

# REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD OF ZUE S.A. FOR 2022

With supplement on the activities of the Audit Committee until 21 March 2023

Cracow, 9 May 2023

## 1. General information

The Supervisory Board of ZUE S.A. (the Company) operates on the basis of the Polish Companies Act of 15 September 2000 and other generally applicable laws, including the Polish Act on Auditors,<sup>1</sup> the Articles of Association of ZUE S.A., the Regulations of the Supervisory Board of ZUE S.A and the rules of corporate governance set out in 2021 Code of Best Practice.<sup>2</sup>

This Report contains:

- Assessment of the Company's financial statements for 2022;
- Assessment of the Group's financial statements for 2022;
- Assessment of the Management Board report on the activities of the Capital Group for 2022, which also contains disclosures about the Parent Company;
- Assessment of the Management Board proposal concerning the distribution of profit for the financial year 2022;
- Assessment of the Company's and the Group's position;

and other information required under 2021 Code of Best Practice and Article 382 § 3<sup>1</sup> of the Companies Act.

The Report covers the period of the Company's operation between 1 January 2022 and 31 December 2022 and contains additional information about the activities of the Audit Committee by the date of publication of the annual financial statements for 2022; i.e. until 21 March 2023.

The assessments contained in this Report are made after the Supervisory Board have read the Report of the Audit Committee prepared on the basis of § 19.6 of the Regulations of the Supervisory Board, which contains, *inter alia*, the evaluation of the processes and areas supervised by the abovementioned Committee, summary of the audit results, explanation on how the audit has contributed to reliable financial reporting of the public company and explanation of the Audit Committee's role in the audit.

## 2. Composition of the Supervisory Board in 2022

In 2022, the Supervisory Board was composed of:

COMPOSITION OF THE SUPERVISORY BOARD IN 2022		
Mariusz Szubra	Supervisory Board Chairperson	Term of office: until 23.05.2022
Barbara Nowak	Supervisory Board Vice-Chairperson	Term of office: 2022
Bogusław Lipiński	Supervisory Board Member	Term of office: until 31.05.2022
Piotr Korzeniowski	Supervisory Board Member Supervisory Board Chairperson	Term of office: 2022
Michał Lis	Supervisory Board Member	Term of office: until 12.01.2022
Agnieszka Klimas	Supervisory Board Member	Term of office:

<sup>1</sup> Polish Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws, item 1089).

<sup>2</sup> Rules adopted under the resolution no. 13/1834/2021 of the Stock Exchange Board of 29 March 2021 concerning "2021 Code of Best Practice."

		from 12.01.2022
Irena Piekarska-Konieczna	Supervisory Board Member	Term of office: from 31.05.2022
Maciej Szubra	Supervisory Board Member	Term of office: from 31.05.2022

On 12 January 2022, the Extraordinary General Meeting of ZUE resolved to dismiss Michał Lis from his position at the Supervisory Board and to appoint Agnieszka Klimas to the Supervisory Board. On 23 May 2022, Mariusz Szubra, Chairman of the Supervisory Board, resigned from the position as of Member of the Supervisory Board as of 23 May 2022. Mr. Szubra resigned because he had started a new job and according to the applicable laws, he was no longer able to serve on the Company's Supervisory Board. On 31 May 2022, the Company's Ordinary General Meeting resolved to appoint the five members, namely Piotr Korzeniowski, the Supervisory Board Chairperson, Barbara Nowak, the Supervisory Board Vice-Chairperson, Irena Piekarska-Konieczna, the Supervisory Board Member, Agnieszka Klimas, the Supervisory Board Member and Maciej Szubra, the Supervisory Board Member, to the Company's Supervisory Board for the new term of office beginning on 31 May 2022.

At the date of preparation of this Report, the Company's Supervisory Board is composed of: Piotr Korzeniowski, the Supervisory Board Chairperson, Barbara Nowak, the Supervisory Board Vice-Chairperson, Irena Piekarska-Konieczna, the Supervisory Board Member, Agnieszka Klimas, the Supervisory Board Member and Maciej Szubra, the Supervisory Board Member. Agnieszka Klimas, Irena Piekarska-Konieczna and Maciej Szubra meet the independence criteria referred to in the Act on Auditors and 2021 Code of Best Practice.

Barbara Nowak has the skills referred to in Article 129.5 the Act on Auditors relating to the skills and knowledge of the business run by the Company.

Irena Piekarska-Konieczna has the skills and knowledge of accountancy and financial statements audit.

The people with no actual or major links to the shareholders holding at least 5% of the total vote at the Company include Agnieszka Klimas, Maciej Szubra, Piotr Korzeniowski and Irena Piekarska-Konieczna.

The skills of individual Members of the Supervisory Board and their extensive professional experience complement each other and encourage proper joint supervision of the Company management.

### 3. Review and assessment of the Supervisory Board activities

In the financial year ended 31 December 2022, the Supervisory Board exercised constant supervision of the operations of ZUE S.A. It held 5 meetings and passed 30 resolutions. In between the meetings, members of the Supervisory Board held regular talks with the Audit Committee, the Management Board and the Company's Financial Department to find out about the situation at the Company and help the Management Board solve the problems relating to the issues of strategic significance to the Capital Group. The meetings of the Supervisory Board were held according to the regulations adopted by the Supervisory Board.

At the meetings attended by members personally or by means of remote communication, the Supervisory Board passed the resolutions on, *inter alia*:

- Approval of agreements entered into with business entities in which members of the Management Board participate as shareholders or members of their governing bodies;
- Submission to the General Meeting of the annual written report on the assessment of the financial statements for the prior financial year and the Management Board report on the activities of the Capital Group in 2021;
- Assessment of the Management Board's proposal concerning the distribution of profit for the financial year 2021;
- Determining the number of the Audit Committee members and appointment of the Audit Committee members;
- Determining the number of the Management Board members for the new term of office and appointment of the Management Board members for the new term of office.

As part of its supervisory role, the Supervisory Board analysed on an ongoing basis the financial and economic situation of the Company and assessed the Management Board's activities concerning, *inter alia*:

- Maintenance of financial liquidity;
- Proper management of the Company's expenses and working capital;
- Winning of new contracts;
- Actions taken by the Management Board in the context of Covid-19 in Poland and the effect of the pandemic on the activities and financial standing of both the Company and the Capital Group; and
- Assessment of the effect of the war in Ukraine on the operating activities and financial results of the Capital Group.

At the Supervisory Board meetings, the Company's Management Board gave account of the Company's financial and economic position, and major business operations, including the Company's financial liquidity, winning new contracts both on the Polish and international markets, effect of the Covid-19 pandemic on the Company's activities and financial standing as well as effect of the war in Ukraine on the operating activities and financial results of the Capital Group. The Supervisory Board was also informed about the contracts underway both in terms of the works progress and budgets. In addition, the Supervisory Board learnt about the Company's cooperation with subsidiaries.

The cooperation of the Supervisory Board and the Management Board in 2022 was proper.

In addition, the Supervisory Board read the report of the Audit Committee on activities including the evaluation of processes and areas supervised by the Audit Committee, taken measures and their consequences, summarized information about the results of the audit of the Company's annual reports for 2022, explanation on how the audit contributed to reliable financial reporting at the Company and explanation of the Audit Committee's role in the audit. Comments on the Report of the Audit Committee were taken into account in the course of making the following assessments by the Supervisory Board.

#### 4. Functioning and tasks of the Supervisory Board Committees

The Audit Committee was established at ZUE S.A. on 18 October 2017. On 23 May 2019, members of the Audit Committee were reappointed by the Supervisory Board and the Audit Committee was composed of:

- Mariusz Szubra – Chairperson of the Audit Committee (independent member within the meaning of the Act on Auditors);
- Barbara Nowak – Member of the Audit Committee;
- Piotr Korzeniowski – Member of the Audit Committee (independent member within the meaning of the Act on Auditors).

On 31 May 2022, members of the Audit Committee were reappointed by the current Supervisory Board. By this Report preparation date, the Audit Committee operated uninterruptedly and was composed of:

- Irena Piekarska-Konieczna – Chairperson of the Audit Committee (independent member within the meaning of the Act on Auditors);
- Barbara Nowak – Member of the Audit Committee;
- Maciej Szubra – Member of the Audit Committee (independent member within the meaning of the Act on Auditors).

The tasks (including statutory tasks) of the Audit Committee of ZUE S.A. include, in particular:

- Monitoring of financial reporting process;
- Monitoring of effectiveness of the Company's internal control systems, risk management systems and internal audit, including financial reporting;
- Monitoring of financial audit including, in particular, audits of the Company's financial statements conducted by audit firms and taking into consideration any comments and findings of the Audit Oversight Committee following from an inspection carried out at the audit firm;
- Control and monitoring of independence of an auditor or audit firm delivering services to the Company;
- Informing the Supervisory Board about the results of the Company's financial statements audit and explaining how the audit has contributed to reliable financial reporting at the Company and the role of the Committee during the audit;
- Assessment of an auditor's independence and giving consent to the provision of services to the Company by the said auditor;
- Developing the policy of appointing an audit firm to conduct the audit of the Company's financial statement;
- Developing the policy of delivering non-audit services by an audit firm conducting the audit of the financial statements, entities related to the said audit firm and a member of the audit firm network;
- Defining the procedure of appointment of an audit firm by the Company; and
- Making recommendations to ensure reliable financial reporting at the Company.

As part of its activities, the Audit Committee discussed with the Management Board the plan of the audit of the Company's financial statements for 2022, including the dates of initial and final audits, and held the meetings of 9 August 2022 and 20 March 2023 with the representatives of POLINVEST-AUDIT Sp. z o.o. – Auditor appointed to review the half-yearly

separate financial statements of the Company and the half-yearly consolidated financial statements of the Group and to audit the annual separate financial statements of the Company and the annual consolidated financial statements of the Group for the first half of 2022 and the year 2022, respectively.

The results of the review of the financial statements for the first half of 2021 as well as the scope and dates of further activities were discussed at the meeting of 9 August 2022. During the review, the Auditor performed analytical procedures of the separate financial statements and asked questions of the Company's key personnel responsible for financial reporting. The said personnel provided explanation and submitted the documentation required by the audit teams to carry out the intended procedures.

The Auditor did not identify any irregularities to make them believe the financial statements had not been properly prepared. According to the Auditor, no adjustments to the financial statements of ZUE S.A. for the first half of 2022 were required.

The information for the Audit Committee of ZUE S.A. on the review of the financial statements for the first half of 2022 prepared on the basis of the National Standard on Auditing (NSA) 260 contains a detailed scope of the issues discussed at the meeting.

The Audit Committee and the Auditor's representatives met again on 20 March 2023.

The meeting involved, *inter alia*:

- Summary of the audit of the financial statements of ZUE S.A. and the following subsidiaries: Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and Railway GFT Polska Sp. z o.o., as well as discussion of audit activities relating the assessment of the financial statements and the audit of the financial statements of Przedsiębiorstwo Robót Inżynieryjnych Energopol, a subsidiary. The said audit was carried out by a chartered auditor on behalf of another audit firm. Discussion of major aspects of the audit;
- Presentation and discussion of the going concern risks for Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. and the opinion of ZUE S.A. (holder of 100% of the company shares) on further support to the company in terms of its activities, development and liquidity;
- Discussion of adjustments to the financial statements submitted to the Management Board of ZUE S.A. The key auditor proposed one adjustment exceeding trivial materiality relating to the amount of provisions for warranty claims. The adjustment does not exceed performance materiality. The key auditor also proposed presentation adjustment by presenting the effects of leaseback in "non-current assets and other financial liabilities" instead of "right of use and lease liabilities."
- Discussion of suggested clauses in the reports on audits of the companies within the Capital Group and the report on audit of the consolidated financial statements.  
The key auditor said that the decision on not making any adjustments would not change the opinion on the financial statements of ZUE S.A. or the consolidated statements.
- Discussion of the effects of the war in Ukraine and, to a smaller extent, of the pandemic on the activities and financial reporting of the companies within the Capital Group.
- Discussion of the terms and rules of the audit of the financial statements for 2022.

The Audit Committee was also provided by the Auditor with the additional report which contained a detailed discussion of issues relating to the audit of the financial statements within the Group.

Detailed results of the Audit Committee's tasks were submitted to the Supervisory Board in the Audit Committee's Report on Activities.

No other committees were formed at the Supervisory Board of ZUE S.A.

## **5. Assessment of the financial statements of ZUE S.A. for the financial year ended 31 December 2022**

Acting pursuant to Article 382 § 3 of the Polish Companies Act and § 16.2.f) of the Company's Articles of Association, the Supervisory Board of ZUE S.A. assessed:

- The financial statements of the Company for 2022 comprising:
  - a) Statement of financial position showing as at 31 December 2022 the total assets and the total equity and liabilities of PLN 625,814 thousand (six hundred and twenty five million eight hundred and fourteen thousand zlotys);
  - b) Statement of comprehensive income showing as at 31 December 2022 the net comprehensive income of PLN 10,453 thousand (ten million four hundred and fifty three thousand zlotys) and the net profit of PLN 10,241 thousand (ten million two hundred and forty one thousand zlotys);
  - c) Statement of changes in equity showing as at 31 December 2022 an increase in equity by PLN 7,038 thousand (seven million thirty eight thousand zlotys);
  - d) Statement of cash flows showing as at 31 December 2022 a net decrease in cash by PLN 46,363 thousand (forty six million three hundred and sixty three thousand zlotys);
  - e) Notes to the financial statements, including information on adopted accounting policy and other explanatory information; and
- Management Board Report on activities of the Parent Company and the Capital Group for 2022;

in terms of the compliance thereof with records, documents and actual state.

Based on the analysis of:

- a) content of the abovementioned reports submitted by the Company's Management Board;
- b) documents and accounting records and information provided by the Company's Management Board;
- c) results of additional review of selected financial and operating areas;
- d) report on the audit of the Company's financial statements for the financial year 2022 prepared by Polinvest-Audit Sp. z o.o. with registered office in Cracow, an audit firm;
- e) additional report prepared by the audit firm for the Audit Committee referred to in Article 131 of the Act on Auditors;
- f) results of the meetings with representatives of the abovementioned audit firm, including key auditor; and
- g) information from the Audit Committee about the course, results and significance of the audit for the reliability of financial reporting at the Company and the role of the Committee in the process of the financial statements auditing;

the abovementioned reports have been favourably assessed by the Supervisory Board.

In addition, on the basis of the knowledge about the Company and a broad scope of activities undertaken in connection with the preparation and audit of the abovementioned reports, the Supervisory Board of the Company state that the report on activities and the financial statements of the Company for the financial year 2022 have been prepared in compliance with the law, accounting records, documents and actual state and that they contain a true view of the Company's achievements and development as well as the Company's standing and no reservations have been voiced about the form or content thereof.

The Supervisory Board recommends that the abovementioned financial statements and the components thereof be approved by the General Meeting.

## **6. Assessment of the consolidated financial statements of ZUE Group for the financial year ended 31 December 2022**

The Supervisory Board of ZUE S.A. assessed:

- The consolidated financial statements of the Capital Group for 2022 comprising:
  - a) Consolidated statement of financial position showing as at 31 December 2022 the total assets and the total equity and liabilities of PLN 674,694 thousand (six hundred and seventy four million six hundred and ninety four thousand zlotys);
  - b) Consolidated statement of comprehensive income showing as at 31 December 2022 the net comprehensive income of PLN 17,500 thousand (seventeen million five hundred thousand zlotys) and the net profit of PLN 17,288 thousand (seventeen million two hundred and eighty eight thousand zlotys);
  - c) Consolidated statement of changes in equity showing as at 31 December 2022 an increase in equity by PLN 14,365 thousand (fourteen million three hundred and sixty five thousand zlotys);
  - d) Consolidated statement of cash flows showing as at 31 December 2022 a net decrease in cash by PLN 45,492 thousand (forty five million four hundred and ninety two thousand zlotys);
  - e) Notes to the financial statements, including information on adopted accounting policy and other explanatory information; and
- Management Board Report on activities of the Parent Company and the Capital Group for 2022;

in terms of the compliance thereof with records, documents and actual state.

Based on the analysis of:

- a) content of the abovementioned reports submitted by the Company's Management Board;
- b) documents and accounting records and information provided by the Company's Management Board;
- c) results of additional review of selected financial and operating areas;
- d) report on the audit of the consolidated financial statements for the financial year 2022 prepared by Polinvest-Audit Sp. z o.o. with registered office in Cracow, an audit firm;
- e) additional report prepared by the audit firm for the Audit Committee referred to in Article 131 of the Act on Auditors;



- f) results of the meetings with representatives of the abovementioned audit firm, including key auditor; and
- g) information from the Audit Committee about the course, results and significance of the audit for the reliability of financial reporting at the Company and the role of the Committee in the process of the financial statements auditing;

the abovementioned reports have been favourably assessed by the Supervisory Board.

In addition, on the basis of the knowledge about the Company and a broad scope of activities undertaken in connection with the preparation and audit of the abovementioned reports, the Supervisory Board of the Company state that the report on activities and the consolidated financial statements of the Capital Group for the financial year 2022 have been prepared in compliance with the law, accounting records, documents and actual state and that they contain a true view of the Group's achievements and development as well as the Group's standing and no reservations have been voiced about the form or content thereof.

The Supervisory Board recommends that the abovementioned consolidated financial statements and the components thereof be approved by the General Meeting.

#### **7. Assessment of the Management Board Report on Activities of ZUE and ZUE Group in 2022**

After they have analysed the Management Board report on the activities of ZUE S.A. and the Capital Group in the period 1 January 2022 – 31 December 2022, the Supervisory Board accept the document submitted by the Management Board and state that the activities of the Management Board have been performed in accordance with the Polish Companies Act, the Company's Articles of Association, the Management Board Regulations and the best interest of the Company. Pursuant to Article 382 of the Polish Companies Act, the Supervisory Board have given a favourable opinion on the Management Board report and recommend that all the members of the Management Board be granted discharge in respect of the performance of their duties in the period 1 January 2022 - 31 December 2022.

#### **8. Assessment of the proposal of the Management Board of ZUE S.A. concerning the distribution of profit for the financial year 2022**

The Supervisory Board of ZUE S.A. have approved the proposal of the Company's Management Board and make recommendations to the Company's Ordinary General Meeting for allocating the profit for the financial year 2022 of PLN 10,240,554.08 (ten million two hundred and forty thousand five hundred and fifty four złotych 8/100) in the following manner:

- 1) The part of the net profit for the financial year 2022 of PLN 1,593,580.17 (one million five hundred and ninety three thousand five hundred and eighty złotych 17/100) should be paid as dividend (PLN 0.07 per share);
- 2) The residual net profit for the financial year 2022 of PLN 8,646,973.91 (eight million six hundred and forty six thousand nine hundred and seventy three złotych 91/100) should be allocated to reserve funds.

## **9. Assessment of the Company's and the Capital Group's position**

In 2022, the Company's revenue increased over the year by 6% and gross margin was 3.5%. The Group reported an improved margin of 4.6% and its revenue grew by 8%. The Group's sales company posted a record-high net profit of PLN 5.5m as a result of which the annual consolidated net profit increased over the year by 36%.

On 23 November 2022, the Company acquired 93.6% of shares in P.B.I Energopol sp. z o.o. The skills and experience of Energopol complement the operations of ZUE mainly in the area of road works, bridge and road structures and many other specialist works.

As regards the national market in 2022, the Company won the new urban contracts, including long-term infrastructure contracts. The railway market struggled with a limited and delayed availability of the new contracts of key significance to the market and a slow transition from an investment to execution phase caused, among other things, by unclear situation about funding under the new EU perspective.

In the fourth quarter of 2022, the consortium including the Company and the Romanian partner won the first construction contracts for the upgrade of the Romanian railway lines. Consequently, the Company began to provide its basic services on the Romanian market. The total amount of the signed contracts is about PLN 966m, out of which 50% is attributable to ZUE. In addition, ZUE's branch was established in Romania to enable better coordination of the Company's operations. The Company intends to win more contracts on the Romanian market.

On the date of publication of the annual report for 2022, the companies within the Group had the backlog worth more than PLN 1.8bn. The Company continues to submit tenders on both the urban and railway markets.

As regards liquidity and access to external financing sources, the Supervisory Board state, after they have analysed the documents and the actual state of affairs, that the current financial position of ZUE S.A. and the Group does not pose any risk to the financing of their activities in 2023. The Supervisory Board have favourably assessed the condition of the Company and the Group and state that both the Company and the Group are in a good financial position.

## **10. Assessment of the accuracy and effectiveness of internal control and risk management systems as well as the supervision of compliance with the law and internal audit functions**

After they have made periodic reviews and discussed certain issues with the Company's Management Board, the Supervisory Board and the Audit Committee favourably evaluate the functioning of the internal control and risk management systems as well as the supervision of compliance with the law and internal audit functions.

The Company did not identify any separate internal control, risk management or supervision of the compliance of activities with the law in separate organizational units. The tasks are dispersed and carried out by the Company's individual organizational units. The aim of internal control is to enhance the efficiency of business activities by supplying objective information about identified irregularities and inefficiencies, and the ways to remove them. Internal control includes all the areas to which potential material risks relate, including the areas relating to

non-financial issues (especially environmental protection and employee issues). The Supervisory Board state that this solution has been sufficient given the type and scope of the Company's activities.

The Supervisory Board state that at the date of preparation of this Report, there is no need for any separate internal audit at the Company. Such tasks are monitored by the Audit Committee as part of the Audit Committee's tasks and competence. Changes are planned by the Company and a separate internal audit unit may be formed in the future.

## **11. Assessment of compliance with disclosure requirements**

Considering the requirement set out in the rule 2.11.4. contained in 2021 Code of Best Practice, which reads that apart from its tasks specified by the law, the supervisory board shall prepare once a year and submit to the ordinary general meeting for approval its assessment of the way the rules of corporate governance and the disclosure requirements set out in the Stock Exchange Regulations and the laws concerning current and periodic information published by issuers of securities are observed by the company, accompanied by the information on the activities undertaken by the supervisory board to make the assessment, the Company's Supervisory Board have analysed the year 2022 in terms of the Company's performance of:

- a) Disclosure requirements concerning the publication in Electronic Database of reports on incidental violation of or deviation from corporate governance rules;
- b) Disclosure requirements concerning the publication of the statement of compliance with corporate governance rules in annual reports of the management board on activities;
- c) Disclosure requirements concerning the publication of specific information on the Company's website.

The following documents, information and circumstances have been considered as part of the analysis:

- a) 2021 Code of Best Practice for the Warsaw Stock Exchange Listed Companies;
- b) Notice of 29 July 2021 about the Company's compliance with rules and recommendations contained in 2021 Code of Best Practice for the Warsaw Stock Exchange Listed Companies and notice of 21 December 2022 about the Company's compliance with rules contained in 2021 Code of Best Practice for the Warsaw Stock Exchange Listed Companies;
- c) Information on corporate governance published on the website of ZUE S.A.; and
- d) Actual compliance with the rules of Best Practice for the Warsaw Stock Exchange Listed Companies by ZUE S.A.

After they have read the abovementioned documents and information, the Supervisory Board state that the Company observed in 2022 the rules of corporate governance as set out in 2021 Code of Best Practice, except for the following rules: 1.3.1., 1.3.2., 1.4., 2.1., 2.2., 3.5., 3.6., 3.7., 4.1., 4.3., 4.8., 4.9.1.

Following the analysis, the Supervisory Board state that information submitted as part of the disclosure requirement concerning the use of corporate governance rules complies with the actual use of the Code of Best Practice for the Warsaw Stock Exchange Listed Companies by ZUE S.A.

Accordingly, the Supervisory Board of ZUE S.A. have positively judged the Company's compliance with the rules of corporate governance and disclosure requirements concerning the use of corporate governance rules set out in the Stock Exchange Regulations and the laws concerning current and periodic information published by issuers of securities. In addition, the Supervisory Board agree with the Company that there is no need for observing certain rules of 2021 Code of Best Practice.

## **12. Assessment of sponsorship and charity activities**

After they have assessed the Company's policy on sponsorship and charity, the Supervisory Board state that the Company's sponsorship and charity activities are sufficient and rational from the point of view of the Group's development strategy and the type of activity conducted by the Company.

## **13. Diversity policy with regard to the Management Board and the Supervisory Board**

The five-member Management Board of the Company includes one woman and four men. Three members of the Management Board are aged 30-50. Two members of the Management Board are more than 50 years old. Members of the Management Board are responsible for the entire scope of the Company's operations. People with higher technical education are responsible for the operating and production area and the two of them also have building qualifications. There is one person with a degree in economy and finance followed by relevant post graduate studies. A person with PhD in law has dealt with the Company's legal and corporate issues since the beginning of his professional career. The Management Board President and the founder of ZUE has been with the Company since the first day of the Company's activity; i.e. for more than 30 years. All members of the Management Board have long experience on the market on which the Company operates. They gained it either as the Company's employees or employees of other entities from the civil engineering industry.

The five-member Supervisory Board of the Company includes three women and two men. Three members of the Supervisory Board are aged 30-50. Two members of the Supervisory Board are more than 50 years old. One person was linked to the Company as its financial employee. Other people have education in economy, finance, law as well as sales and marketing. Wide knowledge and experience of the Supervisory Board are compatible with the skills and competence of the Management Board.

The Company does not apply the diversity policy to the Management Board or the Supervisory Board. Members of the Management Board or the Supervisory Board are appointed on the basis of their competence, skills and effectiveness. The appointment decisions are made on the basis of these criteria.

To sum up, the composition of the management and supervisory personnel meets the diversity criteria with regard to competence, education, experience as well as gender and age.

**14. Information on compliance by the Company's Management Board with obligations referred to in Article 380<sup>1</sup> and Article 382 § 3<sup>1</sup> item 4 of the Polish Companies Act and information referred to in Article 382 § 3<sup>1</sup> item 5 of the Polish Companies Act**

In 2022, the Company's Management Board provided the Company's Supervisory Board with the information referred to in Article 380<sup>1</sup> of the Polish Companies Act.

The Company's Management Board informed the Supervisory Board about the Company's financial and economic position, the Company's assets and major business operations, including the Company's financial liquidity, winning new contracts both on the Polish and international markets, effect of the Covid-19 pandemic on the Company's activities and financial standing as well as effect of the war in Ukraine on the operating activities and financial results of the Capital Group. The Supervisory Board was also informed about the contracts underway both in terms of the works progress and budgets. In addition, the Supervisory Board learnt about the Company's cooperation with subsidiaries.

The Management Board informed the Supervisory Board on an ongoing basis about resolutions passed by the Management Board, the Company's standing, including the Company's property and major circumstances relating to the management of the Company's affairs, especially in the operating, investing and personnel areas. The Supervisory Board also received information about the paths of the Company's development, transactions as well as other events or circumstances which influence or may influence the Company's economic situation, including its profitability or liquidity. In addition, the Company's Management Board diligently prepared and submitted to the Supervisory Board the information, documents, reports and explanations requested by the Supervisory Board pursuant to Article 382 § 4 of the Polish Companies Act.

The Supervisory Board state that the Management Board have properly complied with the obligations specified in Article 380<sup>1</sup> and Article 382 § 3<sup>1</sup> item 4 of the Polish Companies Act dealing with the submission of information to the Supervisory Board.

The Supervisory Board also inform that no remuneration was paid by the Company in 2022 in connection with any audit ordered by the Supervisory Board pursuant to Article 382<sup>1</sup> of the Polish Companies Act.

The Report has been completed and signed.

1. Piotr Korzeniowski	Supervisory Board Chairperson:
2. Barbara Nowak	Supervisory Board Vice-Chairperson:
3. Agnieszka Klimas	Supervisory Board Member:
4. Irena Piekarska-Konieczna	Supervisory Board Member:
5. Maciej Szubra	Supervisory Board Member: