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Makarony Polskie Spółka Akcyjna

A statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021

According to the current status of compliance with the Best Practices, the Company does not apply 13 principles: 1.3.1., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.9., 2.11.6., 4.1., 4.3., 4.4., 6.2., 6.4.

1. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.
The rule is applied.

1.2. Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.
The rule is applied.
Company comment: *Periodic reports are published by the Company as soon as possible after the end of the reporting period. The Company's information strategy assumes that the Company publishes preliminary estimated financial results if the Management Board receives verified and specific information about material changes in the main financial items in the reporting period compared to the corresponding previous reporting period.*

1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;
The rule is not applied.
Company comment: *The rule is partially applied by the Company. For its development directions, the Company envisages, inter alia, undertaking activities aimed at meeting environmental requirements and reducing the negative impact of its operating activities on the environment. The Company conductsmanufacturing activities and has a regulated formal and legal status in the use of the environment. The Company respects the requirements and legal regulations relating to the above-mentioned areas. The Company's strategy currently does not include quantitative measures in terms of environmental issues, climate change and sustainable development issues . The Company will endeavor to introduce such measures and the risks associated with these factors into its business strategy.*

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.
The rule is applied.
Company comment: *Social and employee matters, as well as dialogue with local communities and building long-term relationships with customers are included in the Company's operations, although those areas have not been included in the business strategy as a formalized document. The Company respects the requirements and legal regulations relating to the above-mentioned areas. The Company applies, inter alia, Work Regulations, Remuneration Regulations, Anti-mobbing Procedure, OHS procedures. The company is actively involved in activities and initiatives aimed at supporting the development of science and education, initiatives of local communities, as well as sponsoring cultural and sports events. Information in this regard is periodically included in the annual reports published by the Company.*

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;
The rule is not applied.
Company comment: *In its decision-making processes, the Company strives to respect the requirements and legal regulations relating to climate issues, however, this area has not been formally and measurably covered by the business strategy currently adopted and implemented by the Company.*

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

The rule is not applied.

Company comment: *The company will conduct the necessary analyzes and make efforts to start publishing information in the manner specified in this rule, starting with the data for the year 2021.*

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.
The rule is applied.

1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.
The rule is applied.

Company comment: *The Company is not eligible for any of the indices listed in the rule. In recent years, the company has not organized meetings for a wider group of stakeholders, nevertheless, this rule will be applied from 2021.*

1.7. If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.
The rule is applied.

2. MANAGEMENT BOARD, SUPERVISORY BOARD

To ensure top standards of the responsibilities and effective performance of the management board and the supervisory board of a company, only persons with the adequate competences, skills and experience are appointed to the management board and the supervisory board.

Management Board members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

Supervisory board members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the company.

The supervisory board functions in the spirit of debate and analyses the position of the company in the context of the sector and the market on the basis of information provided by the management board of the company and via the company's internal systems and functions and obtained from external sources, using the output of its committees. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.
The rule is not applied.

Company comment: *The Company has not developed a formal diversity policy in relation to the Company's governing bodies. With regard to members of the Company's governing bodies, the selection of persons holding the functions of Members of the Supervisory Board and the Management Board is performed by the shareholders and the Supervisory Board, respectively, following the ownership and corporate decisions as well as the principles of professionalism. In line with the practice adopted in the Company, the key selection criterion is the competences of a given person needed to perform a given function. The criterion of ensuring the diversity of the Company's bodies is used as an auxiliary.*

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.
The rule is not applied.

Company comment: *The rule is partially applied by the Company. With regard to members of the Company's governing bodies, the selection of persons holding the functions of Members of the Supervisory Board and the Management Board is performed by the shareholders and the Supervisory Board, respectively, following the ownership and corporate decisions as well as the principles of professionalism. In line with the practice adopted in the Company, the key selection criterion is the competences of a given person needed to perform a given function. The criterion of ensuring the diversity of the Company's bodies is used as an auxiliary.*

2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.
The rule is applied.

2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.
The rule is applied.

2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.
The rule is applied.

2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.
The rule is applied.

2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.
The rule is applied.

2.8. Supervisory board members should be able to devote the time necessary to perform their duties.
The rule is applied.

2.9. The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.
The rule is not applied.
Company comment: *In the current term of office of the Supervisory Board, which has been in place since 2020, the Chairman of the Supervisory Board is also the Chairman of the Audit Committee.*

2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.
The rule is applied.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;
The rule is applied.

2.11.2. summary of the activity of the supervisory board and its committees;
The rule is applied.

2.11.3. 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; such assessment should cover all significant controls, in particular reporting and operational controls;
The rule is applied.

2.11.4. 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 rule is applied.

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;
The rule is applied.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.
The rule is not applied.
Company comment: *The Company has not developed a formal diversity policy in relation to the Company's governing bodies and its key managers.*

3. INTERNAL SYSTEMS AND FUNCTIONS

Efficient internal systems and functions are an indispensable tool of exercising supervision over a company.

The systems cover the company and all areas of activity of its group which have a significant impact on the position of the company.

3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.
The rule is applied.

3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.
The rule does not apply to the Company.
Company comment: *Due to the size of the Company, the Company does not separate units responsible for the tasks of internal control systems, risk management and compliance with the law, xas well as internal audit functions.*

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.
The rule is applied.

3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.
The rule is applied.

3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.
The rule is applied.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.
The rule is applied.
Company comment: *Currently, the internal audit function is not separated in the Company. If the internal auditor managing the internal audit function is appointed, he/she will be organisationally subordinate to the president of the management board and functionally to the chairman of the audit committee.*

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.
The rule does not apply to the Company
Company comment: *The companies of the Makarony Polskie Group have not separated units responsible for the tasks of internal control systems, risk management and compliance supervision, as well as internal audit functions in their structures, due to the size of those companies.*

3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.
The rule is applied.

3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.
The rule is applied.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.
The rule does not apply to the Company.
Company comment: *The Company is not qualified for the indices referred to in this rule.*

4. GENERAL MEETING, SHAREHOLDER RELATIONS

The management board and the supervisory board of listed companies should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting, either in person or through a proxy.

The general meeting should proceed by respecting the rights of all shareholders and ensuring that passed resolutions do not infringe on legitimate interests of different groups of shareholders.

Shareholders who participate in a general meeting exercise their rights in accordance with the rules of good conduct. Participants of a general meeting should come prepared to the general meeting.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.
The rule is not applied.
Company comment: *In the opinion of the Management Board, incurring such costs is not justified in the shareholding structure of the Company.*

4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.
The rule is applied.

4.3. Companies provide a public real-life broadcast of the general meeting.
The rule is not applied.
Company comment: *In the opinion of the Management Board, incurring such costs is not justified in the shareholding structure of the Company.*

4.4. Presence of representatives of the media is allowed at general meetings.
The rule is not applied.
Company comment: *In the opinion of the Management Board, at the moment, the presence of media representatives at general meetings is not justified by the Company's shareholding structure.*

4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.
The rule is applied.

4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.
The rule is applied.

4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.
The rule is applied.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.
The rule is applied.

4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office

4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;
The rule is applied.

4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.
The rule is applied.

4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.
The rule is applied.

4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.
The rule is applied.

4.12. Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.
The rule is applied.

4.13. Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:
a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
b) the persons granted the pre-emptive right are to be selected according to objective general criteria;
c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in bookbuilding on the market.
The rule is applied.

4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:
a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;
c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
d) the company generates insufficient cash flows to pay out dividends;
e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its

business activity.
The rule is applied.

5. CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

For the purpose of this section, 'related party' is defined within the meaning of the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies and their groups should have in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify and disclose such cases and the course of action in the event that they occur.

Members of the management board and members of the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.
The rule is applied.

5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.
The rule is applied.

5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.
The rule is applied.

5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.
The rule is applied.

5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.
The rule is applied.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.
The rule is applied.

5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.
The rule is applied.

6. REMUNERATION GENERAL MEETING, SHAREHOLDER RELATIONS

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and nondiscriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
The rule is applied.

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-

financial results as well as long-term shareholder value creation, sustainable development and the company's stability.
The rule is not applied.
Company comment: *The rule is partially applied. The Company's bodies make every effort to ensure that the incentive programs are structured n such a way that, inter alia, make the level of remuneration of members of the management board and key managers of the Company dependent on the actual, long-term situation in terms of financial results and long-term increase in value for shareholders, as well as the stability of the company's operations. However, at the moment, there is a limited link between incentive systems with non-financial results and with elements of sustainable development (inter alia, due to the lack of formal recognition of this element and measurable indicators related to it in the Company's current strategy).*

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.
The rule is applied.
Company comment: *The Company does not have any management option programs implemented at present - if such programs are implemented , the Company will make every effort to ensure that the rules of operation of such programs comply with this rule.*

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.
The rule is not applied.
Company comment: *The current remuneration system of the Supervisory Board, adopted by the General Meeting in 2020, makes the remuneration of Supervisory Board members dependent on the number of meetings held. Members of the supervisory board who are also members of the audit committee do not receive any additional remuneration related to their work in that committee.*

6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.
The rule is applied.