

**REPORT OF COMARCH S.A.'s  
MANAGEMENT BOARD REGARDING THE  
ACCEPTANCE  
OF CORPORATE GOVERNANCE  
PRINCIPLES IN 2019**

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Statement of the Management Board of Comarch S.A. on the application in the Company of corporate governance rules in accordance with § 70 section 6 point 5 of the Regulation issued by the Minister of Finance on the 29<sup>th</sup> of March, 2018, concerning current and periodical information pertaining to companies traded on the stock exchange and on the conditions for recognizing the equivalence of information required by legal regulations binding in a country which is not a member state (consolidated text, Journal of Laws from 2018, pos. 757).

## 1. Corporate Governance Principles that Apply to an Issuer

Comarch S.A., a company listed on the Warsaw Stock Exchange, was in 2019 a subject to the corporate governance principles set out in the document "Best Practices of WSE Listed Companies 2016" (Annex to Resolution of the WSE Council No 26/1413/2015 of the 13<sup>th</sup> October 2015). The rules are available on the website [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) ([https://www.gpw.pl/pub/GPW/o-nas/DPSN2016\\_EN.pdf](https://www.gpw.pl/pub/GPW/o-nas/DPSN2016_EN.pdf)) which is the official website of the Warsaw Stock Exchange devoted to these issues.

The Best Practices include six sections:

- Disclosure Policy, Investor Communications,
- Management Board, Supervisory Board,
- Internal Systems and Functions,
- General Meeting, Shareholder Relations,
- Conflict of Interest, Related Party Transactions,
- Remuneration.

Additionally, on 29<sup>th</sup> of April, 2016, the Management Board of Comarch S.A. presented statement of the Company's compliance with the corporate governance recommendations and principles contained in the Best Practices of WSE Listed Companies 2016 which is available at <http://www.comarch.pl/relacje-inwestorskie/lad-korporacyjny/> (<http://www.comarch.com/investors/corporate-governance/>)

## 2. Recommendations for Corporate Governance Principles not Implemented by the Issuer along with an Explanation of the Circumstances and Reasons surrounding the Decision not to Implement a Particular Principle

### a) Recommendations for Best Practices of Listed Companies

*IV.R.2. f justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:*

- 1) *real-life broadcast of the general meeting,*
- 2) *real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,*
- 3) *exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

The principle is not applied in full by the Company. A shareholder may participate in a General Meeting and exercise voting right personally or by proxy. Power of attorney to participate in the General Meeting and to exercise a voting right should be granted in writing or in electronic form. Power of attorney in electronic form does not require safe electronic signature verified with the valid classified certificate. The Company does not provide the possibility of voting by correspondence, voting using means of electronic communication or participating in the General Meeting using means of electronic

communication, however enables on-line broadcasts of General Meetings over the Internet real-time bilateral communication. Due to the current shareholding structure (relatively little dispersed ownership), in the Company's opinion, currently there is no reason to implement voting by correspondence using means of electronic communication.

## **b) Detailed Principles for Best Practices of Listed Companies**

*VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:*

- 1) general information about the company's remuneration system,*
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group,*
- 3) information about non-financial remuneration components due to each management board member and key manager,*
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence,*
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.*

In terms of disclosures of remuneration the Company applies generally applicable laws. The Company complies with the principle VI.Z.4 partially. Comarch SA has a remuneration policy which defines the form, structure and level of remuneration of the Company's employees, including members of Management and Supervisory Boards. The remuneration of the members of the Management Board is determined by the Supervisory Board on the basis of qualifications, experience and responsibilities of a Board member. Remunerations of the Management Board members include variable components, the amount of which depends on the financial performance and the degree of implementation of goals designated by the Supervisory Board. The remuneration of the Management Board members is paid by the Company and the subsidiaries, depending on the degree of involvement in the operations of individual subsidiaries. Remuneration of the Supervisory Board members is determined by General Meeting of Shareholders and it does not contain variable components. The Company presents in annual reports the amount of total remuneration of Management Board members (without division into fixed and variable components) and the Supervisory Board members, in division for paid by the Company and jointly by the other Group entities.

### 3. Shareholders Holding Directly or Indirectly Significant Shares in Votes at the General Shareholders Meeting as at 29<sup>th</sup> of April, 2020

Shareholders	Number of shares	% of share capital	Number of votes at the Company's AGM	% of votes at the Company's AGM
Janusz Filipiak	1,997,027	24.55	5,569,027	36.82
Elżbieta Filipiak	846,000	10.40	4,230,000	27.96
Other members of the Board	84,904	1.05	122,504	0.81
NN OFE + DFE	846,571	10.41	846,571	5.60
MetLife OFE	841,097	10.34	841,097	5.56
Other shareholders	3,517,750	43.25	3,517,750	23.25
<b>Total</b>	<b>8,133,349</b>	<b>100.00</b>	<b>15,126,949</b>	<b>100.00</b>

### 4. Owners of Securities Entitling them to Special Control Rights as well as a Description of these Rights

Janusz Filipiak, President of the Management Board, holds 893,000 registered share preference votes (1:5). These entitle him to 4,465,000 votes at the company's general shareholders' meeting. Elżbieta Filipiak, Chairman of the Supervisory Board, holds 846,000 registered share preference votes (1:5). These entitle her to 4,230,000 votes at the Company's general shareholders' meeting. Paweł Prokop, Vice-President of the Management Board, holds 9,400 registered share preference votes (1:5). These entitle him to 47,000 votes at the Company's general shareholders' meeting

### 5. All Restrictions Relating to Execution of Voting Rights, i.e. Restriction of Voting Rights through Holding a Particular Share or Number of Votes, Time Restrictions regarding Voting Rights or Records according to which, in Collaboration with the Company, Capital Rights Related to Securities are Separated from Securities Holdings

None present.

### 6. All Restrictions Regarding Transferring the Holding Rights of an Issuer's Securities

According to art. 8 point 7 of Comarch S.A.'s Articles of Association

*„7. Disposing registered shares requires consent of the Management Board provided in writing. In case of refusal of disposing, the Management, within 2 months of filing with the Company of the intention of assigning shares, appoints the purchaser and price of shares. Price of shares may not be lower than average stock exchange price from the three recent months preceding the month of filing, provided that shares of the Company are in stock exchange trading. Otherwise, price of shares may not be lower than the book value per share as of the last balance sheet date. Price is due within one month of the date of resolution of the Management indicating the purchaser of shares.”*

## **7. Principles for the Appointing and Dismissing of Management and their Rights, notably the Right for Decision Making on Shares Issue or Buyout**

### **a) Principles for Appointing and Dismissing**

According to the Articles of Association of the Company, the Management Board of the Company consists of 2 to 8 persons appointed and dismissed by the Annual General Meeting. Members of the Management Board are appointed for the common term of office of three years. The AGM defines salaries for the Management Board, provided that this competency may be passed on in part or in entirety to the Supervisory Board. The Supervisory Board suspends on important reasons, selected or all members of the Management Board in their duties and delegating members of the Supervisory Board for the period not longer than 3 months for temporary execution of activities of those members of the Management Board who have been dismissed, who resigned or who cannot execute their duties on other reasons.

### **b) Rights according to art. 9, 20 - 22 of the Comarch S.A.'s Articles of Association and the Commercial Companies Code**

- The Management Board may appoint proxies.
- President of the Management Board single-handedly or two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised for making statements on behalf of the Company and representing the Company in Court and off Court.
- In agreements between the Company and members of the Management Board and in disputes with them, the Company is represented by the Supervisory Board or by a proxy appointed with a resolution of the General Meeting. The Supervisory Board may authorise, by way of a resolution, one or more members of the Supervisory Board to perform such legal actions.
- The Management Board defines internal organisation of the Company.
- According to art. 445 and 446 of the Commercial Companies Code, the General Meeting passes a resolution on amendments to the statutes, providing for the authorisation for the management board to increase the share capital within the limits of the authorised capital. According to art. 9 sec. point 5 of the Comarch S.A.'s Articles of Association, within the target capital, the Management Board of the Company may issue shares only in conversion for cash contributions and may not issue preferential shares or allocate personal rights for the shareholder, referred to in Article 354 of the Code of Trade Companies. In the scope of all the issues related to increasing the share capital within the target capital, in particular on excluding or limiting collection right and determining the issue price, obtaining consent of the Supervisory Board is required.

## **8. Description of Principles for Changes in Articles of Association**

A General shareholders' Meeting may pass a resolution regarding changes in articles of association, including an increase or a decrease in share capital, and a resolution on a significant change in the Company's subject matter.

## **9. Description of Operating Principles for General Meetings and Their Essential Rights and Shareholders' Rights as well as Modality, in particular Principles resulting from Rules for General Shareholders' Meeting if such Rules were passed, unless these Information Results from Law**

1. Annual General Shareholders' Meetings may be ordinary or extraordinary.

2. An ordinary General Meeting of the Management Board shall be called no later than the end of June each year.
3. General meetings shall be called in accordance with the Polish Commercial Companies Code, the Company's Articles of Association and with the Rules for General Shareholders' Meeting dated the 28<sup>th</sup> of June, 2010.
4. Meetings shall take place at the Company's headquarters.
5. At least two members of the Company's Management Board and at least two members of its Supervisory Board should take part in the Annual General Shareholders' Meeting.
6. If the subject of debate is to concern the financial affairs of the Company an auditor shall be present.
7. Representatives of the media may attend the General Shareholders' Meeting as observers.
8. Only persons who are Company's shareholders 16 (sixteen) days prior the date of the General Meeting are entitled to participate in the General Meeting.
9. Shareholders who are physical persons may take part in the Annual General Shareholders' Meeting as well as exercise their right to vote themselves or via a proxy.
10. Shareholders who are not physical persons may take part in the Annual General Shareholders' Meeting as well as exercise their right to vote via a person empowered to submit a declaration of intent in their name, or via a proxy.
11. The chairman of the Annual General Shareholders' Meeting conducts debates, takes decisions in matters of the agenda and procedure, and is authorized to interpret the present rules.
12. The duties of the chairman of the Annual General Shareholders' Meeting include:
  - Ensuring that debates are conducted in accordance with the agenda and procedure as stipulated,
  - Directing the debate: deciding who shall speak and in what order,
  - Receiving proposed and draft resolutions and opening them to debate and
  - Organizing and conducting the voting.
13. The Annual General Shareholders' Meeting shall choose a three-person returns committee from the candidates notified by the chairman. The returns committee shall ensure that each vote is correctly conducted, supervise the practical aspects of the vote and check, confirm and declare the results. Where the Annual General Shareholders' Meeting is attended by a small number of shareholders a returns committee shall not be selected unless a shareholder or proxy submits a request for a returns committee to be selected. Where a returns committee is not selected its functions shall be performed by the chairman of the Annual General Shareholders' Meeting.
14. The Annual General Shareholders' Meeting shall take decisions in the form of resolutions adopted by open voting except:
  - Voting on an issue of selecting or deselecting members of bodies of the Company, or liquidators,
  - Motions to prosecute members of bodies of the Company or liquidators,
  - In personal matters,
  - At the request of at least one shareholder,
  - In other circumstances stipulated in the regulations currently binding.
15. Shareholders shall notify the chairman of the Annual General Shareholders' Meeting of their candidates for membership of the Supervisory Board in writing or verbally.
16. Proposals for Supervisory Board candidates should be supported in detail with particular emphasis placed on the candidate's education, qualifications and professional experience.
17. Before a resolution is adopted on the composition of the Supervisory Board the General Shareholders' Meeting shall vote on a resolution to determine the number of members the Supervisory Board is to have.

18. The Company may organise the General Meeting in such a way as to enable shareholders to participate at the General Meeting using means of electronic communication.

## 10. Membership, Changes in Membership during Last Financial Year and Rules of Operations of the Company's Managing and Supervising Persons as well as Their Committees

### a) Members of the Comarch S.A.'s Supervisory Board as at 31<sup>st</sup> of December, 2019:

Name and Surname	Position
Elżbieta Filipiak	Chairman of the Supervisory Board
Andrzej Pach	Vice-Chairman of the Supervisory Board
Danuta Drobniak	Member of the Supervisory Board
Łukasz Kalinowski	Member of the Supervisory Board
Joanna Krasodomska	Member of the Supervisory Board
Anna Pruska	Member of the Supervisory Board
Tadeusz Włudyka	Member of the Supervisory Board

At the Annual General Shareholders' Meeting, which took place on 26<sup>th</sup> of June, 2019, the members of the Supervisory Board were appointed: Ms. Elżbieta Filipiak as the Chairman of the Supervisory Board, Mr. Andrzej Pach as the Vice-Chairman of the Supervisory Board and Mrs. Danuta Drobniak, Mr. Łukasz Kalinowski, Mrs. Joanna Krasodomska, Mrs. Anna Pruska, Mr. Tadeusz Włudyka were appointed to act as members of the Supervisory Board of Comarch S.A.

The Supervisory Board undertakes constant supervision of all areas of the Company's operations. The Supervisory Board operates according to the regulations of the Polish Commercial Companies Code, the Company's Articles of Association, the Corporate Governance Principles in force at the Company and the Rules for the Supervisory Board dated the 30<sup>th</sup> of June, 2003 approved at the Annual General Shareholders' Meeting (and amendments). The detailed operations of the Supervisory Board were presented in the above-mentioned documents.

### b) The most important rules included in the Rules for the Supervisory Board are:

1. The Supervisory Board shall contain three to seven people chosen by the Annual General Shareholders' Meeting. The Meeting shall, by a resolution, specify the number of members of the Supervisory Board before voting commences to select candidates for that Board.
2. Supervisory Board members shall be appointed for a common term of office lasting three years.
3. Members of the Supervisory Board shall perform their rights and duties directly and in person. Any member of the Supervisory Board may be dismissed before their term of office has been completed. Members of the Supervisory Board may be re-elected.
4. General Shareholders' Meeting shall appoint from among members of the Supervisory Board the Chairperson, the Vice Chairperson, and also the Secretary of the Supervisory Board, as needed.
5. The chairman of the Supervisory Board:
  - convenes meetings of the Supervisory Board;
  - conducts meetings of the Supervisory Board
  - opens debates at the Annual General Shareholders' Meeting.
6. When the chairman is absent his place shall be taken by the vice-chairman of the Supervisory Board.



7. The Supervisory Board may select supervisory committees from amongst its members for specific sectors of the Company's operations. In particular, this shall concern an auditing committee.
8. These committees may sit separately and may vote on resolutions. These may concern the findings of inspections and audits concerning the way the company operates.
9. Meetings of the Supervisory Board shall be convened by the chairman of the Supervisory Board. The Management Board or another member of the Supervisory Board may demand that the chairman convene a meeting of the Supervisory Board. This demand should be accompanied by a proposed agenda. The chairman of the Supervisory Board shall convene a meeting within two weeks of receiving the demand. If the meeting is not convened in accordance with the procedure stipulated above, the petitioner may himself call the meeting.
10. The agenda of meetings of the Supervisory Board shall be stipulated by the convener and, along with any relevant materials, be sent to members of the Supervisory Board three (3) days before the planned date of the meeting unless circumstances arise to justify shortening this period.
11. The agenda of meetings of the Supervisory Board may only be changed or supplemented.
12. Meetings of the Supervisory Board should be convened at least four times in each financial year.
13. Resolutions of the Supervisory Board shall be adopted by a majority of the votes present. Where there is a tie the chairman shall have the deciding vote.
14. A resolution of the Supervisory Board shall be valid where all its members have been invited and where more than half the members of the Supervisory Board, including the chairman or vice-chairman of the Supervisory Board, are present.
15. Provided all members of the Supervisory Board express their written agreement to this, resolutions of the Supervisory Board may be adopted by written ballot without a meeting being convened.
16. Meetings of the Supervisory Board may also be conducted using resources for remote communication, such as the telephone, facsimile machines, electronic mail and teleconferencing, by using the Internet in another manner and by the use of other telecommunications resources.
17. Members of the Supervisory Board may take part in voting on resolutions of the Supervisory Board by voting in writing via another member of the Supervisory Board.
18. The mode of voting on resolutions by the Supervisory Board specified above is not acceptable in the matters set out in art. 388 paragraph 4 of the Polish Commercial Companies Code. These are:
  - The selection of the chairman and vice-chairman of the Supervisory Board;
  - The appointment and dismissal of a member of the Management Board;
  - The suspension of a member of the Management Board.
19. Members of the Management Board may take part in meetings of the Supervisory Board. The Management Board shall be informed of all dates and agendas of meetings of the Supervisory Board.
20. The Supervisory Board may invite members of the Management Board to take part in a meeting.
21. At each of its meetings the Supervisory Board shall be informed by the Company of the current individual and consolidated financial results of the Company and of significant matters concerning the Company's operations. Where this is justified by the Company's situation, this shall include the risk associated with operations and ways to manage this risk.
22. Members of the Management Board shall not take part in those sections of meetings of the Supervisory Board which concern the dismissal, scope of responsibility, or pay and conditions of Management Board members.
23. Meetings of the Supervisory Board shall be minuted. The minutes should include the agenda for debate, the name and surname of all the Supervisory Board members present and the results of the votes on resolutions.

24. The Supervisory Board shall undertake constant supervision of all areas of the Company's operations.
25. The specific competences of the Supervisory Board are as follows:
  - Assessing the Company's annual financial statement and the consolidated financial statement of the Comarch capital group;
  - Assessing the Management Board's reports on the Company's operations and on the Comarch capital group and, in addition, assessing the Management Board's conclusions on distributing profits and covering losses;
  - Submitting a written report containing the information required by points above of the present section;
  - Scrutinizing the work of the Management Board in effecting resolutions adopted at the Annual General Shareholders' Meeting;
  - Selecting statutory auditors for the financial statements of the Company and of the Comarch capital group. The Supervisory Board may adopt a resolution to apply stricter criteria for the statutory auditor's independence than are demanded by the legal regulations;
  - Appointing and dismissing members of the Management Board, stipulating the compensation attracted by performing the function of member of the Management Board, suspending – for substantial reasons – individual members, or all members, of the Management Board, designating members of the Supervisory Board to temporarily perform the functions of members of the Management Board, or suspending the Management Board itself;
  - Giving consent to increase share capital within the context of authorized capital;
  - Giving consent to acquire and dispose of real estate or shares in real estate;
  - Giving consent to the members of the Company's Management Board on the management boards or supervisory boards of companies from outside the Comarch Capital Group;
  - Giving consent to the conclusion by the Company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the Company or a related entity;
  - Giving consent to conclude an agreement with an issue underwriter in accordance with the provisions set out in art. 433 paragraph 3 of the Polish Commercial Companies Code;
  - Exercising, in respect of members of the Management Board and on behalf of the Company, rights and privileges arising from an employment relationship;
  - Approving the Company's growth strategy;
  - Expressing its opinion on draft resolutions for the Annual General Shareholders' Meeting sent to it by the Management Board and shareholders.
26. Once every year the Supervisory Board must adopt a resolution in the matter of its assessment of the Company's situation, the Supervisory Board's report on its activities, assessment of the Company's compliance with information obligations regarding the corporate governance principles, assessment of the rationality of the Company's policy in the area of sponsorship, charity or other similar activities. These documents shall be passed on to the Annual General Shareholders' Meeting.
27. To aid it in performing its function, the Supervisory Board has the right to see all the Company's documents and may demand reports and explanations from the Executive Board and from Company's employees. The Supervisory Board may also conduct a review of the state of the Company's assets.
28. The Supervisory Board operates as a collective body but may, however, delegate its individual members to particular supervisory activities.
29. Members of the Supervisory Board should hold the interests of the Company as their highest priority. A member of the Supervisory Board should avoid undertaking professional or non-professional activity that could lead to a conflict of interests or adversely affect his reputation as a member of the company's governing body, and should he disclose a conflict of interest immediately.

30. Members of the Supervisory Board shall be bound to inform other members of the Supervisory Board of any conflict of interest arising and, following this, not take place in the debate concerning the matter that is subject to a conflict of interest. Where it is uncertain whether a conflict of interest has arisen, the Supervisory Board shall vote on a resolution to resolve this uncertainty.
31. Members of the Supervisory Board shall keep secret all information they acquire in the course of their duties concerning the Company's activities and the activities of companies within the Comarch Capital Group.
32. Within fourteen days of their selection a member of the Supervisory Board shall make a written submission of any economical, familial or other involvements with a shareholder holding five per cent or more of the votes at the Annual General Shareholders' Meeting. The Management Board shall inform the Supervisory Board in writing at that board's next meeting of any case where any entity acquires five per cent or more of the votes at the Annual General Shareholders' Meeting. Where information of this nature is passed to them, the members of the Supervisory Board shall submit – within fourteen days of the sitting of the Supervisory Board at which they were informed – written information concerning any conflict of interest arising. Should the involvements referred to in the present section change, members of the Supervisory Board are obliged – without summoning the Company to meet – to provide details of these changes within fourteen days.
33. Members of the Supervisory Board delegated to long-term, individual supervisory duties may not, unless the Company gives permission, involve themselves in competing business interests or participate in the business of a competitor Company as a partner or associate, or as a member of a body of a joint-stock Company. Further, they may not participate in the business of a competitor Company in a different legal personality as a member of a Company body. Additionally, members of the Supervisory Board are forbidden to participate in a competitor capital group where they hold ten per cent or more of the shares or participation rights, or where they enjoy the right to appoint at least one member of the Management Board.
34. Permission for members of the Supervisory Board delegated to long-term, individual supervisory duties to pursue competing commercial interests shall be granted according to a decision of the Supervisory Board.
35. A member of the Supervisory Board may not accept benefits that could affect impartiality and objectivity in making decisions or may adversely affect the assessment of the independence of his opinions and courts.
36. If a member of the Supervisory Board finds that a decision of the Supervisory Board is contrary to the interests of the Company, he may request that his opinion be included in the minutes of the meeting of the Supervisory Board.
37. Duties of members of the Supervisory Board
  - Members of the Supervisory Board are obliged to draw up a list of persons closely associated with them and to deliver it to the Company immediately, no later than within 7 days.
  - Members of the Supervisory Board and persons closely associated with them are obliged to provide the Company and the Polish Financial Supervision Authority with information on each transaction concluded for their own account in relation to Company's shares or debt instruments or to derivative instruments or other related financial instruments - if the value of this transaction or the sum of transaction values exceeds € 5,000. The obligation to notify transactions applies to each subsequent transaction when the total amount of EUR 5,000 is reached during one calendar year. The threshold of 5,000 euros is calculated by adding without offsetting the position of all transactions. Members of the Supervisory Board are obliged to provide information about transactions immediately, but no later than within two business days after the transaction date. Members of the Supervisory Board are obliged to notify persons closely related to their obligations under the above content and to keep a copy of this notification. In the case of the appearance of new people closely related, a member of the Supervisory Board is obliged to notify them in writing about the obligations

arising from the above content and sanctions for violation of these obligations, as well as to keep a copy of this notification. A declaration signed by a person closely related should be forwarded to the Company immediately, but no later than within 7 days.

- Members of the Supervisory Board delegated to long-term supervisory tasks shall submit a monthly, written report detailing their activities to the Supervisory Board.
- Members of the Supervisory Board should not resign their positions in mid-term where this would make it impossible for the Supervisory Board to function or where, especially, this would delay the adoption of vital resolutions.
- Members of the Supervisory Board shall receive compensation according to terms stipulated by the Annual General Shareholders' Meeting.
- Two members of the Supervisory Board shall participate in the debates at the Annual General Shareholders' Meeting. Members of the Supervisory Board shall themselves select these delegates to represent the Board at the Annual General Shareholders' Meeting.
- Members of the Supervisory Board should make all efforts to participate in Supervisory Board meetings.
- In the case of election of Supervisory Board members by voting in separate groups, each group has the right to delegate one of the Supervisory Board members elected by it to permanent, individual performance of supervisory activities.
- Members delegated to long-term, individual supervisory tasks have the right to participate in meetings of the Management Board.

38. The compensation for members of the Supervisory Board delegated to long-term, individual supervisory tasks shall be stipulated by the Supervisory Board.

39. The Company shall cover the costs of the Supervisory Board's operation.

40. The Supervisory Board shall use the Company's office space, equipment and material.

41. The Company's Management Board shall provide the Supervisory Board with administrative and technical support.

## **c) Committees**

In 2019, the Audit Committee (equivalent of the Audit Committee within the meaning of Annex I to the European Commission Recommendation of the 15<sup>th</sup> of February, 2005 concerning executive directors (...)), consisted of:

- 1) until the 15<sup>th</sup> of July, 2019, Danuta Drobniak - Chairman of the Audit Committee, Elżbieta Filipiak- Member of the Audit Committee and Robert Bednarski- Member of the Audit Committee.
- 2) from the 15<sup>th</sup> of July, 2019, Joanna Krasodomska- Chairman of the Audit Committee, Danuta Drobniak- Member of the Audit Committee and Andrzej Pach- Member of the Audit Committee.

In 2019, the Audit Committee held four meetings.

According to the information available to the Company, two members of the Audit Committee in the composition operating until 15<sup>th</sup> of July, 2019 fulfilled the conditions for independence (Danuta Drobniak and Robert Bednarski).

Danuta Drobniak (statutory auditor no. 9578) and Robert Bednarski (work experience, including on the positions of the Director of the Finance Management Office at PKN ORLEN SA, a member of the Management Board and Chief Financial Officer of Basell Orlen Polyolefins, Vice-President of the Management Board for Economic and Financial Issues at Boryszew S.A., a member of ACCA since 2005) have knowledge and skills in accounting or auditing.

The knowledge of the IT industry is held by Elżbieta Filipiak (graduate of AGH University of Science and Technology, one of the founders of Comarch S.A.) and Robert Bednarski (professional experience, among others as a member of the Board and financial director at Basell Orlen Polyolefins, in which he was responsible for coordination, from financial, tax and IT websites, investments in the development of the company's production capacities, associated with Ciech S.A. as a member of the Management Board, he was responsible for finance and IT).

According to the information available to the Company, two members of the Audit Committee in the current composition fulfilled the conditions for independence (Joanna Krasodomska and Andrzej Pach).

Joanna Krasodomska (PhD of Economic Sciences, licensed accountant, academic staff, since 2016 as Associate Professor at the Faculty of Finance and Law at the Department of Financial Accounting at the Cracow University of Economics conducts scientific research, didactic activity, promoting and reviewing master's and doctoral dissertations, organizational activity for the University and the Department) and Danuta Drobniak (statutory auditor no. 9578) have knowledge and skills in accounting or auditing.

The knowledge of the IT industry is held by Andrzej Pach (professor of technical sciences, author of over 250 scientific publications in the field of modelling and analysis of computer networks and radio networks, participant and manager of many research projects, professor at the Department of Telecommunications AGH University of Science and Technology, whose head was in the years 1998 - 2016, currently performs the function of Vice-Rector for Science of AGH University of Science and Technology and is a member of the Electronics and Telecommunications Committee of the Polish Academy of Sciences).

#### **d) The most important rules included in the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A.:**

1. The Audit Committee operates in accordance with the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A. adopted on November 27, 2017 with Resolution No. 2/11/2017 of the Audit Committee of Comarch S.A.
2. The Audit Committee consists of at least three members, including the Chairman of the Audit Committee, appointed or removed by the Supervisory Board for the term of its term from among the members of the Supervisory Board.
3. Most members of the Audit Committee, including the Chairman, are independent of the Company, i.e. they meet the independence criteria.
4. At least one member of the Audit Committee possesses knowledge and skills in accounting or auditing.
5. At least one member of the Audit Committee possesses knowledge and skills in the field in which Comarch S.A. operates. or individual members in specific areas have the knowledge and skills in this industry.
6. The Committee performs its functions jointly.
7. The Committee's meetings shall be held at the registered office of the Company or other place indicated by the person convening the meeting.
8. The Chairman of the Audit Committee may invite to the meetings of the Audit Committee other members of the Supervisory Board, members of the Management Board and employees of the Company, a certified auditor and other persons whose participation in the Committee's meetings considers important from the point of view of the Committee's tasks.
9. The Committee shall meet as often as it is necessary for the effective performance of its tasks, but not less frequently than four times in a financial year.
10. Every member of the Audit Committee, as well as members of the Supervisory Board and the Management Board, has the right to bring matters to Committee meetings.
11. A resolution of the Audit Committee is validly adopted if all its members have been invited to the Audit Committee meeting and at least half of the members of the Audit Committee participate in the meeting.
12. Resolutions of the Audit Committee are adopted by a majority of votes of present. In the case of an equal number of votes, the Chairman's vote is decisive.
13. Minutes of meetings of the Audit Committee together with conclusions and recommendations of the Audit Committee are submitted to the Supervisory Board as well as to the Management Board of the Company.

## 14. Task and rights of the Audit Committee:

- monitoring the financial reporting process;;
- submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company;
- monitoring the performance of auditing activities;
- informing the Supervisory Board about the results of the audit;
- assessing the independence of the certified auditor and consenting to the provision of permitted non-audit services in the Company;
- developing a policy of selecting an audit firm to conduct the audit;
- development of a policy by the audit firm conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
- determination of the procedure for the selection of an audit firm by the Company;
- presenting recommendations to the Supervisory Board regarding the selection of an audit firm;
- examining the issues that give rise to resignation from the services of the external auditor and issuing recommendations on the required activities;
- monitoring the effectiveness of internal control systems and risk management systems as well as internal audit;
- the Committee has the right to investigate every matter in its area of responsibility.

15. Once every six months before the date of approving annual and semi-annual reports, the Committee prepares and presents to the Supervisory Board a report on its activities.

16. A member of the Audit Committee should make every effort to participate in the meetings of the Audit Committee.

As at 31<sup>st</sup> of December, 2019, the Supervisory Board of Comarch S.A. did not set up a nomination committee and a remuneration committee.

### **e) Audit Committee and the auditor – policies, procedures**

The issuer was not provided by an auditing company examining its non-audit services' financial statements.

The recommendation regarding the selection of an audit firm to conduct the audit met the applicable statutory conditions and was consistent with the principles contained in the document "Policy and procedures for selecting an audit firm to audit the statutory financial statements of COMARCH S.A. and the COMARCH Capital Group and the policy for the provision of additional services by the auditing company, an entity related to the auditing company or a member of its network adopted by the Resolution by the Audit Committee of Comarch SA " available at [https://www.comarch.pl/files-pl/file\\_381/Polityka-wyboru-firmy-audytorskiej-27112017.pdf](https://www.comarch.pl/files-pl/file_381/Polityka-wyboru-firmy-audytorskiej-27112017.pdf), [https://www.comarch.com/files-com/file\\_280/policy-to-select-auditor-updated.pdf](https://www.comarch.com/files-com/file_280/policy-to-select-auditor-updated.pdf) It was prepared following an election procedure organized by the issuer that met the issuer's criteria.

The main assumptions of the policy elaborated for the selection of an audit firm to conduct the audit and the policy of the auditing company conducting the audit by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services:

### **The policy of Comarch S.A. regarding choosing an audit firm for statutory audit of financial statements.**

1. In accordance with the regulations in force at the Company, the audit firm is selected by the Supervisory Board in the form of a resolution, acting on the recommendation of the Audit Committee.
2. It is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an audit firm from among a specific category or list of entities authorized to audit. Such clauses shall be automatically void.

3. The Supervisory Board, when making a selection, and the Audit Committee during the preparation of recommendations, are guided by the following guidelines regarding the audit firm:
  - Confirmation of impartiality, independence and the highest quality of auditing work
  - Knowledge of the IT industry in which the companies of the Comarch Capital Group operate,
  - Confirmation of operating within international network in most of the countries in which the companies of the Comarch Capital Group operate,
  - Confirmation of having experience in examining the reports of public interest entities,
  - The ability to provide the required range of services within timeframes specified by the Company,
  - Professional qualifications and experience of persons directly involved in the audit,
  - The price proposed by the entity authorized to audit.
4. The contract with the audit firm for the audit of financial statements shall be concluded in time for the audit firm to take part in inventory-taking of important assets.
5. In the case of the statutory audit as defined by Article 2 item 1 of the Act on Statutory Auditors, the first contract for the audit of financial statements shall be concluded with the audit firm for a period not shorter than two years with the possibility of extending it to subsequent biennial periods. The costs of conducting the audit of the financial statement shall be borne by the audited entity.
6. A maximum uninterrupted duration of orders for the statutory audits, conducted by the same audit firm, an affiliated audit firm or any member of the network operating in the European Union countries to which these audit firms belong, must not exceed 5 years. The key statutory auditor may re-conduct the statutory audit of the Company after at least 3 years from the end of the last statutory audit.

### **The procedure for selecting an audit firm to audit the statutory financial statements.**

The Chief Financial Officer of Comarch S.A. prepares a request for selection of an auditing company to carry out a statutory audit of COMARCH S.A.'s financial statement and consolidated financial statement of C Comarch S.A. Capital Group by the end of March of the year, which should be audited. The request should be published on the website [www.comarch.pl](http://www.comarch.pl) and sent to the selected auditing service providers. Companies of the Comarch S.A. Capital Group operating outside Poland should be audited, mostly, by subsidiaries of the selected auditing company operating in the international network.

In cases other than the extension of the audit contract with the existing auditing company, the Company conducts the tender procedure in accordance with the following procedures

Tender documentation, prepared by Comarch S.A., for the invited audit firms:

- enables these companies to learn about the operations of the Company and the Comarch S.A. Capital Group,
- contains an indication of financial statements subject to examination,
- contains transparent and non-discriminatory selection criteria that are used to assess the offers made by audit firms.

The selection procedure of the audit firm does not exclude from the participation companies that obtained less than 15% of their total remuneration for research from public interest entities in a given European Union country in the previous calendar year, which are listed in the list of audit firms referred to in art. 91 of the Act on Chartered Auditors.

Auditing companies operating in the international network, which audit public interest entities, submit their offers for statutory audits of Comarch S.A.'s financial statement and consolidated financial statement of Comarch Capital Group to the Chief Financial Officer of Comarch S.A. with the timeframes laid down in the request published on the Company's website.

All offers received from the auditing companies operating in the international network are submitted to the Members of the Comarch S.A.'s Audit Committee.

Members of the Comarch S.A.'s Audit Committee analyse the received offers, determine the date of a meetings with representatives of auditing companies and, on the basis of these actions, recommend the choice of an auditor to the Supervisory Board of Comarch S.A. The Audit Committee presents the Supervisory Board with a recommendation regarding the selection of an audit firm. In its recommendation, members of the Audit Committee:

- Indicate the auditing company they propose to entrust with the statutory audit,
- Declare that the recommendation is free from the influence of third parties,
- State that the Company did not conclude agreements containing contractual clauses that would require the Supervisory Board to choose an audit firm from among a specific category or list of entities authorized to audit.

The recommendation contains at least two options for the selection of the audit firm along with justification and indication of the justified preference of the Audit Committee with respect to one of them.

Comarch S.A. evaluates the offers submitted by the audit firms in accordance with the selection criteria set out in the tender documentation and prepares a report containing the conclusions of the selection procedure approved by the Audit Committee.

During the procedure of the selection of an audit firm, Comarch S.A. and the Audit Committee take into consideration any findings or conclusions contained in the annual report referred to in art. 90 sec. 5 of the Act on Chartered Auditors, which may affect the selection of an audit firm.

If the decision of the Supervisory Board regarding the selection of an audit firm deviates from the recommendation of the Audit Committee, the Supervisory Board justifies the reasons for non-compliance with the recommendation of the Audit Committee and forwards such justification to the body approving the financial statements.

The decision of the Supervisory Board shall be announced publicly by the Management Board in the form of a current report on the selection of the audit firm.

The Supervisory Board, based on the recommendation of the Audit Committee, may extend the contract with the current auditing company to audit financial statements for subsequent at least two-year periods without the need to conduct a tender procedure after taking into account the rules of rotation of the audit firm and the key certified auditor resulting from the law.

### **Policy in the scope of providing additional services by an audit firm, an entity affiliated to an auditing company or a member of its network.**

A statutory auditor or an audit firm that performs statutory audits of the Company or an entity affiliated to the auditing firm or any member of the network to which the statutory auditor or audit firm belongs does not directly or indirectly provide to the Company or its controlled entities any prohibited services that are not audit services.

Prohibited services shall not include services indicated in Art. 136 sec. 2 of the Act on Chartered Auditors. Services that are not prohibited, are possible to the extent not related to the Company's tax policy, after approval by the Audit Committee preceded by the Audit Committee's assessment of threats and safeguards of the independence of the audit firm.

Where applicable, the Audit Committee issues guidelines on services that are not prohibited.



## f) Members of Comarch S.A.'s Management Board as at 31<sup>st</sup> December , 2019:

Name and surname	Position
Janusz Filipiak	President of the Management Board
Marcin Dąbrowski*	Vice-President of the Management Board
Paweł Prokop	Vice-President of the Management Board
Andrzej Przewięźlikowski	Vice-President of the Management Board
Zbigniew Rymarczyk	Vice-President of the Management Board
Konrad Tarański	Vice-President of the Management Board
Marcin Warwas	Vice-President of the Management Board

*\*) On 29th of January, 2020, Mr. Marcin Dąbrowski, head of the telecommunications sector, resigned from the position of Vice President of the Management Board of Comarch S.A. with effect from 29th of January, 2020.*

The Management Board leads the affairs of the Company and operates according to the provisions of the Polish Commercial Companies Code, the Company's Articles of Association, resolutions of the Supervisory Board, resolutions of the Annual General Shareholders' Meeting, the Rules for the Management Board dated the 15<sup>th</sup> of September, 2017, and to the generally binding legal regulations. The detailed operations of the Management Board were presented in the above-mentioned documents.

## g) The most important rules included in the Rules for the Management Board are:

1. The Management Board performs its functions jointly and takes resolutions at meetings of the Management Board and in the manner stipulated below.
2. Meetings of the Management Board shall be held at least once every month. In 2019, all meetings of the Management Board were held on the Company's premises at the Special Economic Zone in Krakow, at the address ul. Prof. Michała Życzkowskiego 23.
3. A meeting of the Management Board shall be called by the President of the Management Board or, in his absence, a member of the Management Board acting as the President of the Management Board.
4. Where all members of the Management Board are present at a meeting of the Management Board, a meeting of the Management Board may be called informally.
5. The President of the Management Board or, in his absence, the person acting as President of the Management Board, may call a meeting of the Management Board at the request of any member of that Board and with the agenda specified by the member making the request. Meetings of the Management Board called in this way shall, however, not be restricted exclusively to this agenda and may consider other items placed on the agenda.
6. Meetings of the Management Board shall be chaired by the President of the Management Board, a person acting as the President of the Management Board or a person nominated by the President of the Management Board.
7. The Management Board shall take decisions in the form of resolutions adopted by open vote.
8. The chairman shall order a secret vote where even one member of the Management Board taking part in the meeting requests this.
9. Resolutions shall be adopted by an absolute majority of votes.
10. A resolution adopted at a meeting of the Management Board is valid only where at least four members of the Management Board, including the President of the Management Board or the person acting as the President of the Management Board, are present.

11. The Management Board may adopt a resolution outside meetings of the Management Board in the following ways:
  - By written vote – in this case each member of the Management Board votes in writing and gives this to the President of the Management Board or to the person acting as President of the Management Board;
  - By written vote – each member of the Management Board signs the contents of the resolution and gives this to the President of the Management Board or to the person acting as the President of the Management Board;
  - voting using telecommunications means in the form of fax, e-mail, Internet or other means of distance communication.
  - Votes cast in the manner set forth above shall be recorded in the book of resolutions and appended to the minutes of the meeting of the Management Board.
  - Where adopted in the manner set out in the third indent, a resolution shall require the votes of all members of the Management Board to be valid.
12. Non-members of the Management Board may be invited to attend its meetings.
13. All meetings of the Management Board require that minutes be taken. These should include at least:
  - The date and place of the meeting.
  - The agenda of the meeting.
  - The names and surnames of the members of the Management Board present at the meeting.
  - The names and surnames of people invited to the meeting of the Management Board and present at the meeting.
  - The exact content of resolutions.
  - The number of votes cast for and against resolutions including the number of abstentions.
  - The subjects discussed.
  - A written record of dissenting opinions expressed.
  - The signatures of the members of the Management Board present at the meeting.
14. The minutes of Management Board meetings shall be kept in the Minutes Book. The Minutes Book shall be maintained by the CEO secretariat.
15. The minutes of Management Board meetings shall be drawn up immediately by CEO secretariat.
16. Performing functions in the Management Board of the Company is the main area of professional activity of a member of the Management Board. Additional professional activity of a member of the Management Board can't lead to such a commitment of time and effort to negatively affect the proper performance of the function performed in the Company. In particular, a member of the Management Board should not be a member of bodies of other entities, if the time devoted to the performance of functions in other entities prevents him from diligently performing his duties in the Company.
17. In the case of resignation or inability to perform activities by a member of the Supervisory Board, the Management Board of the Company immediately takes appropriate actions to supplement or change the composition of the Supervisory Board.
18. The Management Board of the Company is responsible for the implementation and maintenance of the effective internal control systems, risk management, compliance and internal audit functions.
19. The Management Board of the Company presents to the Supervisory Board at least once a year its own assessment of the effectiveness of the systems and functions with the relevant report.
20. A member of the Management Board of the Company should avoid undertaking professional or non-professional activity that could lead to a conflict of interest or adversely affect his reputation as a member of the Company's body. A member of the Management Board in the case of a direct or indirect conflict of interests of the Company with the interests of a member of the Management Board is obliged to notify the Supervisory Board of the Company about the conflict.

21. A member of the Management Board can't accept benefits that could affect impartiality and objectivity in making decisions, or negatively affect the assessment of the independence of his opinions and courts.
22. If a member of the Management Board decides that the Management Board's decision conflicts with the Company's interests, he may request that his position on the subject be included in the minutes of the Management Board meeting.
23. Where there is a direct or indirect conflict between the interests of a member of the Management Board and those of the Company, that member shall inform the Company's Supervisory Board that this is the case.
24. Two members of the Management Board shall participate in the debates of the Annual General Shareholders' Meeting. Members of the Management Board shall themselves decide on which of their number should represent them at the Annual General Shareholders' Meeting.

## **11. A Description of the Basic Features of the Internal Control and Risk Management Systems the Issuer Uses and How These Relate to the Process of Preparing the Financial Statements**

The Company's Management Board is responsible for the Company's accounting in accordance with the Act on Accounting of 29<sup>th</sup> of September, 1994 (consolidated text, Journal of Laws from 2018, pos. 395 with subsequent changes) and compliant with the Regulation issued by the Minister of Finance on 29<sup>th</sup> of March, 2018 concerning current and periodical information pertaining to companies traded on the stock exchange, as well as conditions for recognizing the equivalence of information required by legal regulations binding in a country which is not a member state (consolidated text, Journal of Laws from 2018, pos. 757).

The audited consolidated financial statements are prepared in all significant aspects compliant with the International Financial Reporting Standards, as approved by the European Union. When specifying the scope and methods of consolidation, as well as the relations of dependency, IFRS principles were applied. Consolidation of the Capital Group's financial statement in relation to the subsidiaries was conducted using the full method by summing all the appropriate items from the dominant unit and the consolidated subsidiaries' financial statements in the full amount. In relation to the associates the equity method was applied. The value of the share of the dominant unit in the associate was adjusted in the interest of the dominant unit by the increase in the associate's equity occurring within the consolidating period.

When preparing financial statements and consolidated financial statements internal control and risk management at Comarch S.A. are effected in accordance with the Company's internal procedures for drawing up and approving financial statements. In accordance with the Act on Accounting of 29<sup>th</sup> of September, 1994, the Company maintains documents describing the accounting principles it has adopted. These include, but are not limited to, information on the methods for valuing assets, for valuing equity and liabilities, for determining the financial result, for maintaining the accounting ledgers and for the protection and security of data and sets of data.

Both financial statements and consolidated financial statements are prepared jointly by people working in the accountancy, the capital market, the control and the finance departments under the supervision of the Head Accountant and Chief Financial Officer. Financial statements and consolidated financial statements are audited, and half-year financial statements are reviewed by an independent expert auditor elected by the Company's Supervisory Board.

## **12. Description of the Diversity Policy**

Comarch Group make every effort to ensure balanced share of women and men in performing functions of management and supervisory boards' members in companies. Compliant with Working Rules, employer is obliged to: „counteract discrimination in employment, in particular in relation to gender, age, disability, race, religion, nationality, political beliefs, union affiliation, ethnic origin, creed, sexual

orientation." Moreover, employees of Comarch Group. „should be treated equally within the scope of beginning and terminating work, employment conditions, promotion and trainings availability in order to improve professional qualification, in particular regardless of gender, age, disability, race, religion, nationality, political beliefs, union affiliation, ethnic origin, creed, sexual orientation, and regardless whether employed definite or indefinite time, full-time or part-time." Comarch policy does not create any barriers in relation to gender, views, sexual orientation, ethnic or race origin within the scope of employing and personal policy. It does not contribute to direct or indirect discrimination due to gender, age, disability, race, religion, nationality, politic beliefs, union affiliation, ethnic origin, creed and sexual orientation.

Representatives of the management bodies of the Comarch Group companies are citizens of different countries. The supervisory boards of Comarch Group companies include 8 women and 38 men. The management boards of the Comarch Group companies include mainly men (133 against 16 women), which is primarily related to the nature of the Comarch Group's operations and the specifics of the IT industry, in which men form a significant majority. It should also be emphasized that a large part of the management board members are people associated with Comarch for many years, possessing extensive knowledge in the field of IT technology and qualifications necessary for the positions held. In connection with the above, it should be assumed that in the nearest future there will be no major changes in the share of women in these management bodies.

The Comarch Group constantly increases the percentage share of women's employment, however, when deciding about employment, the employee's qualifications are taken into account, not the gender. Women constitute approx. 29% of employees employed by the Comarch Group companies and about 25% of the management staff of the Comarch Group companies, which is a high proportion of women in total employment, especially taking into account the technical nature of the Comarch Group's operations.

The Comarch age structure is very diverse. Comarch employs a lot of people under 30, which is typical for the IT industry. Persons in managerial positions are usually in the 30-50 age group, which also characterizes the management boards and supervisory boards.