
REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF MERCOR S.A. OF GDAŃSK IN THE FINANCIAL YEAR FROM APRIL 1ST 2022 TO MARCH 31ST 2023 (the “Report”)

This “Report on the activities of the Supervisory Board of MERCOR S.A. of Gdańsk in the financial year from April 1st 2022 to March 31st 2023” (the “**Report**”) was prepared on the basis of

- a) Art. 382.3 of the Commercial Companies Code,
- b) Principle 2.11. of Best Practice for GPW Listed Companies 2021 (“**Best Practice**”).

1. The Supervisory Board of MERCOR S.A. of Gdańsk (the “**Company**”), exercising ongoing supervision over the Company’s business in each area of its activity (*in accordance with Art. 382 of the Commercial Companies Code*), operates on the basis of applicable laws, including in particular the Commercial Companies Code, and the following internal regulations: the Company’s Articles of Association, the Rules of Procedure for the Company’s Supervisory Board, Best Practice, and other regulations.
2. The Supervisory Board is appointed and removed by the General Meeting.
Pursuant to Art. 10.1 of the Articles of Association, the joint term of office of the Supervisory Board is 5 (five) years.
The mandate of a Supervisory Board Member expires in accordance with Art. 369 in conjunction with Art. 386 of the Commercial Companies Code.
The current mandates of Supervisory Board Members will expire on or before the date of the Annual General Meeting convened to receive the financial statements for the financial year from April 1st 2021 to March 31st 2022, the last full financial year in which Members of the Supervisory Board performed their duties.
On September 30th 2022, the following persons were appointed by the General Meeting for another joint term of office of the Supervisory Board:
 1. Mr Lucjan Myrda,
 2. Mr Arkadiusz Kęsicki,
 3. Mr Tomasz Rutowski,
 4. Mr Marian Popinigis,
 5. Mr Eryk Karski,
 6. Mr Błażej Żmijewski, and
 7. Mr Pathy TIMU ZENZO.At its meeting held on October 26th 2022, the Supervisory Board elected:
 - a) the Chair, Deputy Chair and Secretary of the Supervisory Board,
 - b) the Chair, Deputy Chair and Member of the Audit Committee,
 - c) the Chair, Deputy Chair and Member of the Remuneration Committee,as described in Sections 5, 6, 7 of this Report.
3. The Supervisory Board has read the “Best Practice for Public Interest Entities concerning the Rules of Appointment, Composition and Operation of the Audit Committee”, issued on December 24th 2019 by the Polish Financial Supervision Authority, and applies some of the solutions contained therein.

4. The Company's Supervisory Board consists of 7 (seven) Members, with the individual Committees, i.e., the Audit Committee and the Remuneration Committee, composed of 3 (three) Members.
5. The composition of the Supervisory Board in the reporting period was as follows:
 - a) Lucjan Myrda – Chair of the Supervisory Board,
 - b) Arkadiusz Kęsicki – Deputy Chair of the Supervisory Board,
 - c) Tomasz Rutowski – Secretary of the Supervisory Board,
 - d) Eryk Karski – Member of the Supervisory Board,
 - e) Marian Popinigis – Member of the Supervisory Board,
 - f) Błażej Żmijewski – Member of the Supervisory Board,
 - g) Pathy TIMU ZENZO – Member of the Supervisory Board.
6. Composition of the Audit Committee in the financial year from April 1st 2022 to March 31st 2023:
 - a) Arkadiusz Kęsicki – Chair of the Audit Committee,
 - b) Błażej Żmijewski – Deputy Chair of the Audit Committee,
 - c) Marian Popinigis – Member of the Audit Committee.
7. Composition of the Remuneration Committee in the financial year from April 1st 2022 to March 31st 2023:
 - a) Tomasz Rutowski – Chair of the Remuneration Committee,
 - b) Pathy TIMU ZENZO – Deputy Chair of the Remuneration Committee,
 - c) Lucjan Myrda – Member of the Remuneration Committee.
8. The Supervisory Board assessed the independence of Supervisory Board Members based on the independence criteria set out in the Act on Statutory Auditors, Audit Firms and Public Supervision of May 11th 2017 (Dz.U. of 2023, item 1015) (the “**Act on Statutory Auditors**”).
9. The independence criteria are met by the following Members of the Supervisory Board:
 - a) Arkadiusz Kęsicki – Deputy Chair of the Supervisory Board,
 - b) Eryk Karski – Member of the Supervisory Board,
 - c) Błażej Żmijewski – Member of the Supervisory Board,
 - d) Pathy TIMU ZENZO – Member of the Supervisory Board.

The assessment referred to above was made based on the relevant representations made by individual Members of the Supervisory Board.
10. To the knowledge of the Supervisory Board, none of its Members has any actual and material links with a Shareholder holding 5% or more of total voting rights in the Company.
11. When appointing Members of the Audit Committee, the Supervisory Board followed the guidelines set out in the Act on Statutory Auditors.
12. Accordingly, the Audit Committee consists of 3 (three) Members at least one of whom has knowledge of and skills in accounting or financial statements auditing (Chair of the Audit Committee), and at least one member of the Audit Committee has knowledge and skills relevant for the industry in which the Company operates (Member of the Audit Committee).
13. The Supervisory Board is of the opinion that the Supervisory Board meets the independence criteria for its Members and Members of the Supervisory Board's Audit Committee, which provides assurance that the Company's and its Shareholders' interests are properly protected and that the supervisory duties at the Company are properly performed by the Supervisory Board.
14. The composition of the Supervisory Board provides assurance that the Supervisory Board duties are performed properly. Members of the Supervisory Board have sufficiently diverse knowledge, competence and experience to allow them to properly perform their supervisory duties.

All Members of the Supervisory Board are men.

15. In the financial year ended March 31st 2023, the Supervisory Board held six (6) meetings on the following dates: April 14th 2022, June 28th 2022, August 31st 2022, October 26th 2022, December 1st 2022 and February 9th 2023. In that period, the Supervisory Board also performed its duties outside of meetings (i.e., under a special procedure, using means of remote communication).
Supervisory Board meetings are recorded in minutes.
16. Supervisory Board meetings are convened by the Chair of the Supervisory Board pursuant to the Articles of Association and the Rules of Procedure for the Supervisory Board.
17. Supervisory Board meetings are attended by the Company's Management Board and other persons invited by the Chair of the Supervisory Board (with respect to particular agenda items).
18. The number of Supervisory Board Members who were present at all meetings held in the reporting period allowed the Supervisory Board to pass valid resolutions.
19. In the financial year from April 1st 2022 to March 31st 2023, the Audit Committee and the Remuneration Committee performed their tasks, both at and outside of meetings. The Committees also worked with the Supervisory Board at joint meetings.
20. Supervisory Board (and Audit Committee) meetings devoted to the statutory audit or review of the financial statements were attended by the Auditor (Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. of Warsaw – the “**Auditor**” or the “**audit firm**”).
The Auditor prepared an additional report for the Audit Committee.
21. The activities of the Supervisory Board in the financial year ended March 31st 2023 mainly focused on the following matters:
 - a) Monitoring and discussion with the Company's Management Board of:
 - the Company's and MERCOR Group's financial results,
 - the Company's and MERCOR Group's budgets,
 - the Company's and MERCOR Group's day-to-day business;
 - b) Meetings with the Auditor concerning statutory audit or review of financial statements or audit strategies,
 - c) Assessment of the Company's full-year separate financial statements and MERCOR Group's full-year consolidated financial statements;
 - d) Assessment of the Directors' Report on the operations of the Company and the MERCOR Group;
 - e) Changes in remuneration of the Management Board Members;
 - f) Submitting to the General Meeting a report on the results of the assessments referred to in Art. 12.2.e) of the Articles of Association;
 - g) Granting consent for the Company to perform certain actions.
22. In the exercise of its functions, the Audit Committee (see the Report of the Audit Committee on its activities in the financial year ended March 31st 2023) in particular:
 - a) Monitored the financial reporting process;
 - b) Monitored the effectiveness of internal control and risk management systems as well as the effectiveness of internal audit, including in the area of financial reporting;
 - c) Monitored the execution of financial audit activities;
 - d) Controlled and monitored the independence of the Auditor and the audit firm;
 - e) Recommended that the Supervisory Board pass resolutions on specific matters.
23. In the exercise of its functions, the Remuneration Committee (see the Report of the Remuneration Committee on its activities in the financial year ended March 31st 2023) in particular:
 - a) Monitored the Company's practices regarding the remuneration of Management Board Members.

24. The Supervisory Board performed all reporting and information obligations in a timely manner.
25. The separate financial statements of the Company and the consolidated financial statements of the MERCOR Group were verified by an independent auditor.
26. The Supervisory Board is of the opinion that in the reporting period it properly fulfilled its duties, acting in accordance with the Commercial Companies Code and other applicable laws as well as the Company's internal regulations: the Articles of Association, the Rules of Procedure for the Supervisory Board, and the principles set forth in Best Practice.
27. The Supervisory Board gives a positive assessment of its organisation and composition. Members of the Supervisory Board have diverse qualifications and professional experience that ensure professional oversight of all areas of the Company's operations, including proper assessment of the Company's documents, as well as reports and explanations provided by the Management Board.
28. In the reporting period, Members of the Supervisory Board performed their duties with due diligence commensurate with the professional nature of their role and committed sufficient time to perform their duties on the Supervisory Board.
29. Assessment of the Company's standing on a consolidated basis, including evaluation of the internal control, risk management and compliance systems and the internal audit function:
 - a) The Supervisory Board gives a favourable assessment of the Company's and the MERCOR Group's standing as at March 31st 2023;
 - b) The Company closed the financial year from April 1st 2022 to March 31st 2023 with a net profit of PLN 23,929,408.60;
 - c) In the reporting period, the MERCOR Group recorded a sales increase;
 - d) The Supervisory Board and the Management Board collaborated on monitoring the implementation of the Company's and MERCOR Group's Strategy for the financial years 2020–2023;
 - e) The Company continues its share buyback programme;
 - f) The Company cancelled some of its own shares (pursuant to the General Meeting resolution passed on January 26th 2023);
 - g) In the reporting period, the Company consolidated its leadership on the Polish market for passive fire protection systems and its leading position in Central and Eastern Europe;
 - h) Russia's invasion of Ukraine brought about changes in the domestic, European and global markets. It also affected the Company, which holds interests in subsidiaries based in Ukraine and Russia.

Given the above, it should be stated that:

 - the subsidiary in Ukraine continues to operate,
 - the Company does not trade in goods with the subsidiary in Russia,
 - the Company does not trade in goods with other Russian entities.
30. The Supervisory Board has not identified any risk of the Company failing to continue as a going concern.
31. The Company has in place a system of internal control, risk management and compliance, as well as an effective internal audit function – the responsibility for their implementation and effectiveness rests with the Company's Management Board.
32. The Management Board presented to the Supervisory Board a report on the evaluation of the internal control, risk management and compliance systems and the internal audit function. The Company does not have a separate organisational unit responsible for internal audit.

Internal control at the Company is viewed by the Management Board as effective and suitable for the Company and its organisation.

33. To verify the effectiveness of the Company's internal control, risk management and compliance systems and the internal audit function, the Supervisory Board is also assisted by its Task Committees, namely: the Audit Committee and the Remuneration Committee. The Supervisory Board checks the effectiveness of the systems and functions referred to above chiefly during discussions with the Management Board. As the Supervisory Board and the Company's Management Board meet on a regular basis, the Company's and the MERCOR Group's operations and the control mechanisms adopted at the Company are known to the Supervisory Board and are the subject of cooperation and analysis of the two governing bodies.
34. The Supervisory Board believes that the Company has a structure appropriate to its size and potential operational risk.
35. Deviations or deficiencies in the monitored areas, if any, are immediately reported to the Company's Management Board, which takes the necessary steps.
36. The Supervisory Board's assessment of the effectiveness of the internal control, risk management and compliance systems and the effective internal audit function:
The Supervisory Board monitors the effectiveness of the systems and functions referred to above based, inter alia, on the information it receives directly from the Company's Management Board.
The Supervisory Board has not identified any weaknesses in the Company's or MERCOR Group's internal control, risk management and compliance systems or the internal audit function. The Company's Management Board takes various steps to ensure that the systems operate efficiently, enabling the elimination of any disruptions or irregularities. The internal control system in place prevents the risk of misassessment of the Company's assets or financial condition.
37. The Supervisory Board gives a positive assessment of the Company's compliance with the corporate governance principles and fulfilment of the disclosure requirements concerning compliance with the corporate governance principles defined in the Stock Exchange Rules and the regulations on current and periodic reports published by issuers of securities. Supervisory Board's assessment referred to in this section was based on a qualitative analysis of the information published by the Company.
In the opinion of the Supervisory Board, the obligations set out in this section are fulfilled by the Company in accordance with the applicable laws and regulations.
38. The Supervisory Board provided (on its website) the information on the scope of compliance with Best Practice.
39. As regards the expenses referred to in principle 1.5 of Best Practice, in the reporting period the Company:
- Became a patron of the sports event MTB Pomerania 2023 Marathon – expenses incurred by the Company amounted to PLN 10,000.00;
 - Entered into a sponsorship agreement with the Iskra Sports Club of the Polish Navy Academy in Gdynia to cover the costs of the female sailing team's participation in the Polish Sailing Champions League, the RS21 Polish Cup and the 'Women on Water' series – expenses incurred by the Company amounted to EUR 950.00;
 - Supported the organisation of the 9th Regatta for the Cup of the Warsaw Branch of the Association of Fire Engineers and Technicians – financial support provided by the Company was PLN 3,300.00;
 - Made a payment of PLN 20,000.00 for the Board of the Provincial Branch of the Voluntary Fire Brigades Association of Szczecin to support the Youth Fire Brigade Camp (thus financing the entity's statutory activities);
 - Partnered with the Museum of Gdańsk to publish the 'Third dimension of Gdańsk. Gdańsk in stereoscopic images' album;
 - The Slovak subsidiary Mercor Slovakia s.r.o. donated PLN 450.00 to support the organisation of 'Chyt'me sa za ruky', a concert for children with disabilities.

40. In addition to providing financial support, the purpose of the spending specified in Section 39 of this Report was to build the Company's and MERCOR Group's brand and image, which the Supervisory Board views favourably.
41. The Company has not adopted a diversity policy. However, the Management Board (3 members) and the Supervisory Board (7 members) are composed of educated, competent and experienced personnel with the relevant knowledge and appropriate length of service allowing them to effectively perform their supervisory and management duties. The competencies of the Management Board are complemented by those of the Supervisory Board – and vice versa.
42. Business decisions made within the MERCOR Group take into account environmental and CSR aspects, while some products support energy efficiency.
43. Pursuant to Art. 382¹.3 of the Commercial Companies Code, the Supervisory Board also states that:
 - a) The results of the Supervisory Board's assessments of the reports and financial statements referred to in Art. 395.2.1 of the Commercial Companies Code, as regards their consistency with the accounting books, documents and facts, are presented in the Report of the Supervisory Board on the results of its assessment of the separate financial statements of the Company and the consolidated financial statements of the MERCOR Group, the Directors' Report on the operations of the Company and the MERCOR Group, and the Management Board's proposal regarding the allocation of profit – for the financial year from April 1st 2022 to March 31st 2023, included in Supervisory Board Resolution No. 23/2023 of August 10th 2023. The Supervisory Board did not make any reservations regarding the reports and financial statements, gave a favourable assessment of the reports and financial statements and, in the conclusion of the aforementioned Report, the Supervisory Board requested the General Meeting to approve the reports and financial statements of the Company (and the MERCOR Group – with respect to the Directors' Report), as well as to allocate the Company's profit in accordance with the Management Board's proposal and to grant discharge to the Management Board with respect to the performance of its duties in the financial year from April 1st 2022 to March 31st 2023;
 - b) The Supervisory Board assesses the Company's condition as sound, without any threat to the Company's ability to continue as a going concern;
 - c) As the Management Board provides the Supervisory Board with information, documents, reports or explanations on an ongoing basis, the Supervisory Board did not have to request them in the manner prescribed by Art. 382.4 of the Commercial Companies Code;
 - d) In the reporting period, the Supervisory Board did not commission any audits under Art. 382¹ of the Commercial Companies Code.

In view of the foregoing, the Supervisory Board submits to the General Meeting this Report on the activities of the Supervisory Board in the financial year from April 1st 2022 to March 31st 2023 and requests the General Meeting for its receipt.

This Report was prepared as at March 31st 2023.

Lucjan Myrda
Chair of the Supervisory Board

Tomasz Rutowski
Secretary of the Supervisory Board

