orientation, gender identity, marital status, lifestyle, employment for, scope and basis as well as other considerations that provide exposure to discrimination.

Creating appropriate working conditions is an important element of the diversity policy, intended to ensure that employees feel respected and appreciated and that they feel they can develop and maximise their professional potential. The Company is promoting a culture based on dialogue, openness, tolerance and team work, alongside an approach that minimises risk related to the loss of valuable employees.

In selecting executives and key managers for the Group's companies, the Company strives to ensure versatility and diversity, especially as regards gender, education, age and professional experience. Strong qualifications and technical readiness for the given job are the deciding aspects.