

## CORPORATE GOVERNANCE

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## 6.1

## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

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 Resolution No. 1/2016, a statement of compliance with the Best Practice for WSE Listed Companies 2016. The scope of application by the Company of the corporate governance standards set forth in the document was also specified in EBI Report No. 1/2016, published by the Company on January 4th 2016.

The text of the statement, specifying the extent to which the Company intends to comply with the standards, is available on KRUK S.A.'s website, at: <https://pl.kruk.eu/relacje-inwestorskie/o-spolce>.

## 6.1.1

### ADOPTED CODE OF CORPORATE GOVERNANCE

In 2019, the Company applied the corporate governance standards described in the Best Practice for WSE Listed Companies 2016 (Corporate Governance Principles, the Code of Best Practice), which constitutes an appendix to the WSE Supervisory Board's Resolution No. 26/1413/2015 of October 13th 2015. The document is available on the Warsaw Stock Exchange website dedicated to corporate governance (<http://www.corp-gov.gpw.pl>).

## 6.1.2

### CORPORATE GOVERNANCE STANDARDS WHICH THE COMPANY ELECTED NOT TO COMPLY WITH

As per the Management Board's statement, in 2016 the Company declared compliance with corporate governance standards set forth in the Best Practice for WSE Listed Companies 2016, save for the exceptions described below. This statement remains valid also for corporate governance standards complied with in 2019.

The Company elected not to comply with principle III.Z.3 of the Code of Best Practice 2016, whereby the independence criteria specified in the generally recognised International Standards for the Professional Practice of Internal Auditing apply to a person managing the internal audit function and to other people responsible for performance of the related tasks. The Management Board would like to note that the Company has a separate internal audit unit in its organisational structure. This unit is objective, independent and impartial, it reports directly to the President

of the Management Board, and has the possibility to submit its reports directly to the audit committee, in accordance with principle III.Z.2. However, the principles of organisational independence developed by the Institute of Internal Auditors (USA), i.e. the principle of direct functional reporting to the Supervisory Board, does not apply to the person managing the internal audit function. In the opinion of the Management Board of KRUK S.A., transposition of the US legal regulations to Poland would cause dual responsibility of the person managing the internal audit function, which would be unfavourable to the Company.

The Company elected not to comply with the recommendation included in IV.R.2. of the Code of Best Practice 2016, whereby, if justified by the structure of shareholders or expectations of shareholders notified to the company, the company should enable its shareholders to participate in a general meeting using electronic communication means, in particular using real-time broadcast of general meetings and real-time bilateral communication, where shareholders may take the floor during a general meeting from a location other than the general meeting and to exercise voting rights during a general meeting either in person or through a proxy. This recommendation applies to a situation where the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means. In the Management Board's opinion, KRUK S.A.'s free float is not significant enough to justify holding General Meetings using means of electronic communication. The Company's major shareholders are professional investors, both Polish and foreign, represented at General Meetings by proxies. As far as the Company is currently aware, the existing manner of conducting General Meetings is in line with its shareholders' expectations. At the same time, the Company has identified certain risks to the proper conduct of General Meetings, particularly legal risks, which in the Company's opinion would outweigh the potential benefit of a larger number of shareholders being able to participate.

For the same reasons, the Company elected not to comply with principle IV.Z.2, under which, if justified by the structure of shareholders, a company must ensure publicly available real-time broadcasts of general meetings.

## 6.2

## SHAREHOLDING STRUCTURE

## 6.2.1

### SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY MAJOR HOLDINGS OF KRUK S.A. SHARES

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. as at January 1st 2019, based on shareholder notifications received by the Company.



**TABLE 26. MAJOR HOLDINGS OF KRUK S.A. SHARES AS AT JANUARY 1ST 2019**

Shareholder	Number of shares/ voting rights	Ownership interest (%)
Piotr Krupa	1 931 666	10,23
NN PTE*	2 000 000	10,59
Aviva OFE*	1 319 000	6,98

(\*) DATA BASED ON THE LIST OF SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL VOTING RIGHTS AT THE ANNUAL GENERAL MEETING OF KRUK S.A. HELD ON APRIL 18TH 2018.

SOURCE: COMPANY

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at December 31st 2019

**TABLE 27. MAJOR HOLDINGS IN KRUK S.A. AS AT DECEMBER 31ST 2019**

Shareholder	Number of shares/ voting rights	Ownership interest (%)
Piotr Krupa	1 886 666	9,94
NN PTE*	2 055 000	10,83
Aviva OFE*	1 740 000	9,17
PZU OFE*	1 056 178	5,57

(\*) DATA BASED ON THE LIST OF SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL VOTING RIGHTS AT THE ANNUAL GENERAL MEETING OF KRUK S.A. HELD ON JUNE 25TH 2019.

SOURCE: COMPANY

The table below presents the shareholders holding directly or indirectly major holdings of KRUK S.A. shares as at March 5th 2020.

**TABLE 28. MAJOR HOLDINGS OF KRUK S.A. SHARES AS AT THE REPORT ISSUE DATE**

Shareholder	Number of shares/ voting rights	Ownership interest (%)
Piotr Krupa	1 886 666	9,94
NN PTE*	2 055 000	10,83
Aviva OFE*	1 740 000	9,17
PZU OFE*	1 056 178	5,57

(\*) DATA BASED ON THE LIST OF SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL VOTING RIGHTS AT THE ANNUAL GENERAL MEETING OF KRUK S.A. HELD ON JUNE 25TH 2019.

SOURCE: COMPANY

## 6.2.2

### CHANGES IN SIGNIFICANT HOLDINGS OF SHARES IN THE REPORTING PERIOD

The following changes in major holdings of KRUK S.A. shares took place in 2019:

- On April 16th 2019, KRUK S.A. received the following notification from Powszechne Towarzystwo Emerytalne PZU S.A., registered office at Al. Jana Pawła II 24, 00-133 Warsaw, concerning purchase of the Company shares:

"Acting pursuant to Art. 69.1.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (consolidated text: Dz.U. of 2019, item 623), Powszechne Towarzystwo Emerytalne PZU S.A., acting on behalf of the open-end pension fund Otwarty Fundusz Emerytalny PZU Złota Jesień (OFE PZU), hereby notifies you that following the execution on April 11th 2019 of a transaction to purchase 23,109 (twenty-three thousand, one hundred and nine) shares in KRUK S.A. (ISIN PLKRK0000010) at the Warsaw Stock Exchange, upon settlement of the transaction on April 15th 2019, OFE PZU came to hold more than 5% of the total voting rights in the company.

The table below presents the number of shares and voting rights held prior to and following the transaction.

I. Prior to the transaction: Number of shares held: 943,821, Percentage of share capital: 4.997, Number of voting rights held: 943,821, Percentage of total voting rights at 4.997

II. After the transaction: Number of shares held: 966,930, Percentage of share capital: 5.120, Number of voting rights held: 966,930, Percentage of total voting rights: 5.120

OFE PZU notifies you that it does not have any subsidiaries holding shares in KRUK S.A., no situation referred to in Art. 69.4.6 of the Act arises, and it does not hold any financial instruments referred to in Art. 69b.1.1) and 2) of the Act."

- On April 30th 2019, the Company received a notification from Piotr Krupa, given under Article 19 of the MAR. According to the notification, on April 26th 2019 Mr Krupa had sold, in ordinary transaction on the Warsaw Stock Exchange, 30,000 shares in KRUK S.A. at the average price of PLN 161.70 per share.
- On May 10th 2019, the Company received from Piotr Krupa, President of the Management Board of KRUK S.A. and the Company's major shareholder, a notification in which Mr Krupa informed the company of the sale on May 8th 2019 of 15,000 shares in KRUK S.A. at the average price of PLN 167.80 per share. Also on May 10th 2019, the Company received the following notification concerning sale of the Company shares:

"Pursuant to Art. 69.1.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies dated July



29th 2005, I hereby give notice that as a result of the sale of 15,000 shares in KRUK S.A. on May 8th 2019 (Company) (ISIN PLKRK0000010) on the Warsaw Stock Exchange I hold less than 10% of the total voting rights in the Company.

The table below presents the number of shares and voting rights held prior to and following the transaction.

I. Prior to the transaction: Number of shares held: 1,901,666, Percentage of share capital: 10.069, Number of voting rights held: 1,901,666, Percentage of total voting rights: 10.069

II. After the transaction: Number of shares held 1,886,666, Percentage of share capital: 9.989, number of voting rights held: 1,886,666, Percentage of total voting rights: 9.989.

I further notify you that I do not have any subsidiaries holding shares in KRUK S.A., no situation referred to in Art. 69.4.4 of the Act arises, and I do not hold any financial instruments referred to in Art. 69b.1.1) and 2) of the Act."

Therefore, the number of voting rights calculated in accordance with Art. 69.4.9 of the Act is 1,886,666, representing 9.989% of the total voting rights."

### 6.2.3

#### TREASURY SHARES

##### TREASURY SHARES IN THE PERIOD JUNE 1ST 2018 – MAY 31ST 2021

The Annual General Meeting of KRUK S.A. of April 18th 2018 passed a resolution authorising the Management Board to purchase the Company shares listed on the main market of the WSE, in the period from June 1st 2018 to May 31st 2021, with the proviso that the total par value of the shares so purchased may not exceed PLN 3,761,580, and the maximum amount to be spent by the Company on the buy-back may not exceed PLN 500m, including the share price and transaction costs. The price at which the Company may buy back its own shares may not be higher than PLN 250 or lower than PLN 1. The shares may not be bought back in block transactions. Shares acquired by the Company as part of the buy-back programme may be used to cancel the Company's own shares and reduce its share capital.

The Management Board may, depending on the Company's interests, finish the buy-back of shares before May 31st 2021 or before all funds intended to be spent on the buy-back programme are used up, or may altogether abandon the buy-back of shares in whole or in part.

In 2019, the Company did not buy back any of its shares.

### 6.2.4

#### HOLDERS OF SECURITIES CONFERRING SPECIAL CONTROL POWERS

KRUK S.A. did not issue any securities conferring special control powers on its shareholders.

### 6.2.5

#### LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS

KRUK S.A.'s Articles of Association do not provide for any limitations concerning the exercise of voting rights at the General Meeting.

### 6.2.6

#### LIMITATIONS ON TRANSFER OF OWNERSHIP OF SECURITIES

The Company's Articles of Association do not provide for any limitations on transfer of ownership of KRUK securities.

### 6.2.7

#### AGREEMENTS WHICH MAY GIVE RISE TO CHANGES IN OWNERSHIP INTERESTS HELD BY THE EXISTING SHAREHOLDERS OR BONDHOLDERS

The Company is not aware of any agreements which, in the future, could give rise to changes in ownership interests held by existing shareholders and bondholders.

### 6.3

## GOVERNING BODIES

[G4-34]

### 6.3.1

#### MANAGEMENT BOARD



## 6.3.1.1

### COMPOSITION OF THE MANAGEMENT BOARD, CHANGES THERETO AND RULES OF APPOINTMENT

The Company's management body is the Management Board. In the period January 1st – December 31st 2019, the Company's Management Board consisted of five members, and its composition did not change during the financial year.

Composition of the Management Board in 2019 is presented in the table below.

**TABLE 29. COMPOSITION OF THE MANAGEMENT BOARD OF KRUK S.A. IN 2019**

NAME AND SURNAME	POSITION
Piotr Krupa	CEO and President of the Management Board
Agnieszka Kuiton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Stomska	Member of the Management Board
Michał Zasępa	Member of the Management Board

SOURCE: COMPANY

Rules governing appointment and removal of members of the Management Board and their powers are set forth in the Company's Articles of Association. Pursuant to Articles 7.1 and 7.2, the Management Board is composed of three to eight members, and the number of members is defined each time by the Supervisory Board upon request by the President of the Management Board.

The President of the Management Board is appointed and removed by the Supervisory Board. The other members of the Management Board are also appointed and removed by the Supervisory Board, following a request by the President of the Management Board.

Members of the Management Board are appointed for a joint three-year term of office.

The mandate of a member of the Management Board expires on or before the date of the General Meeting approving the financial statements for the last full financial year in which the member held the office..

## 6.3.1.2

### POWERS OF THE MANAGEMENT BOARD

The Management Board, led by the President, manages the Company's business and assets, and represents the Company before courts, government authorities and third parties. Pursuant to Article 8.1 of the Articles of Association, the Management Board makes decisions on any matters not reserved for the exclusive competence of the Supervisory Board or the General Meeting

under the Articles of Association or applicable laws. The President of the Management Board is solely authorised to decide on the establishment and liquidation of any organisational units at the Company.

Resolutions of the Management Board are passed with a simple majority of votes. In the case of a voting tie, the President of the Management Board has the casting vote.

A declaration of will on behalf of the Company may be made by: (i) two members of the Management Board acting jointly; (ii) a Management Board member acting jointly with a commercial proxy; or (iii) an attorney authorised to perform certain types of activities, acting on their own under a written power of attorney granted by the Company. Apart from those mentioned above, the Company's Articles of Association do not provide for any additional powers for the management personnel, such as the power to decide on issue or repurchase of shares.

By Resolution No. 20/2018 of the Annual General Meeting of KRUK S.A. of Wrocław, held on April 18th 2018, the General Meeting authorised the Management Board to purchase the Company's own shares listed on the main market of the WSE, i.e. the official stock exchange market, in accordance with the procedure and on the terms provided for in the resolution.

## 6.3.1.3

### SHARES IN THE COMPANY AND ITS RELATED ENTITIES HELD BY MANAGEMENT BOARD MEMBERS

The table below presents Company shares or rights to Company shares held by Management and Supervisory Board members as at January 1st 2019.

**TABLE 30. KRUK S.A. SHARES HELD BY MANAGEMENT AND SUPERVISORY BOARD MEMBERS AS AT JANUARY 1ST 2019**

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa	CEO and President of the Management Board	1 931 666	1 931 666
Agnieszka Kuiton	Member of the Management Board	45 000	45 000
Urszula Okarma	Member of the Management Board	107 001	107 001
Iwona Stomska	Member of the Management Board	40 000	40 000
Michał Zasępa	Member of the Management Board	30 441	30 441
Tomasz Bieske	Member of the Supervisory Board	1 222	1 222

SOURCE: COMPANY

Apart from the changes in the number of shares held by Piotr Krupa, President of the Management Board, described in the Shareholding structure section, in the period from January 1st 2019 to the date of issue of this report there were also changes in the holdings of Company shares held by Iwona Stomska and Michał Zasępa, as described below.



On May 10th 2019, the Company received a notification from Michał Ząsepa, given under Article 19 of the MAR, to the effect that on May 10th 2019 Michał Ząsepa had sold, in ordinary session trades on the Warsaw Stock Exchange, 5,000 shares in KRUK S.A. at the average price of PLN 168.09 per share.

On July 16th 2019, the Company received a notification from Iwona Słomska, given under Article 19 of the MAR, to the effect that on July 12th 2019 and July 15th 2019 Iwona Słomska had sold, in ordinary session trades on the Warsaw Stock Exchange, 8,622 shares in KRUK S.A. at the average price of PLN 192.00 and 1,945 shares in KRUK S.A. at average price of PLN 192.00 per share.

On November 26th 2019, the Company received notifications from Iwona Słomska and Michał Ząsepa, given under Article 19 of the MAR, to the effect that on November 26th 2019 each of them had acquired 9,915 shares in KRUK S.A. at the average price of PLN 83.52 per share, outside a trading venue, in connection with the exercise of stock options under the management stock option scheme. On the same day, the Company received a notification from Michał Ząsepa, given under Article 19 of the MAR, to the effect that on November 25th 2019 Michał Ząsepa had sold, in ordinary session trades on the Warsaw Stock Exchange, 9000 shares in KRUK S.A. at the average price of PLN 144.01 per share.

**TABLE 31. KRUK S.A. SHARES HELD BY MANAGEMENT AND SUPERVISORY BOARD MEMBERS AS AT DECEMBER 31ST 2019**

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa	CEO and President of the Management Board	1 886 666	1 886 666
Agnieszka Kutton	Member of the Management Board	45 000	45 000
Urszula Okarma	Member of the Management Board	107 001	107 001
Iwona Słomska	Member of the Management Board	39 348	39 348
Michał Ząsepa	Member of the Management Board	26 356	26 356
Tomasz Bieske	Member of the Supervisory Board	1 222	1 222

SOURCE: COMPANY

List of notifications received from the management and supervisory personnel in 2019.

#### PIOTR KRUPA – SUMMARY OF NOTIFICATIONS IN 2019

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
April 30th 2019	April 26th 2019	30 000	Sale	PLN 161.70	WSE
May 10 2019	May 8 2019	15 000	Sale	PLN 167.80	WSE

#### MICHAŁ ZĄSEPA – SUMMARY OF NOTIFICATIONS IN 2019

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
May 10 2019	May 10 2019	5 000	Sale	PLN 168.09	WSE
November 26th 2019	November 26th 2019	9915	Purchase	PLN 83.52	Outside a trading venue
	November 25th 2019	9000	Sale	PLN 144.01	WSE

#### IWONA SŁOMSKA – SUMMARY OF NOTIFICATIONS IN 2019

DATE OF NOTIFICATION	DATE OF TRANSACTION	VOLUME	TRANSACTION TYPE	AVERAGE PRICE	PLACE OF TRANSACTION
July 15th 2019	July 15th 2019	1945	Sale	PLN 192	WSE
July 15th 2019	July 12th 2019	8622	Sale	PLN 192	WSE
November 26th 2019	November 26th 2019	9915	Purchase	PLN 83.52	Outside a trading venue



Members of the management or supervisory bodies holding Company shares or rights to Company shares as at the report issue date

**TABLE 32. KRUK S.A. SHARES HELD BY MANAGEMENT AND SUPERVISORY BOARD MEMBERS AS AT THE REPORT ISSUE DATE**

NAME AND SURNAME	POSITION	NUMBER OF SHARES HELD	TOTAL PAR VALUE (PLN)
Piotr Krupa	CEO and President of the Management Board	1,886,666	1,886,666
Agnieszka Kulton	Member of the Management Board	45,000	45,000
Urszula Okarma	Member of the Management Board	107,001	107,001
Iwona Słomska	Member of the Management Board	39,348	39,348
Michał Zasępa	Member of the Management Board	26,356	26,356
Tomasz Bieske	Member of the Supervisory Board	1,222	1,222

SOURCE: COMPANY

#### 6.3.1.4

### REMUNERATION, BONUSES AND EMPLOYMENT CONTRACT TERMS OF THE MANAGEMENT BOARD MEMBERS

Pursuant to Article 7.8 of the Company's Articles of Association, the rules of remuneration of the Management Board members and the amount of remuneration of the President of the Management Board are determined by the Supervisory Board. The amounts of remuneration of the individual Management Board members other than the President are determined by the Supervisory Board, based on proposals submitted by the President of the Management Board and in line with the remuneration rules defined by the Supervisory Board.

Under the management contracts that have been in force since January 1st 2017, the Management Board members are entitled

to monthly remuneration in the amounts specified therein. Irrespective of their salary, they may receive discretionary bonuses. The decision on the award and amounts of discretionary bonuses rests with the Supervisory Board.

The terms of the management contracts correspond to the terms of mandates of the Management Board members: they expire with the expiry of a given mandate, including as a result of removal or resignation from office of the Management Board member. Furthermore, a management contract may be terminated by its parties on six months' notice, or on three months' notice, without compensation, in the event of liquidation or dissolution of the Company, long sick absence of the Manager, or other kind of inability to perform his or her duties in the period covered by the contract. Management contracts may also be terminated by its parties without notice and compensation, with immediate effect, in circumstances indicated in the contracts.

In accordance with the executed contracts, in the event of termination or rescission of a contract by the Company, unless termination takes place in circumstances where the contract may be terminated with immediate effect, without notice or compensation and except where a Management Board member is removed for reasons attributable to that member, the Management Board member is entitled to additional remuneration.

The contracts executed with the Management Board members contain provisions prohibiting the members from engaging in, participating or taking an interest in any commercial or business activities without notifying the Supervisory Board (in the case of the President of the Management Board) or without the President of the Management Board's written consent (in the case of other Management Board members), as well as non-compete clauses effective during the contract term and for 2 (two) years from the day on which a given person ceases to be a member of the Management Board of KRUK S.A. The contracts with the Management Board members provided for relevant compensation in respect of the prohibitions. The compensation is payable in monthly instalments for 24 months from the contract termination date, and will amount to 80% of the person's remuneration over the first 12 months, and 60% over the next 12 months. Furthermore, the contracts concluded with the Management Board members impose contractual penalties in the amounts specified therein for violation of the non-compete provisions. The tables below present the amounts of remuneration and additional benefits received by the Management Board members (who were in office in 2019) from the Company and its subsidiaries for 2018 and 2019.

**TABLE 33. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS IN 2019**

NAME AND SURNAME	REMUNERATION RECEIVED FROM THE COMPANY FOR 2019	ADDITIONAL BENEFITS* RECEIVED FROM THE COMPANY FOR 2019	REMUNERATION FROM RECEIVED THE SUBSIDIARIES FOR 2019	ADDITIONAL BENEFITS* RECEIVED FROM THE SUBSIDIARIES FOR 2019
	(PLN '000)		(PLN '000)	
Piotr Krupa	2400	6,23	—	—
Agnieszka Kulton	768	6,23	—	—
Urszula Okarma	768	5,11	—	—
Iwona Słomska	768	5,11	—	—
Michał Zasępa	768	68,65	—	—

\* ADDITIONAL BENEFITS INCLUDE MEDICAL CARE, RENT ALLOWANCE, CHRISTMAS GIFTS, AND COMPANY CARS.  
SOURCE: COMPANY



**TABLE 34. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS IN 2018**

NAME AND SURNAME	REMUNERATION RECEIVED FROM THE COMPANY IN 2018	ADDITIONAL BENEFITS* RECEIVED FROM THE COMPANY FOR 2018	REMUNERATION RECEIVED FROM THE SUBSIDIARIES IN 2018	ADDITIONAL BENEFITS* RECEIVED FROM THE SUBSIDIARIES IN 2018
	(PLN '000)		(PLN '000)	
Piotr Krupa	2400	6,28	—	—
Agnieszka Kulon	768	6,28	—	—
Urszula Okarma	768	5,20	—	—
Iwona Słomska	768	5,20	—	—
Michał Zasępa	768	68,15	—	—

\* ADDITIONAL BENEFITS INCLUDE MEDICAL CARE, RENT ALLOWANCE, CHRISTMAS GIFTS, AND COMPANY CARS.  
SOURCE: COMPANY

The total amount of remuneration and additional benefits for 2019 paid by the Company and its subsidiaries to the Management Board members specified above was PLN 5,472 thousand and PLN 91.33 thousand, respectively. In 2018, the respective amounts were PLN 5,472 thousand and PLN 91.11 thousand. Additional benefits received from the Company for 2019 do not include bonuses and awards for the Management Board members for 2019.

Moreover, as part of the 2015–2019 Incentive Scheme, members of the Management Board were offered Subscription Warrants for 2018 in the number specified in the Management Board's Resolution of July 16th 2019 and Supervisory Board's Resolution of September 22nd 2019, subject to fulfilment of certain conditions specified in the General Meeting's Resolution No. 26/2014 of May 28th 2014.

In line with the 2015–2019 Incentive Scheme, the number of Subscription Warrants to be granted to Management Board members in each year of the Scheme may not exceed 50% of the total number of Subscription Warrants offered for subscription by Eligible Persons as part of a given Tranche. For further information on the incentive schemes operated by the Company, see the Incentive Scheme section.

### 6.3.2

## SUPERVISORY BOARD

### 6.3.2.1

## COMPOSITION OF THE SUPERVISORY BOARD, ITS CHANGES AND RULES OF APPOINTMENT

The Supervisory Board consists of five or seven members. The number of Supervisory Board members is each time determined by the General Meeting. Members of the Supervisory Board are appointed for a joint term of office of three years. As at the date of authorisation of this report, the Company's Supervisory Board is composed of seven members.

The Supervisory Board is appointed and removed by the General Meeting, with the proviso that if Mr Piotr Krupa holds shares in the Company representing 8% or more of the total vote at its General Meeting, he has the right to appoint and remove:

- one member of a five-member Supervisory Board, including the Deputy Chairman of the Supervisory Board;
- two members of a seven-member Supervisory Board, including the Deputy Chairman of the Supervisory Board.

Mr Piotr Krupa's rights to appoint and remove members of the Supervisory Board are exercised by delivery to the Company of a written statement on the appointment or removal of a Supervisory Board member.

From January 1st 2019 to June 25th 2019, the KRUK Supervisory Board was composed of seven members.

**TABLE 35. COMPOSITION OF THE KRUK SUPERVISORY BOARD FROM JANUARY 1ST 2019 TO JUNE 25TH 2019**

NAME AND SURNAME	POSITION
Piotr Stępnik	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Arkadiusz Orlin Jastrzębski	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Robert Koński	Member of the Supervisory Board
Józef Wancer	Member of the Supervisory Board

SOURCE: COMPANY

Following the expiry of the Supervisory Board's term of office, on June 25th 2019, the Annual General Meeting of KRUK S.A. appo-



inted the Supervisory Board for a new term of office, setting the number of its members at seven. The composition of the Supervisory Board of the new term is presented in the table below.

**TABLE 36. COMPOSITION OF THE KRUK SUPERVISORY BOARD SINCE JUNE 25TH 2019**

NAME AND SURNAME	POSITION
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-Świętoń	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

SOURCE: COMPANY

By the date of authorisation of this report, there had been no changes in the composition of the Supervisory Board.

**TABLE 37. GENDER DIVERSITY ON THE MANAGEMENT BOARD OF KRUK S.A. IN 2019**

WOMEN	60%	3
MEN	40%	2

SOURCE: COMPANY

**TABLE 38. GENDER DIVERSITY ON THE SUPERVISORY BOARD OF KRUK S.A. IN 2019**

WOMEN	29%	2
MEN	71%	5

SOURCE: COMPANY

### 6.3.2.2

#### OPERATION OF THE SUPERVISORY BOARD

The Supervisory Board exercises supervision over each area of the Company's operations. Powers of the Supervisory Board, in addition to those defined in the Commercial Companies Code, include in particular:

- Assessing the financial statements and the Directors' Report on the Company's operations for the previous financial year in terms of their consistency with the accounting books, relevant documents and with the facts, and assessing the Management Board's recommendations concerning distribution of profit or coverage of loss;
- Submitting to the General Meeting an annual written report on the results of the assessment referred to above;
- Appointing and removing the President of the Management Board;
- Appointing and removing members of the Management Board (including Vice-Presidents);
- Suspending members of the Management Board and delegating members of the Supervisory Board to temporarily carry out the duties of Management Board members unable to perform their duties;
- Defining, at the request of the President of the Management Board, the rules and amount of remuneration for the Management Board members;
- Defining the amount of remuneration for the President of the Management Board;
- Approving the Company's annual financial plans (budgets) and strategic economic plans;
- Granting consent for the Company to contract loans or issue bonds, other than loans or bonds provided for in the budget, in excess of a cumulative annual amount equal to 10% of the Company's equity, with the exception of loans received from the other companies of the KRUK Group;
- Granting consent to provide security and surety over or encumber the Company's assets otherwise than as provided for in the budget, in excess of a cumulative amount equal to 10% of the Company's equity annually, unless parties to the transaction are only companies of the KRUK Group. Creating security or surety for loans and bonds provided for in the budget or for which the Supervisory Board has already given its consent does not require the Supervisory Board's consent;
- Granting consent for the Company to assume liabilities in a single transaction or a series of related transactions with a total value exceeding 5% of the Company's equity in a given financial year, not provided for in the budget and not arising in the ordinary course of the Company's business;
- Granting consent for the Company to acquire or subscribe for shares in other commercial companies and to join other businesses that are not members of the KRUK Group;
- Granting consent for the acquisition or disposal of the Company's assets with a value exceeding 15% of the Company's net book value as determined on the basis of the last audited financial statements, other than an acquisition or disposal provided for in the budget, except for any acquisition or disposal of assets from or to members of the KRUK Group;
- Granting consent to the disposal or transfer of copyrights or other intellectual property, in particular rights to patents, technologies and trademarks, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to the Company or any of its subsidiaries to engage advisers and other third-party individuals as



consultants, lawyers or agents if the resulting total annual cost to the Company, not provided for in the budget, would exceed PLN 500,000;

- Approving the rules of management stock option plans;
- Selecting an auditor to audit the Company's full-year financial statements, referred to in Art. 395 of the Commercial Companies Code, in accordance with the Polish and international accounting standards;
- Granting consent to the execution of or amendment to agreements concluded between the Company or any its subsidiaries with the Management or Supervisory Board members;
- granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company within the scope of the Company's business for an amount exceeding PLN 1m in one financial year, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to making any gratuitous disposals or commitments by the Company or a subsidiary of the Company outside the scope of the Company's business for an amount exceeding PLN 200,000 in one financial year, unless only members of the KRUK Group are parties to the transaction;
- Granting consent to the purchase or disposal of property, perpetual usufruct rights or interests in property (excluding property purchased or sold as part of debt management processes) by the Company if the VAT-exclusive purchase price or the VAT-exclusive sale price is PLN 5,000,000 or more;

Supervisory Board meetings are convened by the Chairperson or, if absent, by the Deputy Chairperson of the Supervisory Board. Detailed rules for holding meetings are defined in the Rules of Procedure for the Supervisory Board.

Supervisory Board resolutions are passed with an absolute majority of votes of the Supervisory Board members present at the meeting. In the event of a voting tie, the Chairperson has the casting vote. For a resolution of the Supervisory Board to be valid, all members of the Supervisory Board must be invited to the meeting and at least half of them must be present at the meeting.

Supervisory Board members may vote on a resolution of the Supervisory Board in writing through another member of the Supervisory Board. Matters placed on the agenda during the meeting of the Supervisory Board may not be voted on in writing. Subject to the provisions of the Commercial Companies Code, the Supervisory Board may vote on resolutions by way of any of the following procedures: (a) written ballot, (b) using means of distance communication only, or (c) the mixed procedure, i.e. when some members of the Supervisory Board attend a Supervisory Board meeting in person and at least one member of the Supervisory Board participates in the meeting using means of distance communication, provided that all Supervisory Board members have been notified of the contents of the draft resolution.

### 6.3.2.3

## SHARES IN THE COMPANY AND IN ITS RELATED ENTITIES HELD BY MEMBERS OF THE

## SUPERVISORY BOARD

For information on shares in the Company and in its related entities held by members of the Supervisory Board, see Section 5.3.1.3 – Shares in the Company and in its related entities held by the Management and Supervisory Board members.

### 6.3.2.4

## REMUNERATION, BONUSES AND EMPLOYMENT CONTRACT TERMS OF THE SUPERVISORY BOARD MEMBERS

Pursuant to Art. 12.5 of the Company's Articles of Association, the Supervisory Board members receive remuneration for their services, unless the body or entities entitled to appoint them resolve otherwise. The amount of remuneration payable to the members of the Supervisory Board is determined by virtue of a resolution of the General Meeting.

The table below presents the amounts of remuneration received by the Supervisory Board members from the Company and its subsidiaries for 2019 and 2018.

**TABLE 39. REMUNERATION OF THE SUPERVISORY BOARD MEMBERS**

SURNAME, FIRST NAME	REMUNERATION FROM THE COMPANY FOR 2018	REMUNERATION FROM THE COMPANY FOR 2019
	(PLN '000)	(PLN '000)
Beuch Katarzyna	98,91	108,25
Bieske Tomasz	98,91	108,25
Jastrzębski Arkadiusz	98,91	48,08
Kawalec Krzysztof	98,91	108,25
Koński Robert	98,91	48,08
Stępiak Piotr	197,83	216,25
Wancer Józef	98,91	48,08
Melich Mateusz	–	60,17
Radkowska-Świętoń Ewa	–	60,17
Szczepiórkowski Piotr	–	60,17

SOURCE: COMPANY

The total remuneration for 2019 received from the Company by the Supervisory Board members named above was PLN 866 thousand.

In 2019, the Company paid additional benefits of PLN 35.57 thousand to members of the Supervisory Board. Krzysztof Kawalec, a member of the Supervisory Board, received from Kruk TFI S.A., a subsidiary, remuneration of PLN 24 thousand for his service on



the Supervisory Board of Kruk TFI S.A.

As at the date of this report, there were no contingent or deferred benefits payable to members of the Supervisory Board by the Company or the subsidiaries.

As at the date of this report, there were no contracts executed by the Supervisory Board members with the Company or its subsidiaries that would provide for post-termination benefits.

As at the date of this Report, the Company did not have any liabilities arising from pensions or similar benefits to former members of management or supervisory bodies, or any liabilities incurred in connection with such pensions

### 6.3.2.5

## SUPERVISORY BOARD COMMITTEES

Pursuant to the Rules of Procedure for the Supervisory Board, the following committees operate within the KRUK S.A. Supervisory Board:

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

Members of the committees are appointed by the Supervisory Board from among its members.

### AUDIT COMMITTEE

The Supervisory Board appoints members of the Audit Committee from among its members.

In the period January 1st–June 25th 2019, the Audit Committee was composed of:

- Katarzyna Beuch – Chairperson of the Audit Committee,
- Arkadiusz Jastrzębski – Member of the Audit Committee,
- Piotr Stępnik – Member of the Audit Committee.

On June 25th 2019, the Supervisory Board of the new term of office at its first meeting appointed the new Audit Committee:

- Katarzyna Beuch – Chairperson of the Audit Committee,
- Ewa Radkowska-Świętoń – Member of the Audit Committee,
- Piotr Stępnik – Member of the Audit Committee,
- Piotr Szczepiórkowski – Member of the Audit Committee.

By the date of issue of this report, the composition of the Audit Committee did not change.

Pursuant to the Rules of Procedure for the Supervisory Board, the Audit Committee consists of at least three members. The majority of the Audit Committee members, including its chairperson, should be independent members of the Supervisory Board. 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.

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 members of the Committee, Ms Ewa Radkowska-Świętoń and Mr Piotr Szczepiórkowski, 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 Stępnik, Member of the Committee, possessed expertise and skills relevant to the industry in which the Company operates, which they gathered by way of education or professional experience.

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 Chief Executive Officer for Controlling and Economic Analyses at KGHM Polska Miedź S.A. She obtained ACCA qualification since 2000 (followed by FCCA in 2005). She 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.

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, she was Member of the Management Board and then Vice President of Nationale Nederlanden PTE S.A.; also held 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. He is certified by CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager).

Mr Piotr Stępnik graduated from Guelph University, Canada as BA (majoring in Economics and in Management); Economics, 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. He has extensive professional experience: in 2001–2004 he was Vice President of LUKAS Bank, where he was responsible for retail banking; in 2005–2008 he served as President of the Management Board of Getin Holding S.A., in charge of analysis, financial auditing of investment projects and supervision over portfolio companies consolidated within the group. Since 2011, 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. 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.

Expert in pension systems, asset management and capital markets. a full member of the Polish Society of Actuaries, and a member of CFA Society Poland (CFA Charterholder). A graduate of the Faculty of Chemical and Process Engineering at the Warsaw University of Technology (1985), he worked for the Ministry of Finance (Department of Financial Institutions) and Bank Gospodarstwa Krajowego (Department of Monetary Economy). For many years (1993-2016) he worked for Commercial Union Polska group (now Aviva Polska), first in the Financial Department of Towarzystwo Ubezpieczeń na Życie as an accountant, Vice Financial Director, Vice Director responsible for Investments, and then in Commercial Union PTE as Vice President of the Board - Investment Director. Since 2001 President of the Management Board of PTE. Member of the Audit Committee of the Chamber of Commerce of Pension Funds (IGTE). Between 2008 and 2016, Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. During his professional career he has passed all 14 exams under a training programme to achieve the ACCA qualification, completed Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University and Wharton School of Business. At present, he is a member of Supervisory Boards of the following WSE-listed companies: FM Forte S.A., Ipopema Securities S.A., Octava S.A., Decora S.A., as well as a member of the Supervisory Board and Chair of the Audit Committee of Ipopema TFI S.A.

The Audit Committee's responsibilities include in particular:

1. monitoring of:
  - a. financial reporting processes;
  - b. effectiveness of internal control systems and risk management systems as well as of internal audit, including financial reporting;
  - c. performance of financial audit, 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 qualified auditor and the audit firm, in particular when the audit firm provides services other than the audit of financial statements;
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 was the role of the Audit Committee in the audit process;
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. determining the procedure for selecting an audit firm by a public-interest entity;
8. presenting to the Supervisory Board the recommendation referred to in Art. 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.

Apart from statutory duties, in 2019 the Audit Committee dealt in particular with:

- Summarising the results of the audit of the 2018 full-year report and setting the rules of audit of the financial statements for 2019;
- analysis of the results of the review of the interim financial statements;
- analysis and evaluation of the internal control and internal audit system operating in the Company, together with a discussion of the implementation of the 2019 audit plan,
- discussion of the risk matrix in the Group,
- approval of the performance of non-audit services by the auditor;
- analysis of reports from book valuation of portfolios together with presentation of allocation keys of forecasted payments to portfolios for the purposes of book valuation,
- analysis of the debt portfolio valuation process and results of portfolio remeasurement in individual markets,
- an analysis of key changes in the law on individual markets of the KRUK Group's operations,
- analysis of the conclusions from the audit of TFI Saturn and their significance for the KRUK Group,
- Currency and interest rate risk management at the Group, updating of the Currency Risk Management Policy;
- operational risk management at KRUK S.A.
- building a central compliance process within the Group,
- analysis of the internal procedure for selecting an auditor to audit the financial statements at the KRUK Group, together with a recommendation to the Supervisory Board to amend the procedure in force at the Group,
- an analysis of the Company's implementation of IFRS 16 along with the impact on the financial statements and the impact on debt limits required under credit agreements,
- CFC on the example of the Italian company ItaCapital srl.

In line with KRUK S.A.'s Policy and procedure for the purchase of non-audit services, permitted non-audit services provided to all KRUK Group companies are monitored and assessed to ensure the auditor's for independence. In 2019, the cost of such services was PLN 836 thousand. All of the services were pre-approved by the Audit Committee, in accordance with the relevant proposal submitted to the Committee.

Members of the Audit Committee performed their duties during the Committee's meetings and the Supervisory Board's meetings. In 2019, the Committee held five meetings. In addition, the



members of the Audit Committee met in the form of teleconferences and at additional meetings organized to discuss the issue in detail.

#### REMUNERATION AND APPOINTMENTS COMMITTEE

The Supervisory Board appoints members of the Remuneration and Appointments Committee from among its members.

In the period January 1st–June 25th 2019, the Remuneration and Appointments Committee was composed of:

- Robert Koński – Chairman of the Remuneration and Appointments Committee;
- Piotr Stępnia – Member of the Remuneration and Appointments Committee;
- Józef Wancer – Member of the Remuneration and Appointments Committee;
- Arkadiusz Jastrzębski – Member of the Remuneration and Appointments Committee.

On June 25th 2019, the Supervisory Board of the new term of office at its first meeting appointed the Remuneration and Appointments Committee to its composition:

- Tomasz Bieske – Chairman of the Remuneration and Appointments Committee;
- Mateusz Melich – Member of the Committee;
- Piotr Szczepiorkowski – Member of the Committee

As at the issue date of this report, the composition of the Remuneration and Appointments Committee did not change.

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.

All Members of the Remuneration and Appointments Committee meet the criteria of independence within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight. In addition, two members of the Remuneration and Appointments Committee: Ms Katarzyna Beuch, who chairs the Audit Committee, and Mr Arkadiusz Jastrzębski, member 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.

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

- Planning of the remuneration policy for the Management Board members;
- Alignment of the Management Board members' remuneration with the Company's long-term interests and its financial performance;
- Recommendation of candidates to the Management Board to the Supervisory Board;

- 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 submission of a periodic assessment of the skills, knowledge and experience of the individual Management Board members to the Supervisory Board.

In 2019, the tasks of the Committee included issuing opinions on changes to the list of persons eligible to participate in the Management Stock Option Plan for 2015–2019.

Matters within the remit of the Remuneration and Appointments Committee were discussed during the Committee's meetings, teleconferences and Supervisory Board meetings.

#### FINANCE AND BUDGET COMMITTEE

The Supervisory Board appoints members of the Finance and Budget Committee from among its members.

In the period January 1st–June 25th 2019, the Finance and Budget Committee was composed of:

- Tomasz Bieske – Chairman of the Finance and Budget Committee,
- Krzysztof Kawalec – Member of the Finance and Budget Committee,
- Piotr Stępnia – Member of the Finance and Budget Committee

On June 25th 2019, the Supervisory Board of the new term of office appointed the Finance and Budget Committee in its composition:

- Mateusz Melich - Chairman of the Committee,
- Katarzyna Beuch - Member of the Committee,
- Tomasz Bieske - Member of the Committee,
- Krzysztof Kawalec – Member of the Finance and Budget Committee,
- Ewa Radkowska- Świątoń - Committee member

By the issue date of this report, the composition of the Finance and Budget Committee did not change.

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

- Drafting budget resolutions, issuing opinions and assessing draft resolutions of the Supervisory Board on matters related to the Company's finances,
- Supporting the oversight of the performance of the Company's budget;
- On-going analysis of the Company's financial performance and condition,
- Matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contract.



In 2019, 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. Matters within the remit of the Finance and Budget Committee were discussed during the Committee's meetings and Supervisory Board's meetings. The Committee also held consultations in the form of teleconferences.

On February 3rd 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 No. 3546, to audit the separate financial statements of KRUK S.A. and the consolidated financial statements of the KRUK Group for the financial years 2020–2021.

#### POLICY AND PROCEDURE FOR APPOINTMENT OF THE AUDITOR OF FINANCIAL STATEMENTS OF THE KRUK GROUP, AND POLICY FOR THE PROVISION OF NON-AUDIT SERVICES BY AN AUDITING FIRM

The Company operates policies and procedures outlined in the following documents: Policy for selecting an auditor of financial statements of the KRUK Group, Procedure for selecting an auditor of financial statements of the KRUK Group, and Policy for the provision of permitted non-audit services by an auditing firm carrying out the audit, entities related to the auditing firm and a member of the auditing firm's network.

All these documents were drafted with the support of Audit Committee members and adopted by way of Management Board resolutions, following their approval by the Supervisory Board.

Key points of the Policy for appointment of the auditor of financial statements of the KRUK Group:

1. The auditor of the financial statements is selected by the Supervisory Board acting upon recommendations from the Audit Committee. Appointment of an auditor by the Group companies also requires approval from the Audit Committee.
2. The selection process is independent and does not exclude any qualified auditors and auditing firms qualified to audit financial statements from participating in the tender procedure.
3. Evaluation criteria for audit proposals are to be transparent, and the scope of information about each company covered by a request for proposals must be sufficient to reliably assess the amount of work required to be performed by the firm of auditors.
4. The following must be taken into account by the Audit Committee and the Supervisory Board when, respectively, preparing recommendations for the Supervisory Board and selecting an auditor:
  - a. the Auditor's fulfilment of the independence criteria with respect to all Group members whose financial statements are to be audited and reviewed
  - b. the ability to provide a full range of services (statutory audit, review of the consolidation package and review of the financial statements of Group companies in Poland and abroad)
  - c. the ability to perform the audit on the dates specified by the

Parent

- d. experience in the auditing of international groups (experience in partnering with foreign auditors)
- e. experience in the auditing of securitisation funds
- f. experience in the auditing of public-interest entities
- g. experience in the auditing of companies operating in the same industry as the KRUK Group
- h. professional qualifications and experience of the auditor and other persons directly involved in the audit
- i. the price proposed for the audit
- j. reputation of the entity qualified to perform the audit
5. The auditor is selected for a period not shorter than two years and not longer than five years, provided that the term of the first agreement with the auditor is no less than two years, with an option to extend it for another period of at least two years. Upon expiry of the maximum period of cooperation, neither the auditor nor any member of its network may engage in the auditing of the financial statements for another four years. In special circumstances, if a KRUK Group company is unable to change its auditor, the Audit Committee may, despite the expiry of the maximum period of cooperation, give its consent to extending the period of cooperation with the existing auditor.

The key assumption underlying the Policy for procurement of non-audit services from the auditor is to ensure that the independence of the Group's auditor is not affected by any actual or potential conflict of interest, business relationship or any other direct or indirect relationship between the Group companies and the auditing firm, audit team members and members of the auditing firm's network. The KRUK Group does not engage the Group's auditor in the procurement of non-audit services if there is a risk of self-control, self-interest, promotion of a Group company's interests, familiarity or intimidation caused by a financial, personal, business, employment or other relationship between a Group member and the auditor, the auditing firm or a member of the auditing firm's network, as a result of which an objective, reasonable and informed third party would conclude that the auditor's or auditing firm's independence is compromised.

The Policy contains a list of permitted non-audit services that may be performed by the existing auditor, as well as a list of prohibited services.

Once the Audit Committee's approval has been received, the KRUK Group may cooperate with the auditor in the provision of other services, listed below, to the extent not related to the Company's tax policy:

- services performed in connection with the prospectus of an audited entity, carried out in accordance with the national standard for related services and consisting in carrying out agreed procedures:
  - conducting due diligence procedures with respect to the entity's economic and financial standing;
  - issuing comfort letters;
- assurance services with regard to pro forma financial information, profit forecasts or estimates, included in the prospectus of the audited entity;
- audit of historical financial information to be included in the prospectus, as referred to in Commission Regulation (EC)



No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;

- verification of consolidation packages;
- confirmation of compliance with covenants under credit facility agreements based on the analysis of financial information sourced from the financial statements audited by the auditing firm;
- assurance services with regard to reporting on corporate governance, risk management and corporate social responsibility;
- services consisting in the assessment of compliance of information disclosed by financial institutions and investment firms with the disclosure requirements concerning capital adequacy and variable remuneration components;
- assurance concerning financial statements or other financial information for regulatory authorities, the supervisory board or other supervisory body of the company or its owners, going beyond the scope of a statutory audit and designed to assist those authorities and bodies in fulfilling their statutory duties.

The following circumstances are taken by the Audit Committee into account when approving non-audit services:

- a. the Committee considers whether these services have a material effect on the audited financial statements;
- b. it ensures that the estimation of the effect on the audited financial statements is documented; and
- c. it considers whether the services do not affect the auditor's independence.

In line with the above Policy, in 2019 non-audit services provided by the auditor and approved by the Audit Committee related to:

- auditing of consolidation packages,
- confirmation of the correctness of calculated ratios and the valuation of Maltese assets for the purposes of a syndicated credit facility agreement,
- confirmation of profit available for distribution as dividends to Luxembourg-based companies,
- confirmation of the correctness of the subsidiary Erif BIG S.A.'s database.

### APPOINTMENT OF THE AUDITOR

WIn 2019, the Company did not appoint an auditor. In the process of selecting the auditor to audit financial statements for the financial years 2017, 2018 and 2019, the Audit Committee and the Company complied with the new regulations, and the Audit Committee's recommendation concerning the appointment of an auditing firm was prepared based on the Company's selection procedure consistent with the applicable criteria.

### 6.3.3

## GENERAL MEETING

Rules governing the convening and the operation of the General

Meeting as well as its powers are set out in the Commercial Companies Code and in the Company's Articles of Association.

The General Meeting may be held as an annual or extraordinary meeting. The Annual General Meeting is each time convened by the Company's Management Board within six months after the end of each financial year, and its agenda includes:

- Consideration and approval of the Directors' report on the Company's operations and financial statements for the previous financial year;
- Adopting a resolution on the distribution of profit or coverage of loss;
- Granting discharge to the members of the Company's governing bodies in respect of performance of their duties.

An Extraordinary General Meeting is convened by the Management Board on its own initiative or at the request of shareholders representing at least a half of the share capital or a half of total voting rights in the Company, by the Supervisory Board if it considers it appropriate, or by shareholders authorised by the registry court pursuant to Art. 400.3 of the Commercial Companies Code.

Shareholders representing at least one-twentieth of the share capital may request that an Extraordinary General Meeting be convened and that certain matters be placed on its agenda. The request should be submitted to the Management Board in writing or in electronic form. The Extraordinary General Meeting should be convened within two weeks of the Management Board's receipt of the request.

A shareholder or shareholders representing at least one-twentieth of the share capital may request that certain matters be placed on the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty one days before the set date of the meeting.

A shareholder or shareholders representing at least one-twentieth of the share capital may, before the date of the General Meeting, submit to the Company draft resolutions regarding matters included or intended to be included on the agenda of the General Meeting. During the General Meeting each shareholder may submit draft resolutions regarding matters placed on the agenda.

The General Meeting is convened by posting the GM notice on the Company's website and in the manner specified for publishing current information in accordance with the Act of July 29th 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. The notice should be published at least 26 days before the date of the General Meeting.

Each share confers the right to one vote at the General Meeting. The General Meeting is valid regardless of the number of shares represented at the Meeting, unless the provisions of the Commercial Companies Code provide otherwise.

Resolutions of the General Meeting are adopted by an absolute majority of votes unless applicable laws or the Articles of Association provide otherwise.

The powers and responsibilities of the General Meeting include:

- Consideration and approval of the Directors' report on the Company's operations and financial statements for the previous financial year;



- Distribution of profit or coverage of loss;
- Granting discharge to members of the Management and Supervisory Boards in respect of their duties;
- Decisions concerning claims for redress of damage caused upon formation of the Company or when managing or supervising the Company;
- Sale or lease of, or creation of limited property rights in, the Company's business or of its organised part;
- Amendments to the Company's Articles of Association;
- Increase or reduction of the share capital;
- Merger, transformation and demerger of the Company;
- Dissolving the Company and opening liquidation proceedings with respect to the Company;
- Adopting the Rules of Procedure for the General Meeting and for the Supervisory Board;
- Consideration and resolution of proposals put forward by the Supervisory Board;
- Other matters reserved for the General Meeting under the Articles of Association or applicable laws.

The validity of resolutions of the General Meeting regarding a significant change in the Company's business profile does not require that the shares held by shareholders who oppose such change be bought back if such resolutions are adopted by the majority of two thirds of votes in the presence of persons representing at least a half of the share capital.

#### 6.4

## RULES GOVERNING AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

The rules governing the introduction of amendments to the Company's Articles of Association are stipulated in the Commercial Companies Code. Pursuant to Art. 430 of the Code, any amendment to the Company's Articles of Association requires a relevant resolution by the General Meeting and must be entered in the relevant court register. In accordance with Art. 415 of the Commercial Companies Code, a resolution by the General Meeting concerning amendments to the Company's Articles of Association requires a majority of three quarters of votes.

The Company's Articles of Association do not include any provisions relating to their amendment which would stipulate in this respect any other rules than those defined in the Commercial Companies Code.

#### 6.5

## KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS USED IN THE PROCESS OF PREPARATION OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has in place a suitable and effective internal control system, which ensures safe operations in compliance with applicable laws, adopted strategy and internal procedures.

The internal control system is comprised of:

1. Operational risk management system
2. Investment and credit risk management system
3. Compliance system (oversight of compliance with applicable laws and regulations)
4. Information security system
5. Internal audit system

The internal control system is designed to support decision-making processes by ensuring operational efficiency, reliability of financial reporting, and compliance with applicable laws and regulations as well as internal policies.

#### 6.6

## DIVERSITY POLICY

The Company and the Group have in place a Diversity Policy document, adopted by a resolution of the Company's Management Board on December 8th 2015. The aim of the adopted diversity Policy is to support a diverse, multi-cultural workplace by ensuring equal access to the organisation, guaranteeing equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others. The KRUK Group is a signatory of the Diversity Charter and implements its principles regarding diversity management and equal treatment within the organisation. Under the Policy, each employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

#### 6.7

## MATERIAL LITIGATION, ARBITRATION OR ADMINISTRATIVE PROCEEDINGS

No material court, arbitration or administrative proceedings are pending against KRUK S.A or its subsidiaries in relation to their liabilities or claims.





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