



REPORT ON THE ACTIVITIES  
OF THE SUPERVISORY BOARD OF IZOSTAL S.A.  
FOR THE YEAR 2021

KOLONOWSKIE, 24.03.2022

## 1. COMPOSITION OF THE SUPERVISORY BOARD IN 2021

As at 1 January 2021, the Supervisory Board of 9th term was composed of the following persons:

- Jerzy Bernhard                                      Chairman of the Supervisory Board
- Andrzej Baranek                                    Vice-Chairman of the Supervisory Board
- Grażyna Kowalewska                            Secretary of the Supervisory Board
- Jan Kruczak                                         Member of the Supervisory Board
- Lech Majchrzak                                    Member of the Supervisory Board
- Adam Matkowski                                 Member of the Supervisory Board

During the reporting period there were changes in the composition of the Supervisory Board of the Company. On 26 February 2021, the mandate of Mr Jerzy Bernhard, acting as Chairman of the Supervisory Board, expired due to his death. From that date until 29 April 2021, the Supervisory Board of Izostal S.A. consisted of five members. On 9 March 2021, by Supervisory Board Resolution No. 11/IX/2021, Mr. Andrzej Baranek was appointed as Chairman of the Supervisory Board, and by Supervisory Board Resolution No. 12/IX/2021, Mr. Jan Kruczak was appointed as the Vice Chairman of the Supervisory Board.

The Supervisory Board of Izostal S.A., after changes as of 9 March 2021, worked in the following five-member composition:

- Andrzej Baranek                                    Chairman of the Supervisory Board
- Jan Kruczak                                         Vice-Chairman of the Supervisory Board
- Grażyna Kowalewska                            Secretary of the Supervisory Board
- Lech Majchrzak                                    Member of the Supervisory Board
- Adam Matkowski                                 Member of the Supervisory Board

On 30 March 2021, the Company received a statement from Mr Adam Matkowski on his resignation from the position of Member of the Supervisory Board of Izostal S.A. as of 28 April 2021.

The Ordinary General Meeting of Izostal S.A. on 29 April 2021 adopted resolutions on supplementing the composition of the Supervisory Board. By Resolution No. 15/2021 of the Ordinary General Meeting of Izostal S.A. in Kolonowskie, on 29 April 2021 Mr Henryk Orczykowski was appointed Member of the Supervisory Board of Izostal S.A. for the period until the end of the current term of office lasting in the financial years 2020-2024 and by Resolution No. 16/2021 of the Ordinary General Meeting of Izostal S.A. in Kolonowskie on 29 April 2021 Mr Adam Szafraniec was appointed as a Member of the Supervisory Board of Izostal S.A. for the period until the end of the current term of office lasting in the financial years 2020-2024. From 29 April 2021 to 31 December 2021, the Supervisory Board was composed of six members. On 30 April 2021, the Supervisory Board following the resignations of: Mr Andrzej Baranek from the performed duties of Chairman of the Supervisory Board and Mr. Jan Kruczak from the performed duties of Vice-Chairman of the Supervisory Board, by Resolution No. 32/IX/2021 appointed on 1 May 2021 Mr. Henryk Orczykowski as Chairman of the Supervisory Board and by Resolution No. 33/IX/2021 appointed on 1 May 2021 Mr Andrzej Baranek as Vice-Chairman of the Supervisory Board of Izostal S.A.

The composition of the Supervisory Board was as follows and remained unchanged until 31 December 2021:

- Henryk Orczykowski                              Chairman of the Supervisory Board
- Andrzej Baranek                                    Vice-Chairman of the Supervisory Board
- Grażyna Kowalewska                            Secretary of the Supervisory Board
- Jan Kruczak                                         Member of the Supervisory Board
- Lech Majchrzak                                    Member of the Supervisory Board
- Adam Szafraniec                                 Member of the Supervisory Board

The Supervisory Board of Izostal S.A. has assessed whether the independence criteria are met by its individual members. In accordance with the rule of Best Practice for WSE Listed Companies 2021 (hereinafter referred to as BPLC 2021), the required number of Board members meets the independence criteria. Two of the six members of the Supervisory Board meet the independence criteria set forth in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. These are: Mrs Grażyna Kowalewska - Secretary of the Supervisory Board and Mr Adam Szafraniec - Member of the Supervisory Board. Mrs Grażyna Kowalewska, Mr Jan Kruczak, Mr Lech Majchrzak and Mr Adam Szafraniec do not have any actual or significant relationship with any shareholder holding at least 5% of the total vote in the Company.

There is one Audit Committee within the Supervisory Board of Izostal S.A., which consists of at least three members appointed by the Supervisory Board from among its members. By resolution of the Supervisory Board of 6 July 2020, the following were appointed as members of the Audit Committee:

- Jan Kruczak                                         Chairman of the Audit Committee
- Adam Matkowski                                 Deputy Chairman of the Audit Committee,
- Grażyna Kowalewska                            Secretary of the Audit Committee.

In 2021, there were changes in the composition of the Audit Committee. On 30 March 2021, Mr Adam Matkowski resigned from the position of Member of the Supervisory Board of Izostal S.A., effective 28 April 2021. Mr Adam Matkowski served on the Audit Committee as Deputy Chairman of the Audit Committee.

After the composition of the Supervisory Board was supplemented by the Ordinary General Meeting of Shareholders on 29 April 2021, the Supervisory Board, at its meeting on 30 April 2021, adopted a resolution on the appointment of Mr Adam Szafraniec to the Audit Committee. As of 30 April 2021, the composition of the Audit Committee was as follows:

- Jan Kruczak Chairman of the Audit Committee
- Grażyna Kowalewska Secretary of the Audit Committee
- Adam Szafraniec Member of the Audit Committee

Such composition of the Audit Committee remained unchanged until 31 December 2021.

The Audit Committee supports the activities of the Supervisory Board and is an advisory body acting collectively within the Supervisory Board. Two members of the Audit Committee, Mrs Grażyna Kowalewska and Mr Adam Szafraniec, meet the independence criteria referred to in Article 129 of the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision. Mr Jan Kruczak and Mr Adam Szafraniec possess knowledge and skills in the area of accounting or auditing, which they have acquired through their education, professional qualifications and experience in their current positions. All Members of the Audit Committee possess knowledge and skills in the industry in which the Company operates, which they have acquired through their education, qualifications and experience on the positions held so far.

## 2. ACTIVITY AND SELF-ASSESSMENT OF THE WORK OF THE SUPERVISORY BOARD

The Supervisory Board of the Company acts on the basis of the Commercial Companies Code, the Company's Articles of Association, the Regulations of the Supervisory Board of Izostal S.A., Best Practice for WSE Listed Companies Listed on the Warsaw Stock Exchange 2021 and the binding provisions of law.

During the reporting period, the Supervisory Board held five meetings at which 32 resolutions were adopted, and the Audit Committee held three meetings at which 12 resolutions were adopted.

The Supervisory Board exercised permanent control and supervision over the current operating and financial activities of the Company, monitored the results achieved by the Company and the Izostal S.A. Group, participated in providing opinions and supervision over the implementation of the Company's strategic plans, and assessed the effectiveness of risk management systems significant for the Company, compliance, internal audit functions and the internal control. Within the scope of its powers and duties, the Supervisory Board assessed the manner in which the Company fulfilled its disclosure obligations concerning the application of corporate governance rules and the provision of current and periodic information by issuers of securities. The Supervisory Board also assessed the rationality of the Company's sponsorship and charity policy.

In 2021, the Supervisory Board exercised permanent supervision and control over the current operating and financial activity by analysing the Management Board's information on the current financial and economic situation of the Company and their compliance with the financial plan of Izostal S.A. and Izostal S.A. Group companies for 2021, as well as the Company's performance of its financial reporting obligations, making decisions in the form of resolutions, recommendations and findings, and issuing the said opinions. All important issues discussed by the Supervisory Board and not requiring the adoption of resolutions were included in the minutes of the Board meeting in the form of motions and recommendations.

In 2021, the Supervisory Board participated in the process of adapting internal legal acts, including the Company's Articles of Association, the Regulations of the General Meeting, the Regulations of the Supervisory Board and the Regulations of the Management Board to the amended legislation, as well as those resulting from the need to update them and update the corporate principles adopted by the Company, including the requirements ensuring the continuity of the operation of the Company's bodies, inter alia due to the ongoing COVID-19 outbreak, by taking decisions on the possibility of holding remote meetings of the Management Board and the Supervisory Board.

The Supervisory Board exercised constant supervision over the Company's activity, reviewing the matters reported by the Management Board of Izostal S.A. as important and necessary for the efficient functioning of the Company and the achievement of its development. In addition, the Supervisory Board considered and provided opinions on the issues subject to the General Meeting of Shareholders of the Company.

In the first quarter of 2021, the Supervisory Board, in accordance with the "Remuneration Policy for the Members of the Management Board and Supervisory Board of Izostal S.A." adopted by the General Meeting of Shareholders in 2020, adopted the Report on Remuneration of the Members of the Management Board and Supervisory Board for the financial year 2020, which was then positively reviewed by the Ordinary General Meeting of Shareholders on 29 April 2021. The Remuneration Report provides a comprehensive overview of the remuneration, including all benefits, in whatever form, received by, or payable to, individual Management and Supervisory Board Members during the financial year. The

Remuneration Policy adopted in the Company is aimed at ensuring corporate transparency and the possibility for shareholders and potential investors to obtain a complete and reliable picture of the remuneration of the members of the Management Board and the Supervisory Board, as well as to increase supervision over the remuneration of the members of the aforementioned bodies. Moreover, by introducing transparent rules for remunerating Members of the Company's Management Board and Supervisory Board, as well as ensuring a level of remuneration appropriate to the competencies and scope of duties, contributes to the implementation of the Company's business strategy, long-term interests and stability.

In order to guarantee transparency of its actions and fulfilment of duties resulting from Art. 90j par. 2 of the Act on Public Offering and Conditions of Introducing Financial Instruments to Organised Trading System and on Public Companies, and certain other acts, the Supervisory Board adopted "The procedure of periodical assessment of significant transactions with affiliated entities in Izostal S.A.", and the implemented "Procedure of verification of transactions with affiliated entities entered into by Izostal S.A.", the Supervisory Board determined the rules of periodical assessment of whether significant transactions that did not require prior approval of the Supervisory Board for their validity (only pursuant to Art. 90j par. 1 item 1 of the Public Offering Act) were concluded at arm's length and within the framework of the Company's ordinary activities. In the reporting period, the Supervisory Board, on the basis of the Management Board's information on significant transactions with affiliates concluded by Izostal S.A., the conclusion of which did not require the prior approval of the Supervisory Board, assessed the significant transactions with affiliates, according to which the significant transactions concluded in 2020 did not require the prior approval of the Supervisory Board and were concluded at arm's length and in the ordinary course of business.

In the opinion of the Supervisory Board, the Board fulfilled its duties with due diligence, exercising its statutory and statutory competences.

### 3. ASSESSMENT OF THE COMPANY'S SITUATION

The main topic and subject of permanent control and supervisory activities considered by the Supervisory Board in the reporting period was the analysis of the current economic and financial situation of the Company and key decisions taken in the area of the Company's business activity in 2021. The Supervisory Board monitored and analysed the implementation of the assumptions of the approved Company's Plan and capital expenditure plans on a quarterly, semi-annual and annual basis. The Supervisory Board also monitored and analysed the financial results of the Izostal S.A. Capital Group and investment plans implemented by Kolb Sp. z o.o., – a member of Izostal S.A. Capital Group. The Supervisory Board examined the Company's documents and obliged the Management Board to provide explanations and prepare current analyses and reports. In carrying out its statutory obligations, the Supervisory Board gave a positive opinion on the Management Board's Activity Report and the Financial Statements for the previous financial year and the Management Board's motion concerning the distribution of profit, requesting the General Meeting to approve them. The Supervisory Board positively assessed the work of the Management Board, which was the basis for a motion to grant a discharge to the Management Board members. The Supervisory Board considered and issued opinions on the matters being the subject of resolutions of the Ordinary General Meeting of Shareholders, and the Members of the Board took part in the General Meeting of Shareholders of the Company in a composition sufficient to provide explanations and answers to shareholders' questions. The Supervisory Board controlled the financial reporting process in the Company and the auditor's independence through the Audit Committee. In terms of risk management with respect to the process of preparing financial statements, the Company monitors on an ongoing basis the changes in external regulations and rules related to the preparation of financial statements. The Company's internal regulations are also updated on an ongoing basis in order to adapt them to the changing law. The Audit Committee familiarizes itself with the audit schedule and, through ongoing cooperation with the external auditor carrying out financial audit activities, monitors the process of preparing financial statements and the quality of cooperation with the Management Board. The Audit Committee also monitors the personal independence of the auditors and the independence of the Law Firm conducting the audit in relation to the members of the management and supervisory bodies and in relation to the Company itself. Every year the Supervisory Board evaluates the reports on the Company's operations and financial statements to the extent of their compliance with the books, documents and the actual state of affairs, and informs about the results of that evaluation in its report available on the Company's website.

On 25 March 2021, the Company's Supervisory Board, having previously reviewed the Audit Committee's recommendation, adopted a resolution selecting the auditing firm ReVision Rzeszów - Józef Król Spółka z ograniczoną odpowiedzialnością with its registered office in Rzeszów to:

- audit the Company's annual standalone and consolidated financial statements for the financial years 2021-2023,
- review the Company's semi-annual standalone and consolidated financial statements from 2021 to 2023.

The selection of the entity authorized to audit was made in accordance with applicable regulations and professional standards, in particular, in accordance with the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (Journal of Laws of 6.06.2017 item 1089) and based on the Company's internal regulations regarding the policy and procedure for selecting the audit firm.

The Supervisory Board assessed the effectiveness of the Company's significant risk management systems, internal audit function and internal control system. The Company's internal control system is a process implemented in response to the identified risk and constitutes an element of risk management. The Management Board of the Company on an ongoing basis identifies risks and monitors the areas of activity exposed to risk in order to implement protections limiting the level of risk.

When assessing the significant risk management system for the Company, the Supervisory Board takes into consideration the following risk areas:

1. Risk related to dependence on customers

Due to the structural features of the Polish gas market, there is indirect dependence on companies: PGNiG S.A. (exploration, exploitation, marketing and distribution of gas) and O.G.P. Gaz-System S.A. (transmission system operator), as well as on their planned and implemented investments. In addition to sales made directly to O.G.P. Gaz-System S.A. and PGNiG S.A. the Company provides services for companies that are contractors or subcontractors of investment projects. In order to minimize the risk, Izostal S.A. is also looking for new markets both in Poland (private gas companies) and abroad. One of the elements of minimizing the risk is the Company's entry into the casing and mining pipes market. Moreover, in connection with the launch of the Research and Development Centre for Steel Technologies and Products, the Company's range has been extended by conducting research and analyses of raw materials, developing new construction and technological solutions and introducing new products and services for companies from the gas, construction and steel industries.

2. Risk related to the quality assurance of offered services

The recipients of services and products offered by Izostal S.A. are entities operating in the gas and petrochemical industries, which are characterized by high quality requirements.

The quality of services offered by the Company is ensured by the implemented and adhered to principles of the Quality Management System according to the requirements of ISO 9001:2015 as well as the obtained certificates of conformity of products allowed to be used in the construction industry, issued and supervised by authorised certification bodies confirming compliance with the requirements. The Company also has implemented ISO 14001:2015 and OHSAS 18001:2007.

Pipe coatings produced by the Company meet the requirements of the highest quality standards and are constantly adjusted to new quality requirements.

The quality of products and services offered by the companies from the Capital Group Izostal S.A. is ensured by the implemented and observed principles of Quality Management Systems and obtained certificates of conformity of products approved for use in the construction industry, issued and supervised by authorised certification bodies, confirming compliance with specific requirements.

3. Risk related to the general macroeconomic situation of Poland

The financial situation of the Capital Group companies is correlated with the macroeconomic situation in Poland. Financial performance is influenced by general factors such as GDP growth rate, investment growth rate, changes in the level of inflation, exchange rates, unemployment rate and the level of personal income of the population. There is a risk that if the pace of economic development in Poland and worldwide worsens or if instruments of shaping the economic policy of the state are applied which may have a negative impact on the functioning of the companies of the Capital Group, the financial results achieved may change. A particularly negative impact on the operations of the companies of the Capital Group may be caused by a decrease in investment outlays in the economy, a slowdown in GDP growth, uncontrolled inflation growth, an increase in the restrictive fiscal and monetary policy of the state.

This risk is minimized by the strategy of diversification of gas supply sources adopted by Poland and restrictive regulations imposed by the European Union in the field of environmental protection and CO<sub>2</sub> emissions. The confirmation of new investments in the gas industry is the "Development plan to meet current and future demand for gaseous fuels for the period 2018-2027" adopted by O.G.P. Gaz-System S.A."

4. Risk of changes in prices of production factors

Profitability of anti-corrosive coating services provided by the Company depends on changes in the prices of production factors, including in particular the prices of chemical components, mainly polyethylene and polypropylene. The share of these factors in the cost structure is about 20%. Chemical raw material prices are highly correlated with oil prices in global markets, which, due to the current global political and economic situation, may be subject to strong fluctuations. The above cost factors may affect the periodical deterioration of the Company's financial results and the level of profitability achieved.

In order to minimize the risk of changes in the prices of production factors, Izostal S.A., in its business activity is guided by the strategy of diversification of their sources through cooperation with several entities at each stage of production.

The Company's large financial potential also allows it to make purchases of materials for stocking in periods when their prices are at a low level.

#### 5. Risk related to price volatility of steel pipes

The price of steel pipe in the product "coated steel pipe" depending on the conditions is about 70% of the value. The high volatility of prices on the steel pipes market observed in recent times has an impact on the revenues and margins achieved by the Company. Izostal S.A., in order to avoid the risk related to the fluctuation of steel pipe prices, optimizes the stock levels by adjusting them to the scope of business activity.

In special cases, steel pipes are purchased for stocking at current prices to supplement the assortment in quantities allowing for profitable sale of goods.

When purchasing pipes for significant projects, Izostal S.A. negotiates prices with suppliers and concludes contracts allowing to maintain the negotiated price regardless of the situation on the steel market.

Changes in pipe prices may affect revenues and profitability of Izostal S.A. both in the main coating segment and trade in goods. The Company secures itself against price changes in individual contracts; short-term changes in pipe prices have a limited impact on the profitability of individual contracts. However, in the long term, high pipe prices are favourable to the Company (at the level of revenues and margins), while a decrease in pipe prices may result in a decrease in revenues and profit on pipe sales.

#### 6. Foreign exchange rate risk

In connection with their export and import activities, the companies of the Capital Group are exposed to the risk of changes in foreign exchange rates. The dominant currency (after PLN) in commercial transactions is EUR. The companies of the Capital Group hedge the currency risk by concluding adequate currency transactions with deferred execution date.

#### 7. Trade credit risk

The companies of the Capital Group sell on deferred payment terms, which exposes them to the risk of insolvency of their customers. Recent years have shown the financial difficulties of companies operating in the general construction industry and road construction. In order to limit the risk to the maximum extent, the Group companies insure receivables and sell within the limits set by the insurance corporation. The exception is the sale to O.G.P. Gaz-System S.A., which Izostal S.A. decided to exclude from the insurance policy. The stable situation of this recipient guarantees no risk of insolvency and the exclusion significantly reduces the costs of the insurance policy.

#### 8. Risks associated with the spread of the coronavirus SARS-Cov-2 causing COVID-19 disease

Due to the global spread of the SARS-Cov-2 coronavirus, the Company's Management Board is constantly monitoring the economic situation and the potential negative impact of the virus on the Izostal S.A. Group.

Since the beginning of the pandemic, the Company has taken ongoing measures to mitigate the effects of the pandemic, both in terms of employee safety and maintaining continuity of the supply chain and regular production. Efforts are also underway to achieve the highest possible inoculation rate among the Companies' employees. There is extensive outreach to promote vaccination as a basis of defense against the virus. Procedures were introduced to reduce the risk of infection in accordance with the recommendations of the Chief Sanitary Inspector. Izostal S.A. Group takes all necessary steps to ensure safety and stability of operations in relation to the current epidemic situation. Izostal S.A. Group has not been significantly affected by the consequences of the pandemic.

The Supervisory Board has positively evaluated all actions undertaken to counteract the effects of the epidemic in Izostal S.A.

Additionally, in agreement with the Supervisory Board, the Management Board of the Company, aiming at reducing the risks of occurrence of irregularities in the business activity of Izostal S.A. Group, in particular such as susceptibility to actions constituting violations of law or ethical principles, has implemented the "Procedure in case of occurrence of material irregularities in the activity of IZOSTAL S.A. and "Procedure of reporting infringements of law, ethical procedures and standards in IZOSTAL S.A." also establishing the Compliance Department, which is responsible for the implementation of the policy on irregularities management in the Company.

In the opinion of the Supervisory Board, the management of the risk significant for the Company and internal control consisting in periodical control of risk management principles and compliance of this process with the adopted standards, as well as constant analysis of risk management in terms of opportunities for improvement in this area are appropriate and serve the purpose of developing mechanisms eliminating or minimizing the resulting risks. The main risk factors identified for the Company are monitored on an ongoing basis to determine whether their identification and measures taken to minimize individual risk areas are working properly and whether appropriate measures and solutions are in place.

Based on the analyses performed, the Supervisory Board considers that the risk management process in the Company, carried out by the Management Board of the Company within the scope of its operating activity together with the Company's managerial staff participating in the process of risk identification and prevention of its effects, is effected properly.



The Supervisory Board also positively assessed the compliance system operated by the Management Board and the Company's management. The Management Board, managers of organizational units and specialists have access to the Legalis legal information system and specialist press and available industry studies from where they obtain information on changes in the law, applicable standards and get acquainted with the applicable legal interpretations. Cooperation with the legal office is undertaken on an ongoing basis, and in special cases the Company uses the opinions of external, specialized units. The company has signed a contract with a law firm to provide day-to-day services.

Moreover, the Supervisory Board positively assessed the functioning of internal control in the Company. In Izostal S.A., internal control is exercised by the Management Board, managerial staff and other employees within the scope of their assigned duties. The Company has an Investor Relations and Internal Audit Department. Internal control mechanisms ensure compliance of conducted activities with the rules and procedures developed for particular areas, including financial reporting, with the applicable regulations on accounting principles. The division of tasks related to the preparation of financial statements in the Company, control of the prepared statements by the auditor, as well as monitoring the process of preparing and verifying the statements by the Audit Committee and evaluation of the statements by the Supervisory Board, ensure the reliability and correctness of the information presented in the financial statements.

All important issues discussed by the Supervisory Board in the area under discussion and not requiring the adoption of resolutions were included in the minutes of the Board meeting in the form of motions and recommendations. The Supervisory Board exercised constant supervision over the Company's activity, reviewing the matters reported by the Management Board of the Company as important and necessary for the efficient functioning of the Company and the effecting of its development.

#### 4. ASSESSMENT OF THE MANNER IN WHICH THE COMPANY FULFILS ITS DISCLOSURE OBLIGATIONS CONCERNING THE APPLICATION OF CORPORATE GOVERNANCE SET OUT IN THE STOCK EXCHANGE REGULATIONS AND REGULATIONS CONCERNING CURRENT AND PERIODIC INFORMATION TO BE PROVIDED BY ISSUERS OF SECURITIES

In 2021, the Company was subject to the corporate governance principles contained in two documents:

- "Best Practice for WSE Listed Companies 2016" adopted by the Exchange Council by Resolution of 13 October 2015 (effective until the end of June 2021). The content of the "Best Practice for WSE Listed Companies 2016" is available on the website of the Warsaw Stock Exchange (<http://www.gpw.pl>) in the section devoted to corporate governance issues of listed companies, at:
  - [https://www.gpw.pl/pub/GPW/files/PDF/GPW\\_1015\\_17\\_DOBRE\\_PRAKTYKI\\_v2.pdf](https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf).
  - "Best Practice for WSE Listed Companies 2021", adopted by Resolution No. 13/1834/2021 of the Exchange Council of 29 March 2021 (entered into force on 1 July 2021). The content of the "Best Practice for WSE Listed Companies 2021" is available on the website of the Warsaw Stock Exchange available at: <https://www.gpw.pl/dobre-praktyki2021>.

Information on the current status of the Company's application of the principles contained in the Collection "Best Practice for WSE Listed Companies 2021" is available on the Company's website, in the section dedicated to corporate governance, at <https://www.izostal.com.pl/lad-korporacyjny/aktualny-stan-stosowania-dpsn/>.

Information on the Company's compliance with the principles contained in the Best Practice for WSE Listed Companies 2021 was submitted by the Company on 28 July 2021 via the Electronic Information Database (EBI) in report No. 2/2021, together with the appendix, available on the Company's website under Reports / Corporate Governance. According to the above information, the Company does not apply 9 (nine) rules: 1.4.2., 2.1., 2.2., 3.4., 3.6., 3.7., 3.8., 4.1., 6.4.

In the opinion of the Board, Izostal S.A. correctly fulfils its information duties regarding the application of corporate governance rules, Stock Exchange Regulations and regulations on current and periodical information provided by issuers of securities, and the explanations and comments published by the Company regarding the set of corporate governance rules present the functioning of the Company bodies in a reliable, transparent and proper way. In accordance with § 70 par. 6 item 5) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757), the Company includes a statement on the application of corporate governance in its published consolidated and separate annual report.

The Supervisory Board does not find any irregularities with respect to the publication of periodic reports required by the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757). In the opinion of the Supervisory Board, the Company properly performed the disclosure obligations for WSE listed companies and complied with the Regulations and Procedures adopted for application:

- Regulations of the Insider Information Circulation in Izostal S.A,

- Procedure of restrictions on the purchase and sale of securities of Izostal S.A. in relation to persons performing managerial duties and persons closely related,
- Procedure of preparing and publishing current reports in Izostal S.A.
- Procedures of preparing and publishing individual and consolidated periodical reports in Izostal S.A. Group (quarterly, semi-annual and annual).

In 2021, Izostal S.A. published current and periodic reports in accordance with the applicable regulations in this regard. The Company announces current reports via the ESPI system and promptly publishes their contents on its website in the Investor Relations tab, Current Reports, at the following address: <https://www.izostal.com.pl/raporty--/raporty-biezace/>.

On the basis of available information, the Supervisory Board of Izostal S.A. has not found any infringement by the Company of provisions on submitting current and periodical information by issuers of securities.

## 5. ASSESSMENT OF THE RATIONALITY OF THE COMPANY'S SPONSORSHIP, CHARITY OR OTHER SIMILAR ACTIVITIES

The company, feeling a part of the local community, supports the region in which it operates and pursues social objectives by engaging in initiatives aimed at supporting education, sports and culture, as well as helping people in need.

The Company pursues the following objectives in the area of charity and sponsorship activities:

- building lasting relations with the community in order to increase recognition and trust towards the Company both as a company responsible for the local community and as a solid and honest employer;
- creating the best possible educational conditions for children and youth from Kolonowskie and the surrounding area;
- support for the lonely and disabled.

The forms and areas of the Company's charitable activities are:

- Sport and healthy lifestyle – sponsorship of those activities and initiatives that allow personal participation in sport and recreational leisure activities for the company's employees and their families, as well as initiatives that develop the sporting skills of children and young people in particular;
- Social sphere – support for local initiatives eliminating social barriers, involvement of the Company's employees in charitable activities, support of e.g. special schools and social care homes, disabled and lonely people;
- Education – financial support to purchase teaching aids and equipment for local schools;
- Culture and environmental protection – supporting activities to protect the region's environment, sponsoring regional cultural and tourist events.

The total amount of donations made by the Company in 2021 amounted to PLN 323 thousand, including for the Jerzy Bernhard Aid Foundation - PLN 300 thousand.

In the opinion of the Supervisory Board, social involvement of the company and the ethical way of conducting business bring benefits to both the society and the Company. The Supervisory Board has positively evaluated the rationality of the Company's policy on sponsoring and charity activities and the legitimacy of the expenses incurred for this purpose.

## 6. INFORMATION ON THE LEVEL OF IMPLEMENTATION OF DIVERSITY POLICY WITH RESPECT TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Company does not have a formal diversity policy with respect to its management and supervisory bodies and its key managers. Currently, there is no woman on the Management Board, but there is currently a woman on the Company's Supervisory Board. The composition of these bodies depends on the decisions of the Supervisory Board and the General Meeting, respectively. Internal regulations, most notably the Company's Code of Ethics, which has been implemented and applied, address diversity elements such as gender, education, age and work experience, recognizing diversity and equal opportunity in the workplace. The internal regulations of the company place emphasis on equal treatment of employees in employment, respect for the company community and prohibition of discrimination. The Company is committed to ensuring equal opportunities for all employees to develop without discrimination. In accordance with the provisions of the Code of Ethics of Izostal S.A., the necessary diversity of employees, based on their skills or qualifications required for the performance of a specific function, is not considered discrimination within the Company. The main assessment criterion used in the selection of the company's governing bodies and its key managers is the competence and professional experience of individual candidates. In view of the above, the Supervisory Board will evaluate the implementation of the diversity policy with respect to the Management Board and the Supervisory Board after its adoption and operation in the Company.



**Signatures of the Supervisory Board Members:**

Henryk Orczykowski	- Chairman of the Supervisory Board	<i>/illegible signature/</i>
Andrzej Baranek	- Deputy Chairman of the Supervisory Board	<i>/illegible signature/</i>
Grażyna Kowalewska	- Secretary of the Supervisory Board	<i>/illegible signature/</i>
Jan Kruczak	- Member of the Supervisory Board	<i>/illegible signature/</i>
Lech Majchrzak	- Member of the Supervisory Board	<i>/illegible signature/</i>
Adam Szafraniec	- Member of the Supervisory Board	<i>/illegible signature/</i>