

REPORT OF THE SUPERVISORY BOARD OF KRUK S.A. FOR 2021

Appendix to Resolution No. 3/2022 of the KRUK S.A. Supervisory Board of March 15th 2022

I. Report on assessment of:

- 1) the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021;
- 2) the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021;
- 3) the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021;
- 4) the Management Board's proposal concerning distribution of profit or coverage of loss for 2021;

II. Report on assessment of:

- 1) the Company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment;
- 2) the Company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;
- 3) the validity of expenses incurred by the Company and the Group to sponsor cultural projects, sports, charitable organisations, the media, social organisations, trade unions, etc.;
- 4) the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board.

III. Summary of the activity of the Supervisory Board and its committees in 2021

IV. Resolutions passed and motions submitted to the General Meeting of KRUK S.A.

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

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

- 1) the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021,
- 2) the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021,
- 3) the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021,
- 4) The auditor's report on the full-year separate financial statements of KRUK S.A. for the financial year ended December 31st 2021,
- 5) The auditor's report on the full-year consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021.

1) Assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021

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

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards and other applicable regulations.

The key financial statement figures for the reporting period January 1st–December 31st 2021:

Separate statement of profit or loss:

For the year ended December 31st

PLN thousand

Continuing operations	Note	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Interest income on debt portfolios measured at amortised cost	5	17,273	17,887
Other income/(expenses) from purchased debt portfolios	5	(467)	1,471
Revenue from other services	5	147,059	112,126
Other income	5	2,127	16,613
Gain/(loss) on expected credit losses	5	16,630	10,820
Operating income including gain/(loss) on expected credit losses and other income/expenses from purchased debt portfolios		182,621	158,917
Employee benefits expense	8	(166,225)	(137,812)
Amortisation	12, 13	(16,907)	(17,995)
Services	6	(40,875)	(33,946)
Other expenses	7	(27,470)	(22,818)
		(251,477)	(212,571)
Operating profit/(loss)		(68,856)	(53,655)
Finance income	9	19,746	20,534
Finance costs	9	(57,739)	(99,753)
<i>including interest expense relating to lease liabilities</i>		<i>(814)</i>	<i>(865)</i>
Net finance costs		(37,992)	(79,219)
Share of profit/(loss) of equity-accounted investees	14	864,412	325,386
Profit/(loss) before tax		757,564	192,513
Income tax	10	(62,806)	(111,158)
Net profit/(loss) for period		694,758	81,356
Earnings/(loss) per share			
Basic (PLN)	21	36.63	4.29
Diluted (PLN)	21	35.80	4.22

Statement of financial position

As at Dec 31

<i>PLN thousand</i>	<i>Note</i>	Dec 31 2021	Dec 31 2020
Assets			
Cash and cash equivalents	19	53,698	6,595
Hedging instruments	23	13,803	-
Trade receivables from related entities	18	27,331	20,594
Trade receivables from other entities	18	2,870	2,640
Other receivables	18	7,255	7,869
Inventories	17	18,970	28,755
Investments	15	419,983	320,520
Equity-accounted investments in subsidiaries	14	3,814,418	3,315,459
Property, plant and equipment	12	39,882	37,521
Intangible assets	13	9,502	12,841
Other assets		6,367	5,956
Total assets		4,414,079	3,758,750
Equity and liabilities			
Liabilities			
Trade and other payables	27	29,170	51,863
Derivatives	24	-	11,236
Hedging instruments	23	-	18,386
Employee benefit obligations	25	24,153	21,464
Income tax payable		14,995	4,358
Borrowings, other debt securities and leases	22	1,565,210	1,462,143
Provisions	26	12,657	11,280
Deferred tax liability	16	167,077	134,249
Total liabilities		1,813,262	1,714,979
Equity			
Share capital	20	19,013	19,011
Share premium		333,264	310,430
Cash flow hedging reserve	23	17,885	(14,783)
Translation reserve		75,708	81,360
Other capital reserves		122,202	103,626
Retained earnings		2,032,745	1,544,127
Total equity		2,600,817	2,043,771
Equity and liabilities		4,414,079	3,758,750

Separate statement of cash flows

For the year ended December 31st			
<i>PLN thousand</i>		Note	
		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Cash flows from operating activities			
Net profit/(loss) for period		694,758	81,356
<i>Adjustments</i>			
Depreciation of property, plant and equipment		12,205	12,609
Amortisation of intangible assets		4,702	5,386
Net finance income/costs	9	36,090	78,661
Share of profit/(loss) of equity-accounted investees	14	(864,412)	(325,386)
Settlement of lease payments under terminated contracts		-	(1,300)
(Gain)/loss on sale of property, plant and equipment		(46)	(813)
Equity-settled share-based payments		18,576	(1,156)
Income tax	10	62,806	111,158
Change in debt portfolios purchased	15	1,542	3,620
Change in inventories	17	9,785	1,539
Change in trade and other receivables	18	7,382	54,372
Change in other assets		(411)	(1,273)
Change in trade and other payables, excluding financial liabilities	27	10,121	(15,193)
Change in employee benefit obligations	25	2,689	769
Change in provisions	26	1,377	3,826
Income tax paid		(19,321)	(13,478)
Net cash from operating activities		(22,158)	(5,304)
Cash flows from investing activities			
Interest received	9	5	36
Loans	15	(145,596)	(42,700)
Sale of intangible assets and property, plant and equipment		1,989	3,133
Dividends received	14	38,917	18,651
Disposal of financial assets		471,068	482,863
Purchase of intangible assets and property, plant and equipment		(7,083)	(7,037)
Acquisition of shares in subsidiaries	14	(196,175)	(27,028)
Repayments	15	46,270	85,779
Net cash from investing activities		209,395	513,698
Cash flows from financing activities			
Proceeds from issue of debt securities	22	535,000	24,550
Net proceeds from issue of shares		22,836	3,277
Increase in borrowings	22	994,534	578,994
Share buyback	20	-	(94,850)
Repayment of borrowings	22	(865,171)	(865,074)
Payments under finance lease contracts (principal)	22	(7,888)	(8,371)
Dividends paid		(206,140)	-
Redemption of debt securities	22	(540,000)	(88,360)
Interest paid		(73,304)	(65,775)
Net cash from financing activities		(140,134)	(515,610)
Total net cash flows		47,103	(7,216)
Cash and cash equivalents at beginning of period		6,595	13,812
Cash and cash equivalents at end of period		53,698	6,595
- including restricted cash ¹		38,931	-
- including effect of exchange rate fluctuations on cash held		(1,139)	(11,541)

¹ Proceeds from the issue of Series AM1 bonds deposited in a brokerage account, credited in the Company's bank account after the reporting date, on January 4th 2022. The separate statement of cash flows should be read in conjunction with the notes to these separate financial statements, which form their integral part.

* Notes and other detailed information are included in the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021.

According to the Auditor's Report on the full-year separate financial statements of KRUK S.A. for the financial year ended December 31st 2021, the financial statements were prepared on the basis of properly maintained accounting records, comply with the form and content requirements set out in the laws applicable to the Company, and give a true and fair view of the Company's assets and financial position as at December 31st 2021, as well as its financial result for the financial year January 1st – December 31st 2021, in accordance with the principles set forth in the Accounting Act, applicable in Poland, International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission.

In view of the above, the Supervisory Board gives a positive assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021.

2) Assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021

The consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021 have been prepared in accordance with International Financial Reporting Standards and other applicable laws.

The key financial statement figures for the reporting period January 1st–December 31st 2021:

Consolidated statement of profit or loss

For the year ended December 31st

PLN thousand

	<i>Note</i>	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Continuing operations			
Interest income on debt portfolios and loans measured at amortised cost	5	1,081,638	1,083,412
Interest income on loans measured at fair value	5	40,243	6,831
Revenue from sale of debts and loans	5	9,552	4,130
Other income/(expenses) from purchased debt portfolios	5	(26,094)	(27,114)
Revenue from other services	5	70,783	66,421
Other income	5	4,766	19,792
Change in investments measured at fair value	5	(11,569)	(1,803)
Gain/(loss) on expected credit losses	5	573,364	6,143
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		1,742,683	1,157,812
Employee benefits expense	8	(396,488)	(341,862)
Amortisation	12.13	(48,355)	(46,543)
Services	6	(150,051)	(134,928)
Other expenses	7	(288,173)	(302,214)
		<u>(883,067)</u>	<u>(825,547)</u>
Operating profit		859,616	332,265
Finance income	9	11,479	89
Finance costs	9	(97,139)	(127,913)
<i>including interest expense on lease liabilities</i>		<u>(2,240)</u>	<u>(2,546)</u>
Net finance costs		(85,660)	(127,824)
Profit before tax		773,956	204,441
Income tax	10	(79,053)	(123,443)
Net profit for period		<u>694,903</u>	<u>80,998</u>
Net profit attributable to:			
Owners of the Parent		694,758	81,356
Non-controlling interests		145	(358)
Net profit for period		<u>694,903</u>	<u>80,998</u>
Earnings per share			
Basic (PLN)	22	36.63	4.29
Diluted (PLN)	22	35.80	4.22

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Consolidated statement of financial position

As at Dec 31

PLN thousand

	Note	Dec 31 2021	Dec 31 2020
Assets			
Cash and cash equivalents	19	199,164	145,552
Hedging instruments	25	13,803	-
Trade receivables	18	22,873	16,804
Other receivables	18	35,079	28,357
Inventories	16	20,295	32,069
Investments	15	5,416,512	4,208,724
Deferred tax asset	17	37,560	31,180
Property, plant and equipment	12	80,249	91,864
Goodwill	14	23,840	23,916
Other intangible assets	13	43,474	50,729
Other assets	20	16,551	13,836
Total assets		<u>5,909,400</u>	<u>4,643,031</u>
Equity and liabilities			
Liabilities			
Trade and other payables	27	162,986	112,227
Derivatives	24	-	11,236
Hedging instruments	25	-	18,386
Employee benefit obligations	26	48,661	42,860
Income tax payable		18,369	5,223
Borrowings, debt securities and leases	23	2,869,020	2,222,176
Provisions	28	43,060	53,124
Deferred tax liability	17	167,077	134,339
Total liabilities		<u>3,309,173</u>	<u>2,599,571</u>
Equity			
Share capital	21	19,013	19,011
Share premium		333,264	310,430
Hedging reserve		17,885	(14,783)
Translation reserve		75,708	81,360
Other capital reserves		122,202	103,626
Retained earnings		2,032,745	1,544,127
Equity attributable to owners of the Parent		<u>2,600,817</u>	<u>2,043,771</u>
Non-controlling interests		(590)	(311)
Total equity		<u>2,600,227</u>	<u>2,043,460</u>
Total equity and liabilities		<u>5,909,400</u>	<u>4,643,031</u>

Consolidated statement of cash flows

For the year ended December 31st

PLN thousand

	Note	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Cash flows from operating activities			
Net profit for period		694,903	80,998
<i>Adjustments</i>			
Depreciation of property, plant and equipment	12	31,048	32,127
Amortisation of intangible assets	13	17,307	14,416
Impairment losses on goodwill		-	25,051
Net finance costs		85,660	127,824
(Gain)/loss on sale of property, plant and equipment		(455)	(597)
Equity-settled share-based payments	31	18,576	(1,156)
Income tax	10	79,053	123,443
Change in loans	15	(91,692)	(10,027)
Change in debt portfolios purchased	15	(1,126,268)	326,614
Change in inventories	16	11,774	2,623
Change in trade and other receivables	18	(12,791)	4,790
Change in other assets	20	(2,715)	(10,816)
Change in trade and other payables	27	50,971	17,749
Change in employee benefit obligations	26	5,801	3,517
Change in provisions	28	(10,064)	28,946
Share of minority profits		(145)	358
Income tax paid		(39,760)	(22,344)
Net cash from operating activities		(288,797)	743,516
Cash flows from investing activities			
Interest received	9	45	89
Sale of intangible assets and property, plant and equipment		2,411	5,980
Purchase of intangible assets and property, plant and equipment	12.13	(16,068)	(16,974)
Net cash from investing activities		(13,612)	(10,905)
Cash flows from financing activities			
Net proceeds from issue of shares	21	22,836	3,238
Proceeds from issue of debt securities	23	535,000	24,550
Increase in borrowings	23	1,894,837	824,927
Repayment of borrowings	23	(1,228,490)	(1,280,865)
Payments under finance lease contracts	23	(25,718)	(26,552)
Payment of dividends	22	(206,583)	(667)
Redemption of debt securities	23	(540,000)	(88,360)
Share buyback		-	(94,850)
Interest paid		(95,861)	(98,754)
Net cash from financing activities		356,021	(737,333)
Total net cash flows		53,612	(4,722)
Cash and cash equivalents at beginning of period		145,552	150,274
Cash and cash equivalents at end of period	19	199,164	145,552
<i>of which:</i>			
- effect of exchange rate fluctuations on cash held		(2,767)	(12,899)
- restricted cash*		38,931	-

* Cash raised from the issue of Series AM1 bonds deposited in a brokerage account, credited in the Group's bank account after the reporting date, on January 4th 2022. |

* Notes and other detailed information are included in the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021.

According to the Auditor's Report on the full-year consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021, the financial statements were prepared on the basis of properly maintained accounting records, comply with the form and content requirements set out in the laws applicable to the Company, and give a true and fair view of the KRUK Group's assets and financial position as at December 31st 2021, as well as its financial result for the financial year January 1st – December 31st 2021.

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

The Supervisory Board gives a positive assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021.

3) Assessment of the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021

Having read the Directors' Report on the operations of the KRUK Group and KRUK S.A in 2021, the Supervisory Board concludes that the Report contains all the elements required by the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018, and meets all the requirements specified in Art. 49 of the Accounting Act.

The Supervisory Board concludes that the Report presents fairly and clearly all the information relevant for the assessment of profitability and financial performance in the financial year as well as presenting a true and fair view of the economic events that occurred in the KRUK Group and KRUK S.A. in 2021 and had an effect on its operations, provides material information on the Group's and the Company's assets and financial position, and presents its development plans for the coming years.

In view of the above, the Supervisory Board gives a positive assessment of the Directors' Report on the KRUK Group's and KRUK S.A.'s operations in 2021.

4) Assessment of the Management Board's proposal on distribution of profit or coverage of loss for 2021

The Company's Management Board proposes that the General Meeting resolve to allocate part of the net profit for 2021, of PLN 694,758 thousand, to payment of dividend of PLN 13.00 per share to the Company's shareholders, with the remainder to be allocated to the Company's statutory reserve funds.

The Supervisory Board gives a positive opinion concerning the Management Board's proposal to the General Meeting regarding distribution of the Company's net profit for 2021.

II. REPORT ON ASSESSMENT OF:

- 1) the Company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment;**
- 2) the Company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;**
- 3) the validity of expenses incurred by the Company and the Group to sponsor cultural projects, sports, charitable organisations, the media, social organisations, trade unions, etc.;**
- 4) the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board.**

- 1) Assessment of the Company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment**

The Supervisory Board gives a positive assessment of the activities of Company's Management Board in 2021, as well as of the results and current financial position of the Company and the KRUK Group.

In 2021, KRUK generated revenue of PLN 183m, that is 15% more than in 2020. Revenue from credit management services increased by 24% to PLN 109m, revenue from purchased debt portfolios increased by 11% to PLN 33m, and revenue from other products increased by 56% to PLN 38m.

KRUK S.A. is the parent of the KRUK Group and both its financial and operating performance should be evaluated in the context of the results achieved by the entire KRUK Group. In 2021, recoveries from debt portfolios purchased by the KRUK Group came in at PLN 2,216m, investment in debt portfolios amounted to PLN 1,738m, revenue totalled PLN 1,743m, and the KRUK Group's net profit reached PLN 695m, the highest results ever recorded by the KRUK Group.

The Supervisory Board gives a positive assessment of the activities of Company's Management Board in 2021, as well as of the results and current financial position of the Company and the KRUK Group.

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

The internal control system is designed to ensure the fulfilment of adopted objectives regarding operational efficiency and effectiveness, reliability of financial reporting, and compliance with applicable laws, regulations and internal policies.

The risk management system in place ensures identification, analysis, assessment and monitoring of non-financial risks, supports decision-making processes and increases safety of operations.

Responsibility for defining risk management procedures, ensuring their implementation and overseeing their application lies with the Management Board.

For the risk management system and the internal control system to function effectively, responsibilities and tasks have been identified and assigned to three independent lines of defence within these systems:

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

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

In the opinion of the Supervisory Board, the Company's compliance system functions properly. The Company has established the Compliance Area as an independent function within its structures to manage compliance risk. The adopted procedures and solutions ensure compliance of the Company's operations with applicable internal and external regulations and enable proper management of any compliance risks identified within various processes run by the Company.

2021 saw continued efforts to enhance the compliance system at the KRUK Group's Polish and foreign companies, including:

- inclusion of the Compliance Area in the process of reviewing and evaluating consumer and consumer law-related issues and customer relations;
- development and implementation of a review and evaluation standard for the Compliance Area;
- implementation of a new compliance risk management methodology, including:
 - a new list of compliance risks,
 - inclusion of compliance risk assessment in day-to-day review and evaluation processes,
 - development of a regulatory risk assessment methodology;
- changing the approach to monitoring and communicating legal and regulatory changes,
- reviewing and updating the Compliance Area's internal regulations and cascading them down to the Group's foreign companies,
- work to enhance compliance risk maps and standardise the Risk Manager's tasks and responsibilities as part of the implementation of the risk management system across the Group,
- implementation of a system to monitor completion of mandatory compliance training,
- setting annual targets for the compliance function in each of the Group companies and monitoring their delivery.

2021 was also a year of significant development of the risk management and internal control systems as well as the internal audit function at the KRUK Group companies, in particular:

- a) with respect to the risk management system:

- a structured methodology for identifying and assessing non-financial risks and creating and developing risk maps was formulated and implemented;
 - a system monitor any materialised risks was implemented;
 - rules were adopted for notifying the Management Board of any incidents where a materialised risk caused damage or loss (as defined in the Risk Management System Policy) exceeding PLN 50 thousand;
 - rules were adopted for notifying General Managers at Group companies of any incidents where a materialised risk caused damage or loss (as defined in the Risk Management System Policy) exceeding PLN 5 thousand;
 - a process to oversee remedial action plans developed in response to materialised risks was implemented. Any delays in implementing such plans are reported to competent General Managers;
 - the Risk Management System Policy was reviewed (and subsequently approved by the Management Board in early 2022);
 - an application supporting non-financial risk management was implemented across all Group companies;
 - the Outsourcing Risk Management Manual and outsourcing risk management process were implemented;
- b) with respect to the internal control system:
- risk owners specified controls they apply to minimise existing risks;
 - a standard was developed for describing controls;
 - a standard was developed for conducting inspections by Risk Owners;
 - the Internal Control System Policy was implemented, which defines the system's objectives and the responsibilities and tasks of its participants;
 - tests of an application supporting the internal control system were commenced at the Group's Polish companies;
- c) with respect to the internal audit function:
- internal audits were carried out as planned and updated during the year;
 - a review and self-assessment of the internal audit function were carried out and, based on the results, a programme for raising audit standards was drawn up;
 - the progress made on development of the KRUK Group's internal audit function was reviewed and the three-year IAA development strategy was updated;
 - the 'adaptiveGRC' system was implemented to enhance the internal audit methodology;
 - a risk matrix was updated and an internal audit plan for 2022 was formulated based on the risk assessment;
 - a proper workflow was implemented to ensure reporting and sharing of information on audit results at the management level of the KRUK Group.

The Company's effective internal audit function evaluates the effectiveness of the risk management and internal control system. In 2021, the audit covered the management processes and systems in place at KRUK S.A. and the Group's foreign companies. As required by the adopted standards, an annual assessment of the performance of the risk management, compliance and internal control systems and of the internal audit function was prepared in accordance with the Best Practice for WSE Listed Companies.

2) Assessment of the Company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment

The Supervisory Board of KRUK S.A. gives a positive assessment of the Company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

In 2021, two sets of corporate governance rules and principles were in effect.

Until July 25th 2021, the Company and its governing bodies complied with the corporate governance principles set out in the Best Practice for WSE Listed Companies 2016 adopted by the WSE Supervisory Board by way of Resolution No. 26/1413/2015 of October 13th 2015.

On July 26th 2021, following adoption by the WSE Supervisory Board, by way of Resolution No. 13/1834/2021 of March 29th 2021, of the Best Practice for WSE Listed Companies 2021 ("Best Practice 2021"), the Management Board of the Company adopted, by way of Resolution No. 142/2021 of July 26th 2021, a statement of compliance with the Best Practice for WSE Listed Companies 2021 at KRUK S.A. as of that date.

A declaration of compliance with the Best Practice for WSE Listed Companies 2021 was also made by the Company's Supervisory Board in Resolution No. 41/2021 of July 29th 2021.

The Company also complies with corporate governance requirements arising under:

- Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (the "MAR");
- Regulation the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 ("Regulation on Current and Periodic Information").
- the Warsaw Stock Exchange Rules.

In order to be able to give its assessment, the Supervisory Board:

- reviewed all of the Company's periodic and current reports as they were released, concluding based on their analysis that the Company complied with all of the laws and regulations listed above;
- reviewed the statement of compliance with the Best Practice for WSE Listed Companies 2021 as adopted by the Management Board of KRUK S.A., and then passed Resolution No. 41/2021 of July 29th 2021 to adopt the same for use and give a positive assessment of the Management Board's clarifications on compliance with corporate governance principles, having found those clarifications to be exhaustive and relevant. In the Supervisory Board's opinion, the Company has fully satisfied its disclosure obligations in this area. The statement of compliance with the Best Practice 2021 is up to date, and clarifications on the principles that are not followed should be considered complete;

- reviewed the report on the Company's compliance with the Best Practice 2021, as published in the 'Best Practice for WSE Listed Companies' section of KRUK S.A.'s (<https://pl.kruk.eu/relacje-inwestorskie/o-spolce#dobre-praktyki-spek-notowanych-na-gpw>).

The following documents and factors were also taken into account during the analysis of the Company's compliance with corporate governance rules and principles in 2021:

- a) The Rules of Cooperation in the Fulfilment of Disclosure Requirements within the KRUK Group,
- b) full-year reports for 2020, published in 2021, containing, in the Directors' Reports, the KRUK Management Board's statement of compliance with corporate governance rules and principles as defined in the Best Practice for WSE Listed Companies 2016,
- c) interim reports released in 2021,
- d) EBI Current Report No. 1/2021 *Statement of compliance with Best Practice 2021 by KRUK Spółka Akcyjna*,
- e) current reports from no. 1 to no. 63 for the period January 1st – December 31st 2021,
- f) actual application by KRUK S.A. of the Best Practice rules and principles.

3) Assessment of the validity of expenses incurred by the Company and the Group to sponsor cultural projects, sports, charitable organisations, the media, social organisations, trade unions, etc.;

In the opinion of the Supervisory Board, the Company pursues a reasonable sponsorship policy in line with the principles set forth in the Charitable Sponsorship Policy at the KRUK Group, as adopted and implemented by the Company. As specified in the document, the KRUK Group conducts charitable and sponsorship activities by providing in-kind and financial support to non-profit organisations, but also to the Group's clients and employees in need.

In 2021, KRUK S.A. budgeted a total of PLN 274 thousand to charitable activities. As disclosed in the 'Non-financial statement' included in the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021, charitable, financial education and environmental protection activities accounted for 60% (approximately PLN 165 thousand), 36% (PLN 99 thousand) and 4% (PLN 10 thousand) of that amount, respectively.

In view of the sponsored activities, the Supervisory Board gives a positive assessment of the validity of those expenses.

As part of its support for local communities, KRUK engaged in helping the Elijah Hospice Foundation in Michałów, whose objectives include building an inpatient hospice to provide much needed end-of-life palliative care to patients from the Podlasie region. This Management Board of KRUK S.A. decided to sign an agreement with the Foundation in 2021, whereby the latter received PLN 100 thousand from the Company.

In Romania, the Group has implemented the 'Credite Inteligente' (Smart Loans) educational project, which is dedicated to teaching young people how to manage their budgets responsibly. In 2021, more than 1,500 students from 110 secondary schools in 49 towns and cities participated in the project, improving their financial knowledge. In Romania, KRUK also runs a parallel financial education programme in the form of workshops delivered to teachers and other school staff. The Group also

carries out various initiatives under the 'Responsible' financial education programme, which is addressed to young people from underprivileged backgrounds.

In Italy, KRUK Group companies engaged in supporting a charitable association for disabled persons, mainly persons with the Down syndrome, through participation in the 'DADI Hearts' programme, which is dedicated to helping people with disabilities develop social skills and become independent in both private life and at work. The project has a timeframe of three years will include initiatives aimed at promoting equal employment opportunity for young people with the Down syndrome.

The Supervisory Board gives a positive assessment of the Group's charitable and sponsorship activities, which are intended to help the needy and to promote healthy financial and environmental attitudes in the context of excessive consumerism. Such activities are always carried out in accordance with applicable environmental protection laws, regulations and standards.

In the opinion of the Supervisory Board, those activities correspond with the Company's values and fully reflect the KRUK Group's commitment to helping those in need and to financial education of local communities.

4) Assessment of the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board

As at the date of this Report, the Company did not have in place a diversity policy that would be directly applicable to members of its Management or Supervisory Board. However, the Company and the Group have in place a Diversity Policy, adopted by a resolution of the Management Board on December 8th 2015. The aim of the adopted diversity Policy is to support a diverse, multi-cultural workplace by ensuring equal access to the organisation, guaranteeing equal opportunities for promotion and professional development for each employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others.

The KRUK Group is also a signatory of the European Diversity Charter and implements its principles regarding diversity management and equal treatment within the organisation. The provisions of the Charter apply across the KRUK Group and are taken into account in various processes, including recruitment.

In 2021, out of the 12 members of the Company's Management Board and Supervisory Board, three were women, representing 25% of their total composition. In the period from 2010 to 2020, however, women held 60% of the Management Board seats.

The President of the Management Board is appointed and removed by the Supervisory Board. The Supervisory Board appoints other members of the Management Board at the President of the Management Board's request. The Management Board is composed exclusively of persons having adequate experience, professional background, expertise and skills to further the interests of the Company and its shareholders. The Supervisory Board is committed to appointing persons with diverse professional experience, educational background and expertise to the Management Board. In the Supervisory Board's opinion, each Member of the Management Board is knowledgeable about the Company's business and has different individual competences, acquired in the course of his or her education and professional career, in such areas as finance, financial reporting, ESG and risk management.

In 2021, the Company's Management Board comprised five members, including 1 woman and 4 men. Thus, women represented 20% of its total membership, and men – 80%.

The Members of the Management Board have diverse educational backgrounds, translating into a high level of competence and expertise in various disciplines, including law, economics, management and engineering.

Piotr Krupa, President of the Management Board and Chief Executive Officer, is a graduate of the Faculty of Law and Administration of the University of Wrocław. He successfully completed training for prospective judges and is a qualified legal counsel.

Piotr Kowalewski, Member of the Management Board and Chief Operating Officer, holds a degree in managerial econometrics from the Wrocław University of Economics and Business and a degree in computers science and management for the Wrocław University of Technology. He also completed a post-graduate programme in Business Psychology at the WSB University.

Urszula Okarma, Member of the Management Board and Chief Investment Officer, graduated in finance and banking from the Wrocław University of Economics and Business and has completed numerous training programmes in management.

Michał Zasepa, Member of the Management Board, graduated from the Warsaw School of Economics in 2000, majoring in management and marketing. As an awardee of the Batory Foundation Scholarship, he also studied at the University of Wisconsin and the Stockholm School of Economics.

Adam Łodygowski, Member of the Management Board and Chief Data and Technology Officer, graduated from the Poznań University of Technology and from the University of Hanover (Germany), with a Master's degree in Engineering, specialising in numerical methods in construction engineering. He also holds a doctoral degree in engineering and a Master's degree in financial mathematics from Louisiana State University.

Through their education, including various courses and training programmes, and career paths, Members of the Management Board have acquired specialist expertise in corporate management, finance, investor relations, analysis, business strategy management, HR management, and risk management.

40% of the Management Board Members have more than 20 years of professional experience, and the remaining 60% have between 15 and 20 years of professional experience. At the same time, 40% of them have worked for more than 20 years in the industry in which the Company operates, with the others' track records in that industry going back 3–8 years (20%), 10-15 years (20%), and 6-10 years (20%).

Also, most (60%) of the Management Board Members' length of service at KRUK S.A. is in the range between 16 and 20 years, with one member (20%) having been with the Company for more than 20 years, and one below 5 years.

All Members of the Management Board are Polish nationals.

All Members of the Management Board are between 40 and 50 years of age.

Members of the Supervisory Board are appointed by the Company's General Meeting from among candidates having adequate experience, professional background, expertise and skills to further the interests of the Company and its shareholders.

The Supervisory Board comprises seven members, including two women and five men. Thus, women represent 28% of its total membership, and men – 72%.

In the Supervisory Board's opinion, the composition of the Supervisory Board reflects the Company's commitment to ensuring the greatest possible diversity of its members in terms of professional

experience, skills and expertise. The Supervisory Board believes that its members educational backgrounds, including numerous undergraduate and postgraduate degree programmes and other training, certificate and diploma courses completed at Polish and foreign universities, and in particular their experience complement the knowledge and experience of the Management Board Members.

Ms. Katarzyna Beuch is a manager with expertise in corporate finance, reporting, auditing, management control, and tax management of listed companies. Ms Katarzyna Beuch is graduate of the Management and Computer Science Faculty of the Wrocław University of Economics and Business and completed a post-graduate programme in financial risk, assets and liabilities management organised by USAID and the University of South Karolina at the Warsaw Institute of Banking. She has been Chartered Certified Accountant (ACCA) since 2005 and Fellow Member of Association of Chartered Certified Accountants (FCCA) since 2005. Ms Beuch has authored publications on the application of International Financial Reporting Standards. She started her professional career in 1992 at the Assets and Liabilities Management Department of Bank Zachodni S.A., and then worked at Ernst & Young Audyty for almost ten years. In 2006–2012 she worked for Getin Holding S.A., gaining a breadth of experience in corporate integration and restructuring as well as in merges, acquisitions, and demergers during the Getin Holding Group's rapid expansion and eventually being promoted to CFO. Since 2020 she has been the Chief Financial Officer at Benefit Systems S.A., having also previously served as Head of Management Control and Economic Analyses at KGHM S.A. and Head of the Accounting Department of Santander Consumer Bank S.A. She has been sitting on the Supervisory Board of KRUK S.A. since 2013.

Tomasz Bieske is graduate of the Faculty of Economics of the University of Cologne, Germany. He is a licensed auditor. He has completed the following training programmes: INSEAD in France, Euromoney in England, IESE/Harvard in Barcelona, as well as Fintech and Venture Finance at the University of Oxford. In 2011, he was presented with a gold medal from the Polish Bank Association for his contribution to the development of banking in Poland in 1991–2011. He worked for Dresdner Bank AG in Frankfurt am Main, Germany. He co-founded and was a partner in Arthur Andersen in Poland, managing many projects, the largest of which were: the IPOs of PKO BP S.A. and Kredyt Bank S.A.; auditing financial statements of National Bank of Poland, Pekao S.A., Getin Holding, and the Polish Social Insurance Institution (ZUS); developing a privatisation plan for the WSE; preparation of a strategy for Bank Pocztowy and a proposal for operational changes at the Ministry of Finance; and the merger the Pekao S.A. Group with the following banks: Pomorski Bank Kredytowy, Bank Depozytowo-Kredytowy S.A. and Powszechny Bank Gospodarczy S.A. Following the merger of Artur Andersen with Ernst&Young in 2002, he continued to work as a partner, Management Board member and Head of the Financial Markets, Audit and Business Advisory Department of the merged company. He participated in audits of the financial statements of leading Polish banks, consultancy projects for financial institutions, sales of non-performing bank debt portfolios, valuations of shares in private banks in Poland, and due diligence projects orders by foreign investors, and was part of a team working on amendments to laws and regulations governing the cooperative banking sector; he also worked for the Polish Bank Association and the National Association of Cooperative Banks. He is currently member of the Supervisory Board of mBank S.A. and since 2013 has served as member of the Supervisory Board of KRUK S.A., where he also chairs the Remuneration and Nomination Committee.

Krzysztof Kawalec is a graduate of the Faculty of Organisation and Management at the Łódź University of Technology (having earned a Master of Science/Engineer degree in Business Administration); he completed the post-graduate Enterprise Value Management and Management Accounting and Control programmes at the Warsaw School of Economics; he also completed an MBA programme at PAM

Center of the University of Łódź, University of Maryland. In 1998–2001, he worked as Manager at International Fast Food Polska Sp. z o.o. (IFFP) of Warsaw. In 2001–2002, Mr. Kawalec headed the Contracts Department at Magellan S.A. and later served as its CFO and Member of its Management Board. In 2003, he was promoted to Vice President of the Management Board, Chief Operating Officer, of Magellan S.A. and in 2008 to President of its Management Board. Since 2018, he has been serving as President of the Management Board of BFF Polska S.A. He is also Branch Manager at BFF Bank SpA, which is a member of the BFF Banking Group listed on Borsa Italiana. Mr. Kawalec sits on the Supervisory Boards of BFF Slovakia s.r.o. and BFF MedFinance s.r.o., companies operating in Slovakia and the Czech Republic. He joined the KRUK Group in 2009 and has since been serving as member of the Supervisory Boards of KRUK S.A. and KRUK TFI S.A.

Mateusz Melich holds a degree in Finance and Banking from the Warsaw School of Economics. He also studied economics at the Ludwig Maximilian University of Munich. He started his professional career in 2003 with the transaction advisory arm of Ernst & Young in Berlin. From 2004 to 2013, he worked at the Capital Markets Department of IPOPEMA Securities S.A. as a manager responsible for carrying out ordinary bond issues, convertible bond issues as well as initial and secondary public offerings of a number of WSE-listed companies. In 2014–2019 he served as President of the Management Board of Dom Inwestycyjny ZENITH S.A. Since 2021, he has been running a renewable energy company, specialising in large photovoltaic farm projects. Mr Melich also lectures on company valuations to postgraduate students at the Warsaw School of Economics. Since 2019, he has been serving as Member of the Supervisory Board of KRUK S.A., chairing its Finance and Budget Committee.

Ms. Ewa Radkowska-Świętoń holds a degree in Finance and Banking from the Warsaw School of Economics. She is certified as CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager). She was President of the Management Board of Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. and Vice President and then President of the Management Board of Skarbiec Holding S.A. In 2008–2017, she served as member of the Management Board and then Vice President of Nationale Nederlanden Powszechnie Towarzystwo Emerytalne S.A., where she was responsible for investments and corporate governance of the largest Polish open-ended pension fund. She also worked as fund manager at Aviva Investors Polska S.A. and ING TFI S.A. (currently NN Investment Partners), and as equity research analyst at Bank Handlowy S.A.'s Equity Transactions Centre. She is independent member of the Supervisory Board and the Audit Committee at Ipopema Securities S.A. She is also a member of the Capital Market Benchmarks Supervisory Committee at GPW Benchmark S.A. and member of the Risk Committee at KDPW_CCP S.A. Ms. Radkowska-Świętoń also serves as President of the Association of Independent Supervisory Board Members and an expert at the Institute for Sustainable Development and Environment at Lazarski University. Since 2019, she has been independent Member of the Supervisory Board of KRUK S.A. and its Audit Committee.

Mr. Piotr Stępniać 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. Mr. Stępniać has extensive professional experience. In 2001–2004, he was Vice President of LUKAS Bank, where he was responsible for retail banking; In 2005–2008, he was President of the Management Board of Getin Holding S.A.

He currently serves as member of the Board of Directors of the BFF Banking Group and Chairs the Supervisory Board of BFF Polska S.A. He also sits on the Supervisory Boards of VRG S.A. and its subsidiaries W.Kruk S.A. and Deni Cler S.A. and is also Chairperson of the Supervisory Board of Grupa Kęty S.A. Since 2008, he has been serving as Member of the Supervisory Board of KRUK S.A.

Mr. Piotr Szczepiórkowski is an expert in pension systems, asset management and capital markets. A graduate of the Faculty of Chemical and Process Engineering of the Warsaw University of Technology, he worked for the Ministry of Finance and Bank Gospodarstwa Krajowego. During his professional career he completed a training programme and successfully passed all the 14 exams to obtain the ACCA qualification and the Executive Management Development courses organised by CEDEP (Fontainebleau), Columbia University and Wharton School of Business. He holds an investment adviser licence and is a member of the Polish Association of Actuaries and CFA Society Poland (CFA Charterholder). For many years, 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, he has been President of the Management Board of PTE. In 2008–2015, he served as Vice President of the Management Board of Aviva Towarzystwo Ubezpieczeń na Życie. At present, Mr. Szczepiórkowski sits on the supervisory boards of the following WSE-listed companies: FM Forte S.A., Decora S.A., ZEW Kogeneracja S.A., Octava S.A., Ipopema TFI S.A. (where he also chairs the Audit Committee) and Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie (as Deputy Chairman). She has been Member of the Supervisory Board of KRUK S.A. since 2019.

It is apparent from the Supervisory Board Members' professional profiles as presented above that close 86% of them have more than 20 years of professional experience in general and approximately 14% have a 15–20 year proven track record in the industry in which the Group operates. As regards the length of service at the Company, 43% of the Supervisory Board Members have been with the Company for a period of 0–5 years, 29% for a period of 6–10 years, 14% for a period of 11–15 years and a further 14% for a period of 16–20 years.

All Members of the Supervisory Board are Polish nationals.

The Supervisory Board is of the opinion that its current composition is also diverse in terms of its Members' age, with persons between 41 and 50, 51 and 60, and above 60 years of age accounting for 43%, 43% and 14% of the Supervisory Board's membership, respectively.

III. SUMMARY OF THE ACTIVITY OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN 2021

COMPOSITION OF THE KRUK SUPERVISORY BOARD IN 2021

From January 1st to December 31st 2021, the Supervisory Board of KRUK S.A. (the Company, KRUK) comprised the following seven members:

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

As at the date of this Report, the composition of the KRUK Supervisory Board remained unchanged. Biographical notes of Members of the Supervisory Board are presented in Section II.4 *Assessment of the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board* of this Report and are also available in the Investor Relations section of KRUK S.A.'s corporate website.

At least once a year, members of the Supervisory Board submit to the Company's Supervisory Board and Management Board representations on meeting the independence criteria as specified in Annex II to the European Commission Recommendation No. 2005/162/EC of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the board ("EC Recommendations") and to the extent specified in the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089 as amended) (the "Statutory Auditors Act"), and on the absence of any actual and material links between them and any shareholders holding 5% or more of total voting rights in the Company.

According to the representations completed and submitted by the members of the Supervisory Board, the following members meet the independence criteria stipulated in the documents listed above:

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

Piotr Stępnia and Krzysztof Kawalec submitted representations to the effect that they did not fulfil the independence criteria.

All of the Supervisory Board Members represented that they do not have any actual or material links with a shareholder holding 5% or more of total voting rights in the Company.

Representations submitted by members of the Supervisory Board are reviewed annually.

ACTIVITIES OF THE KRUK S.A. SUPERVISORY BOARD IN 2021

In 2021, the Supervisory Board acted in accordance with the remit and procedures provided for the Commercial Companies Code, the Company's Articles of Association, and the Rules of Procedure for the Supervisory Board. In 2021, the Supervisory Board met five times – in March, May, September, November and December. In 2021, Supervisory Board meetings were held in a hybrid format or exclusively using means of remote communication. In addition, the Supervisory Board met on an as-needed basis via conference calls to discuss the regular agenda. The Supervisory Board maintained regular contact with the Company's Management Board and the auditor.

In 2021, the Supervisory Board discussed, among other things, the following matters:

1. economic, financial and operating results of the Company and the Group companies,
2. changes to the financial plan for 2021 and the financial plan for 2022,
3. the Company's operations in the previous and current financial year,
4. appointment of an auditor to audit the 2022–2024 financial statements,
5. authorisation of the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. of Wrocław for 2019 and 2020,
6. appointment of an auditor to prepare the auditor's assessment of the Remuneration Report,
7. issuing opinions on amendments to the Remuneration Policy,
8. amendments to management service contracts of Management Board members,
9. issuing opinions on resolutions to be adopted by the Company's General Meeting,
10. issuing opinions on assumptions for the Company's new stock option plan and allocation of warrants to Management Board members under the Group's incentive plan,
11. adoption of the Best Practice for WSE Listed Companies 2021,
12. amendments to laws and regulations law affecting the business of the KRUK Group companies,
13. approval of risk appetite and a worst case scenario, in accordance with the currency risk management policy at the KRUK Group,
14. granting consent to KRUK S.A.'s subscribing shares in newly incorporated Group companies,
15. other current tasks assigned to the Supervisory Board by the Company's Articles of Association.

In 2021, the Supervisory Board passed 49 resolutions, of which:

- 27 were adopted at meetings of the Supervisory Board,
- 22 were adopted by written ballot.

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

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

- analysing materials received from the Management Board,
- obtaining information and detailed explanations from the Management Board Members and other employees during Supervisory Board meetings,
- working closely with Head of Internal Audit on an ongoing basis,
- receiving information resulting from the Audit Committee's activities,

- activities described in the section of this Report concerning assessment of the Company's compliance with corporate governance rules and principles and disclosure obligations,
- analysing the findings of reviews and audits of financial and accounting documentation and financial statements prepared on its basis by a statutory auditor,
- monitoring the financial audit function and cooperating with the audit firm auditing the financial statements of the Company and the Group.

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

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

The composition of the Committees and their operations in 2021 are discussed below in this Report.

In performing its duties, the Supervisory Board used information and documents provided by the Company's Management Board. In the opinion of the Supervisory Board, cooperation with the Management Board was efficient and satisfactory. The Supervisory Board meetings were attended by all its members. All members of the Supervisory Board have appropriate knowledge and qualifications necessary to perform their duties, taking into account the nature of the Company's and the KRUK Group's business. In accordance with the requirements imposed on companies by the Act on Statutory Auditors, Audit Firms and Public Oversight, as well as by the Code of Best Practice for WSE Listed Companies, all seven members of the Supervisory Board have knowledge and skills in the field of accounting or auditing of financial statements, as well as expertise and skills specific to the industry in which the Company operates.

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

Therefore, the Supervisory Board recommends that its members be granted liability discharge for the financial year 2021.

REPORT ON THE WORK OF THE SUPERVISORY BOARD COMMITTEES

Report on the work of the Audit Committee

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

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

The Audit Committee's responsibilities include in particular:

- 1) monitoring of:

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

In the period January 1st–December 31st 2021, the Audit Committee was composed of:

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

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

Three of the four members of the Audit Committee, i.e. Ms Katarzyna Beuch, who chairs the Audit Committee, and members of the Committee, Ms Ewa Radkowska-Świętoń and Mr Piotr Szczepiórkowski, meet the independence criteria under the Act of Statutory Auditors, Audit Firms, and Public Oversight and under 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 as well as the knowledge of and skills relevant for the industry in which the Company operates, which they gathered in the course of education and professional career.

Biographical notes of Members of the Audit Committee, highlighting their expertise and professional experience, are presented in Section II.4 *Assessment of the degree of implementation of the diversity policy applicable to the Management Board and the Supervisory Board* of this Report and are also available in the Investor Relations section of KRUK S.A.'s corporate website (<https://pl.kruk.eu/relacje-inwestorskie/o-spolce/rada-nadzorcza>).

Apart from statutory duties, in 2021 the Audit Committee dealt in particular with:

- analysis of the results of the audit of the 2020 full-year report;
- discussion of a supplementary report for the Audit Committee for 2020;
- analysis of the results of review of the interim financial statements;

- analysis and evaluation of the Company’s internal control and internal audit system, including a summary of internal audit findings from 2020;
- discussion of the Company's Internal Audit Charter and analysis of the extent to which internal audit recommendations had been implemented, and setting an audit plan for 2021;
- analysis of the Company’s Assessment Report, including an assessment of its risk management, compliance, information security and internal audit systems in 2020;
- discussion of compliance area’s objectives at the KRUK Group;
- analysis of the current portfolio valuation policy/methodology for accounting purposes, including information on possible changes made to the methodologies in 2018–2019;
- discussion of portfolio revaluation and the valuation methodology;
- pre-authorisation of non-audit services for 2021 and approval of the non-audit service report for 2020;
- analysis of how the Company Management handled operational incidents and events;
- discussion of the results of implementing the Dynamics 365 ERP system;
- analysis of the structure of the Company's accounting department, including an analysis of the operating systems that are interfaced with the accounting systems,
- selection of the auditor of the Company’s and Group’s financial statements for 2022–2024,
- analysis of the method applied to account for the valuation of the Group’s incentive scheme,
- analysis and discussion of various tax-related matters and reviewing amendments to laws and regulations,
- periodic assessment of related-party transactions.

In 2021, the Audit Committee held four meetings (in March, May, September and November). Given the continuing pandemic in Poland, all the meetings were held using means of remote communication or in a hybrid format. Apart from the meetings, the Committee members held conference calls during which they discussed the Company’s and the Group’s current affairs which were of interest to and within the remit of the Audit Committee, but had not been included in the agenda of the Committee meetings or had not been fully discussed during those meetings. All members of the Committee were fully involved in the Committee’s work, attending meetings and conference calls.

Report on the work of the Remuneration and Appointments Committee

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

In the period January 1st–December 31st 2021, the Remuneration and Appointment Committee consisted of:

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

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

All members of the Remuneration and Appointments Committee meet the independence criteria under the Act on Statutory Auditors, Audit Firms and Public Oversight and under Annex II to the

Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

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

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

In 2021, the Remuneration and Nomination Committee was mainly engaged in:

- preparing the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. for 2019 and 2020. To this end, members of the Committee worked closely with the Company and a legal advisor;
- drafting, in collaboration with the Management Board, amendments to the Company's Remuneration Policy. The amendments were then submitted to the Shareholders and adopted by a General Meeting resolution on June 16th 2021;
- issuing opinions on the Management Board's proposals regarding allotment of subscription warrants to Management Board members under the 2015–2019 Management Stock Option Plan;
- drafting the new Incentive Scheme for 2021–2024, and following its adoption by the General Meeting, working on compiling a list of persons eligible for participation in the Scheme throughout its duration, including in particular members of the Management Board.

In the course of carrying their responsibilities, the Committee members held three meetings using means of remote communication. In addition, they held conference calls attended by other members of the Supervisory Board and members of the Management Board.

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

Report on the work of the Finance and Budget Committee

In the period January 1st–December 31st 2021, the Finance and Budget Committee was composed of:

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

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

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

- 1) Ongoing analysis of the Company's financial performance and condition,

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

In 2021, 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. The Finance and Budget Committee held regular meetings using means of remote communication or in the form of conference calls to monitor the Company's and the Group's financial performance. In 2021, the Finance and Budget Committee met four times, and, in addition, Committee members also discussed the financial performance of the Company and the Group during the meetings of the entire Supervisory Board. The Committee members were also involved in evaluating the Company's and the Group's draft budget for 2022. All members of the Committee were involved in the Committee's work, attending meetings and conference calls.

IV. ADOPTED RESOLUTIONS AND MOTIONS TO THE GENERAL MEETING

With regard to the above Report, on March 15th 2022 the Supervisory Board passed the following resolutions:

- 1) Resolution No. 2/2022 on making representations to the effect that the audit firm auditing the separate and consolidated full-year financial statements has been appointed in accordance with applicable laws, including those regarding the appointment and the procedure for appointment of an audit firm, that the laws governing appointment, composition and operation of the audit committee are complied with, and that the audit committee performed the audit committee tasks provided for in the applicable regulations.
- 2) Resolution No. 3/2022 on approving KRUK S.A. Supervisory Board's Report for 2021
- 3) Resolution No. 4/2022 on assessment of the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021
- 4) Resolution No. 5/2022 on assessment of the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021
- 5) Resolution No. 6/2022 on assessment of the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021
- 6) Resolution No. 7/2022 on assessment of the Management Board's proposal concerning allocation of KRUK S.A.'s net profit for 2021
- 7) Resolution No. 8/2022 on assessment of Directors' Reports on the operations of the KRUK Group and KRUK S.A. in 2021 and on assessment of the separate and consolidated financial statements for the financial year ended December 31st 2020, in terms of their completeness, accuracy and consistency with the underlying accounting records and supporting documents
- 8) Resolutions No. 9/2022 - 13/2022 on motions to the KRUK S.A. General Meeting concerning grant of liability discharge to President and Members of the KRUK S.A. Management Board
- 9) Resolution No. 14/2022 concerning adoption of the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. of Wrocław for 2021.

The Supervisory Board motions that the General Meeting:

- 1) receive the separate financial statements of KRUK S.A. for the financial year ended December 31st 2021,
- 2) receive the consolidated financial statements of the KRUK Group for the financial year ended December 31st 2021,
- 3) receive the Directors' Report on the operations of the KRUK Group and KRUK S.A. in 2021,
- 4) consider and approve the Management Board's proposal concerning allocation of KRUK S.A.'s net profit for 2021,
- 5) grant liability discharge to the President and Members of the Company's Management Board for 2021,
- 6) grant liability discharge to members of the Supervisory Board for 2021,
- 7) issue an opinion on the Report on Remuneration of Members of the Management Board and Supervisory Board of KRUK S.A. of Wrocław for 2021.

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

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- Świątoń	–	Member of the Supervisory Board
Piotr Szczepiórkowski	–	Member of the Supervisory Board