

# DIRECTOR'S REPORT

ON THE OPERATIONS OF KRUK S.A.

---

IN 2019



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# 1 OVERVIEW OF THE COMPANY

## 1.1 General information about the Company

### Form of incorporation

The Parent of the KRUK Group is KRUK Spółka Akcyjna of Wrocław (the “Company”).

The Company was established in 1998 as KRUK Spółka z ograniczoną odpowiedzialnością. Pursuant to a resolution of the Extraordinary General Meeting of June 28th 2005, KRUK Sp. z o.o. (limited liability company) was transformed into KRUK S.A. (joint-stock company) and on September 7th 2005 the transformed company was entered in the National Court Register – Business Register by the District Court for Wrocław Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, under entry No. KRS 0000240829.

On May 5th 2011, the Company shares and allotment certificates for ordinary bearer shares were introduced to stock-exchange trading on the main market of the Warsaw Stock Exchange, by way of ordinary procedure, pursuant to the WSE Management Board’s Resolutions No. 586/2011 and No. 587/2011.

### Parent contact details

Name: **KRUK SPÓŁKA AKCYJNA**

Registered address: Wołowska 8, 51-116 Wrocław, Poland

Telephone: (071) 79 02 800

Fax: (071) 79 02 867

Corporate website: <http://pl.kruk.eu/>

For the organisational chart of the KRUK Group, see Section 2.1.1. Description of the Group’s structure. [G4-1][G4-3][G4-5][G4-7]

## 1.2 Business model

KRUK S.A. is the parent of the KRUK Group. A comprehensive overview of the Group’s business and sources of revenue is presented in the Director’s Report on the operations of the KRUK Group. In the Management Board’s opinion, reading this document is essential for proper and thorough assessment of the Company’s performance in 2019.

The Company’s operations are based on a successful business model, implemented across the entire Group. The Company is active both in the debt purchase and credit management segments of the debt collection market. Due to the nature of the debt collection industry (particularly operation of securitisation funds) and the wide range of services and activities performed by the KRUK Group (including in particular litigation-based debt collection, credit reference agency services, provision of consumer loans), separate results of the Company do not reflect the Group’s actual performance. Only an analysis of the combined potential of the Company and its subsidiaries, taking into account the nature of their operations, gives a comprehensive picture of the Company’s business model and enables proper assessment of its operating and financial performance.

The statement by the President the Management Board of KRUK S.A. on the importance of sustainable development for the organisation and its strategy is presented in the Directors’ Report on the operations of the KRUK Group in 2019.

### 1.3 Summary of financial results for 2019

KRUK S.A. is the parent of the KRUK Group. Given the intra-Group organisational and business links, its financial and operational performance should be assessed in the context of the Group's overall performance.

In December 2019, the number of FTEs\* in the Company was 1,645.60 (2018: 1,369.06).

\* FTE employment – the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. Includes: employment contracts, management service contracts, cooperation agreements, and civil law contracts. Inactive employees (i.e. persons on long-term leaves, e.g. maternity leaves) not included.

Source: Company

#### Number of employees by type of employment contract and gender

Type of employment	Women	Men	TOTAL
Internships	1	1	2
Contract of employment	865	625	1490
Cooperation agreement	0	1	1
Management service contract	3	2	5
Self-employment	0	0	0
<b>TOTAL</b>	<b>869</b>	<b>629</b>	<b>1498</b>

#### Number of employees employed for an indefinite period by type of employment contract and gender

Type of employment	Women	Men	TOTAL
Contract of employment	742	519	1261
Cooperation agreement	4	2	6
<b>TOTAL</b>	<b>746</b>	<b>521</b>	<b>1267</b>

#### Number of employees by type of position (management and other) and gender

Type of employment	Women	Men	TOTAL
Managers, directors CEO and President of the Management Board	112	84	196
Other	758	544	1302
<b>TOTAL</b>	<b>870</b>	<b>628</b>	<b>1498</b>

Composition of the Management Board of KRUK S.A., by gender

Number of persons	Women	Men
5	3	2
Percentage share	Women	Men
100%	60%	40%

Composition of the Supervisory Board of KRUK S.A., by gender

Number of persons	Women	Men
7	2	5
Percentage share	Women	Men
100%	29%	71%

[G4-10][G4-38]

The table below presents selected data and financial highlights of the Company for 2019, with comparative data for 2018.

Table 1. Financial results in 2018–2019

	Year ended Dec 31		
	2019	2018	Change
	(PLN '000, unless stated otherwise)		
Revenue	174,676	120,175	45%
EBITDA	-35,249	-76,780	
Operating profit/loss (EBIT)	-58,600	-95,946	39%
Net finance income	454,950	40,827	1014%
Net profit for the period	386,517	-57,818	
Cash flows from operating activities	-49,985	-221,053	
Cash flows from investing activities	195,791	449,321	-56%
Cash flows from financing activities	-141,146	-236,034	40%
Total net cash flows	4,661	-7,765	
Total assets	2,766,876	2,400,199	15%
Equity	882,452	569,889	55%

Source: Company

## 2 MARKET AND REGULATORY ENVIRONMENT – EXTERNAL FACTORS WITH A BEARING ON THE COMPANY’S BUSINESS

### 2.1 Structure and description of the debt management market

In 2019, KRUK was active mainly on the Polish and Romanian markets. During the year, KRUK operated in the debt purchase segment of the Polish and Romanian markets and provided credit management services in Poland, to both external clients and entities of the KRUK Group. For a description of the debt management market and its structure, and the presentation of the key factors affecting the Company’s business, see section “Structure and description of the debt management market” of the Director’s Report on the operations of the KRUK Group.

### 2.2 Legal and regulatory environment

The operations of KRUK S.A. are governed by laws and regulations described in the sections below. Investors are advised to read the “Legal and regulatory environment” section of the Directors’ Report on the operations of the KRUK Group in 2019.

#### 2.2.1. Securitisation funds

On October 12th 2017, KRUK S.A. entered into an agreement to manage the securitised debt of Bison NS FIZ. On April 15th 2016, KRUK S.A. entered into an agreement to manage the securitised debt of P.R.E.S.C.O. Investment I NS FIZ. The agreement provides, inter alia, for debt purchase and sale on behalf of the fund, preparation of projects and analyses concerning the fund’s investments, preparation of analyses concerning efficient day-to-day management of the fund’s portfolio, as well as collection and administration of the fund’s securitised receivables. As of April 1st 2015, KRUK S.A. manages the securitised debt of PROKURA NS FIZ. As regards the performance of the above agreements, the Company is subject to the supervision of the Polish Financial Supervision Authority.

#### 2.2.2. Private detective services

The Company’s operations involving private detective services are also regulated and as such must be registered in the register of detective agencies, maintained by the Minister of Internal Affairs and Administration.

#### 2.2.3. Outsourcing of debt collection by banks

Pursuant to the provisions of the Banking Law (consolidated text in Dz.U. of 2016, item 1988), banks are not required to request the PFSA’s approval in order to transfer debt for collection by the Group. The terms and conditions on which debt collection may be outsourced by banks are defined in the Banking Law. In addition, the performance of debt collection outsourcing agreements by the Group companies is subject to supervision by the PFSA.

#### 2.2.4. Personal data protection

As part of their day-to-day operations the Group companies process large amounts of natural persons’ data, therefore personal data protection laws are particularly important in the Group’s operations, particularly Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 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) (hereinafter: “GDPR”). Personal data must be processed in compliance with the relevant laws and with the use of technical and organisational measures which ensure personal data protection, in particular against disclosure to unauthorised individuals. In addition, data subjects should be provided with a range of information, including:

- the identity and contact details of the controller,



- the contact details of the Data Protection Officer,
- the purpose of and legal basis for the processing of personal data,
- the recipients or categories of recipients of personal data,
- an intention to transfer personal data to a third country,
- the period for which personal data will be stored, or if that is not possible, the criteria used to determine that period,
- the existence of the right to request access to, rectification or erasure of personal data or restriction of processing or the right to object to processing, as well as the right to data portability and the right to withdraw consent,
- the right to lodge a complaint with a supervisory authority concerning the processing of data,
- whether the provision of personal data is a statutory or a contractual requirement, or a requirement necessary to enter into a contract, as well as whether the data subject is obliged to provide personal data and of the possible consequences of failure to provide such data,
- the existence of automated decision-making, including profiling, as well as information about the logic involved, as well as the significance and the envisaged consequences of such processing for the data subject,
- if personal data is further processed for a purpose other than that for which the personal data was collected, information on that other purpose.

## 2.2.5.Changes in laws and regulations applicable to the Company's business

In 2019, the most important changes in the laws and regulations applicable to the Company's operations were related primarily to:

- a. With regard to the activities of investment funds, significant changes were brought about by the entry into force of the Regulation of the Minister of Finance of July 2nd 2019 on the manner, mode and conditions of conducting operations by investment fund companies. The regulation introduced, among other things, the obligation to have business continuity plans ensuring continuous and undisturbed operation of investment fund companies and contingency plans ensuring continuous and undisturbed operation of key processes; the obligation to supervise the performance of outsourced activities on an ongoing basis; and the obligation to have process documentation, appoint an owner of each process, and operate a system for regular process monitoring.
- b. The Act of November 9th 2018 designed to enhance financial market supervision and investor protection (effective as of July 1st 2019). The new act changed the rules governing issuance of investment certificates and requires that an issue agent and the Central Securities Depository of Poland (CSDP) participate in any such issue. Further, redemption of investment certificates also requires the participation of the CSDP.
- c. The amendment of July 4th 2019 to the Code of Civil Procedure and some other laws contains regulations which to a large extent have an impact on the process of judicial debt recovery, primarily by setting higher rates of court fees charged for filing lawsuit and in the course of proceedings, which will directly translate into higher costs of referring cases to court. A noteworthy change is the abolition of the procedure whereby a process letter sent by registered mail was deemed duly delivered if the second advice of its arrival had been sent to the recipient and the recipient had not collected the letter within seven days, which may extend process letter delivery times and increase the service costs. A positive aspect of the change is the possibility of referring cases for enforcement proceedings without having to

initiate prior enforcement clause proceedings (where the court attaches enforcement clause to the writ of execution), which will reduce the duration of the process.

- d. The Act on the National Debt Register of December 6th 2018 provides for the disclosure of information on entities in respect of whom enforcement proceedings have been discontinued as ineffective and on entities subject to restructuring and bankruptcy proceedings; it is also a step towards the digitisation of bankruptcy proceedings.
- e. The Act Amending the Bankruptcy Law and Certain Other Acts of August 30th 2019 introduces changes making the legal situation of a natural person operating as a sole trader equal to that of a consumer, as well as examination of solvent debtor's fault at the stage when the repayment schedule is defined, and recognition of the notification of a claim to the receiver as an action interrupting the limitation period. These changes may be relevant for pending insolvency proceedings.
- f. Government bill to amend certain laws to counter usury practices. If the new law is enacted and enters into force, it will affect not only the Group's operations but the entire lending and debt collection industry. Some of the new regulations in the proposal provide for a new, lower amount of non-interest costs for consumer loans, criminal liability for demanding twice the maximum loan costs or interest, as well as new obligations for lenders with respect to borrower verification prior to granting a loan.
- g. As regards the EU law, a regulation that will be relevant to operations of all entities across the bloc, including the Group companies, is the proposed Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral. Its provisions are intended to address the high volume of non-performing loans and to prevent their possible further accumulation, to facilitate the sale of non-performing loans by credit institutions to other operators on efficient, competitive and transparent secondary markets, and to provide regulations on the position of loan purchasers and credit servicers in relation to non-performing loans.
- h. Two judgments of the Court of Justice of the European Union: in the first judgment, of October 3rd 2019, in case C-260/18, the CJEU ruled that the court may invalidate an entire loan agreement if it contains unfair clauses. In loan agreements concluded in Poland, under which the loans are indexed to foreign currencies, unfair terms and conditions concerning currency exchange differences cannot be replaced with the general provisions of Polish civil law. The agreements should be evaluated taking into account their execution dates. However, each case will be considered individually by the courts. In the second judgment, dated September 11th 2019, in case C-383/18, the CJEU ruled that a consumer prepaying a loan has the right to a proportional reduction of all costs of its service. This judgment is of relevance to the lending; it serves as the basis for decisions issued by the President of the Office of Competition and Consumer Protection on the correctness of cost settlements made by lenders in the event of prepayment of a consumer loan.

KRUK S.A. has brought its operations into compliance with the above regulations. However, as at the date of this report, the regulations' overall effect on the Company's operations cannot be reliably quantified. [G4-16]

#### **2.2.6. Other authorities materially involved in oversight of the Company's operations**

KRUK S.A.'s activities are also regulated by other authorities. These include:

- President of the Polish Office of Competition and Consumer Protection, with respect to competition and consumer rights protection,

- The President of the Personal Data Protection Office – with respect to processing and protection of personal data.

### 3 OVERVIEW OF THE COMPANY'S BUSINESS

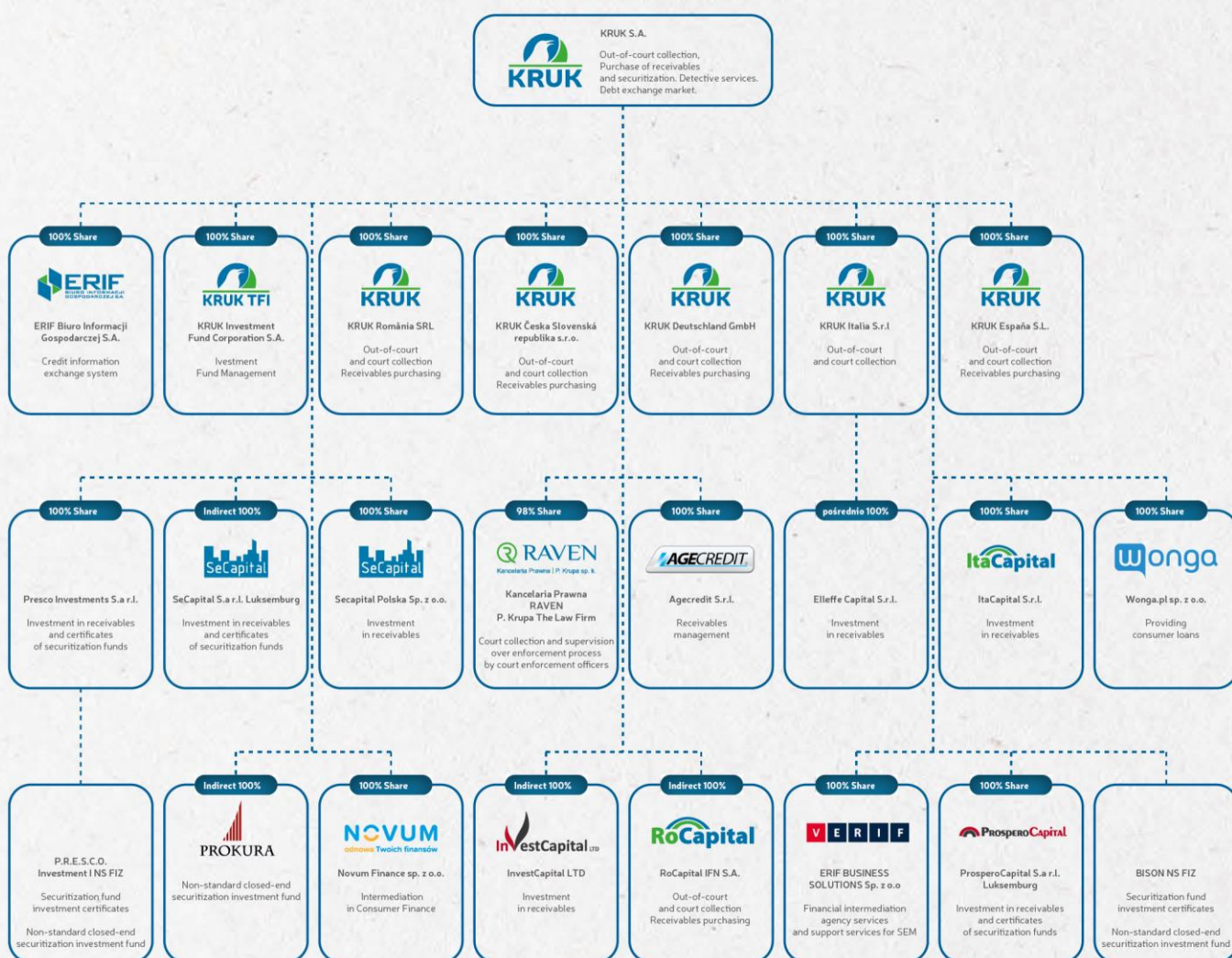
#### 3.1 The Company's business and branches

KRUK S.A. is the parent of the KRUK Group. The Company's core business is debt collection, including debt purchase and credit management services.

#### 3.2 Organisational structure

The structure of the KRUK Group as at December 31st 2019 and KRUK S.A.'s ownership interests in the subsidiaries are presented below.

Figure 1. Structure of the KRUK Group



Source: Company

As at December 31st 2019, the Group comprised KRUK S.A. (the parent) and 23 subsidiaries. The subsidiaries are presented below.



Table 2. KRUK S.A. subsidiaries

Subsidiary	Registered office	Principal business activity
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Prokura NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by KRUK S.A.
Secapital Polska sp. z o.o.	Wrocław	Management of securitised debt
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
KRUK Česka a Slovenska republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
InvestCapital Ltd.	Malta	Investment in equity assets, including shares in KRUK Group companies
RoCapital IFN S.A.	Bucharest	Purchase and management of mortgage-backed portfolios and lending activities
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy and other European countries
ItaCapital S.r.l.	Milan	Investing in debt or debt-backed assets
KRUK España S.L.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain and other European countries, as well as debt trading
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by Presco Investments S.a r.l.
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets

AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
Bison NS FIZ (closed-end investment fund)	Wrocław	Fund based on professional risk assessment and credit management methodologies; all certificates issued by the fund are held by KRUK S.A.
Wonga.pl sp. z o.o.	Warsaw	Company operating in the consumer lending market

Source: KRUK S.A.

The Company has twelve field offices located in Warsaw, Gdańsk, Elbląg, Toruń, Katowice, Łódź, Kraków, Rzeszów, Poznań, Szczecin, Szczawno-Zdrój and Piła.

By the date of authorisation of this report, the composition of the KRUK Group and the above information on the Group companies had not changed. [G4-4][G4-6][G4-8][G4-9][G4-17]

### 3.3 Changes in the structure of the KRUK Group

Below are presented changes in the Group's structure that occurred in 2019 and since the beginning of 2020.

On April 30th 2019, KRUK and Wonga Worldwide Limited (in administration) of Manchester concluded an agreement on sale of all shares in Wonga.pl Sp. z o.o. of Warsaw

On July 15th 2019, KRUK S.A. signed an agreement to sell 100% of shares in Zielona Perła sp. z o.o. to Phoenix-Construction Engineering&Management sp. z o.o.

### 3.4 Changes in the Company's and the Group's significant management policies

In 2019, there were no changes to any significant management policies of the Parent and its subsidiaries.

### 3.5 Share capital

#### 3.5.1. Structure of the share capital

As at December 31st 2019 and the issue date of this report, the Company's share capital totalled PLN 18,971,811 and was divided into 18,971,811 shares with a par value of PLN 1 per share.

**Table 3. The Company's share capital as at December 31st 2019 and the issue date of this report**

Series	Number of bearer shares
Series A	2,692,220
Series AA	11,366,600
Series B	1,250,000
Series C	491,520
Series D	1,100,000
Series E	843,876

Series F	227,595
Series G	1,000,000
TOTAL	18,971,811

Source: Company

### 3.6 Changes in the share capital and the conditional share capital

The table below presents changes in the share capital of KRUK S.A. in 2019

Table 4. Changes in the share capital of KRUK S.A. in 2019

Date of registration of the shares with the CSDP	Number of new shares	Series	Basis for the increase	Share capital after the change (number of shares)	Details
May 15th 2019	43,796	Series F	Resolution No. 26/2014 of the Annual General Meeting of May 28th 2014	18,930,655	Issue as part of a conditional share capital increase,
November 26th 2019	41,156	Series F	Resolution No. 26/2014 of the Annual General Meeting of May 28th 2014	18,971,811	Issue as part of a conditional share capital increase,

Source: Company

### 3.7 Products and services offered by the Company

One area of the Company's business is credit management services.

The debt collection process depends on the specific nature and status of debt, as well as on the needs of the Group's business partner. Credit management services:

- are tailored to business partners' preferences and needs,
- comply with the highest standards and best practices,
- comply with the applicable legal regulations.

As part of its credit management services KRUK S.A.:

- provides debt management services at all stages of delinquency, and applies instruments tuned to a specific debt portfolio (servicing period, tools and process used) and tailored to the expectations of individual business partners,
- uses efficient operational methods which rely on advanced IT systems, such as the Delfin IT platform, which supports the entire credit management process.

#### Loss prevention services

##### *Detective investigation*

Detective investigations are carried out chiefly where a client plans to enter into a transaction involving a large financial exposure. The findings form a picture of the investigated entity's or person's financial standing and

creditworthiness. An investigation may also be conducted to analyse documentation and links between members of a corporate group. Detective investigations are carried out by licensed detectives. Such activities can be performed in a covert or overt manner with respect to the investigated firm.

### **Credit management services**

#### *Collection monitoring*

Monitoring of amounts due from debtors is a very prompt and early response to payment irregularities and payment delays (even by a couple of days). At this very early stage of managing debts, it is of paramount importance to outsource debt monitoring to a partner which has the relevant know-how and ready-to-use solutions. The process is based on the Contact Center technology, facilitating regular monitoring, tailored to the Client's needs and profile. The main objective of contacts with a debtor is to restore regular repayments and avoid agreement termination, as well as to discipline the debtor and prevent further delays in repayments. Therefore, actions undertaken in the course of debt monitoring are primarily based on telephone contacts. It is crucial here that the probability of reaching a debtor and talking to them is very high at this stage.

#### *Amicable collection of commercial and consumer debts*

The purpose of the amicable debt collection process is to recover debt as quickly as possible, using the most effective tools for particular debt categories. Amicable collection encompasses a very broad range of activities. Its processes are differentiated and personalised. They use numerous tools chosen according to the nature of the client's cases and the client's needs. Each debt portfolio accepted for management is analysed, and relevant know-how, knowledge of the industry, and selection of an appropriate collection process for a given case type facilitate effective credit management and accurate planning of future transactions. KRUK also conducts restructuring processes and offers agreements for debt repayment in instalments. In our amicable collection activities, we put emphasis on reaching the debtor, establishing contact with them, and agreeing on feasible options of debt repayment.

#### *Field consultants*

As part of the collection process, a field consultant may visit a debtor or detective activities may be performed at a debtor's domicile or place of business. During such visits, the consultant and debtor may agree upon the terms of debt repayment or settlement, and the consultant may also collect cash or collateralised assets. Doorstep collection is also effective for high-value and high-priority cases, e.g. where there is a suspicion that the debtor is hiding or disposing of their property.

#### *Repossession of collateralised assets*

Claims secured over movable or non-movable property may be enforced by repossessing collateralised assets. The full service comprises collection and transport of collateralised assets, as well as their storage, valuation and sale.

#### *Administration of mortgage-backed debt cases*

The process used with respect to mortgage-backed debts includes all tools available for individual services. The main assumption is a case-by-case approach and precise adaptation of the process to the nature of mortgage debt (high balances, security provided in the form of mortgage over real estate). The process has been designed based on non-standard solutions, where KRUK S.A.'s advisors act in a double role of an advisor and the creditor. For this service, the main assumption is individual treatment of each case and providing support in the amicable phase of the collection process on the basis of received authorisations. After a case is accepted for collection, it undergoes a detailed review in terms of its status, the financial situation of the debtor, and quality of the security.



Then, depending on the findings, steps are undertaken to restore regular repayments, arrange credit restructuring, sell the real estate on the free market or, as a last resort, arrange an auction and sell the real estate as part of enforcement proceedings (or take over the real estate). In the course of collection of mortgage-backed debts, we conduct proceedings also in the court and enforcement phase. As part of credit management services we also offer debt recovery by way of court and enforcement proceedings, provided through Kancelaria Prawna RAVEN, a Group company.

#### *Hybrid services with the assistance of ERIF Biuro Informacji Gospodarczej*

The credit reference agency ERIF Biuro Informacji Gospodarczej provides effective operational support for the activities of KRUK S.A. Amicable collection combined with the possible sanction of entering the debtor's details in ERIF is a hybrid service, unique on the Polish market. [G4-4]

### **3.8 Significant events with a bearing on the Company's operations during the financial year**

#### **Execution of debt assignment agreement in Romania**

On June 8th 2019, a debt assignment agreement was executed by InvestCapital LTD of Malta, a subsidiary of KRUK S.A., (the Buyer) and Getback Recovery S.R.L. of Bucharest, Romania. The agreement provided for the purchase of an unsecured debt portfolio for RON 41.2m (PLN 37.4m at the mid rate quoted by the National Bank of Poland for June 7th 2019). As at October 16th 2019, all conditions precedent were satisfied, including the condition that the agreement be approved by the court supervisor appointed in the accelerated arrangement procedure of GetBack S.A. w restrukturyzacji of Warsaw, and payment of the price on the terms set out in the Agreement.

#### **Execution of debt assignment agreements in Poland**

On December 17th 2019, agreements were concluded between PROKURA Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty, a subsidiary of KRUK S.A., (the Buyer) and one of Poland's largest banks. The agreements provided for the purchase from the Bank of debt portfolios with a nominal amount of approximately PLN 781m. The agreements contained a condition precedent stipulating that the debt portfolios and the security would be transferred to the Buyer upon payment of the price. The agreements did not provide for contractual penalties, and the other terms did not differ from market standards applied in contracts of such type.

#### **Execution of debt assignment agreement in Italy**

On December 20th 2019, a binding firm agreement was signed between ItaCapital S.r.l. of Milan, a subsidiary of KRUK S.A., (the Buyer) and Intesa Sanpaolo S.p. A. of Turin. The agreement provided for the purchase of unsecured consumer loans with a total nominal amount of approximately EUR 75m (PLN 321m at the mid rate quoted by the National Bank of Poland for December 20th 2018).

### **3.9 Non-recurring factors and events**

In 2019, the Company's business was not affected by any non-recurring factors or events.

### **3.10 Significant events after December 31st 2019**

No significant events occurred from the reporting date to the date of issue of this Directors' Report.

### 3.11 Executed agreements

#### 3.11.1 Material agreements

In 2019, the Company did not enter into any agreements that may be considered material. Agreements concluded by other Group companies are presented in detail in the Directors' Report on the operations of the KRUK Group.

#### 3.11.2 Material related-party transactions executed on a non-arm's length basis

The Company did not execute any material related-party transactions within the Group on a non-arm's length basis.

#### 3.11.3 New and terminated loan and credit facility agreements

In 2019, some of the Company's credit facility agreements were amended. The table below presents all KRUK S.A.'s and other credit facilities used by other companies of the KRUK Group in respect of which KRUK S.A. issued security, as at December 31st 2019.

Bank	Borrower	Agreement date	Final repayment date	Facility	Limit as at the agreement date, as amended	Limit as at Dec 31 2019
Santander Bank Polska S.A.	KRUK S.A.	April 2011	Credit facility (PLN 85m): October 2024  Additional credit facility (PLN 55m): October 2022	Revolving credit facility	140	140
BGŻ BNP Paribas S.A.	KRUK S.A.	October 2014	December 2020	Revolving credit facility	120	37
Bank Pocztowy S.A.	KRUK S.A.	December 2018	December 2023	Revolving credit facility	50	50
Getin Noble Bank S.A.	KRUK S.A.	March 2014	May 2024	Revolving credit facility	260	260
Total credit facilities used by KRUK S.A.					570	487
mBank S.A.	PROKURA NSFIZ	July 2015	July 2023	Revolving credit facility	140	140
PKO BP S.A.	PROKURA NSFIZ	June 2016	December 2020	Non-revolving credit facility	35	7
PKO BP S.A.	PROKURA NS FIZ	December 2016	June 2021	Non-revolving credit facility	27	9
ING Bank Śląski S.A.	PROKURA NS FIZ	December 2018	December 2024	Revolving credit facility	200	200
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	Invest Capital LTD, Kruk Romania S.r.l., Prokura NS FIZ, Kruk España SLU	July 2017	July 2024	revolving credit facility, syndicated credit facility	1,000	1,000
TOTAL					1402	1356

## Debt collateral:

Bank	Borrower	Collateral and other security	Value of collateral provided by the borrower as at December 31st 2019
Santander Bank Polska S.A.	KRUK S.A.	- registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement	249
BGŻ BNP Paribas S.A.	KRUK S.A.	- registered pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement	209
Bank Pocztowy S.A.	KRUK S.A.	- financial pledge over PROKURA NS FIZ investment certificates held by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement	98
Getin Noble Bank S.A.	KRUK S.A.	- pledge over KRUK S.A.'s ownership interest in a specific compartment of SeCapital Sarl - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement	255
Borrowings taken out by other Group companies:			
mBank S.A.	PROKURA NSFIZ	- registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement - notarised declaration of PROKURA NS FIZ on submission to enforcement	208
PKO BP S.A.	PROKURA NSFIZ	- registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - notarised declaration of PROKURA NS FIZ on submission to enforcement - notarised declaration of KRUK S.A. on submission to enforcement	41
PKO BP S.A.	PROKURA NS FIZ	- registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law provided by KRUK S.A. - financial pledge over PROKURA NS FIZ's selected account - power of attorney over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - notarised declaration of PROKURA NS FIZ on submission to enforcement - notarised declaration of KRUK S.A. on submission to enforcement	13
ING Bank Śląski S.A.	PROKURA NS FIZ	- registered pledge over selected portfolios held by PROKURA NS FIZ - surety under civil law issued by KRUK S.A. - financial and registered pledge over PROKURA NS FIZ's selected account - financial pledge over PROKURA NS FIZ's selected account - power of attorney over KRUK S.A.'s selected account - notarised declaration of KRUK S.A. on submission to enforcement - notarised declaration of PROKURA NS FIZ on submission to enforcement	246
DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A.	Invest Capital LTD, KRUK Romania S.r.l., Prokura NS FIZ, KRUK España SLU	- pledge over borrowers' selected portfolios - pledge over selected bonds issued by ItaCapital S.r.l. - pledge over borrowers' selected accounts - surety under civil law provided by KRUK S.A. - surety under civil law issued by KRUK Romania S.r.l. - surety under civil law issued by Kruk España SLU - notarised declaration of KRUK S.A. on submission to enforcement - notarised declaration of PROKURA NS FIZ on submission to enforcement	1156
TOTAL			2475

After the reporting date, on January 22nd 2020 the Company and BNP Paribas Bank Polska S.A. executed Amendment 1 to the Agreement on Registered Pledge over Investment Certificates of the closed-end investment

fund of December 1st 2017 which secure liabilities under the multi-purpose credit facility agreement No. WAR/4060/14/172/CB executed on October 3rd 2014 by and between BNP Paribas Bank Polska S.A. and KRUK S.A. Under Amendment 1, the number of the pledged certificates was changed and the over-collateralisation was released. On January 27th 2020, an application was filed with the court to amend the entry in the register of pledges accordingly. According to a notification received by the Company, the pledge was established for up to PLN 180m. As at December 31st 2019, the carrying amount of the pledged assets in KRUK S.A.'s accounting books was PLN 49.49m.

### Termination of credit facility and loan agreements

In 2019, the Company did not terminate any credit facility or loan agreements with entities outside the KRUK Group.

### 3.12 Securities in issue

In 2019, the Company carried out four bond issues with a total nominal value of PLN 215m. Two bond series, with a total nominal value of PLN 165m, were offered to institutional investor, and the issue price of each bond was equal to its nominal value of PLN 1,000. Two bond series with a total nominal value of PLN 50m were offered to retail investor, and the issue price of each bond was equal to its nominal value of PLN 100 (the bonds were as part of the Sixth Bond Issue Programme).

**Table 5. Bond issues in 2019**

Series	Nominal value	Issue date	Due date	Interest	Interest payment
AG2	PLN 25m	February 2019	February 2024	3M WIBOR + 3.50%	every 3 months
AE4	PLN 115m	March 2019	March 2025	3M WIBOR + 4.00%	every 3 months
AH1	PLN 50m	June 2019	June 2025	3M WIBOR + 4.00%	every 3 months
AJ1	PLN 25m	September 2019	September 2024	3M WIBOR + 3.50%	every 3 months
<b>total</b>	<b>PLN 215m</b>				

Source: Company

### Redemption of bonds

In 2019, the Company redeemed the debt securities specified below, on the maturity dates set forth in the terms and conditions of the relevant series.

**Table 6. Bonds redeemed in 2019**

Series	Due date	Number of bonds redeemed	Nominal value
AD1	June 2019	50,000	PLN 50m
AA3	August 2019	20,000	EUR 20m
AA5	October 2019	75,000	PLN 75m

Source: Company



## Liabilities under bonds

As at December 31st 2019, liabilities under outstanding bonds were PLN 1,362m (at nominal value.)

### 3.13 Loans advanced and sureties and guarantees granted; sureties and guarantees received

#### Loans advanced by KRUK S.A. to its subsidiaries

In 2019, KRUK S.A. granted to its subsidiaries loans for a total amount of PLN 274.1m (translated into PLN at the exchange rates quoted by the National Bank of Poland for the loan dates). The loans were granted to the following companies:

Borrower	Purpose	Currency	Amount of loans granted in 2019 in PLN:	Total amount of all liabilities under loans granted by KRUK S.A. as at December 31st 2019, in PLN
Wonga.pl Sp. z o.o.	financing of day-to-day operations, including refinancing of debt to the previous owner PLN 95.9m	PLN	203.3m	203.2m
Novum Finance Sp. z o.o.	financing of day-to-day operations	PLN	17.4m	38.2m
KRUK Česká a Slovenská republika s.r.o.	financing of day-to-day operations PLN 3.0m and investing activities PLN 23.9m	CZK	26.9m	21.5m
	financing of investing activities	EUR	17.8m	
KRUK Romania S.r.l.	financing of investing activities	EUR	8.5m	59.1m
ERIF Business Solutions Sp. z o.o.	financing of day-to-day operations	PLN	0.17m	1.5m
Secapital Polska sp. z o.o.	financing of day-to-day operations	PLN	0.03m	0.1m
			<b>274.1m</b>	

*The amounts of loans denominated in foreign currencies were translated into PLN at the mid-rates quoted by the National Bank of Poland for the loan dates. Source: Company*

The interest rates were set at 1M or 3M WIBOR (for PLN loans), 1M or 3M PRIBOR (for CZK loans), 1M or 3M EURIBOR (for EUR loans) plus margin.

The agreed maturities of the loans provided to finance day-to-day operations ranged from 350 days to one year, except the loans granted to:

- 1) Novum Finance Sp. z o.o. – the loan is to be repaid in up to 3 years
- 2) Wonga.pl Sp. z o.o. – the loan is to be repaid in up to 7 years.

The agreed maturities of the loans financing the companies' investing activities ranged from one to three years.

#### Loans received by the Company from subsidiaries

##### Borrowings from ERIF Biuro Informacji Gospodarczej S.A. of Warsaw

Borrowings from ERIF BIG S.A. of Warsaw were intended to finance day-to-day operations of the Company. The amount of borrowings received in 2019 was PLN 1.5m. As at December 31st 2019, the Company's outstanding liabilities (principal and interest) towards ERIF BIG S.A. under the borrowings were PLN 7.6m.

##### Loan received from KRUK Deutschland GmbH of Berlin

The loan received from KRUK Deutschland GmbH of Berlin in 2019 of PLN 6.4m (translated at the mid-rate quoted by the National Bank of Poland for the loan date) was used to finance the Company's day-to-day operations. The loan was repaid in 2019. As at December 31st 2019, the Company had no outstanding liabilities towards KRUK Deutschland GmbH.

## Guarantees

### Guarantees obtained

After the reporting date, on January 2nd Santander Bank Polska S.A. (previously as Bank Zachodni WBK S.A.) executed Annex 5 to the bank guarantee of December 17th 2014 provided to secure the payment of all liabilities towards DEVCO Sp. z o.o. under a contract for lease of a part of an office building signed by the Company and DEVCO Sp. z o.o. Under the annex, the guarantee was extended until December 30th 2020. The guarantee amount is EUR 287,637.26 and PLN 192,958.93. The guarantee is secured by a power of attorney over the Company's bank accounts held with Santander Bank Polska S.A.

### Guarantees provided

Following the cancellation of shares in InvestCapital Ltd effected on November 26th 2018, on November 26th 2018 KRUK S.A. provided a corporate guarantee to InvestCapital Ltd. of up to PLN 20m. The guarantee expired on March 12th 2019. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who could challenge the cancellation of shares by March 12th 2019.

Following the cancellation of shares in InvestCapital Ltd effected on July 29th 2019, on July 29th 2019 KRUK S.A. provided a corporate guarantee to InvestCapital Ltd. of up to PLN 110m. The guarantee expired on December 10th 2019. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who had the right to challenge the cancellation of shares by December 10th 2019.

Following the cancellation of shares in InvestCapital Ltd on August 29th 2019, which will become effective not later than January 28th 2020, on August 29th 2019 KRUK S.A. provided a corporate guarantee to InvestCapital Ltd. of up to PLN 30m. The guarantee will expire not later than on January 28th 2020. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who had the right to challenge the share capital cancellation by January 28th 2020.

Following the cancellation of shares in InvestCapital Ltd on October 9th 2019, which will become effective not later than February 12th 2020, on October 9th 2019 KRUK S.A. provided a corporate guarantee to InvestCapital Ltd. of up to PLN 85. The guarantee will expire not later than on February 12th 2020. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who had the right to challenge the cancellation of shares by February 12th 2020.

Following the cancellation of shares in InvestCapital Ltd on November 20th 2019, which will become effective not later than on February 28th 2020, on November 20th 2019 KRUK S.A. provided a corporate guarantee to InvestCapital Ltd. of up to PLN 40m. The guarantee will expire not later than on February 28th 2020. The purpose of the guarantee is to secure the interests of InvestCapital Ltd.'s creditors, who had the right to challenge the cancellation of shares by February 28th 2020.

### Sureties

In connection with the execution of the master agreement governing execution of financial market transactions InvestCapital LTD and DNB Bank Polska S.A. on March 8th 2019 and the Annex of August 29th 2019, whereby the treasury limit was increased, KRUK S.A. issued a surety, of up to EUR 15.3m, to guarantee timely payment of any resulting liabilities by InvestCapital LTD. The Company made a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in connection with the surety.

In connection with the execution on September 5th 2019 of an amendment to the revolving multi-currency credit facility agreement of July 3rd 2017 between KRUK S.A., its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NSFIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and mBank S.A., KRUK S.A. and KRUK Romania S.R.L. provided sureties for the Borrowers' liabilities up to EUR 390m for the term of the facility agreement. On September 6th 2019, the Company made a declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 390m, which will expire on or before December 31st 2027.

### 3.14 Development directions and prospects

#### 3.14.1 Strategy for 2019–2024

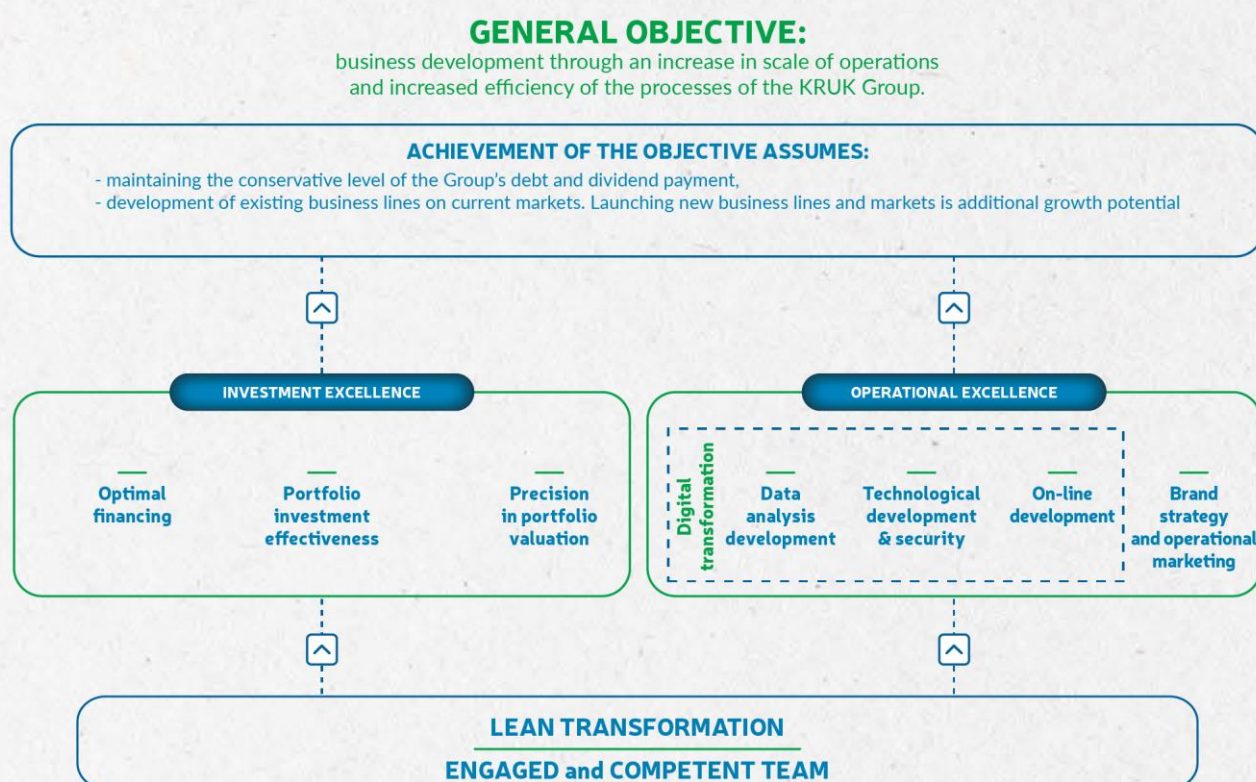
KRUK S.A. continues to implement the Group's strategy for 2019-2024, announced in December 2018. The main objective is to develop business by increasing the scale of operations and enhancing the efficiency of the KRUK Group's processes.

In accordance with the adopted strategic management policy, in 2019 a strategic review was carried out, which included an analysis of the Group's current condition.

As a result of the review, the strategy was updated to:

- reflect the current changes and challenges (a strategic direction was added to address portfolio acquisition efficiency and brand strategy)
- facilitate understanding of the strategic directions (change of visualisation to highlight the importance and interdependence of investment and operational excellence).

The visualisation and details of the Strategy for 2019-2024 is presented below:



The Group's strategy is focused on developing its existing business lines on the home markets. We estimate that more than 90% of the Company's profit will be derived from own portfolios, especially unsecured retail

portfolios. Launch of new business lines and entry into new geographical markets offer further growth potential. The strategy also provides for:

- maintaining conservative level of the Group's debt (significantly below the current 4x net debt/cash EBITDA limit);
- annual assessment of the rationale for dividend payment.

The strategy is based on two pillars:

- investment excellence, which involves optimal funding, efficiency of the portfolio purchase process, and precision of portfolio valuations
- operational excellence, which we will build primarily through development of business intelligence, technological development and security, development of online presence, brand strategy and operational marketing.

Lean is the foundation for our development. We believe that working according to Lean principles will give us a competitive advantage. The key element is people – their competencies and commitment. In KRUK, we always emphasise that our strength lies in teamwork. Attracting and developing the right talent continue to be the fundamental element of our strategy.

### 3.14.2 Implementation of the strategic plan in 2019

Below is presented a description of selected activities undertaken as part of the implementation of each strategic direction:

#### **Investment excellence**

- Execution of strategic investments focused on products that perfectly match our operational capabilities, allowing us to maximise returns
- Optimisation of the valuation process (e.g. shortening the process through automation) and development of valuation methods (e.g. acquisition of new data sources, expansion of benchmarks)

#### **Operational excellence**

- Improvement in business analytics – decision-making models and other solutions using, among others, machine learning
- Technological development: cybersecurity activities; implementation of robot technologies in amicable and court processes, and in cooperation with business partners; extensive process automation, e.g. at the stage of court and bailiff proceedings (automation of data flow in cooperation), optimization of workday planning of field advisors, roll-out of new payment methods for client
- Development of online presence: further development of e-KRUK, i.e. electronic signature capabilities and omnichannel access;
- Analytical and planning activities related to the marketing strategy review

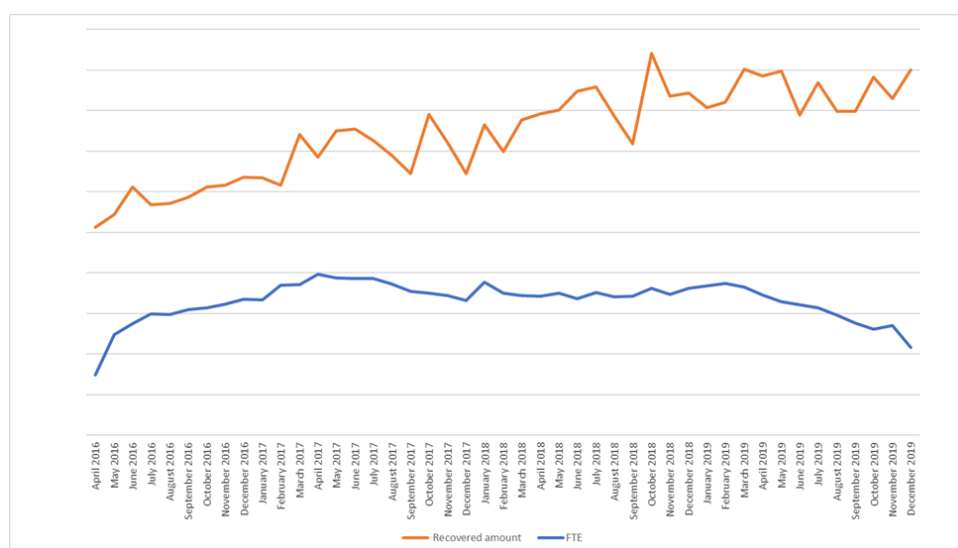
#### **Lean transformation / Committed and competent team**

- Systemic development of managers' and employees' skills in using Lean tools to optimize processes and teamwork, coaching programme for top managers, improvement of the Lean management system.



Our efforts are geared towards achieving the main objective, which is further business development. This is well illustrated by the chart below which shows the increase in the amount of recoveries and the reduction in the number of employees needed to handle the process.

Amount of recoveries from Polish unsecured retail portfolios vs FTE.



In the following years, all companies will take measures to maintain or achieve such a trend.

The coming years the Group will continue along the adopted strategic directions.

### 3.15 Investments

#### 3.15.1 Capital expenditure

In 2019, the main capital expenditure made by the Company included PLN 4.8m spent on new vehicles (including under finance lease contracts) and PLN 5.9m spent on plant and equipment. The Company also made material investments of PLN 3.5m in licences and software, including PLN 2.5m invested in proprietary software.

#### 3.15.2. Equity investments within the Group

In 2019, KRUK S.A. increased/reduced the share capitals of its subsidiaries:

Table 9. Movements in share capital at the Group companies

Company	Action	Amount
InvestCapital Ltd.	Share capital increase	PLN 310.1m
InvestCapital Ltd.	Share capital reduction	PLN 196.6m
KRUK Česká a Slovenská republika s.r.o.	Conversion of loans (excluding interest) to capital – contribution to capital other than the share capital	PLN 40.4m*
KRUK Deutschland GmbH	Share capital reduction	PLN 8.2m
KRUK España S.L.	Capital injection	PLN 5.1m**
KRUK Italia S.r.l.	Capital injection	PLN 48.0m**
AgeCredit S.r.l.	Capital injection	PLN 6.6m**
AgeCredit S.r.l.	Conversion of loans (excluding interest) to capital – contribution to capital other than the share capital	PLN 0.6m*
ItaCapital S.r.l.	Capital injection	PLN 0.43m**
KRUK TFI S.A.	Share capital increase	PLN 10.0m

\*Translated at the mid-exchange rate quoted by the NBP as at the swap date

\*\* Translated at the mid-exchange rate quoted by the NBP as at the contribution date.

Source: Company

### Establishment of new companies

On April 30th 2019, KRUK and Wonga Worldwide Limited (in administration) of Manchester concluded an agreement on sale of all shares in Wonga.pl Sp. z o.o. of Warsaw. The company's business consists in provision of consumer loans.

### Acquisition of shares in foreign companies

In 2019, KRUK S.A. did not acquire any shares in foreign companies.

In 2019, KRUK S.A. made a non-cash contribution to InvestCapital Ltd. in the form of 85,611 shares in Secapital S.a.r.l. in exchange for 2,741,264 shares in that company. As a result of the transaction, the value of shares held in InvestCapital increased by PLN 274,126 thousand and the value of shares held in Secapital S.a.r.l. decreased by PLN 94,172 thousand. The difference between the fair value and the carrying amount of shares in Secapital S.a.r.l., of PLN 179,954 thousand, was recognised as gain or loss on disposal of shares in subsidiaries in the statement of profit or loss.

### 3.15.3 Assessment of the feasibility of investment plans

In the opinion of the Company's Management Board, the investment plans are not exposed to any material risks as at the date of approval of this report.

### 3.16 Significant risk factors and their management

The risk management policies operated by the KRUK Group are designed to:

- identify and analyse the Group's risk exposures;
- define appropriate limits and procedures;
- control and monitor the risk level and suitability of the risk management tools.

The risk management policies in place at the Group are regularly reviewed to ensure that they reflect the market trends and developments at a given time, as well as changes within the Group, including at KRUK S.A. The Management Board is responsible for defining risk management procedures and overseeing their implementation at KRUK S.A. and the entire Group.

Using such tools as training, management standards and procedures, the Group seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

#### 3.16.1 The Management Board identifies the following important risks and risk management methods:

Risk	Description of risk/effects	Management method
Risk of failure to meet the strategic objectives	<p>There is a risk that the Company will fail to achieve its strategic objectives, which may be caused by various factors, including:</p> <ul style="list-style-type: none"><li>• market situation, business environment and competitors' activities;</li><li>• lower availability of external financing;</li><li>• incorrect valuation of investments, including debt portfolios purchased;</li><li>• changes to legal regulations and their interpretation and actions of regulatory authorities;</li><li>• unfavourable decisions of Company shareholders;</li><li>• errors of persons responsible for the development and execution of the strategy;</li><li>• events of force majeure.</li></ul>	<p>The risk of failure to deliver the strategic objectives is managed primarily through:</p> <ul style="list-style-type: none"><li>• operationalisation of the long-term strategy into the annual plans of individual Group companies, specifying the objectives, methods of achieving them and necessary resources</li><li>• regular monitoring of both the results (the extent to which the objectives have been achieved) and progress in the implementation of the planned activities at the level of the Management Board</li></ul>

	<p>The development of the business involves the need, in some cases, to incur significant financial expenditure. Where the measures taken are less profitable than expected or their objectives are achieved later than originally assumed, the expenditure may not be fully covered by the resulting revenue.</p> <p>Delays in achieving the strategic objectives within the assumed time frame or the occurrence of any of the above-described circumstances may have a material adverse effect on the Company's and the Group's operations, financial condition or results. There can be no assurance that the Company will maintain or improve its historical results and therefore the Company's historical results should not be treated as indicative of its future performance.</p>	<p>The Company also takes steps to prevent the risk of incorrect of its strategic objectives. In annual cycles, before budget for the following years is prepared, the Group carries out a strategic analysis, which involves review opportunities and threats in the macroeconomic environment (e.g. political, legal, and economic factors) and the market environment as well as analysis of the organisation's strengths and weaknesses. Results of the analysis are then used to either confirm or update the strategy.</p>
Risk of increased costs of the business	<p>Financial results of KRUK S.A. are affected by a number of cost factors over which the Company has no control or only limited control, including in particular cost of salaries and tax costs. In the event that any increase in costs is not accompanied by a growth of the Company's revenue, there is a risk that the Company's financial condition might deteriorate.</p>	<p>The Group's and KRUK S.A.'s costs are capped in the budget approved by the Supervisory Board on an annual basis. Every manager is assigned a precisely defined share of total budgeted expenditure, corresponding to their remit. Significant costs in excess of the budget cap that will affect future economic benefits in each case require approval by the Management Board (if the budget is exceeded only within a specific remit) or by the Supervisory Board (if such additional costs result in exceeding the budget assumed for the entire KRUK Group).</p> <p>Additionally, both costs and the ratios of costs to recoveries are monitored by the KRUK Group's Management Board on an ongoing basis. Thus, it is possible to early identify factors that could lower efficiency and to take appropriate corrective actions.</p>
Operational risk related to the Company's business	<p>The Company is exposed to the risk of damage or loss for reasons attributable to its internal procedures, personnel, technologies or external circumstances. The main operational risks include incorrect or unreliable internal procedures; errors, omissions or illegal actions of employees or associates; problems with operating systems; disruption of operating activities (e.g. due to failure of software or IT and telecommunications hardware); damage to the Company's assets; external events and factors (including errors in registering economic events or amendments to legal regulations); fraud and embezzlement. The key systems used by the Group include the Delfin debt collection platform, the billing system, management information system, contact centre, and the e-KRUK on-line service.</p> <p>No assurance can be given that all or part of the IT system or IT equipment will not be affected by a failure making it difficult for the Group to conduct operations or achieve its strategic objectives. Security of the operational systems is also important to the Group in view of the need to ensure personal data protection.</p> <p><b>[G4-14]</b></p>	<p>As in the case of the entire KRUK Group, the Company operates a quality assurance policy and specific procedures designed to manage and minimise its operating risk (e.g. procedures for reconciliation, documentation and monitoring of transactions, procedures for periodic assessment of operating risks, the requirement to report on operating losses and propose remedies, development and constant oversight of the applied IT technologies in line with the latest new technology trends).</p>

Risk of changes in the external environment, particularly in the legal and macroeconomic environment	<p>The risk of changes in the external environment mainly includes changes in the legal but also macroeconomic and social environment (including low levels of financial literacy), changes in the banking and financial sectors, and the activities of competitors. The laws and regulations applicable to the Company's business, in particular those relating to debt collection activities, have been and may be subject to change. No assurance can be given that the Company will always correctly interpret law. As a consequence, civil, administrative or criminal sanctions may be imposed on the Company, and the Company's practices may change. The Company may also be exposed to liability for damages, may incur unforeseen costs, including but not limited to costs of bringing the Company's operations in line with legal requirements, or may need to reorganise its structure. The low level of financial literacy among the public may lead to misinterpretation of the law and widespread belief that debts do not need to be repaid. This may have a negative impact on the perception of activities conducted by professional debt management companies, which operate in accordance with the applicable laws and social norms, ultimately affecting debt recovery rates. Changes in the macroeconomic environment directly affect the Company's business, primarily the cost of operations.</p> <p>Changes in the banking and financial sector have a bearing on the terms and conditions of debt taken out by KRUK, including bond issues.</p> <p>The activity of the competitors has a direct impact on the Company and its business, including on the perception of the industry through the lens of what competitors do.</p>	<p>The Company has no control over changes in the legal environment, but it has developed and implemented a procedure for monitoring such changes. The Company prepares for any expected changes in advance by conducting a thorough analysis of their economic impact on the Company, preparing an implementation plan and making relevant changes to the business.</p> <p>KRUK S.A. is a member of various organisations and associations, which provides an opportunity to voice opinions on proposals for internal or legislative changes and to exchange knowledge with other industry players.</p> <p>In order to reduce the risk of low financial literacy, KRUK S.A. and the entire KRUK Group engage in initiatives aimed at raising financial literacy among the general public. These initiatives include publication of advice articles, running public awareness campaigns in the press and on the Internet, providing various social groups with educational materials on home budget planning and ways of getting out of debt, and collaboration with various independent experts, social welfare institutions and centres and non-profit organisations. The Company analyses macroeconomic conditions and changes in the banking and financial sectors on an ongoing basis. Having no direct control of the changing environment, the Group aligns its business model with the changing conditions. The Company analyses its market position and competitors' activities on an ongoing basis.</p>
Credit risk	<p>Credit risk is the risk of financial loss if a client or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with receivables for the services provided by the Company and loans it advances.</p>	<p>Prior to a debt purchase, the Company performs a thorough analysis taking into account the likelihood of recovery of invested capital and the respective cost of the debt management process. Additionally, the Company diversifies the types of purchased debt in order to mitigate the insolvency risk of a given group of debtors.</p> <p>The Company advances loans to Group entities over which it exercises control.</p>
Market risk (currency risk and interest rate risk)	<p>Market risk is the risk of impact of changes in market prices, such as foreign exchange rates and interest rates on the Company's results or on the value of financial instruments held and investments made by the Company. The Group's exposure to currency risk results from foreign investments (both past and current) in portfolios denominated in foreign currencies. If there is no access to financing denominated in a given currency, such investment may partly be financed with debt contracted in a different currency, resulting in a mismatch between the currency of the proceeds from such investment and the currency of recoveries. This gives rise to a risk that the Company may incur additional costs related to currency conversion or the Company's liquidity may deteriorate due to adverse changes in foreign exchange rates. The Company is also exposed to the risk of deterioration in its financial results due to unhedged currency exposures (the risk of incurring foreign exchange losses).</p>	<p>The objective behind currency and interest rate risk management is to maintain and control the Group's exposure to market risk within assumed limits so as to:</p> <ul style="list-style-type: none"> <li>• maintain a stable financial position in the long-term;</li> <li>• mitigate the liquidity risk;</li> <li>• reduce the impacts of market risk on profit or loss;</li> <li>• mitigate the risk of non-compliance with financial covenants under credit agreements and terms of the bond issues.</li> </ul> <p>To this end, the Company follows and periodically reviews its internal currency and interest rate risk management policies. The Company uses financial instruments to hedge its interest rate risk and currency risk.</p>

	<p>The Company's debt is denominated in the zloty and euro (credit facilities and bonds), based on floating interest rates, and therefore the Company is exposed to interest rate risk. The Company has identified exposure to the risk of an increase in the WIBOR and EURIBOR interest rates. There is a risk that the Company may incur additional finance costs (higher debt service costs) as a result of an increase in interest rates, which in turn are driven by changing conditions on the financial markets.</p>	<p>In the process of market risk management, the Company selects optimum financing sources for its planned investment projects, analyses macroeconomic trends and monitors changes in its key currency exchange and interest rates. The Company periodically identifies and monitors the value of unhedged positions exposed to changes in foreign exchange rates and interest rates, monitors the impact of these changes on the Company's profit or loss, and measures currency risk and interest rate risk. Under master agreements with banks, the Company may also enter into derivative contracts to hedge the currency and interest rate risk. The market risk management objectives are achieved through efforts implemented at the individual Group entities in Poland and abroad, with the efforts coordinated by the Company as the entity responsible for market risk identification and the methodology of its management.</p>
Liquidity risk	<p>The Company uses and intends to use in the future bank loans, bonds and other debt instruments to finance purchases of debt portfolios. The Company also enters into lease arrangements to finance investments in property, plant and equipment. Any material deterioration in the Company's liquidity may result in the Company being unable to repay principal and interest or fulfil other obligations under the credit facility agreements it has concluded or under debt instruments in issue. If the Company fails to meet the terms of the loan agreements it has signed, the Group companies' debt under bank loans may be accelerated, in whole or in part, and in the event of failure to repay the debt financial institutions will be entitled to enforce their claims against the collateral created over the Company's assets. If the Company defaults under the terms and conditions of bonds it has issued, it may be obliged to redeem such bonds early.</p>	<p>The Company's liquidity risk management policy is designed to ensure that the Company's liquidity is sufficient to meet liabilities in a timely manner, without exposing the Company to a risk of loss or damage to its reputation. Liquidity risk management tools used by the Company include:</p> <ul style="list-style-type: none"> <li>• Regular monitoring of cash needs and spending;</li> <li>• Flexible management of cash flows between the Group entities;</li> <li>• Conducting collection activities on an ongoing basis, ensuring continuous cash inflow;</li> <li>• Ensuring compliance with financial covenants under credit facility agreements and debt instrument issues;</li> <li>• Use of external sources of funding, in the form of bank borrowings or bonds.</li> </ul>
Risk relating to large-scale personal data processing by the Company	<p>The Company's business involves processing of personal data transferred to the Company by creditors who outsource credit management services or sell the debts to the Company. This means that in accordance with applicable laws the Company receives customer data, and no assurance can be given that the data is accurate. If incorrect data is transferred to the Company, there is a risk that it may relate to a person other than the actual debtor, which may lead to an increase in the number of complaints or grievances registered with the authority which supervises personal data processing. Although the Company has no control of whether the data provided by the assigning entity is correct, such a situation may result in the publication of negative opinions about the Company and may adversely affect its image. This may happen even though the Company has procedures and tools in place to mitigate this risk.</p>	<p>The Company has developed procedures and implemented in its IT systems mechanisms designed to reduce the risk of unlawful processing of personal data. The Company collects personal data from legal sources only. We respect the applied by controllers of data stored in publicly available databases. The Company keeps records of all sources of the personal data it has obtained. Persons whose data has been received are immediately notified of the fact, and any information obligations towards such persons, laid down in the personal data protection regulations, are complied with. Any information of a potential error is verified and the data is corrected.</p>
Risk of losing key employees	<p>People are one of the fundamental components of the Company's business. The loss of key employees may generate the risk of temporary disruption of the Company's operations, deterioration of the quality of its management, and adversely affect the pace of implementation of its strategic plans.</p>	<p>In order to mitigate the risk of losing key employees, the group of people and positions considered to be key to the continuity of the Company's business is regularly reviewed. The Company continuously engages in initiatives to advance professional development of its management staff and specialists in various areas of the business. In addition to the remuneration policy, the Company offers its employees a diversified system of non-financial benefits which include:</p> <ul style="list-style-type: none"> <li>• internal and external training for employees at all companies,</li> <li>• funding for post-graduate studies and professional qualification courses at all companies,</li> </ul>



		<ul style="list-style-type: none"> <li>regularly reviewed and expanded offer of medical care services,</li> <li>sports cards for employees,</li> <li>a wide range of cafeteria services.</li> </ul> <p>The offer of non-financial benefits available to Company employees is verified both internally (employee survey) and externally (market benchmark). Moreover, an incentive scheme for key management staff has been put in place to ensure employee retention.</p>
Risk related to related-party transactions	The Company and the Subsidiaries have entered and will continue to enter into transactions as related parties. In the Company's opinion, all such transactions have been executed at arms' length. However, there can be no assurance that the transactions will not be challenged by tax authorities, which could result in higher tax liabilities of the Company and the Group.	Any significant transaction to be concluded with a related party within the Group is preceded by detailed analyses of its legal and tax aspects in order to minimise the risk involved.
Risk of negative PR in relation to the Company	<p>The nature of the KRUK S.A.'s business exposes it to the risk of spreading untrue information about dealings with KRUK S.A. or information that is detrimental to the Company. Negative publicity may undermine the Company's credibility in the eyes of its current or potential business partners, and consequently may have a negative effect on its financial performance.</p> <p>As the leader of the debt management market, the Company is also exposed to the consequences of unethical conduct of other debt management companies, which tend to be attributed to the entire industry, in particular the most recognisable operators on the market.</p> <p>The Company's business involves managing debt owed by natural persons. It should therefore be borne in mind that some of those persons are in difficult financial and personal circumstances, suffer from ill health or experience problems in their families or work. Among debtors that Company deals with are people suffering from depression or undergoing psychiatric treatment. Some of them express an intention to commit suicide. All this gives rise to the risk of bad publicity around the Company's business.</p>	<p>The Company makes every effort to build a positive image of the entire debt management industry and of itself. Therefore, the Group undertakes initiatives aimed at enhancing the positive image of its brand, including:</p> <ul style="list-style-type: none"> <li>information and media campaigns targeted at indebted individuals and companies,</li> <li>projects connected with educational campaigns, including publication of various educational materials in the Internet, press, radio and television,</li> <li>educational publications that promote its amicable settlement strategy in consumer and regional magazines and newspapers</li> <li>press releases, consumer advice articles and individual statements and comments for the media,</li> <li>participation in charity projects aimed at supporting local communities, especially persons in need of assistance, e.g. by partnering the Business Run charity event,</li> <li>training courses for debtors on how to get out of debt and on managing the personal budget,</li> <li>cooperation with non-profit organisations promoting financial education among the public, including with the Association of Financial Companies (Związek Przedsiębiorstw Finansowych),</li> <li>putting in place a procedure to minimise the risk of illegal processing of personal data and implementing mechanisms minimising such risk in IT systems,</li> <li>monitoring the media for information on the industry and the Company and responding appropriately when needed.</li> </ul>

[G4-2] [G4-14]

## 4 OPERATIONAL AND FINANCIAL REVIEW

### 4.1 Basis of preparation of the full-year separate financial statements

The Company's separate financial statements have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union (the „EU-IFRS“).

The accounting policies have been applied with respect to all the reporting periods presented in the separate financial statements.

The policies applied to prepare the consolidated financial statements are described in the financial statements.

### 4.2 General information about current and expected financial position

There are no material risks to the Company's and the Group's current and expected financial position. KRUK S.A. is the parent of the KRUK Group and its financial and operating performance should be evaluated in the context of performance generated by the entire KRUK Group, after eliminating the transactions between the individual Group members which – from the Group's point of view – are neutral for its performance. The Company's profit in 2019 was PLN 399.6m.

### 4.3 Revenue by product

The main sources of revenue for the Company are debt purchase activities and credit management services.

In 2019, KRUK generated revenue of PLN 175m, which represented an increase of 45% year on year. Revenue from purchased debt fell by 15%, revenue from the provision of credit management services grew by 96%, and other revenue increased by 45%.

Results of each reportable segment are discussed below. Gross profit is the key performance metric for each reportable segment. In the presentation of data by geographical areas, revenue is reported based on the location of offices.

In 2019, the company generated finance income of PLN 533m, mainly from:

- Dividends and profit distributions from related parties of PLN 237m
- Gain of PLN 180m resulting from a non-cash contribution to InvestCapital Ltd. of shares in Secapital S.a.r.l. in exchange for shares in InvestCapital Ltd.
- Reversal of a PLN 50.7m impairment loss on KRUK Italia resulted from a change in the method of remunerating of KRUK Italia S.r.l for the services provided to Itacapital S.r.L., a related party.
- Reversal of a PLN 49.5m impairment loss on KRUK Česká a Slovenská republika s.r.o. (including PLN 38.0m attributable to the company shares and PLN 11.5m attributable to the loans advanced to the company) resulted from the restructuring of the company in the second half of 2019 to adapt the organisation to the current scale of business.
- Reversal of a PLN 19.6m impairment loss on KRUK Deutschland GmbH resulted from completion of the restructuring of the company initiated in 2018 to trim down KRUK Deutschland's organisation to outsource the servicing of debt portfolios to third parties.
- Recognition of a PLN 13.1m impairment loss on Agecredit S.r.l resulting due operating losses incurred by the company.

Table 7. Revenue by product and market

For the year ended December 31st 2018	Poland	Romania	Other foreign markets	TOTAL
<b>Revenue</b>	75,318	39,989	4,868	120,175
Purchased debt portfolios	8,460	36,577	1,428	46,464
Credit management services	54,918	-	-	54,918
Other products	11,940	3,412	3,440	18,792
<b>Direct and indirect costs</b>				(115,204)
Purchased debt portfolios	-	-	-	(10,720)
Credit management services	-	-	-	(101,599)
Other products	-	-	-	(2,885)
<b>Gross profit</b>				4,970
Purchased debt portfolios	-	-	-	35,744
Credit management services	-	-	-	(46,681)
Other products	-	-	-	15,908
Administrative expenses	-	-	-	(81,751)
EBITDA				(76,780)
Depreciation and amortisation	-	-	-	(13,073)
Other income	-	-	-	(6,094)
Finance income/costs	-	-	-	40,827
Profit before tax	-	-	-	(55,119)
Income tax	-	-	-	(2,699)
<b>Net profit</b>	-	-	-	(57,818)
<b>Carrying amount of debt portfolios</b>	7,765	28,917	2,117	38,800
<b>Cash recoveries</b>	7,850	34,943	1,956	44,749

Source: Company

For the financial year ended December 31st 2019	Poland	Romania	Other foreign markets	TOTAL
<b>Revenue</b>	132,247	37,450	4,979	174,676
Purchased debt portfolios	6,009	32,006	1,550	39,565
Credit management services	107,819	-	-	107,819
Other products	18,420	5,444	3,429	27,293
<b>Direct and indirect costs</b>	-	-	-	(115,553)
Purchased debt portfolios	-	-	-	(10,048)
Credit management services	-	-	-	(102,268)
Other products	-	-	-	(3,238)
<b>Gross profit</b>	-	-	-	59,123

	-	-	-	-	-
Purchased debt portfolios	-	-	-	-	29,517
Credit management services	-	-	-	-	5,551
Other products	-	-	-	-	24,055
Administrative expenses	-	-	-	-	(94,372)
EBITDA					
Depreciation and amortisation	-	-	-	-	(35,249)
Other income	-	-	-	-	(18,823)
Other expenses (unallocated)	-	-	-	-	(4,528)
Finance income/costs	-	-	-	-	454,950
Profit before tax	-	-	-	-	396,350
Income tax	-	-	-	-	(9,833)
	-	-	-	-	386,517
<b>Net profit</b>	6,965	28,112	1,873		<b>36,949</b>
<b>Carrying amount of debt portfolios</b>	7,099	32,521	1,794		<b>41,414</b>
<b>Cash recoveries</b>	132,247	37,450	4,979		<b>174,676</b>

Source: Company

#### 4.4 Structure of assets and liabilities in the Company's statement of financial position

Table 8. Structure of assets and liabilities in the statement of financial position

	Note	31.12.2019	31.12.2018
<b>Assets</b>			
Cash and cash equivalents	21	13,812	9,151
Trade receivables from related entities	20	28,198	21,814
Trade receivables from other entities	20	3,365	2,811
Investments	16	361,544	149,667
Investment property	17	30,279	27,238
Other receivables	20	54,597	7,223
Inventories	19	15	22
Property, plant and equipment	13	34,944	16,169
Intangible assets	14	15,084	16,547
Deferred tax asset	18	3,877	453
Other derivatives	25	4,219	1,450
Investments in subsidiaries	15	2,212,258	2,143,481
Other assets		4,683	4,173
<b>Total assets</b>		<b>2,766,876</b>	<b>2,400,199</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Other derivatives	25	3,924	3,870
Trade and other payables	28	73,882	62,948
Employee benefit obligations	26	21,323	19,199
Income tax payable		690	12,295
Liabilities under borrowings and other debt instruments	24	1,784,605	1,731,998
<b>Total liabilities</b>		<b>1,884,424</b>	<b>1,830,310</b>
<b>Equity</b>			
Share capital	22	18,972	18,887

Share premium	307,107	300,097
Cash flow hedging reserve	78	(3,869)
Other capital reserves	104,582	94,924
Retained earnings	451,714	159,850
<b>Total equity</b>	<b>882,452</b>	<b>569,889</b>
 <b>Equity and liabilities</b>	 <b>2,766,876</b>	 <b>2,400,199</b>

Source: Company

#### 4.5 Cash flows

The Company and the Group's financing and cash management policy is based on:

- financing debt purchases with internally generated funds, bank borrowings, bonds and other debt instruments;
- leasing property, plant and equipment and intangible assets or financing them with internally generated funds;
- financing other operations with internally generated funds.

The Company holds cash denominated in PLN, EUR, RON and CZK.

The main sources of the Company's operating cash flows are related to changes in purchased debt portfolios, disclosed under Movements in purchased debt portfolios. Below are presented details of cash flows related to expenditure on debt portfolios and cash recoveries from debtors.

**Table 9. Value of purchased debt portfolios, PLN '000**

<b>Value of purchased debt portfolios as at Jan 1 2019</b>	<b>38,800</b>
Cash recoveries	(41,415)
Revenue from purchased debt portfolios (interest and revaluation)	39,565
<b>Value of purchased debt portfolios as at Dec 31 2019</b>	<b>36,949</b>

Source: Company

As the Company recognises debt purchases under operating activities, its investing activities related to the purchase of debt portfolios and the related increase in the fair value of at which the purchased debt portfolios are carried reduce net cash from operating activities.

#### 4.6 Material off-balance sheet items by counterparty, subject matter and value

The Company did not have any material off-balance sheet items in 2019.

#### 4.7 Financial ratios

An analysis of the Company's financial ratios does not provide an accurate picture of the Company's performance as KRUK's business relies on the operations of the entire Group. Therefore, the Company's performance should be assessed based on and in the context of the ratio analysis for the entire KRUK Group.

#### 4.8 Explanation of differences between actual financial results and previously published forecasts

In 2019, KRUK S.A. did not publish any financial forecasts for 2019.

#### 4.9 Financial instruments

The Company holds the following financial assets other than financial derivatives:

- purchased debt portfolios,



- trade and other receivables,
- loans advanced to related entities.

The Company holds the following financial liabilities other than derivative instruments: borrowings, debt securities, trade and other payables.

## Derivatives

In 2019, the Company executed new and amended the existing master agreements for derivative transactions. The table below presents the master agreements as at December 31st 2019.

Agreement	Bank	Agreement date	Transaction limit	Collateral and other security
Master agreement governing transaction execution and settlement	Santander Bank Polska S.A.	13.06.2013	PLN 70,000,000*	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration
Master agreement governing execution of financial market transactions	DNB Bank Polska S.A.	08.03.2019	EUR 10,200,000*	- notarised representation on submission to enforcement by KRUK S.A.
Master agreement governing execution of forward currency transactions	ING Bank Śląski S.A.	09.08.2018	EUR 15,000,000	- none
Master agreement governing execution of financial market transactions	mBank S.A.	07.02.2019	PLN 5,000,000	- power of attorney to debit KRUK S.A.'s accounts with the Bank - blank promissory note with promissory note declaration

\* Joint limit with InvestCapital Ltd.

Based on the master agreements and available treasury limits, in 2019 the Company entered into transactions to hedge currency and interest rate risks. Terms of individual transactions are determined pursuant to criteria defined in the Group's internal risk management policies and based on current exposure to particular risk types.

As at December 31st 2019, the Company had the following open contracts:

Bank	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	CCIRS	PLN 100,000,000.00	buy	3.06%	3.1% + 3M WIBOR	January 9th 2017 to June 4th 2021
Santander Bank Polska S.A.	CCIRS	PLN 90,000,000.00	buy	2.97%	3.0% + 3M WIBOR	January 13th 2017 to November 10th 2021
Santander Bank Polska S.A.	IRS	PLN 150,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to March 2nd 2022
Santander Bank Polska S.A.	IRS	PLN 50,000,000.00	buy	2.50%	3M WIBOR	November 7th 2017 to May 4th 2022
Santander Bank Polska S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	September 5th 2019 to October 18th 2022
Santander Bank Polska S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to November 27th 2023
Santander Bank Polska S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	September 5th 2019 to February 6th 2024
DNB Bank Polska S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	September 4th 2019 to October 12th 2023
DNB Bank Polska S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 27th 2024
DNB Bank Polska S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	September 4th 2019 to September 28th 2024

In 2019, the Company took measures to hedge currency risk arising from the translation of net assets in a foreign operation and entered into FX Forward and FX Swap contracts, as provided for in the KRUK Group's currency risk

management policy. KRUK S.A. entered into EUR/PLN hedging transactions with a tenor of one month, and the maximum value of open transactions in 2019 was EUR 83m. All contracts were settled on a net basis, without physical delivery, as at December 31st 2019. The Company does not have any open positions other than those specified in the table above.

#### 4.10 Risks associated with the use of financial instruments

When using financial instruments, the Company is exposed to credit risk, liquidity risk (debts) and market risk (currency, interest rates, share prices). For further information on the methods of managing the risks, see Section 3.16 Significant risk factors and their management.

Below are presented assets with exposure to credit risk.

**Table 10. Assets with credit risk exposure**

PLN '000	Note	31.12.2019	31.12.2018
Financial assets measured at amortised cost	16	36,949	38,800
Loans advanced to related entities	16	324,595	110,867
Receivables	19	86,160	31,848
		447,704	181,515

Source: Company

#### 4.11 Assessment of financial resources management

In the opinion of the Management Board, there are no significant risks to the Company's current or future financial position related to financial resources management. The Company is able to control and service its debt and manages its financial resources in a prudent manner. For further information, see note 24 to the financial statements.

## 5 CORPORATE GOVERNANCE

In connection with the adoption by the WSE Supervisory Board, by Resolution No. 26/1413/2015 of October 13th 2015, the Best Practice for WSE Listed Companies 2016, the KRUK 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://en.kruk.eu/investor-relations/kruk-group#CorporateDocuments>

### 5.1 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>).

### 5.2 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 did not apply the principle expressed in point III.Z.3. of the DPSN 2016 collection, according to which with regard to the person in charge of the internal audit function and other persons responsible for the performance of its tasks, the principles of independence as defined in the universally recognised international standards of professional practice of internal audit apply. 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-life 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.

### 5.3 Shareholding structure

#### 5.3.1 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.

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 11. 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 12. 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 13. 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

### 5.3.2 Changes in major 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.

Below 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 session trades 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 a notification from Piotr Krupa, President of the Management Board of KRUK S.A., who is also a major shareholder of the Company, stating that on May 8th 2019 15,000 KRUK S.A. shares were sold at an 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. 69.4.6 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.”



### **5.3.3 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 provision 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.

### **5.3.4 Holders of securities conferring special control powers**

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

### **5.3.5 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.

### **5.3.6 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 S.A. securities.

### **5.3.7 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.

## **5.4 Incentive Scheme**

### **Incentive scheme for 2015–2019**

The incentive scheme for 2015–2019 was approved by Resolution No. 26/2014 of the Annual General Meeting of KRUK S.A. of May 28th 2014 (the "2015–2019 Incentive Scheme").

It is the second incentive scheme operated by the KRUK Group. Details of the previous 2011–2014 Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2015.

The 2015–2019 Scheme is meant for the key management personnel of KRUK S.A. and the other Group companies. Under the scheme, eligible persons will have the right to acquire Series F Company shares on preferential terms set forth in the Resolution. For the purposes of the 2015–2019 Scheme, the General Meeting approved a conditional increase of the Company's share capital by up to PLN 847,950, through an issue of up to 847,950 Series F ordinary bearer shares. The right to subscribe for Series F shares may be exercised by holders of subscription warrants no later than on December 31st 2021.

Warrants are to be issued in five tranches, one for each of the following years of the reference period, i.e. for the financial years 2015–2019.

Subscription warrants for a given financial year will be granted to eligible persons on condition that the annual EPS (calculated on the basis of the Group's consolidated financial statements) increases at a CAGR of no less than 13% relative to the base year. By resolution of September 8th 2014, the Supervisory Board defined and approved the Rules for the 2015–2019 Incentive Scheme. Details of the 2015–2019 Incentive Scheme can be found in the Directors' Report on the operations of the KRUK Group in 2017.

### **Tranche 1**

On June 9th 2016, the Supervisory Board declared, by way of resolution, that the condition set forth in the Incentive Scheme for offering subscription warrants under Tranche 1 for 2015 had been satisfied.

On June 17th 2016, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 1 subscription warrants for 2015 under the 2015–2019 Scheme.

On this basis, on June 22nd 2016, the Management Board invited the eligible persons other than Management Board members to acquire Tranche 1 subscription warrants. As a result, 86,435 subscription warrants were delivered to the eligible persons on July 1st 2016.

On August 27th 2016, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 1 Subscription Warrants for 2015 under the 2015–2019 Scheme, which was later amended by the Management Board resolution of October 27th 2016. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 1 Subscription Warrants under the 2015–2019 Scheme. On October 27th 2016, 20,000 subscription warrants were delivered to the Eligible Persons who were Management Board members. By the issue date of this report, 82,574 Tranche 1 warrants were converted into new Series F shares. Thus, 23,861 Tranche 1 warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 13,500 of those warrants are held by Management Board members.

### **Tranche 2**

By way of the resolution which took effect on June 5th 2017, the Supervisory Board declared that the condition set forth in the Incentive Scheme for offering subscription warrants under Tranche 2 for 2016 had been satisfied. On June 20th 2017, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 2 subscription warrants for 2016 under the 2015–2019 Scheme. On this basis, on July 4th 2017, the Management Board invited the eligible persons other than Management Board members to acquire Tranche 2 Subscription Warrants. As a result, 91,467 subscription warrants were delivered to the Eligible Persons on July 7th 2017. On August 10th 2017, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 2 Subscription Warrants for 2016 under the 2015–2019 Scheme.

On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 2 subscription warrants under the 2015–2019 Scheme.

On August 22nd 2017, 50,480 subscription warrants were delivered to the eligible Management Board members. By the issue date of this report, 94,308 Tranche 2 warrants were converted into new Series F shares. 47,639 Tranche 2 subscription warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 30,650 of those warrants are held by Management Board members.

### Tranche 3

By resolution dated May 11th 2018, the Supervisory Board declared that the condition set forth in the Incentive Scheme for offering subscription warrants under Tranche 3 for 2017 had been satisfied.

On May 15th 2018, the Company's Management Board passed a resolution to determine the list of persons other than Management Board members who were eligible to acquire Tranche 3 subscription warrants for 2017 under the 2015–2019 Scheme. On this basis, on June 20th 2018, the Management Board invited the Eligible Persons other than Management Board members to acquire Tranche 3 subscription warrants. As a result, 85,853 subscription warrants were delivered to Eligible Persons on July 3rd 2018. On September 11th 2018, the Management Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 3 subscription warrants for 2017 under

the 2015–2019 Scheme. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 3 subscription warrants under the 2015–2019 Incentive Scheme. On September 17th 2018, 54,344 subscription warrants were delivered to eligible Management Board members.

By the issue date of this report, 50,713 Tranche 3 warrants were converted into new Series F shares. 89,484 Tranche 3 subscription warrants, entitling their holders to subscribe for the same number of Series F shares, continue to be held by eligible persons. 54,344 of those warrants are held by Management Board members.

### Tranche 4

By resolution dated July 15th 2019, the Supervisory Board declared that the condition set forth in the Incentive Scheme for offering subscription warrants under Tranche 4 for 2018 had been satisfied.

On July 16th 2019, the Management Board passed a resolution containing the list of Management Board members eligible to acquire Tranche 4 subscription warrants for 2018 under the 2015–2019 Scheme. On this basis, the Supervisory Board invited the Management Board members to acquire Tranche 3 subscription warrants under the 2015–2019 Incentive Scheme. On September 10th 2019, 89,768 Subscription Warrants were delivered to eligible Management Board members.

On July 24th 2019, the Management Board passed a resolution containing the list of persons who are not Management Board members and are eligible to acquire Tranche 4 subscription warrants for 2018 under the 2015–2019 Scheme. On this basis, on July 25th 2019, the Management Board invited eligible persons other than Management Board members to acquire Tranche 4 subscription warrants. As a result, 115,528 subscription warrants were delivered to the eligible persons on August 27th 2019.

**Table 14. Number of subscription warrants held by Management Board members as at December 31st 2019**

Name and surname	Position	Number of warrants held under Tranches 1, 2, 3 and 4 for 2015, 2016, 2017 and 2018
Piotr Krupa	CEO and President of the Management Board	52,940
Agnieszka Kułton	Member of the Management Board	40,413
Urszula Okarma	Member of the Management Board	40,413
Iwona Słomska	Member of the Management Board	27,248
Michał Zasępa	Member of the Management Board	27,248

Source: Company

## 5.5 Dividend policy

### 5.5.1 Historical data on dividend payments

Information on dividend payments in the last five financial years is presented in the table below.

Table 15. Dividends paid out to KRUK S.A. shareholders

Profit for the year	2014*	2015	2016	2017	2018
Dividend payment date	July 24th 2015	July 29th 2016	July 5th 2017	April 27th 2018	July 10th 2019
Dividend per share (PLN)	1.5	2	2	5	5
Total dividend (PLNm)	25.9	35.49	37.49	94.04	94.65

\* No dividends were paid by the Company prior to 2014. Source: Company

For the calendar of events related to dividend payment in 2019, see the table below.

Table 16. Calendar of events related to dividend payment in 2019

Date	
April 23rd 2019	Resolution to recommend that the Annual General Meeting approves dividend of PLN 5 per share. The entire dividend is to be paid from the Company's statutory reserve funds. The recommendation took into account the current financial condition of the KRUK Group, future implementation of the strategy, as well as the Group's plans and growth prospects.
April 26th 2019	Resolution on the evaluation of the dividend payment recommendation for the Company's shareholders. The Supervisory Board made a positive assessment of the Management Board's recommendation that the Annual General Meeting should approve dividend of 5 PLN per share. The entire dividend is to be paid from the Company's statutory reserve funds.
June 25th 2019	The Annual General Meeting resolved to approve the dividend as recommended by the Management Board.
July 2nd 2019	Dividend record date. The dividend is to be paid on 18,930,655 KRUK S.A. shares
July 10th 2019	<b>Dividend payment date</b>

Source: Company

After the reporting date and by the date of issue of this report, the Company's Management Board did not resolve on a proposed allocation of the Company's net profit for 2019.

### 5.5.2 Dividend policy

The Company does not have any defined dividend policy at the moment, but does not rule out implementing one in future. The Management Board may propose distribution of dividends in the future, but in each case the final decision in this respect will be made with due regard to the Group's strategic plans, growth prospects, investment financing requirements, as well as its current debt level and overall financial standing.

## 5.6 Governing bodies- Management Board

### 5.6.1 Composition of the Management Board, changes therein and rules of appointment

The Management Board is the Company's management body. 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 17. 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 Kułton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	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.

### **5.6.2 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.

### **5.6.3 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 18. KRUK S.A. shares held by management and supervisory personnel 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 Kułton	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	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 Słomska and Michał Zasępa, as described below.

On May 10th 2019, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on May 10th 2019 Michał Zasępa 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 Zasępa, 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 incentive scheme. On the same day, the Company received a notification from Michał Zasępa, given under Article 19 of the MAR, to the effect that on November 25th 2019 Michał Zasępa 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 19. KRUK S.A. shares held by management and supervisory personnel 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 Kułton	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

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 Zasępa – 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	144,01zł	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 20. KRUK S.A. shares held by management and supervisory personnel 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 Kulon	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

#### 5.6.4 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 21. 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 Kułton	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 22. 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 Kułton	768	6.28	1.89	-
Urszula Okarma	768	5.20	5.53	-
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 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 July 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 Scheme, the number of Subscription Warrants to be granted to Management Board members in each year of the Plan may not exceed 50% of the total number of Subscription Warrants offered for subscription by Eligible Persons as part of a given Tranche.

For detailed information on the incentive schemes operated by the Company, see the *Incentive Scheme* Section.

## 5.7 Governing bodies – Supervisory Board

### 5.7.1 Composition of the Supervisory Board, its changes and rules of appointment

The Supervisory Board shall consist 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 23. Composition of the Kruk Supervisory Board from January 1st 2019 to June 25th 2019**

Name and surname	Position
Piotr Stępnia	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. appointed 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 24. Composition of the Kruk Supervisory Board since June 25th 2019**

Name and surname	Position
Piotr Stępnia	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.

### 5.7.2 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.

### **5.7.3 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*.

### **5.7.4 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 25. Remuneration of the Supervisory Board members**

Surname, first name	Remuneration from the Company	Remuneration from the Company
	for 2018 (PLN '000)	for 2019 (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 does not have any liabilities arising from pensions or similar benefits to former members of management or supervisory bodies or former members of administrative bodies, or any liabilities incurred in connection with such pensions.

#### **5.7.1.1 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 Stępniaak – 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 Stępniaak – 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 Stępniaak, 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. She is certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager).

Mr Piotr Stępnia graduated from Guelph University, Canada as BA (majoring in Economics and in 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, member of the KRUK S.A. Audit Committee. 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). For many years (1993-2016) he worked for the Commercial Union Polska Group (now Aviva Polska), first in the Finance Department of Towarzystwo Ubezpieczeń na Życie as an accountant, Deputy Finance Director, Deputy Investment Director, and then at Commercial Union PTE as Chief Investment Officer and Vice President of the Management Board. Since 2001, President of the Management Board of PTE. 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 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 serves on 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 at 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:

- analysis of the results of the audit of the 2018 full-year report and setting the rules for 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 operated by the Company, and analysis of the implementation of the audit plan in 2019;
- discussion of the risk matrix at the Group,
- approval of the performance of non-audit services by the auditor;
- analysis of reports from accounting valuation of portfolios, including presentation of allocation keys for estimated collections for the purposes of the valuation,
- analysis of the debt portfolio valuation process and results of portfolio remeasurement in individual markets,
- analysis of key changes in the legal regimes on individual home markets of the KRUK Group,
- 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 and update of the Currency Risk Management Policy;
- operational risk management at KRUK S.A.
- development of a central compliance process within the Group,
- analysis of the internal procedure for appointment of the auditor of the KRUK Group's financial statements, together with a recommendation to the Supervisory Board to amend the current procedure,
- analysis of the Company's implementation of IFRS 16 and assessment of the standard's impact on the financial statements and debt limits required under the credit agreements,
- CFC taxation based on the example of ItaCapital srl, an Italian subsidiary.

In accordance with KRUK S.A.'s policy and procedure for the acquisition of non-audit services, the independence of the services permitted by the auditor, performed for the benefit of all KRUK Group members, is monitored and evaluated. 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. Members of the Audit Committee also held teleconferences and additional meetings organised to discuss particular issues in more 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 Stępiak – 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 Remuneration and Appointments Committee
- Piotr Szczepiórkowski- Member of the Remuneration and Appointments 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. Two members of the Remuneration and Appointments Committee: Mr Mateusz Melich and Mr Piotr Szczepiórkowski, also meet the independence criteria within the meaning of 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:

- 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 Committee members were responsible for, among other things, evaluating changes in the List of Eligible Persons who are Members of the Management Board to participate in the 2015–2019 Incentive Scheme, and also discussed the assumptions for the new Incentive Scheme at the Company.

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 Stępiak – Member of the Finance and Budget Committee.

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

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

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 contracts.

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.

#### **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 appointment of the auditor of financial statements of the KRUK Group*, *Procedure for appointment of the auditor of financial statements of the KRUK Group*, and *Policy and procedure for procurement of non-audit services*, governing 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 database operated by Erif BIG S.A., a subsidiary.

### **Appointment of the auditor**

In 2019, the Company did not carry out any auditor-appointment procedure. 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.

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 Reg. No. 3546, as the auditor 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.

### **5.7.5 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' s 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 shall include:

- Consideration and approval of the Directors' s 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.

#### **5.7.6 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.

#### **5.8 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.

#### **5.9 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 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 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.

KRUK S.A. operates an *Internal Mediation Policy* to prevent discrimination or bullying in the workplace. The Group's objective is to implement the *Internal Mediation Policy* across the Group. To detect any instances of discrimination or bullying, the Group undertakes employee satisfaction surveys at least once every two years. The Group ensures equal treatment for all candidates during the recruitment process by introducing recruitment standards and building teams that are diverse in terms of gender, age, experience, lifestyle, etc. The Group

ensures equal promotion opportunities and pay ranges for each employee within a given area, as well as equal access to knowledge and qualification improvement by offering an open range of training experience with equal participation rules for all employees in individual posts. Particular importance is attached by the Group to enabling its employees to maintain a work-life balance by ensuring transparent work-time settlement rules and facilitating return to work after maternity leave.

#### **5.10 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.

## 6 NON-FINANCIAL INFORMATION

This non-financial information has been compiled in the form of a statement in accordance with the GRI Standards, in the core option. Selected additional indicators are also used in the statement. This allows data to be presented so that they can be compared with relevant non-financial data from previous years [G4-32].

The statement includes data on KRUK S.A. for the period from January 1st 2019 to December 31st 2019, and is an integral part of the Directors' Report on the operations of KRUK S.A. in 2019. [G4-28]

This is the third annual summary of non-financial information, and the Company intends to present non-financial data on an annual basis. The report for 2018 was published on March 7th 2019. [G4-22][G4-23][G4-29] [G4-30]

In the reporting period, the Company did not seek external assurance of the non-financial information presented in this report. [G4-33]

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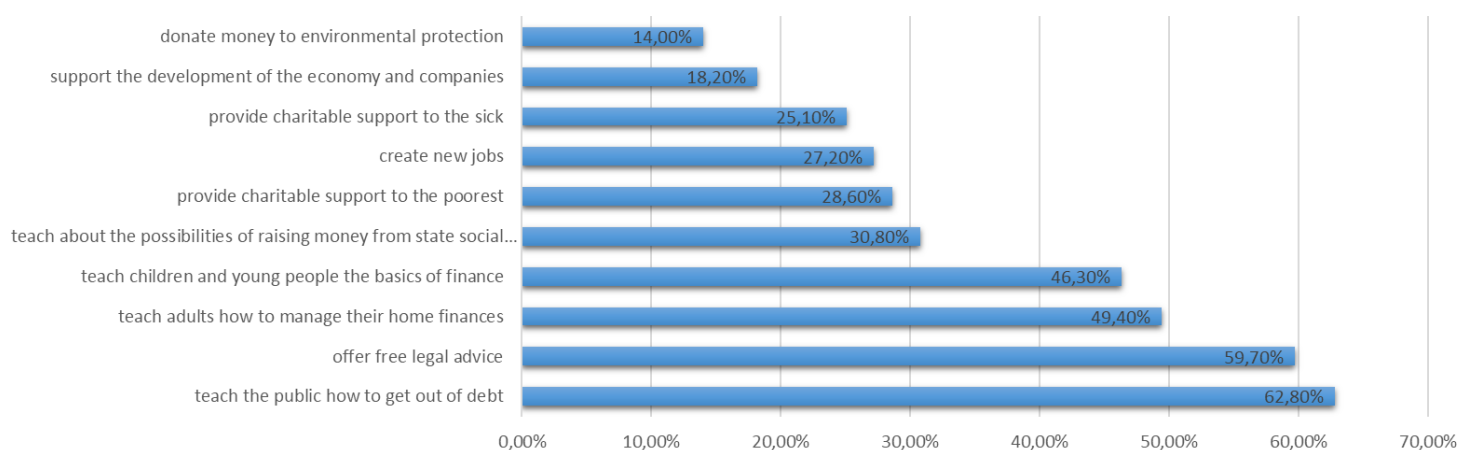
### Material aspects and indicators

During a validation workshop, attended also by members of the KRUK Management Board participated, the final number of material aspect categories was defined. They were selected to reflect the organisation's activities and its impact on the environment, society and economic environment. All of them are covered in this statement. These are largely the result of a dialogue between the Company and the various stakeholders the Company communicates with through direct customer satisfaction surveys, public research reports requested by external research agencies, as well as direct meetings with the shareholders or journalists.

On March 15th-18th 2019, KRUK S.A. conducted a CAWI (online) survey on the Ariadne research panel, covering a nationwide cohort of 1,079 Poles aged 18+, to find out the respondents' opinions on what social initiatives should be pursued by a company from the debt collection industry, e.g. KRUK S.A.

A vast majority of the respondents chose educational activities aimed at improving financial awareness. This proves that the Company has taken the right direction in implementing educational activities as part of its corporate social responsibility initiatives. Other activities highlighted by the respondents were charity initiatives for the poor and the sick, development, creation of new jobs as well as environmental initiatives. Results of the survey are presented below.

### What activities should be pursued/supported by a company from the debt collection industry, such as KRUK S.A.?



In 2019, KRUK S.A. decided to join the United Nations Global Compact. As a result, in addition to educational activities, projects were undertaken at KRUK S.A. and across the KRUK Group in the past year to build the public's and business circles' awareness of environmental protection and climate change. These issues are relevant to all of the Company's stakeholders, both internal and external, which is why the Company chose to engage in those initiatives.

The important aspects selected by the Company include:

**- with regard to economic indicators:**

- Economic performance
- Market presence
- Indirect economic impacts
- Procurement practices

**- with regard to environmental performance indicators:**

- Materials
- Energy consumption
- Emissions

**- with regard to society performance indicators:**

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunities
- Non-discrimination
- Grievance mechanisms for human rights
- Anti-corruption
- Compliance with regulations
- Product and service labelling
- Marketing communications
- Compliance with regulations concerning marketing communications

[G4-18][G4-19] [G4-21]

### **Material stakeholders**

The Group's key internal and external stakeholders have been identified based on the Group's existing operations. These groups can affect one another, both in terms of pursuit of the business strategy and corporate social responsibility. To prepare this Non-Financial Statement for 2019, KRUK S.A. has identified material economic, environmental, and social aspects. To this end, meetings were held with internal stakeholders, including employees, managers and Management Board members.

In the course of the meetings, key external stakeholders were identified, including:

- clients (i.e. debtors),
- business partners,
- regulators,
- industry associations,
- NGOs,
- shareholders,
- suppliers,
- competitors,
- financial institutions,
- social organisations,
- market regulators,
- the media.

[G4-24]



The significance of stakeholder groups was verified based on:

- public surveys conducted at least once a year,
- customer satisfaction surveys carried out on an ongoing basis,
- business partner satisfaction surveys carried out once a year.

[G4-20]

KRUK S.A.'s key stakeholders include the following groups, with whom the Company maintains various forms of dialogue, depending on current needs.

Stakeholder	Form of dialogue	Frequency
Regulators and industry associations	Participation in issuing opinions on new regulations and acts of law (in working groups appointed when and as needed)	Ongoing
Competitors in the debt management market	Participation in discussions on how to improve the image of the entire debt management industry in Poland (in a working group set up by the Association of Financial Companies in Poland); Participation in various industry events, in which our competitors also participate.	Ongoing
Non-profit organisations	Participation in financial education events and charitable initiatives Since 2019, commitment to raise awareness (primarily through the UNGC) among businesses and the public about excessive consumerism and climate change, which affect everyone.	As needed
General public	Social surveys regarding financial education, budget planning, financial behaviour, consumption patterns, and attitudes to debt and saving	At least once a year
	Workshops and training	As needed
	Press materials, radio and TV advertising campaigns	As planned in communication strategy
Business partners	Business partner satisfaction surveys	Once a year
Customers – including debtors	Customer satisfaction surveys	Ongoing
	e-krak.pl platform	Ongoing
	Face-to-face and telephone conversations with KRUK consultants	Ongoing
Suppliers	Face-to-face meetings, phone calls, e-mails	As needed
Employees	Employee Suggestion Scheme for employees to propose their ideas, e.g. for making improvements in the workplace	Ongoing
	The Employee Forum, with the members elected by the Group employees in a secret ballot from among proposed candidates	Four meetings in calendar year
	Employee surveys, including a questionnaire surveying satisfaction with participation in various events organised by the KRUK Group	As needed
	Internal communication, including in-house competitions, invitation to various employee initiatives and charity projects; <i>Noble Package (Szlachetna paczka)</i> , projects implemented by partnering foundations: the <i>Concert of Hope (Koncert Nadziei)</i> , and initiatives of the 'See Me' Foundation; communication building environmental awareness	As needed
	Whistleblowing, i.e. the procedure of reporting irregularities using an anonymous form available on the Company's website	As needed
	Whistleblowing to the Consultation and Mediation Team	As needed
	Internal events for employees	At least once a year
	Programme to support employees in difficult life situations, with full confidentiality guaranteed	As needed by employee
	Direct meetings with management staff	As needed
	Company Social Benefits Fund, the purpose of which is to help employees in difficult situations while maintaining full confidentiality	As needed
The media	Direct meetings, emails, telephone calls.	Ongoing

Source: Company

[G4-25] [G4-26] [G4-27]

## The values of the organization

In 2019, the KRUK Group's mission did not change:

*Our client base includes individuals and businesses facing the problem of excessive debt.*

*We build positive relations and help our clients regain creditworthiness.*

*We safeguard compliance with social and legal norms requiring that everyone must fulfil their obligations.*

As in the case of the entire KRUK Group, KRUK S.A. invariably complies in its operations with applicable laws, follows industry standards (including the Code of Best Practice of the Association of Financial Companies in Poland), social standards (including the Universal Declaration of Human Rights), as well as its internal rules, instructions and procedures.

Every KRUK employee, regardless of the type of employment and position held, is obliged to comply with all these laws and regulations, with which he or she is familiarised during induction and job-related training and through internal communication campaigns.

The core values of the KRUK Group, and thus of the Company itself, with respect to both its employees and external stakeholders, include mutual respect, cooperation, integrity, responsibility and transparency. These are also the personal values of Piotr Krupa, President of the Management Board of KRUK S.A.

Each employee has access to regulations, instructions, and rules of conduct available in the "Niezbędnik" intranet resource repository, which is accessible to all Group employees, including KRUK S.A.

The Compliance Department has supported all departments and teams across the Company in interpreting the law and implementing changes in our processes or services so that they comply with the principles of ethics and legal regulations. In 2018, the Compliance Committee was also established, which is responsible for comprehensive risk assessment of new products and processes or changes to the existing ones.

## Documents that help us adhere to the core values at KRUK S.A.

In order to eliminate infringement of the KRUK values, the Company has in place the following documents:

- *Compliance Risk Management Policy* – effective as of 2019, defines the key rules of testing, mitigating, measuring and monitoring the compliance risk in KRUK S.A. It also defines the scope of powers and responsibilities of the companies' organisational units in relation to the Compliance Department. The implementing acts of the Policy are internal instructions used by the Company.
- *Internal Mediation Policy*, which fosters positive relations between employees, prevents conflicts, workplace bullying and discrimination. Each employee may submit a request to the Consultation and Mediation Team to initiate proceedings in his or her case. The Group may also act on its own initiative. In 2019, the policy was based on the amended rules of the previous 2018 document. In the updated policy, the scope of protection of employees from discriminatory behaviour, including harassment and sexual harassment, was extended.
- *Rules of Procedure for the Compliance Committee*. The Rules of Procedure ensure consistent and structured operation of the collective body responsible for issuing collective risk opinions on multi-area and the most complex or sensitive issues that raise suspicion of a serious risk.
- *Compliance Recommendations Manual* The document governs the issuing of compliance and business practice recommendations by the Compliance Department for all organisational units.
- *Regulatory Inspections and Criminal Proceedings Manual* The document governs the conduct of KRUK S.A.'s employees in case of inspection by regulatory bodies (UOKiK, PFSA, PUODO). It also provides information on specific powers of Company proxies, as well as the scope of tasks of individual employees to ensure that inspections are carried out smoothly and in compliance with the law.
- *Management of Changes in Law and Regulatory Guidelines Manual* The document describes the process of monitoring, announcing and implementing by the Compliance Department of changes in the law, regulatory pronouncements, official interpretative rulings and the resulting rules and regulations.

- *Compliance Monitoring Manual* The document was introduced by the Compliance Department in 2019. It governs the monitoring and testing of compliance of KRUK S.A.'s processes with the law, regulatory guidelines and official interpretative rulings. Based on the document, which implements the *Compliance Risk Management Policy* referred to above, inspections of the processes or their components were already carried out in 2019, as per the annual audit plan.
- In 2019, the Compliance Department took over the monitoring of conflicts of interest. A new, updated *Conflicts of Interest Management Policy* and a *Gift Policy* were prepared; these are more detailed documents which provide even stronger safeguards against undesirable behaviours.
- The *Anti-Corruption Policy*, which helps prevent corruption and misconduct at KRUK S.A. It was implemented in previous years and continues to apply.

[G4-HR2]

#### Key ethical values and principles of KRUK S.A.

Client	Business partner	Shareholder	Employees
<p>We treat debtors with respect.</p> <p>We help them escape the debt trap.</p> <p>We ensure personal data protection.</p> <p>We render convoluted and incomprehensible legalese plain and readily understandable to all our customers.</p>	<p>We do not make promises we cannot keep.</p> <p>We approach our business partners' needs on a case-by-case basis.</p> <p>We respect our competitors.</p> <p>We maintain the confidentiality of information.</p> <p>We avoid conflicts of interest.</p> <p>We work with transparency and integrity.</p> <p>We build long-term and lasting relationships.</p>	<p>In communication with shareholders, the following are critical to us:</p> <ul style="list-style-type: none"> <li>• truth,</li> <li>• complete information,</li> <li>• continuity of communication,</li> <li>• speed of operation,</li> <li>• clear communication,</li> <li>• transparency.</li> </ul>	<p>We respect all our employees' opinions.</p> <p>We all take care to protect the Company's reputation.</p> <p>We build good rapport within the Group and listen to all our employees.</p> <p>We help each other.</p> <p>We are tolerant.</p> <p>We build relations on mutual respect and partnership.</p> <p>We provide our employees with ample opportunities to improve their qualifications.</p>

Source: Company

[G4-56]

#### Organisational culture at KRUK S.A.

As KRUK S.A. is a parent of the KRUK Group, its organisational culture is duplicated at other Group companies. KRUK S.A. is highly aware of the importance of organisational culture in building employee engagement and shaping the desired attitudes and behaviours.

Since 2016, our organisational culture research methodology has been based on the cultural dimensions of Geert Hofstede. A relevant survey is conducted, in accordance with the Company's internal assumptions, on a regular basis but not more frequently than once every two years.

The organisational culture across the KRUK Group is robust and clearly defined, and elicits strong identification with the organisation. It is shared by all employees regardless of the position held or country of operation.

The current organisation culture at KRUK S.A. is expressed mainly through:



**PARTNERSHIP**  
(small power distance)



**COOPERATION**  
(formerly: femininity)



**FREEDOM OF EXPRESSION**  
(little formalism)

In practice and in the daily life of the organisation this means that the Company employees:

- are able to build partnership-based relations regardless of their job title or position at the company, which creates room for open discussions, trust and efficient cooperation between them;
- like cooperating and supporting one another: team's result is as important as individual success;
- value friendly working atmosphere;
- respect the emotions and opinions of others – they allow free expression of emotions and opinions, approach them with understanding, and foster interpersonal relations.

In 2019, the employees continued to use the Employee Suggestion Scheme, under which employees submit their ideas and proposals on how to optimise and improve working conditions at KRUK S.A. The table below shows the number of proposals submitted and implemented under the employee suggestion system in 2019 compared to 2018. The percentage of suggestions implemented relative to the number of submissions was 16% in 2018 and almost 11% in 2019.

**Number of proposals for workplace optimisation made by KRUK S.A. employees**

KRUK S.A.	2018	2019
Number of proposals	1291	855
Number of implemented suggestions	208	90

**Legal and social standards**

The Compliance Department monitors changes in the law, the positions of market regulators, and the rulings of national and EU courts on an ongoing basis. Accordingly, the Compliance Department provides legal and regulatory information to KRUK S.A., and is consulted on the implementation of changes in the Company's processes.

In 2019, there were many changes in the law, as discussed in more detail in section 2.2.5.

In addition, KRUK S.A. maintained ongoing monitoring of the activities of general and sectoral regulators on the financial services market:

- President of the Office of Competition and Consumer Protection,
- President of the Personal Data Protection Office,
- Polish Financial Supervision Authority,
- Financial Ombudsman,
- General Inspector of Financial Information.

As the Group parent, KRUK S.A. is a member of associations through which it can express its views on legislative proposals.

The Company is a member of the following organisations:

- PKPP Lewiatan;
- Association of Financial Companies (former KPF);
- Polish Association of Listed Companies;
- United Nations Global Compact.

[G4-16]

By joining the ZPF, KRUK S.A. undertook to apply the Best Practices Principles, which are the ZPF's code of ethics. The document places high demands on the members this organisation both in terms of contacts with other entrepreneurs and, in particular, with consumers. In 2019, the Company took an active part in amending the Good Practices to ensure higher standards of consumer protection. The consolidated text of the Best Practices of the Association of Financial Companies in Poland is available at

[https://zpf.pl/pliki/etyka/ZPF\\_zasady\\_dobrych\\_praktyk\\_12.2019.pdf](https://zpf.pl/pliki/etyka/ZPF_zasady_dobrych_praktyk_12.2019.pdf)

It can also be accessed at the kruk.pl website at <https://pl.kruk.eu/partnerzy-biznesowi/o-nas>

As KRUK S.A. is listed on the Warsaw Stock Exchange, the Company applies the Code of Best Practice for WSE Listed Companies.

The Company's clients incur debts for various reasons, which include unforeseen fortuitous events. If they need psychological support, they can receive it through KRUK S.A., as the Company cooperates with a non-profit organisation which provides advice and assistance to people in debt, struggling with depression or reporting suicidal thoughts. The Company has established internal procedures to deal with situations where a client reports a threat to health or life. Our motivation is to take care of clients who deal with hardships, including those relating to financial problems.

### 6.1 Category: Economic

KRUK S.A. is the leader of the debt management market in Poland and the KRUK Group – in Central Europe. Customers are very important in the Company's daily work. With them in mind, KRUK S.A. has developed an amicable settlement strategy, which enables KRUK's clients to spread the debt repayment into instalments in line with their individual needs, allowing them to restore their financial credibility and return to the financial market. This is why KRUK S.A. surveys the needs and expectations of its customers and business partners on a regular basis. As a result, the Company's products are adapted to the changing legal and market environment.

### 6.2 Economic performance

**Table 26. KRUK S.A.'s economic performance in 2017, 2018 and 2019**

The Company's economic data is presented on a group-wide basis.

PLNm	2018	2019
Revenue	120	176
Operating expenses	(219)	(235)
Salaries, wages and employee benefits	(123)	(149)
Payments to providers of capital	(169)	(177)
Payments to government	(19)	(25)
Community investments*	-	-
Economic value retained	(287)	(261)

\* KRUK S.A. does not record any expenditure related to community investments.

Source: Company

[G4-EC1]



### 6.2.1 Employee compensation

In 2019, KRUK continued to apply the same rules of remunerating its employees as in previous years. They are described in detail in the *HR and payroll policy*. The policy applies to all employees regardless of their gender, age, nationality or other aspects.

Salaries of men and women in the same positions are on a par. Differences, if any, may result from a different scope of work performed.

In the departments where the pay is significantly higher (such as the IT department), the majority of employees are men, while women are the majority of the Group's administrative units and the call centre.

#### Standard entry-level salary at KRUK S.A. by gender as percentage of national minimum wage

KRUK S.A.	2017	2018	2019
Women	236%	213%	229%
Men	272%	273%	310%

Source: Company

[G4-EC5]

### Market presence

KRUK S.A. is the parent company whose standards and values are almost fully cascaded to the other KRUK Group companies, both in Poland and abroad. KRUK S.A. operates in Poland. The Company's head office is located in Wrocław and comprises all corporate functions responsible for the Company's strategy and supervision of the entire organisation. These include operating areas, administration, marketing, PR, HR, investor relations and corporate governance. Local branches in Szczawno-Zdrój and Piła are responsible for operating activities, including the Call Center. The Company also operates regional offices, with field advisors.

Its locations are manned with local employees. [G4-EC6]

### 6.2.2 Indirect economic impacts

#### Financial education is still important

KRUK S.A. initiates a number of educational campaigns, which are based on the needs of the employees and external stakeholders, including the society and customers, i.e. the debtors.

One of the most important social needs that the Company has identified continues to be financial education, which was confirmed by the mini-research of March 2019 into what types of activities should companies like KRUK S.A. be involved in (the results of the survey are presented in the table above, in the *Material aspects and indicators* section).

Journalists are a group of external stakeholders who contribute to the promotion of financial education. According to various public surveys, mass media are still the main source of financial knowledge for many people. That is why in 2019 debt management companies of the Association of Financial Companies in Poland (former KPF – Conference of Financial Companies in Poland) engaged again in the joint project *Debt Collection? Everything Clear!*, run within a working group of the Association members. The project is designed to educate people on the laws and changing regulations governing debt recovery in Poland. Members of KRUK S.A.'s press team, as part of the Company's its membership in the working group, engage in the work on preparation of press materials dedicated to credit management in Poland. Representatives of the Association of Financial Companies in Poland, as an independent organisation, also speak in the media about the impact of payment bottlenecks, for instance on the development of the economy.

As a member of the project, together with other market players the Company builds a positive image of the industry. It is important to clarify the evolving legal regulations governing the activities of companies like KRUK S.A., and to this end the Company makes every effort to correct any potentially misleading information published in the media.

The Association of Financial Companies in Poland, acting on behalf of the companies engaged in the project but in close cooperation with them, prepares educational press materials.

This industry dialogue proves how important it is to conduct educational initiatives on finance and debt management business.

The project website can be found at: <http://wjs.zpf.pl/>.

### The level of financial knowledge among the public is still at a basic level

The Company's public research shows that financial literacy in the society is still at a basic level. Therefore, we continue to focus most of KRUK S.A.'s CSR activities on financial education.

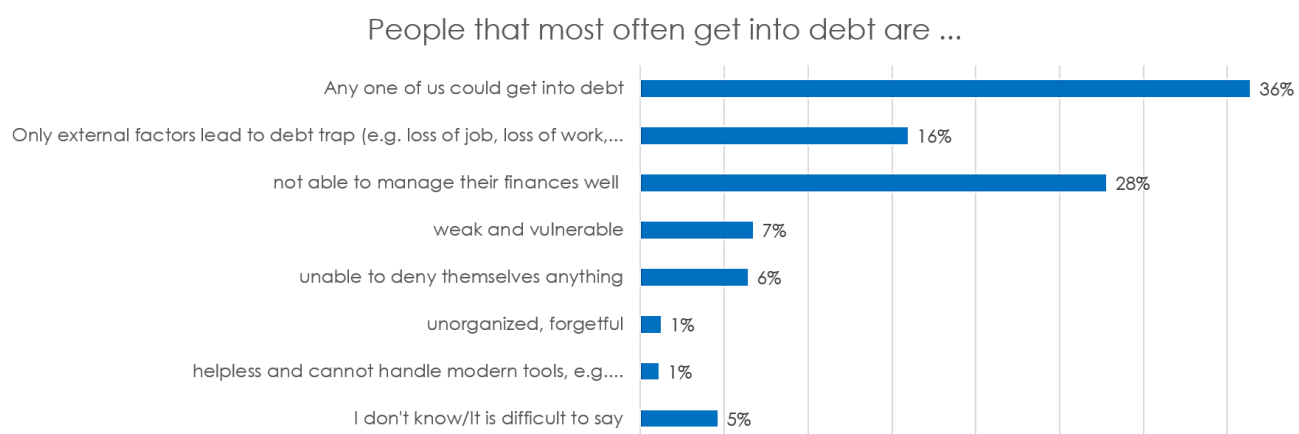
The *Poles' Attitudes Towards Debt* survey commissioned by KRUK S.A. and conducted by IQS, a research company in October 2019 on a representative group of 1,000 Poles aged 18+ showed once again that many people struggling with debt need knowledge and advice on how to deal with it.

It follows from the survey that almost 60% of Poles do not know how they could manage to pay off their debts and would need help in this respect, and every fifteenth Pole (7%) would expect someone else to manage the debt settlement for them. Interestingly, the largest group among those respondents are people aged 18-24 (as many as 12% declare that they would expect support in paying off their debts).

This is why the Company's educational initiatives are targeted at many social groups, including debtors, young people, business partners, as well as institutions working directly with people in debt.

### Analysis of the sources of Poles' indebtedness

The 2019 *Poles' Attitudes Towards Debt* survey mentioned above confirmed again that debt can happen to anyone and is not something that cannot be controlled completely. This is the opinion of over half of the respondents (52%). On the other hand, more than 40% say that debt is a consequence of a man's lack of resourcefulness.

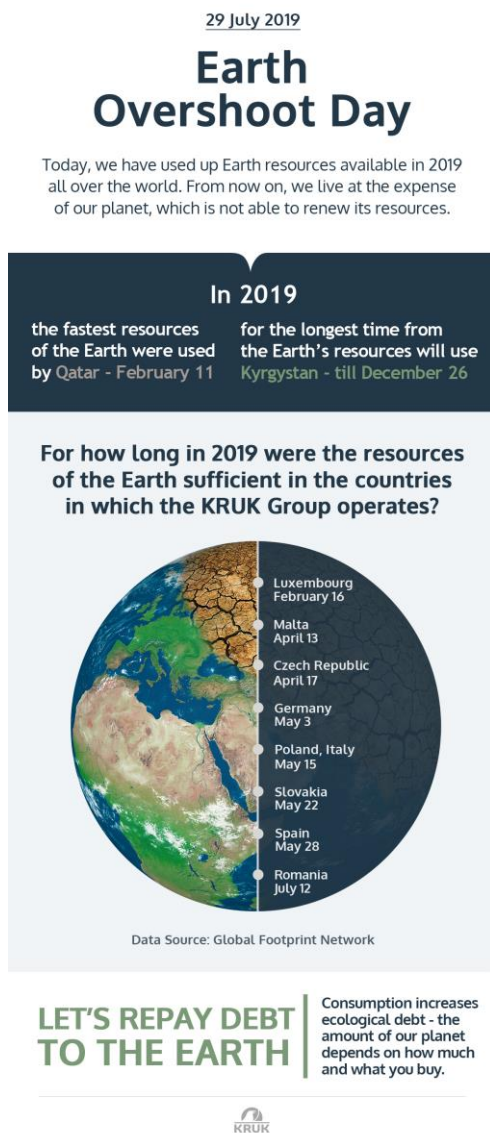


### What do loans have to do with environmental protection?

In 2019, KRUK S.A. conducted the campaign *Let's Pay Back Our Debt to the Earth*, which addressed excessive consumerism of Poles. As part of the financial awareness initiatives, a survey was carried out which showed how Poles plan taking out loans and what their needs are in this respect. In doing so, the Company noted the relationship between excessive consumption and borrowing and the climate crisis, which concerns every human.

To illustrate this, the Company used analogy between financial debt and economic debt. Therefore, the Ecological Debt Day helped to raise the interest of the media and the Company's stakeholders – employees, customers and the general public – in this matter.

Below are presented infographics prepared on the basis of the results of the study *Consumerism and Environmental Awareness of Poles* carried out in 2019.



You can read more about the *Let's Pay Back Our Debt to the Earth* campaign in the section devoted to the natural environment.

### We help people to live without debts

Since 2018, the Company has been encouraging people to participate in the free online course *Live Debt-Free*, which is accessible to anyone. It was prepared in cooperation with Tomasz Jaroszek, a financial blogger, and can be found at [www.kurs.kruk.pl](http://www.kurs.kruk.pl). The course consists of 12 lessons on how to start repaying debts, manage household budgets, start saving, change habits, and similar topics. The lessons can be taken by people with visual or hearing impairments, as they can be listened to in audio form or read as a transcription. The course includes numerous spreadsheets, exercises, articles, and tools to calculate the financial cushion, household budget, spending money, etc.

To promote the course, on January 10th 2019 KRUK, together with Tomasz Jaroszek, organised a webinar 'How to change financial habits'. Its live broadcast was watched by about 40 people. By January 4th 2019, 374 people had taken the course, and by January 7th 2020 the number rose to 890.

### **Day without Debts**

The *Day without Debts* project is intended to serve as an annual reminder of the importance of controlling one's finances, responsible planning of expenses, as well as paying one's all liabilities. It was initiated by KRUK S.A., and for over 10 years now other companies, especially from the financial sector, have been joining the project every year.

In 2019, on the occasion of the Day without Debt, KRUK S.A. prepared a special report on the basis of the survey *Poles' Attitudes Towards Debt*. It shows the differences and similarities in the perception by different generations of issues related to emotions and other problems associated with debt.

In partnership with Newseria, a news agency, the Company published the material with a commentary by Roman Pomianowski, a psychologist at the Debtor Support Programme Association who specialises in helping debtors. The commentary and press information were used by the nationwide and local media.

They were published in the press and online outlets; the Company also commented on the results of the survey on radio and television shows. There were 500 related publications. The details are presented below:

Press	14 publications
Radio	7 radio stations
TV	2 TV stations
Internet + social media	477 publications

This means that the issue is as relevant and important as ever.

### **Charitable sponsorship**

Charitable activities have a special place in the activities of the entire KRUK Group and KRUK S.A. itself. The Company has a *Charitable sponsorship policy*, which defines in detail the scope of aid and the nature of initiatives supported by KRUK S.A. In 2019, given the Company's involvement in environmental protection measures, KRUK S.A. updated the Policy to include its activities in this area.

Apart from educational initiatives, other areas that rank high on the Company's agenda include health, wellbeing and physical fitness. That is why KRUK S.A. engage in the promotion of proactive and healthy lifestyles, support the development of young people, and care for the natural environment.

In 2019, for the seventh time, KRUK S.A. was the main sponsor of the charitable *Business Run* in Wrocław. The proceeds were used to finance medical treatment of the beneficiaries of the Everest Foundation, the event's organiser.

As a reminder, apart from the charitable assistance, the idea behind the *Business Run* is to promote healthy rivalry, team cooperation and physical activity among employees of, inter alia, Lower Silesian companies: both small enterprises and international corporations.

Therefore, the run is also treated by the employees as a corporate event, an opportunity to integrate with colleagues. As part of the sponsorship package, the Company paid participation fees for 150 of its employees.

KRUK employees willingly engage in and initiate assistance for selected families as part of the *Noble Package (Szlachetna paczka)* project. In 2019, they also participated in a Christmas collection of funds and gifts for the children of the *Zobacz mnie* Foundation.

In 2019, KRUK S.A. was also one of the sponsors of the *Concert of Hope*, organised by the 'To the Rescue of Kids with Cancer' foundation, the proceeds from which were used to help patients of *Cape of Hope*, a regional paediatric oncology centre in Wrocław.

As part of its charity initiatives, KRUK S.A. also:

- co-financed the activities of amateur sports teams in Poland and Romania,
- actively participated in blood donation sessions held in association with regional blood donation and chemotherapy centres.

[G4-EC7]

### 6.2.3 Procurement practices

KRUK S.A. and the KRUK Group cooperate with many local suppliers of goods and services which are essential for many areas of the business. Our procurement categories include IT hardware, software and services, office equipment and supplies, fleet maintenance, marketing services, etc. [G4-12]

#### Procurement procedures and suppliers

In 2019, 169 procurement procedures were carried out in Poland, i.e. 47 more than in 2018.

**Number of suppliers in Poland in 2017-2019, with share of foreign suppliers.**

Country	Total number of suppliers	Percentage share of foreign suppliers in Poland	Total number of suppliers	Percentage share of foreign suppliers in Poland	Total number of suppliers	Percentage share of foreign suppliers in Poland
	2017	2017	2018	2018	2019	2019
Poland	1071	1%	1103	3%	1145	4%

KRUK S.A. works mainly with local suppliers, who in 2019 accounted for 96% of the total number of the suppliers.

#### Collaboration with external suppliers

KRUK S.A. cooperates with external providers of services and suppliers goods based on the following model:

- the supplier of goods or services is selected in a procurement process based on: pre-defined specifications, criteria and necessary requirements, a request for proposals, comparison and evaluation of bids, negotiations, selection of the best bid and qualification of the recommended supplier,
- the purchase order is approved in keeping with the approval processes for expenditure included in the budget,
- a contract or order is signed,
- the contract is performed or order sent to the supplier,
- receipt of the delivery,
- receipt of the invoice,
- approval of the payment,



- execution of the payment,
- annual assessments to the key suppliers.

At KRUK S.A., the procurement processes and cooperation with suppliers are governed by the *Procurement Policy* and the *Procurement Policy Implementation Instruction*.

The *Procurement Policy* sets out the rules to be followed in the procurement processes.

It contains guidelines on how to incur obligations for and on behalf of the KRUK Group companies and KRUK S.A. in Poland, select the best suppliers and maintain the optimum relation between the price and quality of purchased goods or services, and how to settle contracts, always ensuring that our activities should be consistent with our values, mission, vision and strategic objectives.

In relations with suppliers, KRUK S.A. abides by the following principles:

- maintaining business confidentiality,
- cooperation and communication,
- preventing any forms of corruption,
- equal treatment,
- avoiding conflicts of interest.

Integrity and mutual respect play an important role also in cooperation with suppliers. To ensure clarity and transparency, KRUK S.A. has in place a *Misconduct Prevention Policy*, *Conflict of Interests Management Policy*, and a *Gift Policy*. Suppliers participating in our procurement processes held in Poland are made familiar with the *Standards of Ethical Conduct for Suppliers* in relations with KRUK employees. The standards describe the KRUK S.A. values and apply to all existing and prospective suppliers. They must also be observed in relations with employees.

The Company selects suppliers:

- based on competitive bids,
- in single-source procurement processes,
- based on contract renegotiation,
- under framework contracts.

The basis for building credibility and trust between the employees and the suppliers is zero tolerance for any form of misconduct, including corruption; this is why anti-corruption clauses are included in contracts with the suppliers.

In Poland, the Company uses a CSR questionnaire in procurement processes where the transaction value exceeds PLN 100,000. Based on the questionnaire, KRUK S.A. evaluates suppliers in terms of their environmental, social and economic ethics. This is how the Company wants to be certain that the rules and standards we adhere to are respected by the key suppliers as well. The questionnaire contains questions about the supplier's best CSR practices with respect to:

- local communities,
- employees and the workplace,
- market and clients,
- natural environment.

In 2019, 65% of all suppliers taking part in the procurement processes completed the CSR questionnaire.

In the CSR survey, suppliers responded, among others, that they:

- engage in dialogue with the local communities and in charitable activities, organise internship programmes;
- employ staff in a transparent manner and in compliance with applicable laws, take care of their health and safety, respect their dignity, engage in dialogue with the employees, are open to their initiatives, and present them with training and educational opportunities;
- take care to ensure appropriate quality of service for their customers, conduct their business in accordance with the rules of law and ethics, follow the principles of ethics in relations with their suppliers and competitors, are flexible and adapt their products and services to the needs of their customers;
- take measures to reduce the consumption of raw materials, e.g. printing paper, energy; have waste management policies in place, limit business trips by using conference calls instead.

[G4-EC9]

#### 6.2.4 Category: Environmental

As part of public consultations, from March 15th to March 18th 2019 KRUK S.A. conducted an online public survey on the Ariadne panel. 1,079 respondents aged over 18 from all over Poland took part in the project. The results are presented above, in the *Material aspects and indicators* section.

Fourteen per cent of the respondents pointed to environmental protection. KRUK S.A. provides financial services which cause no direct environmental pollution; however, in the times of the climate crisis, the Company believes that environmental issues are relevant to all its stakeholders, including employees, business partners and customers.

Accordingly, based on the Management Board's decision, in April 2019 KRUK S.A. joined the United Nations Global Compact and engaged in activities related to compliance with the UN Global Compact's ten principles relating to the following areas: human rights, labour, anti-corruption and the environment. To show the impact of increased consumerism on the natural environment, in May 2019 KRUK S.A. conducted a small-scale public survey *Consumerism and Environmental Awareness of Poles* on a representative sample of 1,106 Poles. We used the results of this survey to demonstrate how, for example, ill-considered loans affect our home budgets and at the same time the environment. KRUK S.A. also showed the analogy between financial debt and ecological debt by preparing the public campaign *Let's Pay Back Our Debt to the Earth*. It lasted from May to December 2019, and its culmination was the Ecological Debt Day, which in 2019 fell on July 29th.

As part of the campaign, press releases were prepared for the national and local media: 'You do not have to be financially indebted to be a debtor', 'World Environment Day: what do loans have to do with environmental protection?', 'International Ecological Debt Day occurs ever earlier in the year – one reason is excessive consumerism'.

In cooperation with EcoCentrum of Wrocław the Company also organised workshops for the KRUK Group's employees – volunteers, on the protection of pollinator insects and on building 'insect hotels'. The workshop and lecture concerned the protection of pollinating insects and building special houses for them. On the Ecological Debt Date, an internal event took place during which KRUK S.A. gave up using plastic cutlery, replacing it with metal cutlery. All employees received their own cutlery sets, which, for health and safety reasons, they are obliged to take care of on their own.

Based on the Company's calculations, by giving up plastic cutlery in 2019 KRUK S.A. reduced annual consumption of plastic by over 810 kg.

The Company has had water distributors in its offices for several years. However, in order to encourage employees to drink tap water instead of water from plastic bottles, the Company commissioned an environmental research laboratory Ekolabos Sp. z o.o. of Wrocław to test samples of tap water available at the Company's Polish branches. The results confirmed that such water can be consumed un-boiled.

Additionally, as part of the *Let's Pay Back Our Debt to the Earth* campaign the Company joined the group of Bicycle Friendly Employers of the All For Planet foundation and encouraged its employees, especially in the summer, to commute to work by bike. Employees could also take advantage of free-of-charge technical check-up of their bikes. It was organised at the Polish companies of the KRUK Group.

At KRUK offices in Poland we collected used batteries for recycling. Employees could discard them into special containers for batteries which contain environmentally harmful metals.

The aim of all these activities was to bring more attention of both our employees and the public to issues related to the climate crisis and ecological debt, as well as the similarities between the impact of financial and ecological debt on human health and the quality of life.

#### **Webinar: *2xEKO or how to live economically and ecologically?***

According to the survey conducted by KRUK S.A. on the Ariadne panel in May 2019 on a representative group of 1,106 Poles aged 18 and over, as many as 84.3% of Poles are aware of the impact of responsible buying on environmental protection. On the other hand, the survey showed that one in five respondents buys things although they do not need them. Excessive consumption, in turn, contributes to the increasingly rapid depletion of the Earth's resources.

Loans are one of the most common causes of debt. According to the Company's data, approximately 56% of debt cases are caused by non-repayment of a loan. A survey conducted at the end of July and at the beginning of August 2018 showed that almost 30% of people in debt are indebted because they overestimated their financial capabilities. Their debt repayment instalments proved too high and they were unable to pay them. The Company wants to draw people's attention to the fact that being a responsible consumer, shopping more thoughtfully and avoiding wastefulness, have an impact not only on the cash in our wallets, but also on the Earth's resources. That is why KRUK organised a webinar on how to live economically and, as if by the way, in an environmentally-friendly manner. The Company has invited experts – Sylwia Majcher, journalist and blogger specializing in zero waste and Tomasz Jaroszek, journalist and financial blogger at Doradca.tv – to join its efforts. The experts presented how to manage financial and food resources in order to protect wallets and also the environment.

The webinar was promoted through various channels, including social media devoted to and environmental protection, as well as Facebook fanpages of the experts and KRUK S.A. It was broadcast live and its recording is available on YouTube, in the KRUK Polska channel. The Company also created a series of episodes of *2xEKO or how to live economically and ecologically?*, which were promoted in the natemat.pl service.

The purpose of the webinar was to: - educate the participants and viewers, and systematise knowledge of both finance and conservation of resources, saving money and protecting the environment; - draw attention of the public to the concept of excessive consumerism; - strengthen the Company's image as an organisation that cares about the natural environment.

The 2xEKO" webinar is a feature enhancing our online course *Live Debt-Free*. KRUK S.A. intends to continue its educational efforts to raise financial awareness, as well as the pro-environmental initiatives, which have an impact on both budgets and environmental protection.

### The Company's environmental impact

In its operations the Company identifies areas that adversely affect the natural environment. These include consumption of energy and paper, and production of exhaust gases by company cars. By using supplies of various materials, including office supplies, KRUK S.A. contributes to the volume of CO<sub>2</sub> emissions to the atmosphere.

Traditional letters continue to be one of the ways the Company contacts its clients, so KRUK S.A. monitors the consumption of paper. It seeks to reduce the amount of paper it uses, taking into account the legal requirements, procedures, as well as customer needs and technological changes. That is why KRUK S.A. has in place a *Process Manual* governing the use of e-documents by the employees.

Additionally, to support communication with the clients (including debtors), the e-KRUK online platform was launched in 2017. This electronic solution reduces the amount of traditional, paper-based correspondence.

#### 6.2.5 Materials and consumables used at KRUK S.A.

2017	2018	2019
224.74 tonnes	151,79 tonnes	222,09 tonnes

Disposal of waste paper in 2017: 221.76 tonnes | Disposal of waste paper in 2018: 206.34 tonnes | Disposal of waste paper in 2019: 37.24 tonnes

2017	2018	2019
221,76 tonnes	206,34 tonnes	37,24 tonnes

In 2019, the Company changed the methodology of counting the weight of recycled waste paper. In earlier reports, the weight of recycled waste paper was estimated on the basis of the number of 12m<sup>3</sup> containers, the weight of which could differ significantly from the actual weight of waste paper. In the reporting period, the weight of recycled waste paper was presented based on the data provided by the waste paper recyclers.

[G4-EN1]

#### 6.2.6 Consumption of energy at KRUK S.A.

Table 27. Total consumption of electricity at KRUK S.A.

Annual consumption	2017	2018	2019
TOTAL CONSUMPTION OF ELECTRICITY [MWh]	3962.26	4313.762	3844.21
Total consumption of energy from non-renewable sources [MWh]	6937.97	7186.75	7933.16
including gasoline [MWh]	799.69	774.91	1019.75
including diesel oil [MWh]	6137.53	6408.92	6911.90
including natural gas [MWh]	0.75	2.92	1.51
Gasoline [m3]	86.16	83.46	109.87
Diesel oil [m3]	627.81	655.57	707.02
Natural gas [m <sup>3</sup> ]	0.08	0.31	0.16

Source: Company

In 2019, total electricity consumption decreased. Energy consumption from non-renewable sources is also decreasing, as KRUK S.A.'s total CO<sub>2</sub> emissions dropped to 5,040.56 tonnes. [G4-EN3]

## 6.2.7 Emissions

As in 2018, in 2019 KRUK S.A.'s activities involved the use of company cars by the employees. The table below also present CO<sub>2</sub> emissions by the vehicle fleet.

**Table 28. Total CO<sub>2</sub> emissions**

Annual CO <sub>2</sub> emissions at KRUK S.A.	2017	2018	2019
CO <sub>2</sub> emissions from electricity purchased for the building's needs [tonnes]	3,294.62 tCO <sub>2</sub> e	3,586.89 tCO <sub>2</sub> e	2,940.82 tCO <sub>2</sub> e
CO <sub>2</sub> emissions related to transport and fuel combustion in the engines of company vehicles [tonnes]	1,838.00 tCO <sub>2</sub> e	1,904.72 tCO <sub>2</sub> e	2,099.74 tCO <sub>2</sub> e
<b>Total CO<sub>2</sub> emissions at the organisation</b>	<b>5,132.62 tCO<sub>2</sub>e</b>	<b>5,491.62 tCO<sub>2</sub>e</b>	<b>5,040.56 tCO<sub>2</sub>e</b>

Source: Company

[G4-EN15][G4-EN16]

In 2019, as in previous reporting years, the Company was not fined for non-compliance with environmental laws and regulations. [G4-EN29]

## 6.3 Category: Social

### 6.3.1 Employment at KRUK S.A.

Total number and rate of new hires during the reporting period by age group, gender and region

Gender	Age group ≤ 30			Employment rate in age group ≤ 30			Age group ≥ 50			Employment rate in age group ≤ 50			Age group 30 – 50			Employment rate in age group 30 – 50			TOTAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Women	109	63	29	0.07	0.03	0.01	4	1	2	0.00	0.00	0.00	98	78	32	0.06	0.04	0.02	211	142	63
Men	80	45	42	0.05	0.02	0.02	3	4	4	0.00	0.00	0.00	50	36	35	0.03	0.02	0.02	133	85	81
<b>TOTAL</b>	<b>189</b>	<b>108</b>	<b>71</b>	<b>1.56</b>	<b>1.4</b>	<b>0.8</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>0.06</b>	<b>0.06</b>	<b>0.07</b>	<b>148</b>	<b>114</b>	<b>67</b>	<b>1.22</b>	<b>1.48</b>	<b>0.75</b>	<b>344</b>	<b>227</b>	<b>144</b>

Total number and rate of employee turnover during the reporting period by age group, gender and region

Gender	Age group ≤ 30			Employee turnover in age group ≤ 30			Age group ≥ 50			Employee turnover in age group ≤ 50			Age group 30 – 50			Employee turnover in age group 30 – 50			TOTAL		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Women	75	62	52	0.05	0.03	0.03	10	3	4	0.01	0	0	108	98	58	0.07	0.05	0.03	193	163	114
Men	42	34	32	0.03	0.02	0.02	5	6	2	0.00	0	0	56	46	43	0.03	0.02	0.02	103	86	77
<b>TOTAL</b>	<b>117</b>	<b>96</b>	<b>84</b>	<b>0.07</b>	<b>0.05</b>	<b>0.04</b>	<b>15</b>	<b>9</b>	<b>6</b>	<b>0.01</b>	<b>0</b>	<b>0</b>	<b>164</b>	<b>144</b>	<b>101</b>	<b>0.1</b>	<b>0.07</b>	<b>0.05</b>	<b>296</b>	<b>249</b>	<b>191</b>

Source: Company

[G4-LA1]



The Company cares for the development of employees, their health and safety. It also seeks to create a friendly work environment for them.

Employees of KRUK S.A. may:

- use the Company Social Benefits Fund, including in the form of non-cash financial assistance, non-repayable allowances for persons in particularly difficult life situations, or holiday allowances;
- learn foreign languages – as of July 1st 2018, all employees have access to a self-learning online platform for learning English; previously, we subsidized language learning, but only for those employees who work closely with foreign subsidiaries;
- use the Multisport card, providing access to sports and leisure activities, on attractive terms;
- use the My Benefit bonus system, which we implemented in 2018 for all employees of our Polish companies;
- receive partial funding for the purchase of eyeglasses;
- participate in internal and external training courses we provide to enhance the professional skills and qualifications of our employees;
- use medical care services for themselves and their families;
- take advantage of group life insurance;
- access a library of books for employees, with new books added to the collection every year;
- receive partial funding for team building meetings;
- use special bonuses – as in 2017 and 2018, in 2019, on the occasion of the Children’s Day, employees who have children received an additional package of bonus points in the *MyBenefit* cafeteria system; also by decision of the majority of employees in 2019, instead of Christmas gifts, each employee received the same pool of points for use in *MyBenefit*.
- use flexible work options, including remote work. Under the available options, an employee may:
  - start work between 6 am and 11 am and finish it after having worked the number of hours specified in their employment contracts;
  - work out of office occasionally, in accordance with internally agreed rules and conditions.

[G4-LA2]

The Company supports employees who are working parents. This is why KRUK S.A. introduces certain solutions to help them maintain a healthy work-life balance. In addition, at the Company’s headquarters in Wrocław we have a special room for a mother and a child.

The Company complies with the laws and regulations governing parental rights.

#### Employees who took maternity/paternity leaves in 2019

Total number of employees who were entitled to maternity/paternity leaves, by gender

Women	46	Men	6
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Total number of employees who took maternity/paternity leaves, by gender

Women	48	Men	8
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Total number of employees who returned to work after taking maternity/paternity leaves, by gender

Women	33	Men	5
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Total number of employees who returned to work after taking maternity/paternity leaves and remained employed at KRUK for twelve months after returning to work, by gender

Women	21	Men	7
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Metrics relating to employees returning to work and remaining employed after taking maternity/paternity leaves, by gender (%)

Return rate for female employees	68.75%	Return rate for male employees	62.50%
Retention rate for female employees	43.75%	Retention rate for male employees	87.50%

[G4-LA3]

### 6.3.2 Occupational Health and Safety

KRUK S.A. has assembled an Occupational Health and Safety Team as a body responsible for monitoring and providing advice and opinion on matters relating to occupational health safety. There is also a six-member Health and Safety Committee, which cooperates with the Health and Safety Team. They comprise employee representatives, employer representatives and an occupational physician. During meetings held every three months, the Committees raise important issues related to occupational safety, provide support in formulating proposals to improve working conditions and assist in meeting Health and Safety requirements.

Types of accidents and injuries at KRUK S.A. in 2017	Types of accidents and injuries at KRUK S.A. in 2018	Types of accidents and injuries at KRUK S.A. in 2019
– fall from heights – 1 – road traffic accident – 1 – fall on flat surface – 3 – injury while getting out of the car – 1 – dog bite – 2 Injuries of cervical spine, ankle sprain, shoulder sprain, muscle tear, laceration from a dog bite. <b>Total number of accidents – 8, of which:</b> – women: 1 – men: 7	– fall from heights – 5 – road traffic accident – 5 – fall on flat surface – 5 – injury while getting out of the car – 1 – dog bite – 0 Injuries of cervical spine, ankle sprain, shoulder sprain, muscle tear, laceration from a dog bite. <b>Total number of accidents – 16, of which:</b> – women: 10 – men: 6	– fall from heights – 11 – road traffic accident – 1 – fall on flat surface – 2 – fall on stairs – 2 – dog bite – 2 <b>Total number of accidents – 17, of which:</b> – men: 6 – women: 11
<b>Accident rates (all accidents at work in 2017):</b> a) severity rate: – women: 38 – men: 56.14 b) frequency rate: – women: 0.6 – men: 4.2	<b>Accident rates (all accidents at work in 2018):</b> a) severity rate: – women: 33.31 – men: 32 b) frequency rate: – women: 5.99 – men: 3.64	<b>Accident rates (all accidents at work in 2019):</b> a) severity rate: – men: 6 – women: 39.36 b) frequency rate: – women: 11.39 – men: 4.68
<b>Occupational disease rate: 0</b> <b>Lost day rate (i.e. number of calendar days from the date of receiving sickness leave):</b> – women: 38 – men: 393	<b>Occupational disease rate: 0</b> <b>Lost day rate (i.e. number of calendar days from the date of receiving sickness leave):</b> – women: 233 – men: 192	<b>Occupational disease rate: 0</b> <b>Lost day rate (i.e. number of calendar days from the date of receiving sickness leave):</b> – women: 433 – men: 39
<b>Number of fatal accidents: 0</b>	<b>Number of fatal accidents: 0</b>	<b>Number of fatal accidents: 0</b>

Source: Company

KRUK S.A. system for reporting and recording accident statistics covers all locations in Poland where the Company operates. Employees report accidents at work to the OHS officer and to their immediate superiors. Accident documentation is prepared within 14 days from reporting the accident, and all accidents are entered in the accident register and reported to the Statistical Office. [G4-LA6]

### 6.3.3 Workers with high incidence or high risk of diseases related to their occupation

In 2016–2019 the employees did not report any occupational diseases. There were no reports of serious or fatal accidents at work. [G4-LA7]

### 6.3.4 Development and education of employees

Individual competence development of each member of the team contributes to the development of the entire organisation. That is why KRUK S.A. is constantly improving its employees' competences and qualifications. It is an important investment aimed at building an innovative team that works with passion. The Company employees may participate in a wide range of training courses delivered by internal and external trainers. The courses differ depending on the length of service and the needs related to the duties of a given person.

In June 2019, the Coach Academy was launched at KRUK S.A. as a platform for sharing knowledge among employees. Specialists and experts in their respective fields or processes prepare and conduct training for other employees. The themes range from legal to agile to LEAN.

Year-on-year comparative data is presented below.

#### Average hours of training per employee in 2018 and 2019, by gender

	2018	2019	2018	2019
Gender	share		Hours/person	
Women	63%	63%	18.65	13.92 h/person
Men	37%	37%	20.95	17.98 h/person

#### Training courses and participation of KRUK S.A. employees in 2019

Type of training	Number of training courses	Number of persons trained total	Women	Men		
Face-to-face training	545	5022	2837	56%	2185	44%
E-learning training	24	7117	4219	59%	2898	41%

#### Average number of training courses per person

	Women	Men	Total
Face-to-face training	2.4	3.1	2.8
E-learning training	3.6	4.1	3.8

The number of training courses at the KRUK Group and KRUK S.A. decreased year on year, with the largest decrease seen in induction courses due to fewer new hires. Individual training was increased at the expense of group training in 2019. [G4-LA9] [G4-LA10] [G4-LA11]

Our employees can participate in specialist and managerial training, and each newly recruited person completes a full cycle of induction training where they learn, among other things, about the core values and ethical principles.

The Company also operates a management skills development programme to support professional advancement of its management staff. In mid-August 2019, we implemented a manager induction programme for new hires in managerial positions. The programme is aimed at employees who have been tasked with managing people for the first time. Its aim is to help develop management skills needed to manage a team. It is an individual support programme involving an internal trainer, the line manager and a HRBP, delivered during the first 100 days of work in a managerial position.

As of 2016, the Company also provides e-learning courses to enable its employees to advance their skills in a relatively short time. The platform hosts mainly courses in the field of law, data security and protection, ethical principles and good practices in the industry, as well as product training, and courses related to projects implemented in the organisation. The e-learning platform also offers courses for management staff.

One of the e-learning courses concerns employee evaluation, which is in keeping with KRUK S.A.'s and the Group's culture of providing feedback to fellow employees. Starting from 2018 the annual performance evaluation is carried out once a year (previously it would take place twice a year). It consists in mutual assessment of colleagues and superiors. It is also an opportunity to talk about paths of further development of the employees.

**Percentage of employees receiving regular performance and career development evaluation, by gender and by employee category (data for 2017, 2018 and 2019).**

	Percentage of employees who received regular performance evaluation in 2017	Women	Men
<b>KRUK S.A.</b>	<b>99.6%</b>	<b>59%</b>	<b>41%</b>
Management staff	12%	58%	42%
Other employees	88%	60%	40%
	Percentage of employees who received regular performance evaluation in 2018	Women	Men
<b>KRUK S.A.</b>	<b>93.4%</b>	<b>60%</b>	<b>40%</b>
Management staff	12%	58%	42%
Other employees	88%	60%	40%
	Percentage of employees who received regular performance evaluation in 2019	Women	Men
<b>KRUK S.A.</b>	<b>93.2%</b>	<b>61%</b>	<b>39%</b>
Management staff	12%	58%	42%
Other employees	81.2%	60%	40%

Source: Company

[G4-LA11]

### 6.3.5 Human rights

KRUK S.A. operates internal policies designed to protect human rights in line with the standards set forth in the United Nations Universal Declaration Of Human Rights and other documents.

These policies are described in the *Documents that help us adhere to the core values at KRUK S.A.* section.

As in the previous year, in 2019, the Company devoted around 80 hours to train its employees in procedures and regulations that promote respect for human rights. The training programmes offered included standard induction training on our values, as well as training on mobbing at workplace available on the e-learning platform. The anti-mobbing training, designed in versions for managers and specialists, covers both rules and regulations, as well as rules of cooperation and good practices. All employees hired in 2019 who were not on maternity, parental or long-term sick leave received the training (80% completion rate).

Also, meetings were held with an oncology nurse at KRUK S.A. the KRUK Group's branches in Wrocław, Szczawno-Zdrój, Piła and Warsaw, under the Cancer Prevention Programme in 2019 in recognition of every person's right to health. The programme provides for a number of educational, disease prevention and diagnostic initiatives designed for employees. Participation in the meetings was voluntary. [G4-HR2]

## **Diversity and equal opportunities**

### **The Diversity Charter**

Since 2013, KRUK S.A. has been a signatory of the Diversity Charter, KRUK S.A. promotes the Diversity Charter across the Group, including at its companies based in countries that have not yet joined the initiative.

### **How do we manage diversity and ensure equal opportunities?**

KRUK S.A. has in place a *Diversity Policy* document, adopted by a resolution of the Company's Management Board on December 8th 2015. The aim 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.

Implementation of the *Diversity Policy* by the Company means that the organisation acknowledges differences between people and is aware of their fundamental importance to its own success. It is an important element of the Company's and the Group's business strategy, which facilitates international growth and enhances our innovativeness and competitiveness.

The aim of the Diversity Policy is to support diverse, multi-cultural workplaces by 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. The policy enables the Group to unlock the potential of all its employees and helps prevent any forms of discrimination or bullying in the workplace. 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.

KRUK S.A. also operates an *Internal Mediation Policy* to prevent discrimination or bullying in the workplace. In 2019, training sessions were held on how to diagnose and prevent mobbing and the workplace.

Equal opportunities are created as the recruitment process begins, equal treatment being accorded to candidates. All this is governed by the recruitment process standards.

KRUK S.A. has career and development paths, which are regularly reviewed and updated.

The Group operates in a number of countries, therefore we adjust our working style and expectations regarding business relations to the rules applicable in foreign markets. We also follow the suggestions of our foreign employees. Therefore, the entire Group and the Company itself respect public holidays celebrated in each of the home countries. In addition, all employees are informed monthly of the days off of their foreign colleagues celebrating local public holidays.

All employees are treated equally, regardless of their gender, religion, nationality, lifestyle, etc.

KRUK ensures equal promotion paths and pay scales for each employee within a given area in all KRUK Group companies, as well as equal access to knowledge and skills development opportunities by offering a range of open training programmes and the same rules of participation in training courses for all employees. KRUK S.A. attaches particular importance to enabling its employees to maintain a work-life balance by ensuring transparent work-time settlement rules and facilitating return to work after maternity leave. [G4-15]

**Table 29. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**

Percentage of individuals in the organisation's supervisory bodies in each of the following diversity categories: gender; age group: under 30 years old, 30 to 50 years old, over 50 years old;

Gender	Number of persons on supervisory bodies in the age group ≤ 30	Percentage of persons on supervisory bodies in the age group ≤ 30	Number of persons on supervisory bodies in the age group ≥ 50	Percentage of persons on supervisory bodies in the age group ≥ 50	Number of persons on supervisory bodies in the age group 30-50	Percentage of persons on supervisory bodies in the age group 30-50	Total
<b>2017</b>							
Women	0	0%	0	0%	4	33%	4
Men	0	0%	4	33%	4	33%	8
<b>Total</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>33%</b>	<b>8</b>	<b>66%</b>	<b>12</b>
<b>2018</b>							
Women	0	0%	0	0%	4	33%	4
Men	0	0%	4	33%	4	33%	8
<b>Total</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>33%</b>	<b>8</b>	<b>66%</b>	<b>12</b>
<b>2019</b>							
Women	0	0%	1	8%	4	33%	5
Men	0	0%	3	25%	4	33%	7
<b>TOTAL</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>33%</b>	<b>8</b>	<b>66%</b>	<b>12</b>

Percentage of employees per employee category in each of the following diversity categories: gender; age group: under 30 years old, 30 to 50 years old, over 50 years old

Gender	Number of employees in the age group ≤ 30	Percentage of employees in the age group ≤ 30	Number of employees in the age group ≥ 50	Percentage of employees in the age group ≥ 50	Number of employees in the age group 30-50	Percentage of employees in the age group 30-50	Total
<b>2017</b>							
Women	246	16.00%	32	2.00%	626	41.00%	904
Men	160	11.00%	53	3.00%	404	27.00%	617
<b>Total</b>	<b>406</b>	<b>27.00%</b>	<b>85</b>	<b>5.00%</b>	<b>1030</b>	<b>68.00%</b>	<b>1521</b>
<b>2018</b>							
Women	219	14%	35	2%	660	43%	914
Men	142	9%	61	4%	415	27%	618
<b>Total</b>	<b>361</b>	<b>23%</b>	<b>96</b>	<b>6%</b>	<b>1075</b>	<b>70%</b>	<b>1532</b>
<b>2019</b>							
Women	164	11%	40	3%	666	44%	870
Men	123	8%	72	5%	433	29%	628
<b>TOTAL</b>	<b>287</b>	<b>19%</b>	<b>112</b>	<b>8%</b>	<b>1099</b>	<b>73%</b>	<b>1498</b>

Source: Company [G4-LA12]



### 6.3.6 Equal remuneration for women and men

At KRUK S.A., it is important that employees are treated on an equal footing and receive adequate remuneration for their work. Therefore, we promote equal pay within specific job grades and responsibilities. The remuneration for women and men in the same positions is comparable.

The differences in the average overall earnings of men and women result from differences in the salaries paid to employees in different areas and positions. Specialist skills and availability of employees on the market partly determine the level of employment of women and men in particular areas, e.g. men predominate in the area of IT while Call Center or supporting processes are handled mostly by women. These considerations affect the amount of average salaries.

#### Ratio of average remuneration in 2017, 2018 and 2019, by gender and position

Manager / other employees	Ratio of average remuneration of women to men in 2017	Ratio of average remuneration of women to men in 2018	Ratio of average remuneration of women to men in 2019
Manager	82%	92%	76%
Other employees	86%	81%	74%

Source: Company [G4-LA13]

### 6.3.7 Non-discrimination

To prevent adverse behaviours at workplace, KRUK S.A. has in place an *Internal Mediation Policy*.

The document contains detailed information on the rights of employees who experience a conflict or what they consider to be workplace mobbing or discrimination. The document also defines the remit of the Consultation and Mediation Team which is appointed to deal with reported cases of such behaviours.

Each employee may lodge a grievance:

- orally to one of the Consultation and Mediation Team members;
- in writing through an anonymous whistleblowing mailbox.

In 2019, the Company did not receive any complaint.

KRUK S.A. also operates an Employee Support Programme. It was set up to assist employees in difficult situations. It allows employees to receive specialist psychological support on an anonymous basis. This solution is particularly useful if an employee deals with the occupational problems covered by the *Internal Mediation Policy*.

All of the companies operating in Poland, including KRUK S.A., have the Employee Support Programme in place. It was created to help employees in difficult situations. The programme consists in providing employees with specialist support and informed advice of psychologists from a partner non-profit organisation. The Employee Support Programme is consistent with our HR policy and core values, and is based on anonymity and confidentiality. Each employee can request such support; requests may be also filed by a co-worker or a manager of a person facing a personal crisis. An employee receives support from a group of psychologists, free of charge. [G4-HR3]

### 6.3.8 Grievance mechanisms for human rights

With regard to protecting the employees of KRUK S.A., the *Internal Mediation Policy* has been put in place to protect human dignity and rights, personal rights in particular, by preventing incidents at the workplace. A report of a conflict, discrimination or bullying incident triggers an enquiry that takes up to five (5) working days. The *Internal Mediation Policy* describes in detail the procedures for dealing with reported incidents. First, we strive to settle disputes amicably, if at all possible in a given case.

The rights of KRUK S.A.'s customers, who are primarily debtors, are protected by an extensive complaints process. Its standards are primarily set out in the Act on Complaints Handling in Financial Market Entities and on the Financial Ombudsman, the Consumer Rights Act, and the Code of Best Practice for ZPF.

Complaints of a complex nature involving important legal issues, as well as interventions by the Financial Ombudsman and the Consumer Ombudsmen, are considered in the Compliance Department.

KRUK S.A. has also established an Employee Forum to consider various initiatives proposed by employees and any grievances concerning employment or working conditions. No bargaining agreements exists at the Company other than the Employee Forum.

In the reporting period, there were no employment-related grievances at KRUK S.A. [G4-HR12] [G4-11]

### 6.3.9 Anti-corruption measures

Since 2017, KRUK S.A. has had and applied an *Abuse Prevention Policy* and an *Anti-Corruption Manual*. No substantiated corruption cases were recorded at the Company in 2019.

In 2019, the Company's Management Board approved the *Whistleblowing and Whistleblower Protection Policy*. A dedicated form, available at <https://pl.kruk.eu/zglos-naduzycie>, allows employees to directly inform a Supervisory Board member, a Management Board member or the Security and Operational Risk Management Department of any suspected misconduct, dishonesty or wrongdoing.

Anyone (employees, but also third parties such as business partners or clients) who notices any irregularities can report them anonymously using a dedicated form which can be found at <https://pl.kruk.eu/zglos-naduzycie>.

KRUK S.A. employees were informed about this mechanism through the internal communication system.

[G4-HR12] [G4-SO3] [G4-58][G4-SO4] [G4-SO5]

#### Data security

KRUK S.A.'s business involves contacts with our clients (debtors). The Company receives their personal data from business partners pursuant to relevant assignment-of-receivables or cooperation agreements. Everything is done in accordance with the applicable legal regulations. The processing of data is of particular importance to the Company. The employees, especially those working directly with customer data, pay particular attention to them. Each employee is required to undergo training in information and personal data security and in protection and circulation of inside information across the KRUK Group, which includes price-sensitive information related to the listing of KRUK S.A. shares on the Warsaw Stock Exchange.

The training covers confidentiality of inside information and restricted periods in which disclosure of any inside information is strictly prohibited.

Additionally, every employee is given training in procedures to prevent money laundering and terrorist financing. This is to counteract any activities which would violate the law or applicable rules.

KRUK S.A.'s anti-corruption measures are also covered by the Gift Policy.

In 2019, 11 complaints against KRUK S.A. were filed with PUODO. Relevant proceedings are currently pending before PUODO. Once the cases are examined by the regulator, the Company expects that a decision will be issued rejecting the complaints.

KRUK S.A. thoroughly checks if all documents, procedures and measures applied comply with the requirements stipulated under the Personal Data Protection Regulation (GDPR), and in 2019 the Company implemented the necessary changes.

KRUK S.A. appointed and trained persons serving as the Data Protection Officers (DPO).

Protection of personal data is of key importance to the Company. However, it may receive for servicing debt cases with incorrect or outdated personal data or address details. All personal data requests and complaints are thoroughly analysed by KRUK S.A. to determine whether the submitting party's claim is valid and can be satisfied. The whole process is overseen by the Data Protection Officer.

In 2019, there were 1,247 complaints concerning personal data. 109 (or 8.7%) of which were found to be fully or partially justified.

In 2018, KRUK S.A. reported 1,350 personal data submissions, of which 106 (8%) were partially or fully justified. All justified complaints were acknowledged and any damage suffered by the clients was remedied as agreed with the clients on a case-by-case basis.

Both at KRUK S.A. and across the KRUK Group, we adjust our procedures and services so as to ensure their highest quality. This also enables such risks to be minimised.

### **Regulatory security**

KRUK S.A. has implemented a process for monitoring, identification and implementation of changes in legislation, regulatory positions and case law. The mechanism helps to significantly increase the organisation's legal security. The process is performed by the Compliance Department. The latter is also tasked with issuing opinions on changes in processes and products and with monitoring their implementation.

The company also has a Compliance Committee, which gives its opinions on any significant product or process change, as well as on new products that are in the development phase. The Compliance Committee consists of the heads of the following units: Compliance Department, Security and Operational Risk Management Department, Corporate Governance Department, Accounting and Taxes Department, and Legal Support Department.

The Committee's primary tasks are as follows:

- to assess the risks for new products and processes and their material changes;
- to cover all key risk areas: legal, regulatory, tax, economic, corporate governance, information security, personal data security, operational, business continuity and image risks;
- to give comprehensive opinions on risks for new products, new processes, and their material changes.

A comprehensive risk map has been created to maintain transparency of all types of risks at KRUK S.A. It reflects the current level of specific risks, as well as safeguards and mitigating mechanisms.

In order to constantly raise the legal awareness of KRUK employees and thus the legal security of the organisation, specialist training is also provided to dedicated areas that most need them. The Compliance Department ran internal educational campaigns for the Company employees focusing on legal and ethical issues.

[G4-SO4] [G4-SO5] [G4-SO8]

### 6.3.10 Product and service labelling

#### Dialogue with clients and business partners

KRUK S.A.'s Client Experience Management and Coordination Department conducts regular satisfaction surveys among our clients (debtors) and business partners.

Innovativeness, high quality of services and, above all, meeting each client's and business partner's expectations are of key importance in KRUK S.A.'s day-to-day operations. The dialogue with customers allows the Company to adjust the offer to market needs and implement new solutions. such as the amicable collection strategy with instalment payment plans tailored to the client's financial circumstances.

#### At KRUK S.A. the client comes first

As is the case throughout the Group, KRUK S.A. treats the situation of each client individually, with respect and understanding. Customer satisfaction surveys have been conducted on a regular basis for several years. They allow us to look at the quality of the Company's services from the customers' perspective. The Company thoroughly analyses all opinions and suggestions made by the customers.

This is handled by KRUK's Client Experience Management Department, which has been using the NPS (Net Promoter Score) indicator since 2015.

Surveys are collected every day and relate to conversations with telephone consultants, cooperation with field advisers; as of 2019, customer feedback is also collected after each live chat.

During the survey, customers award from 0 to 10 points to the analysed aspect of the service provision process. On this basis the aspects were divided into three groups: detractors (scores between 0 and 6), neutrals (scores of 7–8), and promoters (9–10). In order to calculate the NPS indicator, the number of respondents in those groups is translated into a percentage, and then the percentage of detractors is deducted from the percentage of promoters. The NPS can range between -100 and +100, where +100 means the highest ratings.

In 2019, CES (Customer Effort Score) was introduced in Poland as a new survey metric to measure how much effort a client has put into the settlement process.

In the survey, respondents rate the ease of reaching a settlement on a scale of 1 to 5, where 5 means very easy and 1 means very difficult.

In 2019, nearly 13,000 clients of KRUK S.A. took part in the telephone survey carried out in Poland.

In a survey on the live chat support service experience, nearly 3,500 people shared their views.

Based on the analysis of their answers, the following NPS and CES figures were achieved:

- cooperation with field consultants: 95 (2018: 94),
- cooperation with call centre consultants: 90 (2018: 84),
- amicable settlement process: 86 (2018: 83),
- monitoring of arrangements: 73 (2018: 70),
- NPS for cooperation with field consultants via live chat: 71 (2018: 66),
- CES for amicable settlement process: 4,85/5

The high values of these indicators may be the evidence of the Company's unique approach to customer service and debt.

The change in approach to and perception of debt we initiated was – and by some clients still is – seen as unusual and unexpected.

KRUK wants to maintain a positive image of the Company among its debtors, which is why in 2018 we implemented the *Customer Service Quality Policy* and *Customer Service Quality Standards*.

**Quality Standards** are a guarantee of uniform and consistent service across all communication channels, and a way of building a consistent corporate image among clients.

### KRUK's business partners

As is the case of individual customers (debtors), the Company cares about very good contact with its business partners, and therefore conducts business partners' satisfaction surveys with the use of the following tools and methods:

- **NPS (Net Promoter Score)**, or likelihood of recommendation. It is a very important metric in our relationships with business partners, as it demonstrates whether our services are recommended in the market;
- **Standardised CSI (Customer Satisfaction Index)** The methodology makes it possible to manage relationships with business partners in a systematic manner. On the one hand, it shows those areas which receive highest ratings from our partners; on the other, it identifies those which require immediate optimisation;
- **dialogue** – in addition to standardised indicators, dialogue is a way to collect and thoroughly analyse answers to open-ended questions in which our partners are asked to indicate areas for improvement. Based on such feedback, we can determine which of the Company's initiatives are particularly appreciated and should be continued;
- **tracking surveys**, in which we periodically ask the same questions. This repeatable survey method allows us to monitor how the perception of our organisation by our partners changes and to determine whether follow-up changes are effective. Tracking surveys are an important component of the feedback collection system, which gives us an insight into the effectiveness of our activities relating to customer experience from the long-term perspective.

KRUK S.A. achieved an NPS of 56% in 2019 (2018: 73%). The key strengths recognised by the Company's business partners were good relations, ethical conduct, reliability, and safety.

Partners are willing to recommend the Company's services and cooperation with KRUK S.A. to other companies and institutions. [G4-PR5]

### Marketing and PR communications of KRUK S.A. and its compliance with regulations

In 2019, KRUK S.A. continued its marketing, educational and communication activities in line with the adopted strategy. We also began to pay greater attention to the issue of overconsumption and its impact on the environment, embarking on a series of initiatives focused on the environmental protection and climate crisis.

The Company's goal has always been to help its clients understand the legal aspects of the debt recovery process but also to help them get out of debt and re-establish good credit standing.

Communications and marketing activities are addressed to the general public. Because we believe anyone can find themselves in a difficult financial and life circumstances and thus fall into debt.

Throughout 2019, KRUK S.A. maintained contact with the media through press releases, based on which the media delivered educational materials and information to the wider audience. The Company's experts appeared in regional and national media in Poland and abroad, offering their commentaries and advice.

Number of publications in the media involving the Company

## Poland 2019

Internet	Press	Radio	Television
5680	408	51	4
		<b>TOTAL</b>	<b>6997</b>

For many years, KRUK S.A. has been making every effort to ensure that marketing and PR messages broadcast in the media are reliable, ethical, and in accordance with the law and the rules of social coexistence. Our advertising messages are important elements of communication with the public, including indebted people, which is why they are prepared in accordance with the rules of broadcasting advertising spots and identifying sponsors.

In 2019, the Company did not report any instances of non-compliance with the laws and regulations applicable to the provision and use of KRUK S.A. services, nor did it receive any penalties due to non-compliance with the marketing communication regulations and codes, including advertising, promotion and sponsorship.

[G4-PR7] [G4-PR9]

## 6.4 GRI Content Index

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G4-LA3	Return to work and retention rates of employees who took parental leave, by gender	80
Aspect: Occupational health and safety		
G4-LA6	Types of injury, injury rate, occupational diseases, lost day rate, absentee rate and work-related fatalities, by region and gender	81
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	81

Aspect: Training and education		
G4-LA9	Average hours of training per year per employee by gender and employee category	81
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	81
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	81, 82
Aspect: Diversity and equal opportunities		
G4-LA12	Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity	84
Aspect: Equal Remuneration for women and men		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	85
Aspect: Non-discrimination		
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	66, 83
G4-HR3	Total number of incidents of discrimination and corrective actions taken	85
Aspect: Grievance mechanisms for human rights		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	86
Aspect: Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	86
G4-SO4	Communication and training on anti-corruption policies and procedures	86, 87
G4-SO5	Confirmed incidents of corruption and actions taken	86, 87
Aspect: Compliance with regulations		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	87
Aspect: Product and service labelling		
G4-PR5	Results of surveys measuring customer satisfaction	89
Aspect: Marketing communications		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	90
Aspect: Compliance with marketing communications regulations		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	90

Source: Company

[G4-32]

## 7 OTHER INFORMATION

### 7.1 Auditors

The auditor was selected to audit the financial statements for 2017-2019 by the Company's Supervisory Board. On June 8th 2017, the Company entered into an agreement with KPMG Audyt Sp. z o.o. of Warsaw for the audit of its separate and consolidated financial statements for the periods ended on December 31st 2017, December 31st 2018, and December 31st 2019, and for the review of its separate and consolidated financial statements for H1 2017, H1 2018, and H1 2019. The fees for the audit of the financial statements were PLN 1,496 thousand (2018: PLN 1,227 thousand); for other assurance services, including review of financial statements – PLN 501 thousand (2018: PLN 433 thousand). The separate and consolidated financial statements for 2019 were audited by KPMG Audyt Sp. z o.o.

### 7.2 Major research and development achievements

Our research and development work is focused on improving Delfin, an operating platform designed to support the credit management process. The platform comprises a number of systems tailored to the Group's specific needs and internal procedures, as well as to the needs of the Group's clients. In 2019, the strategy for building the platform supporting operating processes remained unchanged – development work continued with the involvement of the Company's internal resources, which resulted in the system's improved flexibility and scalability.

### 7.3 Performance of Company shares on the Warsaw Stock Exchange

#### 7.3.1 Share price

In 2019, the price of KRUK shares price on the WSE increased 9.88% (2018:-39%). Our stock outperformed the WIG and mWIG40 indices, which delivered returns of +0.25% and -0.03%, respectively. Despite the negative sentiment to the debt sector, KRUK shares achieved a positive rate of return on improved operating efficiency, investments, and record-high collections from own portfolios in 2019.

On the last trading day in 2019, the Company's market capitalisation was PLN 3.2bn (compared with PLN 3.0bn at the end of the previous year). On December 31st 2019, KRUK ranked 29th in terms of market capitalisation on the WSE.

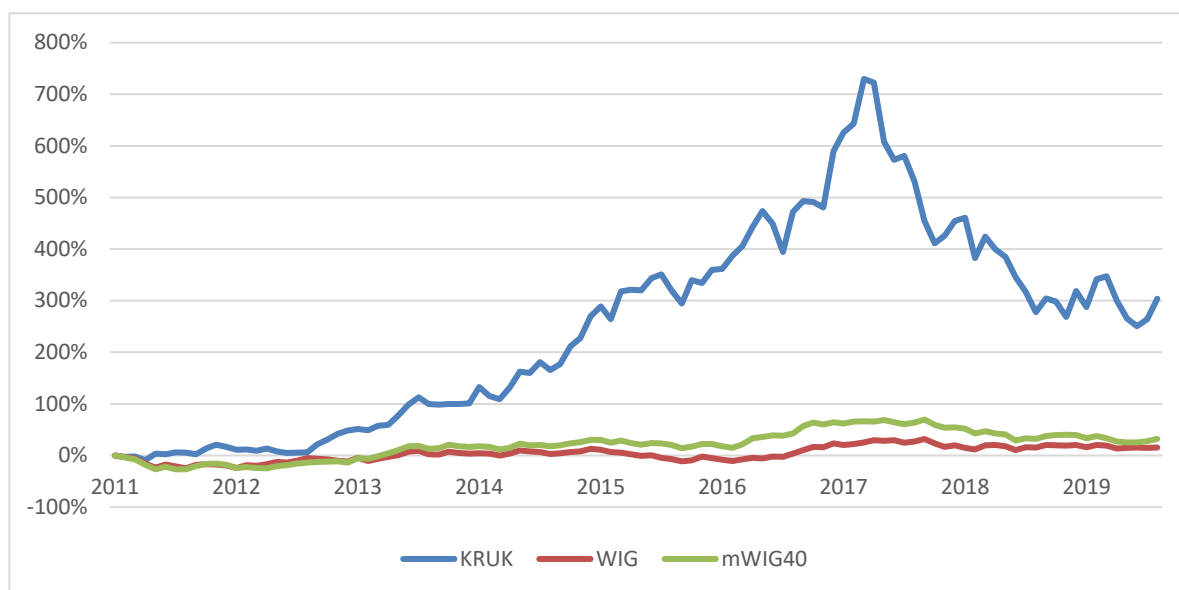
Table 30. Rates of return on KRUK S.A. stock, WIG and mWIG40 in 2019 – at close

Date	KRUK	WIG	mWIG40
Rate of return	9.88%	0.25%	-0.03%

Source: GPW.pl

From the IPO on the Warsaw Stock Exchange in May 2011 to the end of 2019, the rate of return on KRUK shares was 302%. Over the same period, the all-cap WIG index rose by 17%, while the mid-cap mWIG40 index gained 34%.

## Performance of KRUK stock against WIG and mWIG40 from the Company's IPO on the WSE in May 2011 to the end of 2019

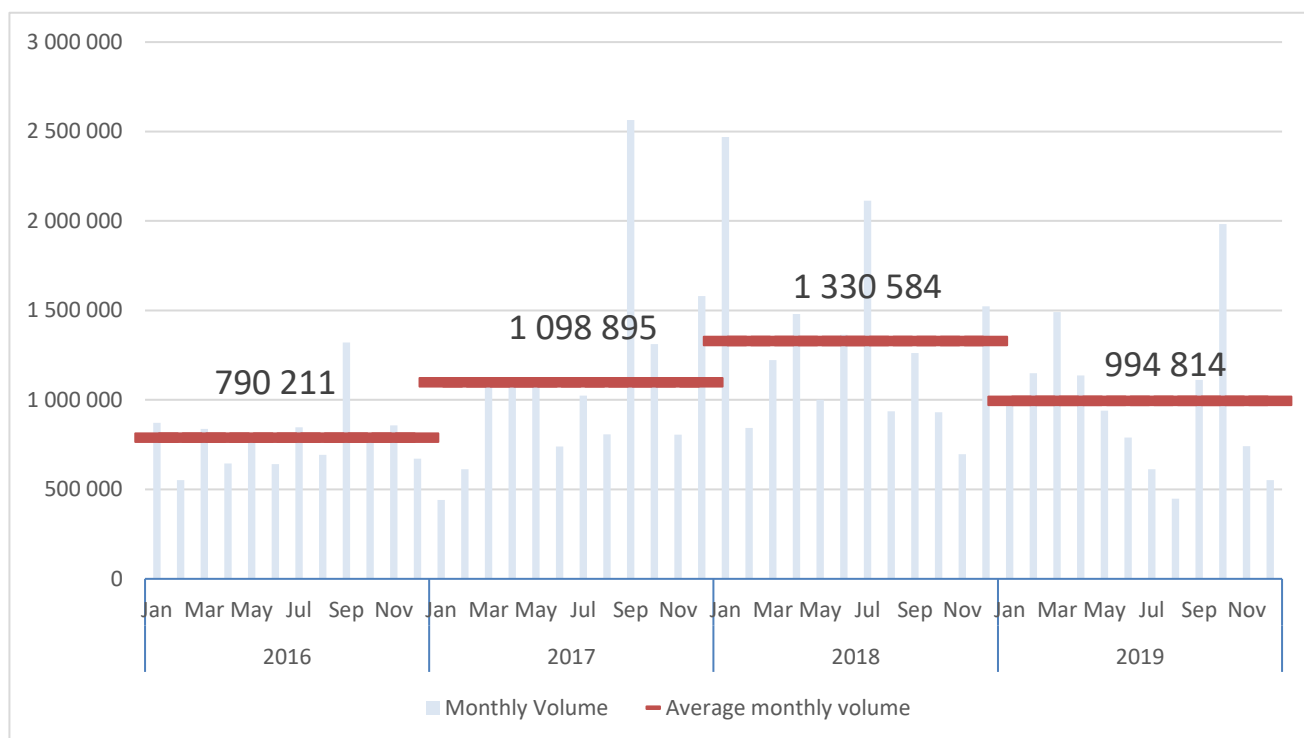


Source: in-house analysis, based on [stoq.pl](http://stoq.pl).

### 7.3.2 Stock liquidity

The total volume of KRUK S.A. shares traded in 2019 was 12m, and the total value of trading reached PLN 1.9bn. To compare, the total volume of KRUK S.A. shares traded in 2018 was 16m, and the total value of trading was PLN 3.3bn. The average daily trading volume of KRUK shares in 2019 was 48.1 thousand shares, and the average daily trading value stood at PLN 7.6m. In 2019, KRUK was the 21st most liquid stock on the WSE (in terms of the total annual trading volume).

#### Monthly volume in individual months and the year's average monthly volume of trade in KRUK shares in 2016–2019



Source: in-house analysis based on [www.gpw.pl](http://www.gpw.pl)

## 7.4 Investor Relations

The Company's activities and initiatives in the Investor Relations area are targeted at:

- Polish institutional and retail equity and bond investors,
- foreign institutional equity investors,
- brokerage house and investment bank analysts, and
- financial journalists.

For more information on key Investor Relations activities in 2019, see table below.

### Key Investor Relations activities in 2019

	Number of non-deal roadshows	Number of investor conferences
Poland	4	5
Foreign markets	2	7

Source: in-house analysis.

### Polish institutional stock and bond investors

- Four conferences organised following release of earnings reports for 2018, Q1 2019, H1 2019 and Q1–Q3 2019 Investor Day at the Company's headquarters in Wrocław;
- Participation in the *Pekao Financial Sector in Poland - outlook for 2019* conference in Warsaw in March 2019;
- Participation in the *PKO BP Investor Day: CEE Financials* conference in Warsaw in March 2019;
- Participation in the *Wood MidCap Gems of Emerging Europe* conference in Warsaw in May 2019;
- Participation in the mBank European Financials Conference in October 2019;
- Mailing to investors on key developments and events at the Company;
- Continuous dialogue with investors.

### Polish retail equity and bond investors

- Participation in the *Wall Street* Conference organised by the Polish Association of Retail Investors in May 2019
- Maintaining a corporate profile on the StockWatch website featuring latest information on the Company
- Chats with retail investors
- Continuous dialogue with investors.

### Foreign institutional investors.

- Four conferences organised following release of earnings reports for 2018, Q1 2019, H1 2019 and Q1–Q3 2019;
- Organisation of two non-deal roadshows in Frankfurt/Vienna and Boston/New York;
- Participation in the *CEEMEA Opportunities 2019* conference organised by J. P. Morgan in London;
- Participation in the *Polish Capital Market – London 2019* conference organised by PKO BP;
- Participation in the *Carnegie Debt Collectors Days 2019* conference in Stockholm;
- Participation in the *PKO BP CEMEA New York 2019* conference;
- Participation in the *Raiffeisen Polish Day in Bucharest 2019* conference;
- Participation in the *Polish Innovation & Growth Conference in Stockholm* organised by Wood&Co.;
- Participation in the *WOOD's Winter in Prague Conference 2019*;

- Mailing to investors on key developments and events at the Company;
- Continuous dialogue with investors.

#### Brokerage house and investment bank analysts

- Four conferences organised following release of earnings reports for 2018, Q1 2019, H1 2019 and Q1–Q3 2019;
- Investor Day at the Company's headquarters in Wrocław;
- Mailing to investors on key developments and events at the Company;
- Continuous dialogue with equity analysts.

Table below lists brokerage houses covering the Company stock.

#### Research coverage

Brokerage houses	Analyst	Contact details
BDM	Michał Fidelus	michal.fidelus@bdm.com.pl
DM Erste Group	Michał Pilch	michal.pilch@erstegroup.com
DM Ipopema	Łukasz Jańczak	lukasz.janczak@ipopema.pl
JP Morgan	Michał Kuzawiński	michal.kuzawinski@jpmorgan.com
DM mBank	Michał Konarski	michal.konarski@mdm.pl
DM PKO BP	Jaromir Szortyka	jaromir.szortyka@pkobp.pl
Santander BM	Kamil Stolarski	kamil.stolarski@santander.pl
DM Trigon	Grzegorz Kujawski	grzegorz.kujawski@trigon.pl
Wood & Co.	Marta Jeżewska-Wasilewska	marta.jezewska-wasilewska@wood.com

Source: in-house analysis.

#### Financial journalists

- Four conferences organised following release of earnings reports for 2018, Q1 2019, H1 2019 and Q1–Q3 2019
- Press releases concerning key corporate events
- Interviews and comments by Company representatives in financial media (such as *Parkiet*, *Puls Biznesu*, *Stockwatch*)
- Maintaining the Company's profile on Stockwatch

#### The key themes of the Company's 2019 market communication included:

- Communication of the Company's financial results for 2018, Q1 2019, H1 2019, Q3 2019;
- Quarterly information on the Group's investments and recoveries;
- Payment of dividend of PLN 5.0 per share – the fourth dividend distribution since the floatation
- Sixth public bond issue programme;
- Investment in the consumer finance industry – purchase of Wonga.pl and rights to the Wonga brand;
- Further expansion into the new markets – Italy and Spain.



## 8 GLOSSARY OF TERMS

Auditor	KPMG Audyt Sp. z o.o. of Warsaw – the Company's auditor
CAGR	Compound Annual Growth Rate
Catalyst	Bond market operated by the Warsaw Stock Exchange
CZK	Czech koruna
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
Cash EBITDA	EBITDA less revenue from purchased portfolios plus recoveries from purchased portfolios
EPS	Earnings per share
EUR	Euro
FMCG	Fast Moving Consumer Goods
WSE	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
The Group, the KRUK Group	The Company as the Parent along with its subsidiaries and Non-Standard Securitisation Closed-End Investment Funds
ItaCapital	ItaCapital S.r.l of Milan, Italy
Sixth public bond issue programme	The Sixth Public Bond Issue Programme carried out under the prospectus approved by the Polish Financial Supervision Authority on July 5th 2019
Kancelaria Prawna RAVEN	Kancelaria Prawna RAVEN P. Krupa sp. k. of Wrocław
CSDP	Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw)
PFSA	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRS	Polish National Court Register (Krajowy Rejestr Sądowy)
KRUK Česká a Slovenská republika	KRUK Česká a Slovenská republika s.r.o. of Hradec Králové
KRUK España	KRUK España S.L. of Madrid, Spain
KRUK Italia	KRUK Italia S.r.l of Milan, Italy
KRUK ROMANIA	KRUK Romania s.r.l of Bucharest, Romania
KRUK TFI	KRUK Towarzystwo Funduszy Inwestycyjnych S.A. of Wrocław
ERIF BIG, ERIF	ERIF Biuro Informacji Gospodarczej S.A.
IAS	International Accounting Standards as endorsed by the European Union
IFRS	International Financial Reporting Standards endorsed by the European Union, including International Accounting Standards, International Financial Reporting Standards and related Interpretations endorsed by the European Union
NBP	National Bank of Poland
Non-Standard Securitisation Closed-End Investment Funds	Prokura NS FIZ, Bison NS FIZ
GDP	Gross Domestic Product
PLN	Polish złoty
UOKiK President	President of the Office of Competition and Consumer Protection

<b>2015-2019 Scheme</b>	An incentive scheme for 2015–2019 implemented by the Company for the Management Board members, selected employees of the Company and selected members of the management boards and employees of the subsidiaries, under which up to 847,950 registered subscription warrants will be issued, conferring the right to subscribe for a total of 847,950 ordinary bearer shares issued as part of a conditional share capital increase.
<b>Prokura NS FIZ</b>	Prokura Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Prokura Non-standard securitisation closed-end investment fund)
<b>Supervisory Board</b>	The Company's Supervisory Board
<b>ROE</b>	Return on Equity, computed as the ratio of consolidated net profit to equity as at the end of period
<b>RON</b>	Romanian leu
<b>Regulation on current and periodic information</b>	The Polish 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 February 19th 2009 (Dz.U. of 2009, No. 209, item 1744, as amended)
<b>SeCapital Luksemburg</b>	SeCapital S.à.r.l. (Luxembourg)
<b>SeCapital Polska</b>	SeCapital Polska Sp. z o.o. of Warsaw
<b>Consolidated financial statements</b>	The Group's consolidated financial statements for the reporting period ended December 31st 2019, prepared in accordance with the IFRS
<b>Company KRUK Issuer</b>	KRUK S.A. of Wrocław
<b>Subsidiaries</b>	The Company's subsidiaries, as defined in the Polish Accounting Act, and Kancelaria Prawna RAVEN
<b>Articles of Association</b>	The Company's Articles of Association
<b>UOKiK</b>	The Polish Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)
<b>USD</b>	US dollar
<b>General Meeting</b>	General Meeting
<b>Wonga</b>	Wonga.pl Sp. z o.o. of Warsaw
<b>Management Board</b>	The Company's Management Board
<b>Employment</b>	Number of employees (on a full- and part-time basis), including personnel under employment contracts and civil-law contracts.

## SIGNATURES BY MANAGEMENT BOARD MEMBERS

The Directors' Report on the operations of KRUK S.A. in 2019 is presented by the Company's Management Board:

Piotr Krupa  
CEO and President of the Management Board .....

Urszula Okarma  
Member of the Management Board .....

Agnieszka Kulon  
Member of the Management Board .....

Iwona Słomska  
Member of the Management Board .....

Michał Zasępa  
Member of the Management Board .....

Wrocław, March 4th 2020





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