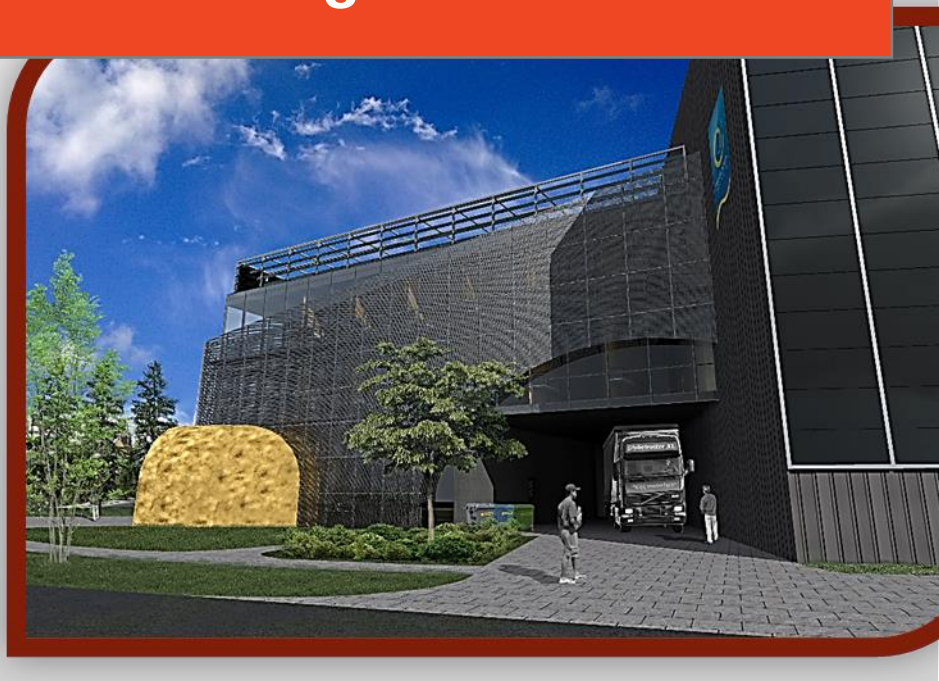
Statement of compliance with corporate governance rules



Rzeszów, 25 April 2019

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In 2018, the Company applied a collection of corporate governance rules entitled "The Best Practice for GPW Listed Companies 2016".

Corporate Governance

Statement of compliance with corporate governance rules

In 2018, the Company applied "The Best Practice for GPW Listed Companies" (Best Practice). A document comprising the Best Practice rules is available on the website of Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange] at: http://corp-gov.gpw.pl.

Explanations of the Company regarding the method of application of the particular rules included in "The Best Practice for GPW Listed Companies 2016" collection in reference to the year 2018:

Information policy and communication with investors

- *I.Z.1.16. The Company maintains a corporate website where in a separate section it publishes in a reader-friendly form not only the information required by law but also the information about the planned transmission of the General Meeting – 7 days prior to the date of the General Meeting at the latest.*
  The Company does not record the course of the General Meeting. If the Company decides to transmit the General Meeting online, the relevant information will be shown on the corporate website at 7 days prior to the date of the General Meeting at the latest.
- *I.Z.1.20. The Company maintains a corporate website where in a separate section it publishes in a reader-friendly form not only the information required by law but also the information an audio or video recording of the General Meeting.*
  The Company does not apply the above principle. The Company does not make any audio or video recordings of the course of the General Meeting.
- *I.Z.2. A company whose shares are qualified to WIG20 or mWIG40 stock exchange indexes shall ensure that its website is available also in English, at least within the scope specified in the principle I.Z.1. This principle shall also be applied by companies that are not qualified to the said indexes, if their shareholding structure or the nature and scope of their business so require.*
  In 2018 that principle did not apply. The shares of the Company are qualified neither to WIG20 nor to mWIG40 stock exchange indexes.
  With regard to the current shareholding structure, the Company applies utmost effort that the contents available on its website in English covers all of the subjects to which that principle applies.

Internal systems and functions

- *III.Z.3. As regards a person managing the internal audit function and other persons responsible for execution of the function, the independence principles specified in the commonly acknowledged international standards of internal audit professional practice apply.*

  The Company does not apply the above principle. A person in charge of internal audit reports directly to the Management Board, however, he/she does not meet the criterion of organisational independence specified in the commonly acknowledged international standards of internal audit professional practice, namely that in functional terms a person in charge of internal audit shall report to the Supervisory Board (this means that Supervisory Board does not sign off a decision on appointing or recalling the internal audit manager or does not approve the remuneration of the internal audit manager).

General Meeting and relations with shareholders

- *IV.Z.2. If it is justified by the structure of the Company's shareholding, the Company shall transmit the General Meeting sessions for general public in real time.*

  The Management Board of Makarony Polskie SA assessed that as at the present moment incurring such costs would not be justified by the structure of the Company's shareholding. Moreover, the Articles of Association of Makarony Polskie SA do not provide for the possibility of participation in a General Meeting with the use of electronic communication means, as stipulated in Article 406^5 of the Code of Commercial Companies.
- *IV.Z.3. Mass media representatives may be present at General Meeting sessions.*

  The Company does not apply the above principle. The Management Board of Makarony Polskie SA assessed that currently the presence of the representatives of mass media would not be justified by the structure of the Company's shareholding.

Conflict of interest and transactions with related companies

- *V.Z.6. The Company specifies in its internal regulations the criteria and circumstances giving rise to a conflict of interest within the Company, as well as the principles of conduct in case of a conflict of interest or a possibility of such conflict existence. The internal regulations of the Company take into account, among other things, the ways of prevention, identification and solving of conflicts of interest, as well as the principles of excluding a member of the Management Board or a member of the Supervisory Board from participation in considering a case, in the event of a conflict of interest or a threatened conflict of interest.*

The Company does not apply the above principle. The current internal regulations of the Company do not meet all the requirements of that principle. The Company will do its best to implement adequate internal regulations that would meet all those requirements.

Internal control and risk management system in the process of financial statements preparation

Being a parent company, Makarony Polskie SA prepares separate and consolidated financial statements based on the commonly applicable legal and internal regulations. The books of account are kept based on the principles adopted and approved for application by the Management Board of the Company. This includes the Accounting Policy and the Chart of Accounts in conformity with IFRS, which are updated from time to time. The subsidiaries are obligated to implement and use internal documents coherent with the documents of the parent company. The books of account of the Group companies are kept in an ERP class system, whereas access to the IT resources is restricted by the rights granted to a specific group of employees.

On a current basis the Company monitors significant factors of legal, tax, economic, operational and similar risks which set the general directions of the operations of the Makarony Polskie Group.

The Management Board of the Company is responsible for the internal control system at the Company and its effectiveness in the process of preparation of financial statements and interim reports which need to be prepared in accordance with the legal regulations and published in conformity with the principles of the Regulation of the Minister of Finance of 29 March 2018 on the current and interim information disclosed by the issuers of securities [...].

The basic assumption of Company internal control system applicable to financial reporting is ensuring adequacy and correctness of financial information disclosed in the financial statements and interim reports.

The Accounting Office is responsible for preparation of the financial statements and interim financial reports, while the Financial Office is responsible for current management reporting of the Company and of the Group. Presenting the financial data in the financial statements, interim financial reports and other reports disclosed to the investors, the Company applies coherent accounting rules.

The financial data used as a basis of the financial statements and interim reports come from the monthly financial and operational reporting applied by the Company. Upon accounting

closure of each calendar month, the Financial Office and the Management Board analyse the financial results of the Company comparing them to assumptions for the particular business segments. The identified errors are corrected on a current basis in the Company's books of account, in compliance with the adopted accounting policy.

Preparation of financial statements and interim reports starts after verification and acceptance of the results of the month/period ended by the Management Board. Interim reports of the Company are prepared by the financial and accounting services under the supervision of the Chief Accountant (based on the financial data presented in the interim financial statements) and the Financial Office staff, and are subject to verification by the Director of the Financial Office and the Company Management Board.

The annual separate and consolidated financial statements of the Group companies are audited by an independent statutory auditor. The semi-annual individual and consolidated financial statements of the Group companies are reviewed by a statutory auditor.

Within the Supervisory Board of Makarony Polskie SA there operates the Audit Committee, appointed by the Supervisory Board members. The Audit Committee monitors the financial reporting processes at the Company, the efficiency of the internal control and risk management systems as well as internal audit (also in reference to financial reporting), performing the financial audit activities, and specifically auditing the financial statements of the Company by an audit firm, in consideration of any conclusions and determinations of the Audit Supervision Commission on the basis of control carried out at the respective audit firm.

The Audit Committee members maintain direct contacts with the statutory auditor carrying out the audit of Makarony Polskie SA financial statements, and inform the Supervisory Board about the results of the Company financial statements audit, provide an explanation of the way in which the audit contributed to the fairness of financial reporting at the Company, and the role played by of the Audit Committee in the audit process.

At the last stage, the financial statements are also finally assessed by the Supervisory Board of Makarony Polskie SA.

Information about the principles of changing the entity authorised to audit the financial statements

In accordance with § 19.c of the Articles of Association of Makarony Polskie SA, selection of a statutory auditor to audit the Company financial statements falls within the powers of the Supervisory Board. The selection is made based on the Audit Committee recommendation.

At least every five years, a new statutory auditor is selected.

The rules concerning a change of the entity authorised to audit the financial statements are provided for in § 4 of the By-law of the Supervisory Board of the Company. A policy of selection of an audit firm to carry out the audit of financial statements as well as a Procedure of selection

of an audit firm to carry out the audit the financial statements, both prepared by the Audit Committee of the Supervisory Board, are binding at the Company.

An entity that is to perform the function of the statutory auditor at the Company is selected such as to ensure independence during the performance of the entrusted tasks. The assessment of the statutory auditor's independence at the particular stages of selection, as well as during further cooperation, is made by the Audit Committee. The Audit Committee also consents to the provision by the statutory auditor and the audit firm of the allowed non-audit services, in accordance with the principles of the Policy passed and implemented in that area.

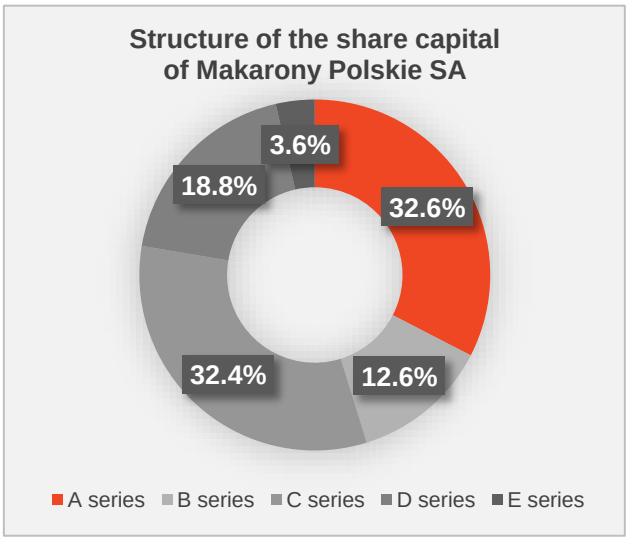
Share capital

Share capital of Makarony Polskie SA:

- share capital value PLN 27,750,213;
- total number of shares 9,250,071 shares;
- total number of votes in the General Meeting 9,250,071 votes.

Structure of the share capital of the Company:

- 3,013,250 ordinary bearer shares, A series;
- 1,169,750 ordinary bearer shares, B series;
- 3,000,000 ordinary bearer shares, C series;
- 1,735,821 ordinary bearer shares, D series;
- 331,250 ordinary bearer shares, E series.



The shares of the Company are ordinary bearer shares quoted on regulated market run by Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange]. The Company did not issue any securities granting any special control rights to any of its shareholders.

There are no limitations at the Company with regard to exercising the right of vote. Moreover, there are no limitations regarding the transfer of ownership rights to the securities issued by the Company.

Shares held by majority shareholders (above 5% of the capital)

Shareholders who held directly or indirectly through their subsidiaries at least 5% of the total number of votes in the General Meeting of the Company were as follows as at the date of preparing the report (based on the information possessed):

Shareholder	Shares in the share capital		Votes in the General Meeting	
	number	% share	number	% share
Grupa Praska Giełda Spożywcza SA, including:	2,311,594	24.99%	2,311,594	24.99%
Praska Giełda Spożywcza SA (dawniej: Agro-Technika SA)	*2,050,000*	*22.16%*	*2,050,000*	*22.16%*
Zenon Daniłowski	*140,000*	*1.51%*	*140,000*	*1.51%*
Polskie Smaki Sp. z o.o.	*121,594*	*1.31%*	*121,594*	*1.31%*
Raya Holding for Technology & Communications S.A.E., including:	1,793,406	19.39%	1,793,406	19.39%
Madova Sp. z o.o.	*1,793,406*	*19.39%*	*1,793,406*	*19.39%*
Elżbieta i Grzegorz Słomkowscy, including:	1,183,040	12.79%	1,183,040	12.79%
Z.P.H. "ELPAST" Elżbieta i Grzegorz Słomkowscy s.c.	*1,169,750*	*12.65%*	*1,169,750*	*12.65%*
Grzegorz Słomkowski	*13,290*	*0.14%*	*13,290*	*0.14%*
Krzysztof Moska	580,969	6.28%	580,969	6.28%
Other shareholders	3,381,062	36.55%	3,381,062	36.55%
TOTAL	9,250,071	100.00%	9,250,071	100.00%

Changes in the shareholding in 2018

On 31 July 2018 the Company received a notification sent by Mr Krzysztof Moska regarding an increase in the number of shares of Makarony Polskie SA held by him. Pursuant to Article 69.1.1 Mr Krzysztof Moska informed that on 27 July 2018, as a result of a purchase transaction of 232,893 shares of Makarony Polskie SA within on-session transactions of shares purchase

on the regulated market of the Warsaw Stock Exchange, a change occurred in the stake of shares held by him so far, such that he exceeded the threshold of 5% of the total number of votes in the General Meeting of the Company ("Change of Possession Transaction").

Before the Change of Possession Transaction Mr Krzysztof Moska held 348,076 shares of the Company, representing 3.76% of the Company share capital and 3.76% of the total number of votes in the General Meeting of the Company, i.e. shares of the Company entitling him to exercise 348,076 votes. After the Change of Possession Transaction Mr Krzysztof Moska holds the total of 580,969 shares of the Company, representing 6.28% of the Company share capital and 6.28% of the total number of votes in the General Meeting of the Company, i.e. shares of the Company entitling him to exercise 580,969 votes.

At the same time Mr Krzysztof Moska informed that he had no subsidiaries holding shares of the Company and that there were no persons specified in Article 87.1.3.c of the Act and he held no financial instruments referred to in Article 69b.1 of the Act.

The Company does not have any other information that would indicate changes in the number of shares held by the shareholders (holding shares stakes exceeding 5%) in 2018 and by the date of publishing this report.

The Company has no knowledge about any other agreements (inclusive of ones concluded post the balance-sheet date) that might lead to future changes in the structure of shareholding held by the current shareholders.

Shares held by the Members of the Management Board

Number and nominal value of the Company shares held by the Management Board Members as at date of the report:

Management Board Member	2018		2017	
	Number of shares	Nominal value	Number of shares	Nominal value
Zenon Daniłowski*	140,000	420,000	140,000	420,000

* President of the Management Board Zenon Daniłowski is related to Praska Giełda Spożywcza SA (formerly: Agro-Technika SA) and Polskie Smaki Sp. z o.o. that also hold shares of the Company. The total shareholding as at the report publication date is 2,311,594 shares worth PLN 6,934,782.

In accordance with the information possessed by the Company no changes in the status of shares held by the President of the Management Board occurred during 2018 and by the publication date of this report.

Shares held by the Members of the Supervisory Board

Number and nominal value of the Company shares held by the Members of the Supervisory Board as at date of the report:

Member of the Supervisory Board	2018		2017	
	Number of shares	Nominal value	Number of shares	Nominal value
Marek Rocki	0	0	0	0
Michał Słomkowski	0	0	0	0
Roman Sobiecki	0	0	0	0
Samer Elwaziri	0	0	0	0
Wiesław Wasilewski	5,000	15,000	5,000	15,000

In accordance with the information possessed by the Company no changes in the status of shares held by the Members of the Supervisory Board occurred during 2018 and by the publication date of these statements.

Shares in subsidiaries

The managing and supervising staff of Makarony Polskie SA have no shares in the subsidiaries of the Makarony Polskie Group.

The right to make decisions on shares issue or redemption

In accordance with § 9 of the Articles of Association of the Company, the share capital may be increased and decreased pursuant to the procedure specified in the Code of Commercial Companies, or by way of a public offering on the terms and conditions specified in the Act of 29 July 2005 on Public Offering and Conditions Governing Introduction of Financial Instruments to Organised Trading, and on Public Companies (as amended).

Principles of making amendments in the Articles of Association of Makarony Polskie SA

The Articles of Association of Makarony Polskie SA in the currently binding wording do not include any stipulations regarding the Articles amendment otherwise than in accordance with the provisions of the Code of Commercial Companies.

In accordance with Article 430 of the Code of Commercial Companies, any amendment of the Articles of Association requires a resolution passed by the General Meeting and an entry in the register. A resolution of the General Meeting concerning amendments to the Articles of Association must be passed with the majority of 3/4 of the votes cast – Article 415 of the Code of Commercial Companies.

The Articles of Association of Makarony Polskie SA are available on the website of the Company at: www.makarony.pl.

General Meeting

The principal rights of the General Meeting

The competencies of the General Meeting include taking decisions on matters concerning organisation and operation of the Company, except for the cases specified in the Code of Commercial Companies and the Articles of Association of the Company.

Operation of the General Meeting

The General Meeting operates in accordance with the Code of Commercial Companies, the Articles of Association of the Company and the By-law of the General Meeting of Makarony Polskie SA adopted by virtue of Resolution No. 24 of the Annual General Meeting of Makarony Polskie SA on 28 June 2016.

An Annual General Meeting is convened by the Management Board annually and takes place within 6 months of the end of each reporting year. An Extraordinary General Meeting is convened by the Management Board on their own initiative, by the Supervisory Board if the Board members deem it advisable, or by shareholders representing at least half of the share capital or at least half of the total votes in the Company.

The General Meeting shall be held at the registered office of the Company or at another place within the territory of the Republic of Poland. The venue and date of the General Meeting are determined such as to enable participation of the possibly largest number of shareholders.

The General Meeting is convened in the way specified for disclosure of current information by public companies with the simultaneous publication of the respective announcement on the website of the Company at: www.makarony.pl.

The General Meeting is capable of adopting resolutions irrespective of the number of shares represented at the session, unless the Code of Commercial Companies provides otherwise. Without prejudice to the provisions of Article 404 of the Code of Commercial Companies, the General Meeting may adopt resolutions only concerning the affairs stipulated in the Code of Commercial Companies and the Articles of Association, which are covered by the agenda of a given Meeting.

The resolutions of the General Meeting shall be adopted by absolute majority of the votes cast, unless the binding laws or the Articles of Association provide otherwise.

Voting is open. Secret balloting is ordered by the chairperson of the General Meeting for personal matters and at the request of a shareholder. The right to demand secret balloting does not apply to resolutions concerning organisational matters. The General Meeting may rescind the secrecy of voting in cases concerning the appointment of commissions to be established by Meeting.

Shareholders' rights

The rights of the shareholders and the method of executing them at the General Meeting are defined in the Code of Commercial Companies, the Articles of Association and the By-law of the General Meeting.

The shareholders representing at least half of the Company share capital or at least half of the votes in the Company are entitled to convene an Extraordinary General Meeting.

Only those who are the shareholders of the Company 16 days prior to the date of the General Meeting (record date) may participate in the General Meeting. The shareholders may participate in the General Meeting in person or by a proxy. All shareholders may express their opinions about the matters covered with the agenda.

Description of the procedures of participation in the General Meeting and execution of the rights to vote is each time published in an announcement about the General Meeting.

2018 General Meeting

In the reporting year 2018, the Annual General Meeting of Makarony Polskie SA took place on 28 June. The agenda of the General Meeting included:

- consideration and approval of the financial statements of Makarony Polskie SA for the reporting year 2017;

- consideration and approval of the Management Board report on the operations of the Company and the Makarony Polskie Group in the reporting year 2017;
- consideration and approval of the consolidated financial statements of the Makarony Polskie Group for the reporting year 2017;
- net profit distribution for the reporting year 2017;
- consideration of the report of the Supervisory Board of Makarony Polskie SA for the reporting year 2017;
- granting the vote of approval to the Members of the Company Management Board with regard to their fulfilment of duties in the reporting year 2017;
- granting the vote of approval to the Members of the Company Supervisory Board with regard to their fulfilment of duties in the reporting year 2017;
- appointment of the Supervisory Board of Makarony Polskie SA for the eighth term and determination of the principles and value of remuneration of the Supervisory Board Members;
- consideration of the request of the Management Board with regard to amending the Company Articles by virtue of authorising the Management Board to increase the share capital within the limits of the authorised capital, with exclusion of rights issue;
- consideration of the request of the Management Board with regard to the issue of bonds convertible into the Company shares, conditional increase of the share capital, amendment of the Company Articles and exclusion of rights issue.

The resolutions of the Extraordinary General Meeting were published in the current report No. 17/2018 of 28 June 2018. Moreover, they are available on the website of the Company at: www.makarony.pl.

The Management Board did not convene any Extraordinary General Meetings. Neither the shareholders of the Company nor the Members of the Supervisory Board submitted any other requests for convening of the General Meeting.

The Members of the Management Board and of the Supervisory Board participated in the sessions of the General Meetings and were able to provide subject-related answers to any questions raised by the shareholders at the General Meetings.

Supervisory Board

The Supervisory Board of Makarony Polskie SA operates based on the Code of Commercial Companies, the Articles of Association of the Company and the By-law of the Supervisory Board adopted by virtue of Resolution No. 25 of the Annual General Meeting of Makarony Polskie SA of 28 June 2016.

The principles of appointing and recalling the Supervisory Board Members

The Supervisory Board of the Company consists of 5 to 7 members appointed and recalled by the General Meeting.

The term of office of the Supervisory Board is two years. The mandates of the Supervisory Board Members expire on the day on which the Annual General Meeting approves the Company financial statements for the last full reporting year of the term of the Supervisory Board. If during the term of office of the Company Supervisory Board a supplementary or an extending election has been held, the mandate of the newly appointed member of the Supervisory Board shall expire simultaneously with the mandates of the remaining members of the Company Supervisory Board.

The candidacies announced for the Supervisory Board Members shall be justified, such as to enable the General Meeting to make an educated selection. Members of the Supervisory Board are selected on the basis of their proper education and life experience, which makes them competent to properly assess the operation of the Company and duly perform their functions at the Supervisory Board and Audit Committee, and such that at least two Members of the Board are independent of the Company, its shareholders or employees.

The Supervisory Board Members are entitled to remuneration according to the principles determined by the General Meeting.

The Supervisory Board Members select the Chairman from among themselves to manage the works of the Supervisory Board. The Supervisory Board may also appoint Deputy Chairmen and a Secretary.

Competencies of the Supervisory Board

The Supervisory Board exercises ongoing supervision of the Company activities in all aspects. The competencies of the Supervisory Board include, among other things:

- assessment of the financial statements and the Management Board report with regard to their conformity with the books of account and evidence documents as well as with the actual state of affairs, and evaluation of the Management Board proposals regarding profit distribution or loss coverage as well as submission to the General Meeting of annual reports on the results of such evaluation;
- approval of annual financial plans of the Company and supervision of their execution;
- selection of a statutory auditor to audit the Company financial statements;
- granting consent to purchase or sale of real estate, perpetual usufruct rights or share in real estate of the value exceeding 10% of the Company equity, calculated in reference to

the latest balance sheet of the Company approved by the General Meeting, unless such purchase has been stipulated in the annual financial plan of the Company approved by the Supervisory Board;

- granting consent to a sale of the Company assets, the value of which exceeds 10% (ten per cent) of the total value of the Company equity, calculated in reference to the latest balance sheet of the Company approved by the General Meeting, unless the sale has been stipulated in the annual financial plan of the Company approved by the Supervisory Board;
- granting consent to assume a liability or dispose of rights which – within one or several interrelated legal transactions – exceeds 10% of the Company equity, calculated in reference to the latest balance sheet of the Company approved by the General Meeting, unless such liability or disposal has been stipulated in the annual financial plan of the Company approved by the Supervisory Board;
- granting consent to the payment to the shareholders of an advance on account of the expected dividend;
- appointing and dismissing the whole Management Board of the Company or its individual members;
- establishing the rules and the terms and conditions of remuneration for the Members of the Management Board as well as the value of the remuneration;
- representing the Company in any contracts concluded between the Company and a Member of the Management Board, and in any disputes between the Company and such a person.

The Supervisory Board may examine any and all activities of the Company, request any reports, explanations and information from the Management Board and employees, check the books of account and evidence documents (including the financial documents), request access to all premises of the Company (§ 10 of the By-law of the Supervisory Board), whereas in their activities the Supervisory Board Members are obliged to keep in mind the good name and interest of the Company (§ 6.1 of the By-law of the Supervisory Board).

The work of the Supervisory Board is carried out in the form of meetings, control activities and participation in the work of the Company governing bodies.

Composition of the Supervisory Board

From 1 January 2018 to 28 June 2018, the Supervisory Board consisted of:

- Roman Sobiecki – Chairman of the Supervisory Board,
- Samer Abdelfatah Mohamed El Waziri – Member of the Supervisory Board,
- Marek Rocki – Member of the Supervisory Board,
- Michał Słomkowski – Member of the Supervisory Board,

- Wiesław Wasilewski – Member of the Supervisory Board.

In reference to the end of the seventh term of the Supervisory Board on 28 June 2018, the Annual General Meeting of the Company appointed the Supervisory Board of the eighth term. Until now the membership of the Supervisory Board has not changed and the Board consists of:

- Roman Sobiecki,
- Samer Abdelfatah Mohamed El Waziri,
- Marek Rocki,
- Michał Słomkowski,
- Wiesław Wasilewski.

The Supervisory Board was formed on 29 June 2018. Mr Roman Sobiecki became Chairman of the Supervisory Board, and the function of the Deputy Chairman was taken by Mr Samer El Waziri.

Committees of the Supervisory Board

In accordance with the legal regulations, an Audit Committee is operating within the Supervisory Board of Makarony Polskie SA.

At the moment, the Company has not planned to appoint other committees at the Supervisory Board than those required by the legal regulations. It is so because of the status of the Company, the shareholding structure, as well as organisational and economic considerations, which include the necessity of providing additional administrative and legal servicing of such committees.

AUDIT COMMITTEE

The Audit Committee of Makarony Polskie SA operates based on the binding legal regulations as well as the By-law of the Audit Committee adopted by virtue of Resolution No. 5 of the Supervisory Board of Makarony Polskie SA of 18 October 2017.

The membership of the Audit Committee is determined by the Supervisory Board, which also appoints the Audit Committee members and appoints the Committee chairperson. The minimum membership of the Audit Committee is 3 people.

The Audit Committee members are appointed from among the Supervisory Board, such that:

- most of the Audit Committee members, including the chairperson, are independent;

- there is at least one member of the Audit Committee who possess knowledge and skills in accounting or auditing financial statements, and at least one member who possesses knowledge and skills in the sector in which the Company operates.

The mandates of the Audit Committee members expire as at the date of expiry of the Supervisory Board mandates. Each of the Audit Committee members may also be recalled at any time by the Supervisory Board.

In case a mandate of a Member of the Supervisory Board appointed for the Audit Committee expires before the expiry of the term of the whole Supervisory Board, or if the Member resigns from his function in the Audit Committee, the Supervisory Board supplements the membership of the Committee by appointing a new member of the Committee for the period ending at the expiry of the Board term.

Specifically, the tasks of the Audit Committee include:

- monitoring of:
  - the Company financial reporting processes;
  - the efficiency of internal control and risk management systems as well as internal audit, also in reference to financial reporting;
  - the financial audit activities performance, and specifically auditing the financial statements of the Company by an audit firm, in consideration of any conclusions and determinations of the Audit Supervision Commission on the basis of control carried out at the respective audit firm;
- control and monitoring the independence of the statutory auditor and the audit firm carrying out the audit of the Company financial statements (specifically if the audit firm also provides the Company with non-audit services);
- informing the Supervisory Board about the results of the Company financial statements and explanation of how the audit contributed to the fairness of the financial reporting of the Company, and what was the role of the Committee in the audit process;
- assessing the independence of the statutory auditor and the audit company carrying out the audit of the Company financial statements, and expressing consent to the provision by them of any allowed non-audit services to the Company;
- preparing a policy of selection an audit firm to carry out the Company financial statements audit;
- preparing a policy of providing the allowed non-audit services to the Company by the audit firm carrying out the audit of the Company financial statements, the entities related to that audit firm or a member of the audit firm's network (within the meaning of generally binding regulations);

- preparing a procedure of selection of an audit firm to carry out the audit of the Company financial statements;
- presentation to the Supervisory Board of a recommendation regarding the selection of a statutory auditor or audit firm to carry out the audit the Company financial statements. The recommendation should comply with the requirements of Regulation No. 537/2014 and the Act on Statutory Auditors;
- providing the Supervisory Board and the Management Board with recommendations aimed at ensuring the fairness of the Company financial reporting process.

When performing its work, the Audit Committee may:

- request the provision of information, explanations and documents needed for the performance of the tasks, without the intermediation of the Supervisory Board;
- request the key statutory auditor to discuss with the Audit Committee or the Management Board the major issues resulting from the audit, which have been mentioned in the additional report referred to in Article 11 of Regulation No. 537/2014.

Membership of the Audit Committee

From 1 January 2018 to the date of publication of this report, the Audit Committee consisted of:

- Roman Sobiecki – Chairman of the Audit Committee (independent member),
- Michał Słomkowski – Member of the Audit Committee (independent member),
- Wiesław Wasilewski – Member of the Audit Committee (independent member).

On 29 June 2018, in reference to the end of the seventh term of the Supervisory Board, the Company Supervisory Board appointed the Audit Committee for the new term, consisting of the same members.

In accordance with the legal regulations, the Audit Committee members possess:

- knowledge and skills in accounting or auditing financial statements – Mr Michał Słomkowski and Mr Roman Sobiecki;
- knowledge and skills in the sector in which the Company operates – Mr Wiesław Wasilewski and Mr Roman Sobiecki.

Mr Roman Sobiecki is a Professor of Economy at the SGH Warsaw School of Economics, where he has been working since 1978, and currently at the Institute of Markets and Competition. Since 2012 he has been dean of the Collegium of Business Administration. Since 1996 he has been Member of the Board of the Collegium of Business Administration. In the years 1996–

1997 he was Advisor to the Political Cabinet of the Minister of State Treasury. In the years 1999–2005 was a member of the Team of Consultants for the President of the Republic of Poland for Agriculture and Rural Development. In the years 2013–2015 he was chairman of the National Council of Entrepreneurship at the Ministry of Economy. Mr Roman Sobiecki is an author and co-author of over 60 books and articles in micro- and macroeconomics, globalisation and entrepreneurship (including the book entitled "Globalisation and the Functions of Polish Agriculture"). He is also author and co-author of academic textbooks for students in the theory of competition and the strategy of competing companies, plus textbooks and curricula for teaching economics at secondary and professional schools.

Mr Michał Słomkowski is a graduate from the bachelor's course in BBA Finance and Accounting and the master's course in Finance and Accounting, major in Company Finance, of the Kozminski University in Warsaw. He also made a post-graduate course organised by the Institute of Spatial Management and Housing and Kozminski University in Real Property Management. He is experienced in managing work effectiveness and labour costs.

Mr Wiesław Wasilewski graduated from the Higher School of Engineering in Radom, Faculty of Economics and Organisation (but has not submitted the master's thesis for defence). Since 2002 he is the owner of an advisory company Big-Pol Fundusze Pomocowe [Support Funds] specialising in gaining EU subsidies and investment advisory services for food processing companies. Most of the projects of the company carried out so far referred to new technologies and energy efficient operation of food processing companies. Moreover, several process and products innovations have been implemented.

Activities of the Audit Committee in 2018 and in reference to 2018

In 2018, the Audit Committee held 3 meetings convened by the Audit Committee Chairman and devoted to the performance of duties by the Committee, and specifically referring to:

- starting the procedure of an audit firm selection;
- presenting recommendations to the Supervisory board with regard to the selection of an audit firm to review semi-annual financial statements and carry out the statutory audit of the annual financial statements of Makarony Polskie SA and the Capital Group of Makarony Polskie in the reporting years 2018–2019;
- acceptance of the annual report on the activities of the Audit Committee in 2017;
- cooperation with the statutory auditor during the audit of the financial statements for the reporting year 2018.

After the end of the reporting year 2018, the Audit Committee held 2 meetings convened by the Audit Committee Chairman and devoted specifically to:

- cooperation with the statutory auditor during the audit of the financial statements for the reporting year 2018;
- preparing information for the Supervisory Board about the results of the Company and the Makarony Polskie Group financial statements audit and explanation of the way in which the audit contributed to the fairness of financial reporting, and the role played by of the Committee in the audit process;
- acceptance of the annual report on the activities of the Audit Committee in 2018.

The object of the ongoing activities of the Audit Committee is to monitor the works related to the process of preparing and auditing the financial statements of the Company. The Audit Committee monitored the correctness of preparing the financial statements by the Company for the reporting year 2018, cooperating in that regard with the Management Board of the Company and remaining in contact with the statutory auditor carrying out the audit of the financial statements, i.e. BDO Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw.

In the opinion of the Audit Committee, the internal audit activities at the Company were fulfilled by the Management Board, the managerial staff and other employees in accordance with their respective duties. The internal audit mechanisms cover the method of performance of tasks by the employees, and specifically the rights, competencies and compliance of the carried out activities with the principles and procedures developed for the particular areas of operation. These mechanisms are of control nature and are incorporated both in the internal normative acts and procedures and in the ERP class integrated IT system. The risk areas important for the Company were properly identified for the purpose of ensuring the performance of the strategic objectives assumed by Makarony Polskie SA. The Management Board, together with the managerial staff, review and update on the current basis the risk factors accompanying the operations of the Company which may have impact on the financial and market standing of the Company.

Policies regarding the selection of a statutory auditor and cooperation with the auditor, as prepared by the Audit Committee

On 18 October 2017, the Audit Committee passed:

- the "Policy of selection of an audit firm to carry out the statutory audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszów and the Makarony Polskie Group", which reads that the audit firm is selected in accordance with the following principles:
  - by the Company Supervisory Board, upon recommendation of the Audit Committee;

- in due advance, such that the agreement on the financial statements audit may be signed at the date enabling the audit firm to participate in the major assets inventory taking;

- with particular attention paid to the independence of the audit firm and the statutory auditor; in that regard – when presenting its recommendation to the Supervisory Board of the Company – the Audit Committee considers the scope of the services performed by the audit firm and the statutory auditor within the last five years preceding the selection of the audit company;
- control and monitoring by the Audit Committee of the statutory auditor and audit firm independence at each stage of the procedure of the audit firm selection or carrying out the audit and review of the aforesaid financial statements;
- the selection of the audit firm is made in consideration of the experience of that firm in carrying out statutory audits of financial statements of public-interest entities, including companies listed on the Warsaw Stock Exchange;
- the selection of the audit firm is made in consideration of the principle of audit firm and key statutory auditor rotation, such that the maximum time of uninterrupted duration of orders regarding statutory audits performed by the same audit firm or an audit firm related to that audit firm, or any member of the audit firm's operating in the European Union member states, must not exceed five years, whereas the key statutory auditor cannot carry out the statutory audits at the Company for a period longer than five years (in such case the key statutory auditor may carry out the statutory audit at the Company again after the lapse of at least three years of the end of the previous statutory audit);
- the first agreement on the financial statements audit is concluded with the audit firm for a period not shorter than two years, with the possibility of extension for further at least two-year periods, in consideration of the principles of rotation of the audit firm and the key statutory auditor, as provided by the legal regulations;

- the "Policy of providing the allowed non-audit services by the audit firm carrying out the audit of the financial statements of Makarony Polskie SA with its registered office in Rzeszów and the Makarony Polskie Capital Group, or by entities related to that audit firm or a member of the audit firm's network", which reads that:
  - the statutory auditor or the audit firm that carry out the statutory audit of the Company, or an entity related to that audit firm, or any member of the statutory auditor's or the audit firm's network, do not provide directly or indirectly to the Company or its related companies any prohibited non-audit services;
  - the prohibited services do not include those identified in Article 136.2 of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision (Journal of Laws of 2017, item 1089);

- the provision of permitted services is possible solely in the scope which is not related to the tax policy of the Company, upon assessment by the Audit Committee of threats and independence security measures, and obtaining the consent of the Audit Committee;
- in the respective cases, the Audit Committee issues guidelines regarding such services.

Consent of the Audit Committee to the provision of additional services by the statutory auditor

In the reporting year 2018 and by the publication of this report, the audit firm carrying out the audit of the financial statements of Makarony Polskie SA did not provide any permitted non-audit services to the companies of the Makarony Polskie Group.

Recommendation of the Audit Committee regarding the selection of an audit firm

In the reporting year 2018, Makarony Polskie SA changed the statutory auditor. The Audit Committee carried out the selection procedure in compliance with the binding criteria, and presented its recommendation regarding the selection of the audit firm to carry out the audit to the Supervisory Board.

Supervisory Board Members Remuneration Policy

In accordance with the Company Articles of Association, the Supervisory Board Members receive remuneration in the value determined by the General Meeting.

The Supervisory Board Members receive remuneration for each Supervisory Board meeting in which they participate. By 28 June 2018, the system of remuneration for the Supervisory Board of Makarony Polskie SA adopted by way of Resolution No. 22 of the Annual General Meeting of 28 June 2016 had been in force. Since 28 June 2018, a new system of remuneration for the Supervisory Board adopted by way of Resolution No. 22 of the Annual General Meeting on 28 June 2018 has been binding.

The information concerning the remuneration paid to the Members of the Company Supervisory Board is presented in the table below, as well as in Note 38 to the consolidated financial statements and Note 37 to separate financial statements.

Forename and surname	Function	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Roman Sobiecki	Chairman of the Supervisory Board	29	18
Samer Abdelfatah Mohamed Elwaziri	Deputy Chairman of the Supervisory Board	30	9
Wiesław Wasilewski	Supervisory Board Member	23	14
Marek Rocki	Supervisory Board Member	23	14
Michał Słomkowski	Supervisory Board Member	23	14
Total		**128**	**69**

There are no liabilities at the Company related to the payment of pensions or other similar payables to the former supervisory staff, or any liabilities incurred in relation to such pensions.

Supervisory Boards of the subsidiaries

The Group subsidiaries have no Supervisory Boards. The governing bodies of the subsidiaries of Stoczek Natura Sp. z o.o. and MP Trade Sp. z o.o. are the General Meeting and the Management Board.

Management Board

Principles of Management Board Members appointment and dismissal

In accordance with the Articles of Association of Makarony Polskie SA, the Management Board of the Company consists of one to three members, including the President of the Management Board and Vice President of the Management Board who are appointed and recalled by the Supervisory Board.

The term of office of the Management Board Members is two years. The Management Board Members may be appointed for the consecutive two-year terms of office. The mandates of the Management Board Members expire pursuant to Article 369.4 of the Code of Commercial Companies. If during the term of office of the Company Management Board a supplementary or an extending election has been held, the mandate of the newly appointed member of the Management Board shall expire simultaneously with the mandates of the remaining members of the Company Management Board.

Competencies of the Management Board

The Management Board represents the Company outside and makes decisions on all the issues which have not been reserved to the competencies of the remaining governing bodies of the Company in accordance with the Company Articles of Association and the binding laws.

The declarations of will on behalf of the Management Board may be made by:

- one person in case of a Management Board consisting of one member;
- two Management Board Members acting jointly or one Management Board Member acting jointly with a Proxy in case of a Management Board with more than one member.

As at the date of publication of this report, the functions of the Company Proxies were fulfilled by:

- Grażyna Kozielec – from 31 May 2012,
- Beata Majewska-Karp – from 31 May 2012,
- Witold Żarek – from 4 March 2013,
- Tomasz Blat – from 7 August 2017.

The rights of proxy granted are binding jointly – a Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board.

During the reporting year 2018, Mr Dariusz Cylka also acted as a Proxy, however, his mandate was recalled by the Company Management Board on 17 April 2019.

Composition of the Management Board

In the period from 1 January 2018 to the date of this report publication, the Management Board consisted of one person. The office of the President of the Management Board has been held by Zenon Daniłowski.

Division of duties among the Management Board Members

The Management Board of the Company consists of one person.

Management Board Members Remuneration Policy

In accordance with the Company Articles of Association, the Management Board Members receive remuneration in the value determined by the Supervisory Board. The system of remunerating the President of the Management Board consists of a fixed part (basic salary under an employment contract) and a variable incentive part (remuneration for the fulfilment of function calculated based on the EBITDA result [operating profit + depreciation] generated

by the Company in the quarter for which the remuneration is paid, and disclosed in the published interim reports covering the respective quarter).

In the period covered with these financial statements, the Group companies concluded no contracts with the managing persons providing for a compensation should they resign from their position or should they be dismissed from the office held without important reason or should they be recalled or dismissed due to a merger of the Company by way of takeover.

In the financial year 2018, as well as in the period by the date of publication of this report, Makarony Polskie SA did not have any employee share schemes.

The information concerning remuneration paid to the Members of the Company Management Board is presented in the table below, as well as in Note 38 to consolidated financial statements, and Note 37 to the separate financial statements.

Forename and surname	Function	01.01.2017- 31.12.2017		01.01.2016- 31.12.2016	
		Fixed	Variable	Fixed	Variable
Zenon Daniłowski	President of the Management Board	528*	287	579*	81
	Total	**815***		**660***	

* Including the remuneration on account of acting as the President of the Management Board of MP Trade Sp. z o.o. subsidiary: PLN 108,000 in 2018 and PLN 32,000 in 2017.

There are no liabilities at the Company related to the payment of pensions or other similar payables to the former managing staff or former members of the administrative bodies, or any liabilities incurred in relation to such pensions.

Management Boards of the subsidiaries

As at 31 December 2018 and as at the date of this report publication, the composition of the Management Boards of the subsidiaries was as follows:

- Stoczek Natura Sp. z o.o. Rafał Dziobko – President of the Management Board, Adam Ławnik – Vice President of the Management Board.
- MP Trade Sp. z o.o. Zenon Daniłowski – President of the Management Board.

Alicja Hinz, Chief Accountant, acted as a Proxy of Stoczek Natura Sp. z o.o. (the rights of proxy granted are binding jointly – the Proxy may represent the Company only in liaison with another Proxy or a Member of the Management Board).

There were no Proxies appointed at MP Trade Sp. z o.o. as at the date of this report publication. During the reporting year 2018, the function of a Proxy at MP Trade Sp. z o.o. was fulfilled by Mr Dariusz Cylka (the rights of proxy granted were binding jointly – the Proxy might represent the Company only in liaison with another Proxy or a Member of the Management Board), however, the Proxy was recalled by the Management Board on 17 April 2019.

Other information

Information concerning cooperation with the statutory auditor

The Supervisory Board of Makarony Polskie SA selected BDO Spółka z ograniczoną odpowiedzialnością sp.k. (formerly: BDO Spółka z ograniczoną odpowiedzialnością) with its registered office in Warsaw, as the statutory auditor to review the financial statements of the Makarony Polskie Group companies for the first half of the reporting year and to audit the financial statements of the Makarony Polskie Group companies for the reporting year, in the years 2018–2019.

BDO Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the list of audit forms kept by the National Council of Statutory Auditors (KRBR) under the number 3355, as well as the Register of Entrepreneurs of the National Court Register (KRS), kept by the District Court for the Capital City of Warsaw, 13th Commercial Division, KRS number 0000729684.

The companies of the Makarony Polskie group have not previously availed of the services of BDO Spółka z ograniczoną odpowiedzialnością sp.k.

On 27 July 2018, Makarony Polskie SA concluded an agreement with the aforesaid auditor regarding the review of condensed financial statements for the first half of the reporting year, and audit of the financial statements of the Company and the Group for the reporting year, in the years 2018–2019.

The remuneration of BDO Spółka z ograniczoną odpowiedzialnością sp.k. on account of the audit of the financial statements of Makarony Polskie SA for the reporting year 2018 amounts to the total of PLN 80,600 (PLN 26,300 for the review of the separate and consolidated semi-annual financial statements; PLN 54,300 for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2018).

As regards the review and audit of the financial statements for the reporting year 2017, Makarony Polskie SA availed of the services of ReVision – Rzeszów Józef Król Sp. z o.o. with its registered office in Rzeszów. The remuneration of ReVision – Rzeszów Józef Król Sp. z o.o. from Makarony Polskie SA amounted to the total of PLN 52,500 (PLN 18,000 for the review of the separate and consolidated semi-annual financial statements and PLN 34,500 for the audit of the financial statements of Makarony Polskie SA and the Makarony Polskie Group for 2017).

The Group applies utmost effort to act in a sustainable and responsible way while pursuing its business activities.

Corporate Social Responsibility

While executing the main business target for which enterprises are being established, namely profit generation, each enterprise must be aware of the fact that it has a significant effect on its neighbourhood (natural environment, people, other businesses).



Corporate Social Responsibility (CSR) is a responsible way of a company operation in social, economic, and environmental space. The CSR concept has been changing, evolving and continued to be a subject of public debate. Now, CSR is not only an idea but also an approach to management.

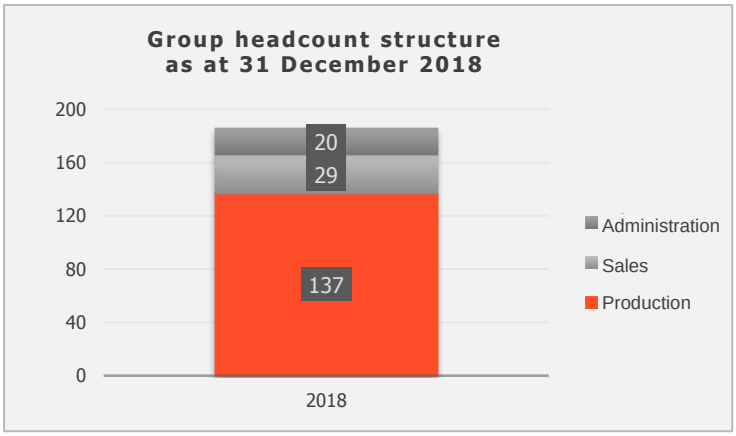
The Makarony Polskie Group applies utmost effort to follow the CSR principles when carrying out its operating activity and accomplishing its business objectives.

Creating its development strategy and accomplishing business objectives, the Makarony Polskie Group has applied utmost effort to carry out its operating activities in consideration of the CSR principles, i.e. in caring for the needs and requirements of the broadly understood social and ecological interest of the Company environment.

Employees

In 2018, the Group was consistently realising the program of headcount optimisation initiated in 2013, which assumes stabilisation of staff employed on permanent basis at the level of the necessary minimum and making the headcount of the production plants flexible by making it dependent on the size of production. The basis of the scheme was continuous care for the proper work organisation (including Lean Manufacturing implementation), as well as effective use of resources.

In accordance with the adopted policy, the Makarony Polskie Group maintained the total headcount at the level of the necessary minimum. The headcount of the Makarony Polskie Group as at 31 December 2018 was to 186 people (compared to 181 people at the end of 2017 and 196 people at the end of 2016).



Diversity policy

The HR policy of the Makarony Polskie Group focuses on keeping the best specialists and managers who, thanks to their knowledge, experience and involvement, ensure the top level of execution of the business goals of the Group entrusted to them, by which they guarantee continuing improvement of the organisation and quality of the offered products and services provided. Makarony Polskie SA has not developed any formal diversity policy concerning the Company governing bodies or its key managers. The current status of the Company does not imply any duty to report that element.

HR planning and recruitment of employees

The increasingly stronger "employee market" and shrinking unemployment, as well as the consequent growing problems in finding qualified personnel, force the employers to focus on the effective use of human resources and fast reacting to changes. In order to ensure the optimum level of tasks and goals execution, the Makarony Polskie Group has undertaken actions aimed at effective HR planning, even before a real demand in this respect occurs. The Group has implemented and carried out systematic identification of future HR needs, in close cooperation with managers of organisational units.

When recruiting and selecting candidates the Group applies utmost effort to make the process transparent, employee friendly and effective for the Company. In the decision-making process with regard to employing the candidates, the Group companies take into account their work history, seniority in their profession and education, adequately to the scope of the entrusted tasks. The Group employs women and men of various age alike, providing that they meet the subject-related criteria, and attempts to prevent any forms of discrimination.

By age and gender	Group headcount structure as at 31 December 2018		
	Women	Men	Total
18–29	13	19	32
30–49	52	57	109
50+	20	25	45

For its staff, the Makarony Polskie Group has been looking for people who have passion for new challenges, are ready to develop their talents on a continuing basis and willing to share their knowledge. At specialist and managerial positions, the Company prefers persons showing high professionalism, entrepreneurship, and involvement, who want to develop themselves professionally, enjoy their work and can cooperate with other people.

Taking care of its staff the Group, first of all, carries out internal recruitment due to the fact that internal promotions (both horizontal and vertical) make it possible to keep in the organisation those employees who are involved, have extensive experience and the required qualifications. Should no proper candidates be found in internal recruitment, the Group carries out recruitment processes addressed to external candidates, using for that the sources of recruitment adequate to the profile of a vacant position, including but not limited to, headhunters, career offices, student placements and apprenticeships, as well as Internet portals.

The recruitment process is carried out in accordance with the principles of confidentiality and based on the internal procedures binding at the Group.

Placements and apprenticeships

The Makarony Polskie Group appreciates the value and competencies of young people as well as their enthusiasm and creativity. Therefore, the Group gladly participates in various placement programmes addressed to students and graduates. The Group also enables secondary and higher education students to serve their apprenticeship.

In 2018 the Makarony Polskie Group implemented a new apprenticeship programme for graduates, fully financed from the Company own funds. The programme lasts 3 months. It is directed to young, ambitious people, who are making their first steps in their professional career. The purpose of programme is to facilitate the people who are entering the labour market to gain practical skills in the current business operations. The apprentices learn about the organisation of the Group and the operation of its business units. The Group has planned to propose long-term employment to the best apprentices.

In 2018, two graduates availed of the new 3-month paid apprenticeship programme, and one of them was employed at the Group after the apprenticeship completion.

Training

The Makarony Polskie Group attaches great importance to the effective use of human resources. A significant element of that process is ensuring professional development to the employees and continuing improvement of their professional qualifications by way of providing them with specialist training and competencies improvement programmes. Performing such activities, the Group avails mostly of external specialist training and specially prepared, closed programmes for development of competencies that, in the opinion of the Group, are the best investment in the employees.

In 2018, within the internal training formula, there were mainly provided courses in effective use of IT tools at various levels of the organisation, planning and settlement of the working time of the subordinated teams and effective sales and commercial negotiations.

The employees of various levels availed of open external training, refreshing and extending their knowledge in the scope needed for the effective performance of duties at their positions, in the changing technical, engineering, qualitative and legal environment.

The Makarony Polskie Group has also focused on self-education of their staff and improvement of professional qualifications, particularly in the scope of the tasks performed or planned at their positions, which is also important from the point of view of the Group. In 2018, that form of support was provided to three employees, for whom the Group companies provided subsidies for university and post-graduate courses.

It is important to implement the acquired skills at work and share the knowledge with other team members and among the teams. Taking the above into account, when designing various forms of training, the Group uses also the approach of periodically organised internal conferences at which the Group employees become trainers or co-trainers, thus improving their own competencies and sharing their knowledge with the others.

Remuneration system

The incentive remuneration system adopted by the Group assumes that the employees receive remuneration consisting of the fixed part (basic salary) and variable part (which includes bonuses and rewards) awarded depending on their work contribution, involvement and execution of goals/tasks set for the employees by their superiors.

The basic salary is determined depending on how a given position ranks, based on work contribution, scope of responsibilities, qualifications and experience. The Group assesses the specific positions, taking care of keeping the remuneration at a competitive level, which makes it possible to recruit persons of desirable qualifications and experience, based on the best market practices.

The variable part of the remuneration depends on the level of execution of individual goals/tasks set by the superiors, involvement of specific employees, their conscientiousness and care applied in the work performed, improvement of productivity and quality of work as well as special achievements related to execution of the tasks set by the superiors. The purpose is to motivate the employees to have very good work results compliant with the business interest of the Group.

The remuneration system implemented at the Group ensures effective support for business activities and execution of the strategy of development. The variable part of the remuneration system ensures its flexibility, ability to adjust to the needs of the organisation and to reflect the goals of the Group in the goals of the managers, and then delegating them downwards onto the employees.

In 2018 there were no significant changes in the remuneration system adopted at the Group.

OSH

Being a responsible employer, the Makarony Polskie Group takes also care to guarantee safe conditions of work to its employees. The particular companies of the Group have their own OSH policies implemented. In accordance with the regulations binding in this respect, in order to protect the health and life of the employees, the Group companies provide OSH training, ensure pre-employment and interim medical checks, hire employees of the required qualifications and equip them with personal protective equipment.

In 2018, there were reported four minor accidents at work at the Group.

Natural environment



The Group has consistently been trying to minimize its negative impact on the natural environment in each area of its operations by looking for environmentally friendly solutions. The activities of the Group focus, among other things, on rational consumption of water and energy, caring for carbon dioxide emissions limitation, minimisation of the quantity of sewage and waste produced by means of continuing improvement of manufacturing processes, use of modern, energy-efficient and high-performance engineering lines, taking care of good condition of machines and equipment. The Group companies have been applying utmost care

in segregation of waste to the specific fractions. The Group has been carrying out education and information actions in order to raise the staff environmental awareness.

In 2018, Makarony Polskie SA carried out investment projects aimed at improving the effectiveness and energy-consumption of pasta manufacturing processes, e.g. modernisation of production lines and buildings at the plants in Rzeszów and Częstochowa, or modernisation of drying chambers at the Częstochowa plant.

In November 2017, Stoczek Natura Sp. z o.o. entered into a subsidy agreement with regard to the implementation of the project entitled "Energy effectiveness improvement at Stoczek Natura Sp. z o.o.", worth PLN 2.96 million (including PLN 1.49 million subsidy), which is going to be performed in the period from January 2018 to November 2020. The main objective of the project is to improve energy effectiveness of Stoczek Natura Sp. z o.o. by way of thorough extensive thermal upgrading of the company building. Based on the energy audit carried out, within the project the company is going to implement improvements consisting in heat and electricity demand reduction.

Among the environmental protection activities undertaken by the Group, also emphasised should be the systematic disposal of electric and electronic waste as well as segregation and recycling of production waste.

Market

The trust placed by the customers in the Makarony Polskie Group is a stimulus to continuously modernise the manufacturing plants, introduce state-of-the-art production lines and comprehensive systems to control the manufacturing processes. The Group has also been investing in the acquisition and implementation of modern technologies, which is supported by the currently pending EU projects.

Caring for its development, Makarony Polskie SA has been performing EU projects focused on the creation of a Research and Development Centre for the Pasta Industry. At the Centre work will be carried out on innovative health-promoting products to be implemented in the business of the Company in the form of a new product line.

The main objective of the projects carried out by Stoczek Natura Sp. z o.o. is to improve competitiveness and innovativeness of the company on the domestic and foreign markets, by way of introducing product innovation in the form of a technology to manufacture ready-cooked meals based on meat in the form of a complete lunch.

Each production process taking place at the manufacturing plants of the Makarony Polskie Group is strictly supervised by the in-house Quality Control Teams that take care of products conformity with the requirements of food standards and high quality standards of the Company. Both raw materials and finished products are scrutinised at the in-house laboratories and, periodically, they are also examined at independent accredited external laboratories.



Makarony Polskie SA and Stoczek Natura Sp. z o.o. have implemented and certified a quality system that meets the requirements of IFS (International Food Standard) and BRC (British Retail Consortium), to be in compliance with the legal requirements regarding food safety. Furthermore, the production plants of the Group meet the requirements of the PN-EN ISO 9001:2009 quality standard, which ensures repeatability of the processes carried out and their continuous streamlining.

The Group systematically develops its cooperation with scientific institutes, R&D laboratories, and suppliers of raw materials, machines and packaging.



The achievements of the Group have been appreciated, which is expresses in a number of awards and special mentions granted to the Group and its products in 2018.



In March, 2-egg dumplings under the Makarony Polskie were awarded the title of the Sales Leader in the pasta category.

In May, wholemeal spaghetti, spirals and penne pasta offered under the Makarony Polskie brand were honoured with the "Poznaj Dobrą Żywność" [Know Good Food] title by the Minister of Agriculture and Rural Development.



In November 2018, wholemeal, spelt, buckwheat and egg-made pasta offered under the Makarony Polskie brand was awarded the "Jakość i Tradycja" [Quality and Tradition] title.



In February 2019, the fact that Stoczek Natura Sp. z o.o. belongs to the group of the fastest developing companies was confirmed by the obtained "Business Gazelles 2018" title.

Community

The Makarony Polskie Group attempts to actively participate in the life of local communities in which it is present on a daily basis due to the location of its production plants and sales offices.

Charity is one of the areas of the Makarony Polskie Group activities within the CSR projects, by way of providing support to public benefit institutions and foundations, as well as participation in charity projects.

Moreover, the Group has also actively supported the actions and initiatives for the development of culture, education and sports. It has also been engaging in community activities.

Cooperation with schools and universities

The Group companies have established long-term relationships with universities. For instance, Makarony Polskie SA cooperates with the University of Rzeszów in the field of R&D and with the Poznań University of Life Sciences, whereas Stoczek Natura Sp. z o.o. cooperates with the University of Life Sciences in Lublin.



Makarony Polskie SA has participated in the organisation of the Polish Scientific Conference entitled "Non-conventional Yeasts: from Basic Research to Application", organised on 15–18 May 2018 at the Centre for Innovations and Transfer of Technical and Environmental Knowledge in Rzeszów.

The conference was devoted to a broadly understood biotechnology, food engineering and influence of the environment and various other factors on the health and functioning of a human body.

Charity activities

For many years the Group has carried out charity activities of various kind at local and national level, providing support to children in need (Christmas campaigns and St. Nicholas' Day events, support of recreation during summer holidays), hospices (Rzeszów Hospice for Children), social aid centres (including, but not limited to Caritas Foundation of the Rzeszów Diocese), foundations (Fundacja Dziedzictwa Kresowego we Lwowie [Borderland Heritage Foundation in Lvov]) and schools.


PODZIĘKOWANIE
dla
MAKARONY POLSKIE S.A

For a few years, the Group companies have been actively involved in various initiatives of the Rzeszów Hospice for Children, such as, St. Nicholas' Day events, gifts for kids staying at the hospice and for their brothers and sisters on the Children's Day.

In 2018, the Group cooperated with the Caritas Foundation of the Rzeszów Diocese, the St. Brother Albert Aid Society and Borderland Heritage Foundation in Lvov. The Group companies supported the holiday recreation of children organised by the "Equal Opportunities" Society and the Catholic Youth Society of the Rzeszów Diocese.


Szanowny Pan
Zenon Daniłowski
Prezes Zarządu
Makarony Polskie S.A.

Patronage and sponsoring of culture and sports

The Makarony Polskie Group has been a patron of cultural and sports events, both on Poland-wide and local level.

In 2018 the Group participated, for instance, in such initiatives as:

Sponsoring of the "26th Polish First Aid Championship of the Polish Red Cross organisation" held in Rzeszów in April 2018, within which the Makarony Polskie Group companies founded the prizes for the Championship participants and laureates;

Sponsoring of the Mother's Day and Children's Day taking place at the market square in Rzeszów and organised by the Caritas Foundation of the Rzeszów Diocese;

Sponsoring of the 25th Rzeszów Juwenalia (Juvenile Festival), being one of the largest students' projects in the Podkarpacie Region, organised by three universities based in Rzeszów: the Technical University of Rzeszów, the Higher School of IT and Management, and the Higher School of Law and Administration, awarded by the prestigious ProJuventus statuette in the years 2014 and 2018, in the category of the "Best Juwenalia in Poland".



Ongoing sponsoring by Makarony Polskie SA of the sports activities of Anna Kubiak, the World Vice-Champion in taiji. In 2018, the Company sponsored the athlete's travel to the Third World Taijiquan Championship, as well as her participation in various training courses to improve her skills;



Sponsoring of the beach volleyball team of Martin Chiniewicz and Michał Korycki. In 2018, the team stood on the podium of winners four times in the competitions within the Polish Championship eliminations, and won the competition in Rybnik in July 2018. The highest achievement of the Chiniewicz and Korycki beach volleyball team was the fifth position in the World Cup held in the Hungarian Siófok.

Zenon Daniłowski
President of the Management Board

The source of data in this report is the Makarony Polskie Group, unless otherwise specified.