

## **REPORT OF THE SUPERVISORY BOARD OF KRUK S.A. FOR 2020**

*Appendix to Resolution No. 4/2021 of the KRUK S.A. Supervisory Board of March 25th 2021*

- I. Report on assessment of:
  - 1) the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020;
  - 2) the Directors' Report on the operations of KRUK S.A. in 2020;
  - 3) the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020;
  - 4) the Directors' Report on the operations of the KRUK Group in 2020;
  - 5) the Management Board's proposal concerning distribution of profit or coverage of loss for 2020.
  
- II. Report on assessment of:
  - 1) the Company's situation, including assessment of its internal control systems, risk management, compliance and internal audit function;
  - 2) the manner of fulfilment by the Company of the disclosure obligations with regard to the application of corporate governance principles specified in the Stock Exchange Rules and in the regulations concerning current and periodic information published by issuers of securities;
  - 3) the rationality of the Company's sponsorship policy.
  
- III. Report on the Supervisory Board's activities in 2020, together with a self-assessment of the Supervisory Board's work.
  
- IV. Resolutions passed and motions submitted to the General Meeting of KRUK S.A.

**I. REPORT SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS OF ART. 382.3 OF THE COMMERCIAL COMPANIES CODE**

With a view to fulfilling the obligation provided for in Art. 382.3 of the Commercial Companies Code and Articles 14.2.1 and 14.2.2 of the Company's Articles of Association, the Supervisory Board reviewed the following documents presented by the Company's Management Board:

- 1) the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020,
- 2) the Directors' Report on the operations of KRUK S.A. in 2020,
- 3) the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020,
- 4) the Directors' Report on the operations of the KRUK Group in 2020,
- 5) the auditor's report on the full-year separate financial statements of KRUK S.A. for the financial year ended December 31st 2020,
- 6) the auditor's report on the full-year consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020.

**1) Assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020**

By Resolution No. 2/2020, the Company's Supervisory Board appointed KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw, entered in the list of qualified auditors of financial statements under Reg. No. 3546, as the auditor to audit the full-year separate financial statements of KRUK S.A. and the full-year consolidated financial statements of the KRUK Group for the financial years 2020–2021.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards and other applicable regulations. The key financial statement figures for the reporting period January 1st – December 31st 2020:

**Separate statement of profit or loss:**

For the reporting period January 1st – December 31st 2020

PLN '000	Note	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 Restated
Interest income on debt portfolios measured at amortised cost	5	17,887	20,263
Revenue from sale of debts	5	-	-
Other income/expenses from purchased debt portfolios	5	1,471	(957)
Revenue from other services	5	112,126	139,089
Other income	5	16,613	1,693
Gain/(loss) on expected credit losses	5	10,820	16,281
<b>Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios</b>		<b>158,917</b>	<b>176,369</b>
Employee benefits expense	8	(137,812)	(148,885)
Depreciation and amortisation		(17,995)	(18,823)
Services	6	(33,946)	(35,655)
Other expenses	7	(22,818)	(31,606)
		(212,571)	(234,969)
<b>Operating loss</b>		<b>(53,655)</b>	<b>(58,600)</b>
Finance income	9	20,534	14,277
Finance costs	9	(99,753)	(78,027)
<i>including interest expense relating to lease liabilities</i>		<i>(865)</i>	<i>(628)</i>
<b>Net finance costs</b>		<b>(79,219)</b>	<b>(63,750)</b>
<b>Share of profit/(loss) of equity-accounted investees</b>		<b>325,386</b>	<b>438,529</b>
<b>Profit/(loss) before tax</b>		<b>192,513</b>	<b>316,179</b>
Income tax	10	(111,158)	(39,790)
<b>Net profit/(loss) for period</b>		<b>81,356</b>	<b>276,390</b>
<b>Earnings/(loss) per share</b>			
Basic (PLN)	21	4.29	14.61
Diluted (PLN)	21	4.22	14.30

**Separate statement of financial position**

**As at Dec 31 2020**

PLN '000	Note	Dec 31 2020	Dec 31 2019 Restated	Jan 1 2019 Restated
<b>Assets</b>				
Cash and cash equivalents	19	6,595	13,812	9,151
Derivatives	24	-	3,820	1,450
Hedging instruments	23	-	399	-
Trade receivables from related entities	18	20,594	25,435	21,814
Trade receivables from other entities	18	2,640	3,365	2,811
Other receivables	18	7,869	54,597	7,223
Inventories	17	28,755	30,294	27,260
Investments	15	320,520	343,926	149,667
Equity-accounted investments in subsidiaries	14	3,315,459	3,352,745	3,320,121
Property, plant and equipment	12	37,521	34,944	16,169
Intangible assets	13	12,841	15,084	16,547
Other assets		5,956	4,683	4,173
<b>Total assets</b>		<b>3,758,750</b>	<b>3,883,104</b>	<b>3,576,386</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	27	51,863	67,056	55,556
Derivatives	24	11,236	-	-
Hedging instruments	23	18,386	3,924	3,870
Employee benefit obligations	25	21,464	20,695	19,075
Income tax payable		4,358	690	12,295
Borrowings, other debt securities and leases	22	1,462,143	1,784,605	1,731,998
Provisions	26	11,280	7,454	7,516
Deferred tax liability	16	134,249	40,254	13,722
<b>Total liabilities</b>		<b>1,714,979</b>	<b>1,924,678</b>	<b>1,844,032</b>
<b>Equity</b>				
Share capital	20	19,011	18,972	18,887
Share premium		310,430	307,192	300,097
Cash flow hedging reserve		(14,783)	78	(3,869)
Translation reserve		81,360	(30,219)	(53,769)
Other capital reserves		103,626	104,582	94,924
Retained earnings		1,544,127	1,557,821	1,376,084
<b>Total equity</b>		<b>2,043,771</b>	<b>1,958,426</b>	<b>1,732,354</b>
<b>Equity and liabilities</b>		<b>3,758,750</b>	<b>3,883,104</b>	<b>3,576,386</b>

Separate statement of cash flows

For the reporting period January 1st – December 31st 2020.

PLN '000		Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 Restated
<b>Cash flows from operating activities</b>			
<b>Net profit/(loss) for period</b>		81,356	276,390
<i>Adjustments</i>			
Depreciation of property, plant and equipment	12	12,609	13,351
Amortisation of intangible assets	13	5,386	5,472
Net finance income/costs	9	78,661	65,035
Share of profit/(loss) of equity-accounted investees		(325,386)	(438,529)
Settlement of lease payments under terminated contracts		(1,300)	-
(Gain)/loss on sale of property, plant and equipment		(813)	27
Equity-settled share-based payments	30	(1,156)	9,658
Income tax		111,158	39,790
Change in investments	15	3,620	(4,218)
Change in inventories	17	1,539	3,034
Change in trade and other receivables	18	54,372	(7,752)
Change in prepayments and accrued income		(1,273)	(510)
Change in trade and other payables, excluding financial liabilities	22	(15,193)	11,500
Change in employee benefit obligations	25	769	1,620
Change in provisions	26	0	(62)
Income tax paid		(13,478)	(24,788)
<b>Net cash from operating activities</b>		(9,130)	(49,985)
<b>Cash flows from investing activities</b>			
Interest received	9	36	82
Loans	15	(42,700)	(270,608)
Sale of intangible assets and property, plant and equipment		3,133	2,487
Dividends received		18,651	49,537
Disposal of financial assets		482,863	503,256
Proceeds from derivative instruments		-	4,477
Purchase of intangible assets and property, plant and equipment	12.13	(7,037)	(12,359)
Acquisition of shares in subsidiaries	14	(27,028)	(117,450)
Repayments	15	85,779	36,370
<b>Net cash from investing activities</b>		513,698	195,791
<b>Cash flows from financing activities</b>			
Redemption of debt securities	22	24,550	215,000
Net proceeds from issue of shares	20	3,277	7,095
Increase in borrowings	22	578,994	1,114,116
Share buyback	20	(94,850)	-

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Repayment of borrowings	22	(865,074)	(1,079,138)
Payments under finance lease contracts (principal)	22	(8,371)	(9,434)
Dividends paid	21	-	(94,653)
Redemption of debt securities	22	(88,360)	(211,388)
Interest paid		(65,775)	(82,744)
<b>Net cash from financing activities</b>		<b>(515,610)</b>	<b>(141,146)</b>
Total net cash flows		(7,216)	4,661
Cash and cash equivalents at beginning of period		13,812	9,151
Cash and cash equivalents at end of period		<u>6,595</u>	<u>13,812</u>

\* Notes and other detailed information are included in the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020.

According to the Auditor's Report on the full-year separate financial statements of KRUK S.A. for the financial year ended December 31st 2020, the financial statements were prepared on the basis of properly maintained accounting records, comply with the form and content requirements set out in the laws applicable to the Company, and give a true and fair view of the Company's assets and financial position as at December 31st 2020, as well as its financial result for the financial year January 1st – December 31st 2020, in accordance with the principles set forth in the Accounting Act, applicable in Poland, International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission.

In view of the above, the Supervisory Board gives a positive assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020.

## **2) Assessment of the Directors' Report on the operations of KRUK S.A. in 2020**

Having read the Directors' Report on the operations of KRUK S.A. in 2020, the Supervisory Board concludes that the Report contains all the elements required by the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018, and meets all the requirements specified in Art. 49 of the Accounting Act.

The Supervisory Board concludes that the Report presents fairly and clearly all the information relevant for the assessment of profitability and financial performance in the financial year. The Report presents a fair and accurate description of the economic events that occurred in the Company in 2020 and the Management Board's activities during that period.

In view of the above, the Supervisory Board gives a positive assessment of the Directors' Report on KRUK S.A.'s operations in 2020.

**3) Assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020**

The consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020 have been prepared in accordance with International Financial Reporting Standards and other applicable laws. The key financial statement figures for the reporting period January 1st – December 31st 2020:

**Consolidated statement of profit or loss**

For the year ended December 31st 2020

PLN '000

	<b>N</b>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Dec 31 2019 restated</b>
<b>Continuing operations</b>			
Interest income on debt portfolios and loans measured at amortised cost	5	1,083,412	1,064,327
Interest income on loans measured at fair value	5	6,831	-
Revenue from sale of debts and loans	5	524	4,408
Other income/expenses from purchased debt portfolios	5	(27,114)	(27,404)
Revenue from other services	5	69,670	76,539
Other income	5	19,792	8,687
Change in investments measured at fair value	5	(1,803)	-
Gain/(loss) on expected credit losses	5	6,500	146,300
		<b>1,157,812</b>	<b>1,272,857</b>
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>			
Employee benefits expense	8	(341,862)	(356,998)
Depreciation and amortisation	12. 13	(46,543)	(44,043)
Services	6	(134,928)	(152,389)
Other expenses	7	(302,214)	(279,088)
		<b>(825,547)</b>	<b>(832,518)</b>
<b>Operating profit</b>		<b>332,265</b>	<b>440,339</b>
Finance income	9	89	211
Finance costs	9	(127,913)	(126,341)
		<i>including interest expense relating to lease liabilities</i> (2,546)	<i>(2,767)</i>
<b>Net finance costs</b>		<b>(127,824)</b>	<b>(126,129)</b>
<b>Profit before tax</b>		<b>204,441</b>	<b>314,210</b>
Income tax	10	(123,443)	(37,153)
<b>Net profit for period</b>		<b>80,998</b>	<b>277,057</b>



*Appendix to Resolution No. 4/2021 of the Supervisory Board of KRUK S.A.*

**Net profit attributable to:**

Owners of the Parent	81,356	276,390
Non-controlling interests	(358)	667

**Net profit for period**

80,998	277,057
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**Earnings per share**

Basic (PLN)	22	4.29	14.61
Diluted (PLN)	22	4.22	14.30

**Consolidated statement of financial position**

As at Dec 31 2020

PLN '000

	Note	Dec 31 2020	Dec 31 2019 restated	Change
<b>Assets</b>				
Cash and cash equivalents	19	145,552	150,274	(0)
Derivatives	24	-	3,820	0
Hedging instruments	25	-	399	
Trade receivables	18	16,804	23,988	(0)
Other receivables	18	28,357	31,852	(0)
Inventories	16	32,069	34,692	(0)
Investments	15	4,208,724	4,411,438	(0)
Deferred tax asset	17	31,180	-	1
Property, plant and equipment	12	91,864	82,973	0
Goodwill	14	23,916	47,206	(1)
Other intangible assets	13	50,729	50,252	0
Other assets	20	13,836	3,020	1
<b>Total assets</b>		<b>4,643,031</b>	<b>4,839,914</b>	<b>(0)</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	27	112,227	94,478	0
Derivatives	24	11,236	-	1
Hedging instruments	25	18,386	3,924	
Employee benefit obligations	26	42,860	39,343	0
Income tax payable		5,223	6,673	(0)
Borrowings, debt securities and leases	23	2,222,176	2,705,727	(0)
Provisions	28	53,124	24,178	1
Deferred tax liability	17	134,339	6,498	1
<b>Total liabilities</b>		<b>2,599,571</b>	<b>2,880,821</b>	<b>(0)</b>
<b>Equity</b>				
Share capital	21	19,011	18,972	0
Share premium		310,430	307,192	0
Cash flow hedging reserve		(14,783)	78	1
Translation reserve		81,360	(30,219)	1
Other capital reserves		103,626	104,582	(0)
Retained earnings		1,544,127	1,557,821	(0)
<b>Equity attributable to owners of the Parent</b>		<b>2,043,771</b>	<b>1,958,426</b>	<b>0</b>
<b>Non-controlling interests</b>		<b>(311)</b>	<b>667</b>	<b>3</b>
<b>Total equity</b>		<b>2,043,460</b>	<b>1,959,093</b>	<b>0</b>
<b>Total equity and liabilities</b>		<b>4,643,031</b>	<b>4,839,914</b>	<b>(0)</b>

**Consolidated statement of cash flows**

**For the year ended December 31st 2020**

PLN '000

	<i>Note</i>	<b>Jan 1–Dec 31 2020</b>	<b>Jan 1–Dec 31 2019 Restated</b>
<b>Cash flows from operating activities</b>			
<b>Net profit for period</b>		80,998	277,057
<i>Adjustments</i>			
Depreciation of property, plant and equipment	12	32,127	32,154
Amortisation of intangible assets	13	14,416	11,889
Impairment losses on goodwill		25,051	13,112
Net finance costs		127,824	115,181
(Gain)/loss on sale of property, plant and equipment		(597)	(287)
Equity-settled share-based payments	31	(1,156)	9,658
Income tax	10	123,443	37,153
Change in loans	15	(10,027)	(89,480)
Change in debt portfolios purchased	15	326,614	(92,734)
Change in inventories	17	2,623	693
Change in trade and other receivables	18	4,790	(4,609)
Change in other assets	20	(10,816)	(234)
Change in trade and other payables	27	17,749	(71,751)
Change in employee benefit obligations	26	3,517	4,861
Change in provisions	28	28,946	7,156
Share of minority profits		358	(667)
Income tax paid		(22,343)	(40,512)
<b>Net cash from operating activities</b>		743,515	208,642
<b>Cash flows from investing activities</b>			
Interest received	9	89	211
Sale of intangible assets and property, plant and equipment		5,980	3,175
Acquisition of subsidiaries	14	-	(92,325)
Purchase of intangible assets and property, plant and equipment	12.13	(16,974)	(48,040)
<b>Net cash from investing activities</b>		(10,905)	(136,978)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares	21	3,238	7,095
Proceeds from issue of debt securities	23	24,550	215,000
Increase in borrowings	23	824,927	1,738,898

*Appendix to Resolution No. 4/2021 of the Supervisory Board of KRUK S.A.*

Repayment of borrowings	23	(1,280,865)	(1,589,672)
Payments under finance lease contracts	23	(26,552)	(18,593)
Payment of dividends	22	(667)	(95,049)
Redemption of debt securities	23	(88,360)	(211,388)
Share buyback		(94,850)	-
Interest paid		(98,754)	(114,983)
<b>Net cash from financing activities</b>		<hr/>	<hr/>
		(737,333)	(68,692)
 Total net cash flows		 (4,722)	 2,972
Cash and cash equivalents at beginning of period		150,274	147,302
Cash and cash equivalents at end of period	19	<hr/>	<hr/>
		145,552	150,274

\* Notes and other detailed information are included in the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020.

According to the Auditor's Report on the full-year consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020, the financial statements were prepared on the basis of properly maintained accounting records, comply with the form and content requirements set out in the laws applicable to the Company, and give a true and fair view of the KRUK Group's assets and financial position as at December 31st 2020, as well as its financial result for the financial year January 1st – December 31st 2020.

The Report complies with the accounting principles set forth in the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission and – to the extent not provided for in those Standards – with the requirements of the Accounting Act and secondary legislation issued thereunder.

The Supervisory Board gives a positive assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020.

**4) Assessment of the Directors' Report on the operations of the KRUK Group in 2020**

Having read the Directors' Report on the operations of the KRUK Group in 2020, the Supervisory Board concludes that the document contains all the elements required by the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018, and meets all the requirements specified in Art. 49 of the Accounting Act.

The Supervisory Board concludes that the Report presents a true and fair view of the economic events that occurred in the KRUK Group in 2020 and had an effect on its operations, provides material information on the Group's assets and financial position, and presents its development plans for the coming years.

In view of the above, the Supervisory Board gives a positive assessment of the Directors' Report on the KRUK Group's operations in 2020.

**5) Assessment of the Management Board's proposal on distribution of profit or coverage of loss for 2020**

The Company's Management Board proposes that the General Meeting resolve to allocate the entire net profit for 2020, of PLN 81,355,730.59, to payment of dividend to the Company's shareholders. 18,740,045 shares will participate in the profit distribution. 271,000 shares bought back by the Company pursuant to Resolution No. 7/2020 of the KRUK S.A. Annual General Meeting of August 31st 2020 will not participate in the dividend payment.

Dividend of PLN 8.00 per share will be distributed from the Company's net profit for 2020, of PLN 81,355,730.59, increased by the amount of PLN 68,564,629.41 transferred from statutory reserve funds created out of the Company's earnings.

The Supervisory Board gives a positive opinion concerning the Management Board's proposal to the General Meeting regarding distribution of the Company's net profit for 2020.

**II. REPORT ON ASSESSMENT OF:**

- 1) the Company's situation, including assessment of its internal control systems, risk management, compliance and internal audit function;**
- 2) the manner of fulfilment by the Company of the disclosure obligations with regard to the application of corporate governance principles specified in the Stock Exchange Rules and in the regulations concerning current and periodic information published by issuers of securities;**
- 3) the rationality of the Company's sponsorship policy.**

- 1) Assessment of the Company's situation in 2020, including assessment of its internal control system, risk management, compliance and internal audit function.**

The Supervisory Board gives a positive assessment of the activities of Company's Management Board in 2020, as well as of the results and current financial position of the Company and the KRUK Group.

In 2020, KRUK S.A. earned revenue of PLN 142m, down 19% on 2019. Revenue from credit management services decreased by 19% to PLN 88m, revenue from purchased debt portfolios decreased by 20% to PLN 32m, and other revenue decreased by 19% to PLN 22m. The revenue decline occurred in the wake of the COVID-19 pandemic and its consequences.

KRUK S.A. is the parent of the KRUK Group and both its financial and operating performance should be evaluated in the context of the results achieved by the entire KRUK Group. In 2020, recoveries from debt portfolios purchased by the KRUK Group amounted to PLN 1,834m, revenue totalled PLN 1,138m, and the KRUK Group's net profit reached PLN 81m.

In the opinion of the Supervisory Board, the Company's internal control, risk management, compliance and internal audit system is effective and fits the profile and scale of the Company's operations.

The internal control system is designed to ensure the fulfilment of adopted objectives regarding operational efficiency and effectiveness, reliability of financial reporting, and compliance with applicable laws, regulations and internal policies. The risk management system in place ensures identification, analysis, assessment and monitoring of non-financial risks, supports decision-making processes and increases safety of operations. Responsibility for defining risk management procedures, ensuring their implementation and overseeing their application lies with the Management Board. For the risk management system and the internal control system to function effectively, responsibilities and tasks have been identified and assigned to three independent lines of defence within these systems:

1. 1st line of defence – All Operational Units as Risk Owner
2. 2nd line of defence: Compliance Area, Security and Operational Risk Management Area, Legal Area (including GDPR and Legal), Corporate Governance Area;
3. 3rd line of defence – Internal Audit Area.

In the opinion of the Supervisory Board, the Company properly monitors the emerging risks with a view to eliminating threats to the Company's operations and financial position or mitigating their impact and preventing materialisation of the risk in the future. The Supervisory Board gives a positive assessment of the risk management system in place at the Company. The current concept of the risk management system is adequate to the Company's needs in this area.

In the opinion of the Supervisory Board, the Company's compliance system functions properly. The Company has established the Compliance Area within its structures to manage compliance risk. The adopted procedures and solutions ensure compliance of the Company's operations with applicable internal and external regulations. Measures are taken to develop the compliance function, including its further development abroad.

2020 saw further development of the compliance system at the KRUK Group's Polish companies in the following areas:

- a) the compliance process – as an element of the risk management system, in particular through:
  - drawing up of a *Client Contact Frequency Manual* and *Compliance Risk Maps Manual*,
  - replacing the previous Compliance Committee with the Risk Monitoring Committee,
  - expansion of compliance risk maps – presenting more details regarding risks identified in the processes in place at the Company, identification of types of controls and assessment of materiality of particular risks;
- b) implementation of changes in processes, in particular as regards:
  - verification of the process and controls in debt recovery from unsecured portfolios,
  - verification of solutions related to the use of such tools as SpeechAnalytics and bots,
  - enforcement of claims following the introduction of legal solutions providing for lowering the cap on non-interest costs of loans and criminal liability for violation of these regulations, introduction of repayment holidays;
- c) raising employees' legal and regulatory awareness by, among others, communicating changes in laws and regulators' guidelines and making recommendations on how to implement them, providing employees with ongoing advice regarding their activities, supporting them in responding to client complaints and requests, as well as by holding meetings on the use of risk maps and their application in decision making.

2020 was also a year of significant development of the risk management and internal control systems at the KRUK Group companies, in particular:

- a) with respect to the risk management system:
  - a structured methodology for identifying and assessing non-financial risks and creating and developing risk maps was formulated and implemented;
  - the approach to risk mapping was changed and awareness of the need to manage risk was raised. Most processes at KRUK S.A. were subject to risk mapping, and the process was also commenced at the foreign companies;
  - risk maps were completed for a vast majority of processes/areas;
  - a Risk Management System Policy was developed;
  - the Risk Monitoring Committee mentioned above was established;
- b) with respect to the internal control system:
  - a plan of action was established to build a new system of permanent controls at the 2nd line of defence;
  - assumptions were developed for a new version of the Internal Control System Policy, which will redefine the system's objectives, responsibilities and tasks;
  - a basis was built for the creation of the controls system according to a new approach based on controls described in the risk maps with the participation of Risk Owners and support of Risk Managers;
  - the construction of a database supporting the internal control system and the risk management system was commenced (the tool will serve as a single shared source of data, will be based on data from risk maps, will ensure the monitoring of risk management by Risk Owners, and will support permanent controls at the 2nd line of defence).
- c) with respect to internal audit:
  - internal audits were carried out as planned and updated during the year;
  - a review and self-assessment of the internal audit function were carried out and, based on the results, a programme for raising audit standards was drawn up;
  - a process to develop the internal audit function across the KRUK Group was launched and a three-year strategy was designed for this purpose;
  - a risk matrix was created and an internal audit plan for 2021 was formulated based on the risk assessment;
  - cooperation between the internal audit function and the Audit Committee was ensured.

The Company's effective internal audit function evaluates the effectiveness of the risk management and internal control system. The audit covered the management processes and systems in place at KRUK S.A. and the foreign companies in 2020.

**2) Assessment of the manner of fulfilment by the Company of the disclosure obligations with regard to the application of corporate governance principles specified in the Stock Exchange Rules and in the regulations concerning current and periodic information published by issuers of securities.**

The Supervisory Board of KRUK S.A. gives a positive assessment of the manner of fulfilment by the Company of the disclosure obligations with regard to the application of corporate governance principles specified in the Stock Exchange Rules and in the regulations concerning current and periodic information published by issuers of securities, as well as in the Regulation of the European Parliament and of the Council on market abuse.

Following the adoption by the WSE Supervisory Board of the Best Practice for WSE Listed Companies 2016 by way of Resolution No. 26/1413/2015 of October 13th 2015, the Management Board adopted, by way of Resolution No. 1/2016, a statement of compliance with the Best Practice for WSE Listed Companies 2016 at KRUK S.A.

Following the coming into force on July 3rd 2016 of the Regulation of the European Parliament and of the Council on market abuse, the Company's Management Board adopted, by way of Resolution No. 161/2016, the Rules of Cooperation in the Fulfilment of Disclosure Obligations within the KRUK Group, which were later amended by Management Board's resolutions in 2017 and 2018; the amendments were introduced following the entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), Regulation of the Minister of Finance of March 29th 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, as well as changes in the organisational structure which had taken place at KRUK S.A.

In 2020, the Rules of Cooperation in the Fulfilment of Disclosure Requirements within the KRUK Group were amended to reflect the organisational changes that took place at KRUK S.A. (SMART).

The following documents, information and circumstances were considered in the analysis of application of corporate governance rules in 2020:

- a) full-year reports for 2019, published in 2020, containing, in the Directors' Reports, the KRUK Management Board's statement of compliance with the corporate governance standards set out in the Code of Best Practice for WSE Listed Companies 2016,
- b) actual application by KRUK S.A. of the Code of Best Practice for WSE Listed Companies.

In the opinion of the Supervisory Board, the Company complies with the recommendations and principles set out in the Code of Best Practice for WSE Listed Companies 2016 to the extent specified in the appendix to Resolution No. 1/2016 of the Management Board of KRUK S.A., which came into force on January 4th 2016, concerning the Code of Best Practice for WSE Listed Companies 2016 effective from January 1st 2016.

The analysis of the application of the provisions of the Regulation on current and periodic information to be published by issuers of securities as well as the provisions of the Regulation of the European Parliament and of the Council on market abuse covered, among other things, the following documents, information and circumstances:

- a) current reports from no. 1 to no. 54 for the period January 1st – December 31st 2020,
- b) full-year reports for 2019 and interim reports for 2020, published in 2020.

In the opinion of the Supervisory Board, the Company duly complied with the provisions of the Regulation on current and periodic information to be published by issuers of securities as well as with the provisions of the Regulation of the European Parliament and of the Council on market abuse.

### **3) Assessment of the rationality of the Company's sponsorship policy.**

In the opinion of the Supervisory Board, the Company pursues a reasonable sponsorship policy in line with the principles set forth in the Charitable Sponsorship Policy at the KRUK Group, as adopted and



implemented by the Company. As specified in the document, the KRUK Group conducts charitable and sponsorship activities by providing in-kind and financial support to non-profit organisations, but also to the Group's clients and employees in need.

Among the objectives of the Company's charitable and sponsorship activities is help for the most needy, promotion of active and healthy lifestyle, and support for local educational projects. Educational activities aimed at raising the financial awareness of individuals hold a special place in the calendar of annual community-outreach events organised by the Company.

They include the Ecological Debt Day, during which the Company seeks to draw the attention of the media and the public to the issues related to excessive consumerism and its impact on the natural environment. Another such event is the Day without Debts, organised by the Company to encourage people to monitor their finances and take steps to repay their debts. 2020 saw its 12th Polish edition, with other companies, associations and institutions joining in.

Particularly important in 2020 were initiatives aimed at protecting the health and safety of employees and clients. We conducted information and education campaigns addressed to elderly people and their families and joined the #StayatHome campaign. In this way we educated our clients on how they can safely use electronic payment methods and manage their debt repayments without leaving home. Such activities were conducted in all the countries where the KRUK Group operates.

As part of its Charitable Sponsorship Policy, in 2020 the Company again co-sponsored the Company Run in Wrocław. The event works on three levels – it integrates employees, encourages them to spend time actively, and provides support to sick children under the care of the Everest Foundation. The 2020 Company Run was an online event, with the participants competing remotely. Traditionally, the proceeds were allocated for the treatment and rehabilitation of children supported by the Everest Foundation of Wrocław as well as for the purchase of rehabilitation equipment for them.

2020 was an exceptional year in terms of sponsorship opportunities, as many of the planned charity events in which the Company had participated, such as the Concert of Hope, the proceeds from which were to be used to support the 'To the Rescue of Kids with Cancer' Foundation, were cancelled due to the coronavirus pandemic. Nevertheless, in the first months of the pandemic KRUK S.A. engaged in a local campaign #graMYdlaKOSZAROWEJ by making a donation to purchase protective equipment for the medical staff of the J. Gromkowski Provincial Specialist Hospital in Wrocław. In this way, the Company supported medical personnel in the struggle against the coronavirus pandemic.

In addition, as part of its support for local communities, the KRUK Group became involved in helping a children's home in Świebodzin and, seeking to improve the comfort of life of the children, it donated 40 single, nearly new beds previously intended for disposal, and purchased 40 new mattresses.

During the coronavirus pandemic, many schools switched to remote learning. However, some children could not learn, because they did not have a computer/laptop or internet connection. To support children at the risk of digital exclusion, the Company, at the request of several schools, donated laptops, tablets and phones previously used by its employees. The devices were tested and given a second life, thus enabling a group of children at the risk of digital exclusion to learn online.

The overriding objective of both of these charitable projects was to help children. At the same time, in accordance with the 3R (reduce, reuse, recycle) principle, equipment in good working condition could at a small cost be in use again. Thus, the Company supported local communities and showed care for the natural environment in accordance with the zero waste philosophy.

In 2020, the KRUK Group allocated approximately PLN 217 thousand from its budget to the sponsorship activities. In the opinion of the Supervisory Board, these actions correspond with the

Company's values and fully reflect the KRUK Group's commitment to helping those in need and building its position as an employer.

### III. REPORT ON KRUK S.A. SUPERVISORY BOARD'S ACTIVITIES IN 2020 TOGETHER WITH A SELF-ASSESSMENT OF THE SUPERVISORY BOARD'S WORK

#### COMPOSITION OF THE KRUK SUPERVISORY BOARD IN 2020

From January 1st 2020 to December 31st 2020, the Supervisory Board of KRUK S.A. (the Company, KRUK) consisted of the following seven members:

1) Piotr Stępnia	Chairman of the Supervisory Board
2) Katarzyna Beuch	Member of the Supervisory Board
3) Tomasz Bieske	Member of the Supervisory Board
4) Krzysztof Kawalec	Member of the Supervisory Board
5) Mateusz Melich	Member of the Supervisory Board
6) Ewa Radkowska-Świętoń	Member of the Supervisory Board
7) Piotr Szczepiórkowski	Member of the Supervisory Board

As at the date of this Report, the composition of the KRUK Supervisory Board remained unchanged.

At least once a year, members of the Supervisory Board submit to the Company's Supervisory Board and Management Board representations on meeting the independence criteria as specified in Annex II to the European Commission Recommendation No. 2005/162/EC of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the board ("EC Recommendations") and to the extent specified in the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089 as amended) (the "Statutory Auditors Act").

According to the representations completed and submitted by the members of the Supervisory Board, the following members meet the independence criteria stipulated by the EC Recommendations:

- Katarzyna Beuch,
- Mateusz Melich,
- Ewa Radkowska-Świętoń,
- Piotr Szczepiórkowski.

Piotr Stępnia, Tomasz Bieske and Krzysztof Kawalec submitted representations to the effect that they did not fulfil the independence criteria specified in the document.

The independence criteria laid down in the Statutory Auditors Act are met by the following members of the Supervisory Board:

- Katarzyna Beuch,
- Krzysztof Kawalec,
- Mateusz Melich,
- Ewa Radkowska-Świętoń,
- Piotr Stępnia,
- Piotr Szczepiórkowski.

According to a representation submitted by Tomasz Bieske, he does not meet the independence criteria specified in the Statutory Auditors Act.

Representations submitted by members of the Supervisory Board are reviewed annually. In accordance with the above principle and the requirements of the Code of Best Practice for WSE Listed Companies 2016, the representations made by members of the Supervisory Board were reviewed and assessed by the Supervisory Board.

#### *ACTIVITIES OF THE KRUK S.A. SUPERVISORY BOARD IN 2020*

In 2020, the Supervisory Board acted in accordance with the remit and procedures provided for in the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. In 2020, the Supervisory Board met five times – in March, May, August, November and December. The meeting in March took place at the Company's registered office. The other meetings were held using means of remote communication. In addition, the Supervisory Board met as needed via conference calls to discuss the regular agenda and also to work with the Company's Management Board on an ongoing basis.

In 2020, the Supervisory Board discussed, among other things, the following matters:

1. economic, financial and operating results of the Company and the Group companies,
2. the financial plan for 2021,
3. the Company's operations in the previous and current financial year,
4. appointment of an auditor to audit the 2020 and 2021 financial statements,
5. changes in the Company's Management Board,
6. formulation of assumptions for the Remuneration Policy and issuing opinions on the draft policy,
7. issuing opinions on resolutions to be adopted by the Company's General Meeting,
8. issuing opinions on assumptions for the Company's new stock option plan and allocation of warrants to Management Board members under the Group's incentive plan,
9. strategic initiatives: overview of HR processes and projects,
10. discussion of the SMART KRUK project,
11. discussion of the compliance function at the KRUK Group,
12. approval of risk appetite and a worst case scenario, in accordance with the currency risk management policy at the KRUK Group,
13. appointment of an auditor to prepare the auditor's assessment of the remuneration report,
14. other current tasks assigned to the Supervisory Board by the Company's Articles of Association.

In 2020, the Supervisory Board passed 36 resolutions, of which:

- 20 were adopted at meetings of the Supervisory Board,
- 16 were adopted by written ballot.

As part of supervision over the Company's day-to-day operations, the Supervisory Board regularly analysed the financial situation and operating results as well as market information, taking into account the impact of the epidemic on operational processes and financial performance.

The Supervisory Board exercises permanent supervision over the Company's operations by:

- analysing materials received from the Management Board,
- obtaining information and detailed explanations from the Management Board Members and other employees during Supervisory Board meetings,
- through the activities of the Audit Committee,

- analysing the findings of reviews and audits of financial and accounting documentation and financial statements prepared on its basis by a statutory auditor,
- monitoring the financial audit function and cooperating with the audit firm auditing the financial statements of the Company and the Group.

In accordance with the Rules of Procedure for the Supervisory Board, the Supervisory Board has the following committees:

- the Audit Committee,
- the Remuneration and Appointments Committee, and
- the Finance and Budget Committee.

The composition of the Committees and their operations in 2020 are discussed below in this Report.

#### *SELF-ASSESSMENT OF KRUK S.A. SUPERVISORY BOARD'S WORK IN 2020*

In performing its duties, the Supervisory Board used information and documents provided by the Company's Management Board. In the opinion of the Supervisory Board, cooperation with the Management Board was efficient and satisfactory.

In the opinion of the Supervisory Board members, the Supervisory Board of KRUK S.A. duly performed its duties provided for by law, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board. The Supervisory Board meetings were usually attended by all its members. All members of the Supervisory Board have appropriate knowledge and qualifications necessary to perform their duties, taking into account the nature of the Company's and the KRUK Group's business. In accordance with the requirements imposed on companies by the Act on Statutory Auditors, Audit Firms and Public Oversight, as well as by the Code of Best Practice for WSE Listed Companies, all seven members of the Supervisory Board have knowledge and skills in the field of accounting or auditing of financial statements, and five members have expertise and skills specific to the industry in which the Company operates.

The current composition of the Supervisory Board reflects the Company's care to ensure the greatest possible diversity of its members in terms of professional experience, knowledge and skills. Thanks to the extensive knowledge and skills of its members, the Supervisory Board is able to ensure objectivity of its views and assessments of the Company's situation.

Therefore, the Supervisory Board recommends that its members be granted liability discharge for the financial year 2020.

#### *REPORT ON THE WORK OF THE SUPERVISORY BOARD COMMITTEES*

##### ***Report on the work of the Audit Committee***

The Audit Committee consists of at least three members. The majority of the Audit Committee members, including its chairperson, should be independent members within the meaning of the Act on Statutory Auditors. The Audit Committee should include at least one member with knowledge and skills in accounting or auditing. Members of the Audit Committee should have the knowledge of and skills relevant for the industry in which the Company operates.

The primary objective of the Audit Committee is to assist the Supervisory Board in exercising financial supervision over the Company and provide it with authoritative information and opinions enabling the Board to make appropriate decisions on financial reporting, internal control and risk management.

The Audit Committee's responsibilities include in particular:

- 1) monitoring of:
  - a) the financial reporting process;
  - b) the effectiveness of internal control systems and risk management systems as well as of internal audit, including financial reporting;
  - c) the performance of financial audit activities, in particular an audit conducted by the audit firm, taking into account all recommendations and findings of the Audit Oversight Commission resulting from audits carried out at the audit firm;
- 2) controlling and monitoring of the independence of the statutory auditor and the audit firm, in particular when the audit firm provides non-audit services;
- 3) informing the Supervisory Board about the results of the audit and explaining how the audit has contributed to the integrity of financial reporting in a public-interest entity and what the role of the Audit Committee in the audit process was;
- 4) assessing the independence of the qualified auditor and giving consent to the auditor's provision of permitted non-audit services to a public-interest entity;
- 5) developing a policy for selecting an audit firm to conduct the audit;
- 6) developing a policy for providing permitted non-audit services by the audit firm carrying out the audit, entities related to the audit firm or a member of the audit firm's network;
- 7) defining the procedure for selecting an audit firm by a public-interest entity;
- 8) presenting to the Supervisory Board the recommendation referred to in Article 16(2) of Regulation No. 537/2014, in accordance with the policies referred to in items 5 and 6 above;
- 9) submitting recommendations aimed at ensuring the integrity of the financial reporting process in a public-interest entity.

In the period January 1st–December 31st 2020, the Audit Committee was composed of:

1. Katarzyna Beuch – Chairperson of the Audit Committee,
2. Ewa Radkowska-Świętoń – Member of the Audit Committee,
3. Piotr Stępiak – Member of the Audit Committee,
4. Piotr Szczepiórkowski – Member of the Audit Committee.

The above composition of the Audit Committee is also valid as at the date of preparation of this report. All members of the Audit Committee meet the criteria of independence within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight. Ms Katarzyna Beuch, who chairs the Audit Committee, and Ms Ewa Radkowska-Świętoń and Mr Piotr Szczepiórkowski, members of the Committee, also meet the independence criteria within the meaning of Best Practice for WSE Listed Companies 2016, as such criteria are specified in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. All members of the Audit Committee have knowledge and skills in accounting or auditing. Ms Katarzyna Beuch, Chairperson of the Committee, and Mr Piotr Stępiak, Member of the Committee, have knowledge and skills relevant to the industry in which the Company operates, which they gathered in the course of education and professional career.

Ms Katarzyna Beuch graduated from the Faculty of Management and Computer Science of the Wrocław University of Economics. She also completed a postgraduate USAID programme on asset and liability management and banking risk at the Warsaw Institute of Banking. She started her professional

career in 1992 at the Assets and Liabilities Management Department of Bank Zachodni S.A. of Wrocław. In 1996–2006, she worked at the Audit Department of Ernst & Young Audit sp. z o.o., where she was responsible for auditing financial statements, due diligence projects and accountancy consulting at financial institutions, such as banks, leasing and insurance companies, pension and investment funds, and non-financial enterprises. From 2006 to 2012, she served as a member of the Management Board and CFO at Getin Holding S.A. She was Head of the Accounting Department at Santander Consumer Bank. In 2016–2018, she held the position of Director General for Controlling and Economic Analysis at KGHM Polska Miedź S.A. She obtained ACCA qualification in 2000 (followed by FCCA professional title in 2005). Ms Beuch is the author of publications on the application of International Financial Reporting Standards. She has sat on the Supervisory Board of KRUK S.A. since 2013.

Ms Ewa Radkowska-Świętoń holds a degree in Finance and Banking from the Warsaw School of Economics. She began her professional career in 1995 at the Capital Transactions Centre of Bank Handlowy. In 1996–2006, she worked for ING Investment Management Polska S.A. (currently NN Investment Partners TFI S.A.) as an analyst, portfolio manager, fund manager, and acting Investment Director. She then served as fund manager at Aviva Investors Polska S.A. In 2008-2017, Ms Radkowska-Świętoń was Member of the Management Board and then Vice President of Nationale Nederlanden PTE S.A., concurrently holding the position of Investment Director. From September 2017 to January 2019, she served as President of the Management Board of Skarbiec TFI S.A. and as Vice President and then President of the Management Board of Skarbiec Holding S.A. She is certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager). Currently, Ms Radkowska-Świętoń serves as member of the Supervisory Board and Audit Committee of Ipopema Securities S.A., member of the Oversight Committee of Capital Market Benchmarks at WSE Benchmark S.A., and member of the Risk Committee of KDPW\_CCP S.A. Ewa Radkowska-Świętoń also serves as President of the Association of Independent Supervisory Board Members and an expert at the Institute for Sustainable Development and Environment at Lazarski University.

Mr Piotr Stępniać graduated from Guelph University, Canada as BA with double major (Economics and Management); ESC Rouen, France; Purdue University, U.S., as EMBA and Purdue University, U.S., as MSM. Since 2008 he has served as member of the Supervisory Board of KRUK S.A. Mr Stępniać has extensive professional experience. In 2001–2004, he was Vice President of LUKAS Bank, where he was responsible for retail banking. In 2005–2008, as President of the Management Board of Getin Holding S.A., he was responsible for analysis, financial audit of investment projects and supervision over portfolio companies consolidated within the holding. Since 2011, member of the Audit Committee of KRUK S.A. Since 2014, member of the Audit Committee of Nest Bank S.A. Since 2015, member of the Audit Committee of Magellan S.A. Since 2015, member of the Audit Committee of Skarbiec Holding S.A. Since 2017, Chairman of the Audit Committee of Skarbiec TFI S.A., Chairman of the Audit Committee of Grupa Kęty S.A., Chairman of the Audit Committee of ATM Grupa S.A., Chairman of the Audit Committee of Asseco Business Solutions S.A.

Mr Piotr Szczepiórkowski is an expert in pension systems, asset management and capital markets. He holds an investment adviser licence (No. 136); also member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). Graduate of the Faculty of Chemical and Process Engineering of the Warsaw University of Technology (1985), he worked in the Ministry of Finance (Department of Financial Institutions) and Bank Gospodarstwa Krajowego (Treasury Department). In 1993-2016, he worked for the Commercial Union Polska Group (now Aviva Polska), serving as President of the Commercial Union PTE Management Board as of 2001. Member of the Audit Committee of the

Chamber of Commerce of Pension Funds (IGTE). In 2008–2016, Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. During his professional career he completed a training programme to obtain the ACCA qualification and the Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University and Wharton School of Business. At present, he serves on the supervisory boards and audit committees of the following WSE-listed companies: FM Forte S.A., Octava S.A. (Audit Committee), Decora S.A. (Audit Committee Chairman), ZEW Kogeneracja S.A. (Audit Committee), and is a member of the Supervisory Board and Chairman of the Audit Committee at Ipopema TFI S.A. He also is a member of the Audit Committee of Polski Gaz TUW na Życie.

Apart from statutory duties, in 2020 the Audit Committee dealt in particular with:

- analysis of the results of the audit of the 2019 full-year report and setting the rules for audit of the financial statements for 2020;
- discussing a supplementary report for the Audit Committee for 2019;
- analysis of the results of review of the interim financial statements;
- analysis and evaluation of the Company’s internal control and internal audit system, including a summary of internal audit findings from 2019, analysing the extent to which internal audit recommendations had been implemented and setting an audit plan for 2020;
- review and analysis of risk maps;
- analysis of the Company’s Assessment Report, including an assessment of its risk management, compliance, information security and internal audit systems in 2019;
- discussion of compliance area’s objectives at the KRUK Group;
- analysis of the current portfolio valuation policy/methodology for accounting purposes, including information on possible changes made to the methodologies in 2018–2019;
- discussion of portfolio revaluation at the end of 2019 and the valuation methodology;
- pre-authorisation of non-audit services for 2020 and approval of the non-audit service report for 2019;
- analysis of how the Company Management handled operational incidents and events;
- analysis of the impact of the CJEU judgment on credit repayments ahead of schedule on the performance of Wonga.pl and on the consolidated financial statements;
- Discussion of the Dynamics 365 ERP implementation project;
- Analysis and discussion of the impact of COVID-19 on financial statements;
- Discussion of the impact of significant exchange rate fluctuations in the context of the FX hedging policy in place;
- Discussion of the group’s debt valuation policy for reporting purposes;
- Discussion of the process of cash recovery checks;
- update of the auditor selection policy pursuant to an amendment of Article 134 of the Auditors Act;
- analysis and discussion of tax issues, including the effective tax rate, tax burdens, MDR schemes, changes in tax legislation.

In 2020, the Audit Committee held four meetings (in February, May, August and December 2020). The first meeting was held at the Company’s registered office and the other meetings, due to the



pandemic, were held using means of remote communication. Apart from the meetings, the Committee members held conference calls during which they discussed the Company's and the Group's current affairs which were of interest to and within the remit of the Audit Committee, but had not been included in the agenda of the Committee meetings or had not been fully discussed during those meetings, such as the appointment of the head of the internal audit unit. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

***Report on the work of the Remuneration and Appointments Committee***

The Remuneration and Appointments Committee is composed of at least three members, including at least one member with knowledge and experience in the area of remuneration policy; the majority of the Remuneration and Appointments Committee members should be independent members of the Supervisory Board, in accordance with the independence criteria defined in EC Recommendations.

In the period January 1st–December 31st 2020, the Remuneration and Appointments Committee was composed of:

1. Tomasz Bieske – Chairman of the Remuneration and Appointments Committee
2. Mateusz Melich – Member of the Remuneration and Appointments Committee
3. Piotr Szczepiórkowski – Member of the Remuneration and Appointments Committee

The above composition of the Committee is also valid as at the date of preparation of this report.

Two members of the Remuneration and Appointments Committee: Mr Mateusz Melich and Mr Piotr Szczepiórkowski, meet the independence criteria within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight and the independence criteria within the meaning of the Best Practice for WSE Listed Companies 2016, as specified in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

The Remuneration and Appointments Committee's responsibilities include in particular:

- 1) Planning of the remuneration policy for the Management Board members;
- 2) Alignment of the Management Board members' remuneration with the Company's long-term interests and financial performance;
- 3) Recommendation of candidates to the Management Board to the Supervisory Board;
- 4) Periodic assessment of the structure, number of members, composition and performance of the Management Board, and, where needed, recommendation of changes in this respect to the Supervisory Board, and
- 5) Submission of a periodic assessment of the skills, knowledge and experience of the individual Management Board members to the Supervisory Board.

In 2020, the Remuneration Committee was mainly engaged in work on a draft Remuneration Policy proposed by the Company. For this purpose, the Committee members held meetings using means of remote communication on May 14th and May 18th 2020. In addition, until the final adoption of the draft Remuneration Policy, conference calls were held with the Company's Management Board and legal advisor. In addition, the Committee members issued opinions on the Management Board's proposals regarding allotment of subscription warrants to Management Board members under the 2015–2019 Management Stock Option Plan.

Matters within the remit of the Committee were discussed during the Committee's meetings held as conference calls and during Supervisory Board meetings, also held through means of remote communication. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

***Report on the work of the Finance and Budget Committee***

In the period January 1st–December 31st 2020, the Finance and Budget Committee was composed of:

1. Mateusz Melich – Chairman of the Finance and Budget Committee,
2. Katarzyna Beuch – Member of the Finance and Budget Committee,
3. Tomasz Bieske – Member of the Finance and Budget Committee,
4. Krzysztof Kawalec – Member of the Finance and Budget Committee,
5. Ewa Radkowska-Świętoń – Member of the Finance and Budget Committee.

The above composition of the Committee remains valid as of the date of this report.

The Finance and Budget Committee's responsibilities include in particular:

- 1) Ongoing analysis of the Company's financial performance and condition,
- 2) Drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board on matters related to the Company's finances,
- 3) Supporting oversight over the implementation of the Company's budget,
- 4) Matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.

In 2020, the Finance and Budget Committee focused primarily on matters related to the Company's and the Group's budgets, as well as financial matters related to the Company's operations. On October 8th 2020, at a meeting held using means of remote communication the Finance Committee considered the draft budget for the Company and Group for 2021. In addition, within the scope of their respective competencies, the Finance and Budget Committee members met remotely, via conference calls, to monitor the financial results on an ongoing basis, as well as at the Supervisory Board meetings. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

#### **IV. ADOPTED RESOLUTIONS AND MOTIONS TO THE GENERAL MEETING**

With regard to the above Report, on March 25th 2021 the Supervisory Board passed the following resolutions:

- 1) Resolution No. 3/2021 on making representations to the effect that the audit firm auditing the separate and consolidated full-year financial statements has been appointed in accordance with applicable laws, including those regarding the appointment and the procedure for appointment of an audit firm, that the laws governing appointment, composition and operation of the audit committee are complied with, and that the audit committee performed the audit committee tasks provided for in the applicable regulations.
- 2) Resolution No. 4/2021 on approving KRUK S.A. Supervisory Board's Report for 2020
- 3) Resolution No. 5/2021 on assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020
- 4) Resolution No. 6/2021 on assessment of the Directors' Report on the operations of KRUK S.A. in 2020
- 5) Resolution No. 7/2021 on assessment of the Management Board's proposal concerning allocation of KRUK S.A.'s net profit for 2020
- 6) Resolution No. 8/2021 on assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020
- 7) Resolution No. 9/2021 on assessment of the Directors' Report on the operations of the KRUK Group in 2020
- 8) Resolution No. 10/2021 on assessment of Directors' Reports on the operations of KRUK S.A. and the KRUK Group in 2020 and on assessment of the separate and consolidated financial statements for the financial year ended December 31st 2020, in terms of their consistency with the accounting books, documents and facts
- 9) Resolutions No. 11/2021 - 17/2021 on motions to the KRUK S.A. General Meeting concerning grant of liability discharge to the KRUK S.A. Management Board President and Members
- 10) Resolution No. 26/2021 concerning adoption of the Report on Remuneration for Members of the Management Board and Supervisory Board of KRUK S.A. of Wrocław for 2019 and 2020.

The Supervisory Board motions that the General Meeting:

- 1) approve the separate financial statements of KRUK S.A. for the financial year ended December 31st 2020,
- 2) approve the Directors' Report on the operations of KRUK S.A. in 2020,
- 3) approve the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2020,
- 4) approve the Directors' Report on the operations of the KRUK Group in 2020,
- 5) grant liability discharge to the President and Members of the Company's Management Board for 2020,
- 6) grant liability discharge to members of the Supervisory Board for 2020,
- 7) issue an opinion on the Report on Remuneration of Members of Management Board and Supervisory Board of KRUK S.A. of Wrocław for the years 2019 and 2020.

The report was prepared and approved by the Supervisory Board with the following composition:

Piotr Stępiak	–	Chairman of the Supervisory Board	.....
Katarzyna Beuch	–	Member of the Supervisory Board	.....
Tomasz Bieske	–	Member of the Supervisory Board	.....
Krzysztof Kawalec	–	Member of the Supervisory Board	.....
Mateusz Melich	–	Member of the Supervisory Board	.....
Ewa Radkowska- Świątoń	–	Member of the Supervisory Board	.....
Piotr Szczepiórkowski	–	Member of the Supervisory Board	.....