

## **Comarch S.A. Supervisory Board Report 2019**

In 2019, there were the following members of the Supervisory Board:

From 1<sup>st</sup> of January to 26<sup>th</sup> of June, 2019:

- Elżbieta Filipiak – Chairman,
- Maciej Brzeziński - Vice-Chairman,
- Danuta Drobniak – Member,
- Wojciech Kucharzyk - Member,
- Anna Ławrynowicz - Member,
- Anna Pruska – Member,
- Robert Bednarski – Member.

From 26<sup>th</sup> of June to 31<sup>st</sup> of December, 2019:

- Elżbieta Filipiak – Chairman,
- Andrzej Pach - Vice-Chairman,
- Danuta Drobniak – Member,
- Łukasz Kalinowski - Member,
- Joanna Krasodomska - Member,
- Anna Pruska – Member,
- Tadeusz Włudyka - Member.

The Supervisory Board sat 7 times in 2019 (5<sup>th</sup> of March, 29<sup>th</sup> of April, 6<sup>th</sup> of May, 27<sup>th</sup> of May, 15<sup>th</sup> of July, 9<sup>th</sup> of September, 29<sup>th</sup> of November). Additionally, the Audit Committee sat on 29<sup>th</sup> of April, 27<sup>th</sup> of May, 29<sup>th</sup> of August and 29<sup>th</sup> of November.

The major subjects addressed by the Supervisory Board at the sittings were:

- a) monitoring and analysis of the financial condition and organization at the company and Comarch Group,
- b) assessment of the Management Board's progress in implementing the company's strategy,
- c) assignation of business purposes for members of the Management Board and assessment of their implementation,
- d) acquaintance with activities of the selected business sectors at the company and Group,
- e) risk analysis and assessment for the company's and Group's operations,
- f) supervision of the internal system control in the Company and Group,
- g) formal-legal issues,
- h) assessment and approving the financial statements of the Company and Group.

The Supervisory Board's detailed scope of activities and the resolution considered in 2019 are set out in detail in the records from its sittings, which are to be found at the Company's headquarters in Krakow.

In connection with detailed principle no. II.Z.11. arising from the second part of the "Best Practice for GPW Listed Companies 2016", with the resolution 10/05/2019 of the 27<sup>th</sup> of

May, 2019 the Supervisory Board of Comarch S.A. recorded a positive verdict with respect to the draft resolutions of the Annual General Shareholders' Meeting which took place on the 26<sup>th</sup> of June, 2019.

In line with detailed principle no. II.Z.1.14 arising from the first part of the "Best Practice for GPW Listed Companies 2016", Comarch S.A.'s 'Supervisory Board Report and Company's Assessment regarding 2018" was published at [www.comarch.pl](http://www.comarch.pl) (English version at [www.comarch.com](http://www.comarch.com)). It included information on the work of its committees and an assessment of the company's situation with regard to an appraisal of the internal controlling and risk management systems vital to the company. The Supervisory Board assessed if there are relationships or circumstances, that may influence on the independence of a particular member of the Supervisory Board and the Supervisory Board decided that both in the composition of the Supervisory Board operating until 26<sup>th</sup> of June, 2019 and in the new composition of the Supervisory Board operating from 26<sup>th</sup> of June, 2019, at least two members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the "Best Practice for GPW Listed Companies 2016".

With reference to the scope of the report, the Supervisory Board monitored the current performance of the company and, gave its expert opinion concerning Comarch S.A.'s planned operations and those already in progress. In particular, the Supervisory Board reviewed the quarterly, six-monthly and annual (consolidated) financial statements of Comarch S.A. and the Comarch Group. With the publication of each of the financial reports there followed a sitting of the Supervisory Board. At these meetings the Board analysed the scope, rectitude, correctness and transparency of the data (including the financial data) presented by the company. The Supervisory Board learned in detail of financial situation of the particular company's business sectors. In this respect, the company's Management Board and authorized employees provided the Supervisory Board with access to documents and other information sources, prepared the necessary presentations for the Supervisory Board and were forthcoming with essential explanations and clarifications regarding the company's financial situation, activities undertaken by the company. The Supervisory Board had a meeting with representatives of the entity entitled to audit and review the (consolidated) financial statements of Comarch S.A. and the Comarch Capital Group. The Supervisory Board learned of the Company's organizational structure and made a recommendation in relation to its improvement. The Supervisory Board learned also of the investment realized by the company and made a recommendation in relation to them.

It is the opinion of the Supervisory Board that the accounting methods adopted by the Company and the Capital Group have been applied in accordance with the provisions of the law. It is the opinion of the Supervisory Board that cooperation with the Management Board of Comarch S.A. has been entirely successful and the Management Board has presented the necessary information correctly, clearly and with rectitude.

In 2019, BDO Sp. z o.o. Sp. k. (formerly BDO Sp. z o.o. ) was the entity authorized to audit and review the financial statements of the company. The resolution of the Supervisory Board regarding selection of an auditor to provide auditing services for Comarch S.A.'s financial statements for 2019, 2020 and 2021 was concluded on the 27<sup>th</sup> of May, 2019. It is the opinion of the Supervisory Board that the entity authorized to audit and review the

financial statements of Comarch S.A. and the Comarch Capital Group was selected within the terms of the prevailing law, and that the statutory auditors conducting them met the conditions required for expressing an unbiased and independent opinion in compliance with Polish law.

According to the Supervisory Board, the composition and diversity of the competence of the members of the Supervisory Board allow to effective and proper supervision of all areas of the company's operations. The members of Supervisory Board are diverse both in terms of gender, age and education. They all have the knowledge and skills backed by years of professional experience. Four members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the "Best Practice for GPW Listed Companies 2016".

The Supervisory Board of Comarch S.A. assesses its work in 2019 as effective. Members of the Board fulfilled their duties with commitment, participating in most cases, at full strength in its meetings.

The Audit Committee (the equivalent of the Audit Committee within the meaning of Annex I to the Commission Recommendation of 15<sup>th</sup> of February, 2005 related to the non-executive directors (...)) operates in accordance with the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A. adopted on 27<sup>th</sup> of November, 2017 with Resolution No. 2/11/2017 of the Audit Committee of Comarch S.A. and approved by the Supervisory Board. From 1<sup>st</sup> of January, 2019 to 15<sup>th</sup> July, 2019, the Audit Committee consisted of: Danuta Drobniak as Chairman of the Audit Committee, Elżbieta Filipiak as a member of the Audit Committee and Robert Bednarski as a member of the Audit Committee, and from 15<sup>th</sup> of July, the Audit Committee consisted of: Joanna Krasodomska as Chairman of the Audit Committee, Danuta Drobniak as a member of the Audit Committee and Andrzej Pach as a member of the Audit Committee.

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

Mrs. Danuta Drobniak (statutory auditor no. 9578 in register) and Mr. Robert Bednarski (work experience, including on the positions of the Director of the Finance Management Office at PKN ORLEN S.A., 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 the field of accounting or auditing of financial statements. The knowledge of the IT industry is possessed by Mrs. Elżbieta Filipiak (AGH graduate, one of the founders of Comarch S.A.) and Mr. Robert Bednarski (professional experience, among others a member of the Management Board of Ciech S.A., in which he was responsible for Finance and IT).

According to information possessed by the Company, two members of the Audit Committee in the current composition operating from 15<sup>th</sup> of July, 2019, fulfilled independency conditions (Mrs. Joanna Krasodomska and Mr. 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).

In 2019, the Audit Committee held 4 meetings and in particular dealt with:

- 1) Monitoring the process of financial reporting;
- 2) Monitoring the effectiveness of internal control systems, internal audits and risk management;
- 3) Monitoring financial reviews;
- 4) Monitoring the independency of the export auditor and the entity entitled to audit financial statements.

With regard to the powers of the Committee, the Committee requested or demanded the participation of additional people in its sittings, such as members of the Management Board or auditors.

### **The assessment of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles**

In the opinion of the Supervisory Board, the Company in 2019 correctly fulfilled the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

Since January 2016, the Company has been following the rules of corporate governance which were adopted on 13th of October, 2015 by the Council of the Warsaw Stock Exchange in its resolution No. 26/1413/2015 on the adoption of a new code of corporate governance principles entitled „Dobre Praktyki Spółek Notowanych na GPW 2016” (Best Practice for GPW Listed Companies 2016). Comarch S.A. has published a report on its implementation of the principles and recommendations resulting from the new code of corporate governance principles and has posted the relevant information on the Company's website. According to the published report, the Company does not apply the Recommendation number IV.R.2 and detailed principle number VI.Z.4

### **The assessment of the rationality of the Company's policy referred to sponsorship and charity**

Comarch S.A. for years takes a number of pro-social activities, among others, by active supporting the sport, taking patronage of cultural events, supporting the education and development of science and engaging in helping the neediest. The Supervisory Board assesses positively conducted by Comarch S.A. policy on sponsorship and charitable activities, realized among others by:

- continuation of cooperation with the St. Mary's church in Kraków under the project of revitalizing the musical space in the church and organization of the St. Mary's Organ Festival,
- sponsoring the concert of Last Night of the Proms,
- realization of pro-social projects 'Programming has a future' and 'Programming - an adventure for life' selected as part of the #ComarchCares Grant Competition settled in autumn 2018,
- support for the Interschool IT Festival "Project for six". MFI has been organized for 14 years by the Communications School Complex in cooperation with the Mikromakro Institute Foundation and the Krakow Technology Park. Pupils from Małopolska schools take part in the struggle, and the goal of the festival is to promote young talent with IT interests,
- supporting employee initiatives in organizing holiday material collections for people in need,
- support for the celebrations of the 100th anniversary of the AGH University of Science and Technology in Krakow, which took place in 2018-2019,
- cooperation with schools, colleges and other educational institutions by sharing knowledge by Comarch employees during various conferences and events, among others: Women in Tech Summit, Dark Side of UX, World Usability Day, dev.js and J / vacon,
- popularization of knowledge about ERP systems and controlling among universities and vocational schools with economic profiles, by lending Comarch ERP systems, meetings, seminars and trainings,
- creation of the Comarch Innovation Zone, a space in which Comarch's technological achievements in the field of IT systems, telecommunications, the Internet of Things or artificial intelligence are presented,
- commencing cooperation with the Polish Development Fund Foundation and the Central House of Technology in the field of popularizing the STEAM methodology, i.e. a trend in education developing interdisciplinary competences in the fields of exact sciences, technology, engineering, art and mathematics,
- organization of a charity event by Comarch employees on the occasion of World Animal Day, thanks to which we managed to support shelters and organizations working for homeless animals in several Polish cities,
- sponsorship of the Czyżyny Festival - a family outdoor event for the residents of the Krakow district, in which its headquarters is located, and the iMed24 medical centre belonging to the Comarch Capital Group appeared at an event with a stand, conducting health-promoting activities,
- continuation of the project of greening the capital of Lesser Poland together with the City Green Management Board in Krakow,
- promoting a healthy and active lifestyle among its employees. In Poland, Comarch encourages employees to come to work by bicycle, providing bicycle infrastructure and occasional bicycle-related activities. The Comarch Group also encourages its employees to participate in external sports events, and the income from many of them is transferred to social purposes.

In the opinion of the Supervisory Board, the actions taken by the Company in this respect are rational, bring benefits to society and exert a positive impact on the Company's image.

**Annex no. 2 to Resolution no 07/05/2020  
of Comarch S.A. Supervisory Board**

**Assessment of the Company's situation, including assessment  
of the internal control system and the system of risk management  
significant for the Company, compliance and the internal audit  
function**

The Supervisory Board positively assesses the financial results achieved by the Company in 2019, as well as its current financial standing. Sales revenue amounted to PLN 951.7 million, operating profit reached PLN 33.5 million, while net profit reached PLN 57.6 million. Operating profitability in 2019 was 3.5%, and net profitability 6.1%.

The Supervisory Board welcomes the Company's continuation in 2019 of investments in new and improving existing IT products. Expenditures on research work exceeded 20% of sales revenue, they were financed mainly from own funds. The Company has intensively developed a new generation of loyalty and telecommunications systems dedicated to 5G technology and ERP systems, as well as activities in the field of IT solutions for medicine and the Internet of Things. The Company also continued to improve other products offered. Last year, the Company put particular emphasis on the development of sales of IT solutions in the service model - Comarch is one of the market leaders in this field. Last year, Comarch S.A. launched a comprehensive offer in the field of Comarch Cloud Computing, with the highest security standards, based on the Comarch Data Centre infrastructure. Thanks to Comarch Cloud, customers can use software, store data and run their businesses without having their own IT infrastructure, while ensuring high performance, reliability, security and scalability of resources. The Supervisory Board notes that investments in human capital remain the key element for the further development of the enterprise. At the end of 2019, the Company employed almost 5,000 people in Krakow and other national branches, being the largest Polish employer among IT companies. Particularly positive effects were brought by the annual student internship program, thanks to which Comarch S.A. is seen as one of the first choice employers on the domestic labour market in the IT industry.

The Supervisory Board considers it appropriate for the Company to continue implementing its growth strategy based on the diversification of operations between various industry segments, development of its own products and sales on the global market. Thanks to the wide and comprehensive offer of modern IT solutions and high quality services, Comarch S.A. is the first largest domestic IT software producer in Poland and one of the leading IT providers in the country and on international markets. The company is able to successfully acquire and implement the largest IT contracts. The Supervisory Board confirms the validity of investments in subsidiaries. Significant expenses incurred for several years in the development and maintenance of the global sales network have contributed to the increase in the international recognition of the Comarch brand and offer, which effectively supports offering the Company's solutions in new markets. Last year, Comarch S.A. founded another new subsidiary - Comarch Pty. Ltd in Australia.

The Supervisory Board, through the Audit Committee, monitors the effectiveness of internal control systems, risk management, compliance and the internal audit function. Once a year, a representative of the management board presents the Audit Committee with a description of the functioning of the internal control system and an assessment of its effectiveness.

The Audit Committee assessed the effectiveness of the internal control system and did not identify the need to separate the organizational function of internal audit.

In 2019, the Supervisory Board also carried out a constant analysis of risk areas related to the Company's operations and an analysis of how these risks were managed by the Management Board.

The most important operational risks in 2019 were:

- a) risks related to R&D works (production of own software products);
- b) risks related to the implementation of long-term contracts;
- c) risks related to non-compliance with contractual terms and the use by contractors of the performance guarantees or contractual penalties granted to them;
- d) risks of foreign economic, legal and political environment related to the implementation of export contracts;
- e) the risk of staff turnover, the risk of not being able to employ a sufficient number of qualified employees, the risk of increased labour costs;
- f) risks related to international terrorism, hindering the posting of employees on business trips to certain regions of the world,
- g) risk related to the spread of SARS-CoV-2 coronavirus and COVID-19 incidence, which affects the Company's ability to conduct business operations and the financial condition of the Company's clients and the demand for IT products and services they generate.

In terms of financial risk, the Supervisory Board noticed the following threats:

- a) credit risk of Comarch contractors;
- b) risk of changes in interest rates affecting the cost of servicing bank loans;
- c) exchange rate fluctuations, in particular EUR / PLN, USD / PLN, GBP / PLN, CAD / PLN, CHF / EUR, BRL / PLN and RUB / PLN affecting the profitability of foreign sales;
- d) risk of financial liquidity and increased expectations of clients in the area of financing IT projects by IT suppliers, related to the spread of sales of IT products and services in the services model ("cloud computing").

In the opinion of the Supervisory Board, the Management Board correctly identifies the risks with the Company's operations and manages them effectively. The financial statements provide a fair and complete picture of the Company's situation.

The Supervisory Board particularly appreciates the Company's consistent mission of selling the innovative technical thought of Polish engineers around the world. The Supervisory Board also draws attention to the fact that, in addition to the business activities of Comarch S.A., it also conducts pro-social activities, supports non-governmental organizations and charity campaigns, is a patron of culture, art and sport.

**Annex no. 1 to Resolution no 07/05/2020  
of Comarch S.A. Supervisory Board**

**Assessment of the situation of the Comarch Group including  
the assessment of the internal control system and the system of risk  
management significant for the Group, compliance and the internal  
audit function**

The Supervisory Board positively assesses the Group's achievement of development and financial goals set for 2019. In 2019, the Group significantly increased the scale of its operations and improved operating profitability. Sales revenue increased by 5.0%, i.e. by PLN 67.8 million compared to 2018 and reached the value of PLN 1,437.4 million. Operating profit reached PLN 143.4 million, while net profit reached PLN 104.8 million. Operating profitability in 2019 was 10%, and net profitability 7.3%.

The Supervisory Board welcomes the investments made in 2019 by the Comarch Group in new and improving existing IT products. Expenditures for research works reached 16% of sales revenue, they were financed mainly from own funds. The Group has intensively developed a new generation of loyalty, telecommunications and ERP systems, as well as IT solutions for medicine and the Internet of Things. Last year, the Group paid special attention to the development of sales of IT solutions in the services model - Comarch is one of the market leaders in this field. The Comarch Group has launched a comprehensive offer in the field of Comarch Cloud Computing, with the highest security standards, based on the Comarch Data Centre infrastructure. Thanks to Comarch Cloud, customers can use software, store data and run their businesses without having their own IT infrastructure, while ensuring high performance, reliability, security and scalability of resources. The Supervisory Board notes that investments in human capital are a key element for the further development of the enterprise. At the end of 2019, the Group employed 6,348 people in Poland and abroad. As every year, the student internship program has had very positive effects, thanks to which the Comarch Group is perceived as one of the first choice employers on the labour market in the IT industry.

The Supervisory Board considers it appropriate for the Group to continue implementing its growth strategy based on diversifying its activities among various industry segments, developing its own products and selling them on the global market. Thanks to the wide and comprehensive offer of modern IT solutions and high quality services, the Comarch Group is a leading producer of IT software in Poland and one of the leading IT suppliers on international markets. The Group is able to successfully acquire and implement the largest IT contracts. In 2019, the Group successfully continued its growth strategy based on the diversification of its activities among various industry segments, development of its own products and sales on the global market. The Supervisory Board emphasizes that for several years the Group has incurred significant expenses in the development and maintenance of the global sales network, thanks to which international recognition of the Comarch brand and offer increases, which effectively supports offering the Group's solutions on new markets. Last year, Comarch S.A. founded another new subsidiary - Comarch Pty. Ltd in Australia.



The Supervisory Board, through the Audit Committee, monitors the effectiveness of internal control systems, risk management, compliance and the internal audit function. Once a year, a representative of the management board presents the Audit Committee with a description of the functioning of the internal control system and an assessment of its effectiveness.

The Audit Committee assessed the effectiveness of the internal control system and did not identify the need to separate the organizational function of internal audit.

In 2019, the Supervisory Board also carried out a constant analysis of risk areas related to the Group's operations and an analysis of how these risks were managed by the Management Board.

The most important operational risks in 2019 were:

- a) risk related to R&D works (production of own software products);
- b) risk related to the implementation of long-term contracts;
- c) risks related to non-compliance with contractual terms and the use by contractors of the performance guarantees or contractual penalties granted to them;
- d) the risk of foreign economic, legal and political environment related to the implementation of export contracts;
- e) the risk of staff turnover, the risk of not being able to employ a sufficient number of qualified employees, the risk of increased labour costs;
- f) the risk related to international terrorism, hindering the posting of employees on business trips to certain regions of the world,
- g) risk related to the spread of SARS-CoV-2 coronavirus and COVID-19 incidence, which has an impact on the Group's ability to conduct business operations as well as on the financial condition of the Group's clients and the demand for IT products and services they generate.

In terms of financial risk, the Supervisory Board noticed the following threats:

- a) credit risk of Comarch contractors;
- b) the risk of changes in interest rates affecting the cost of servicing bank loans;
- c) exchange rate fluctuations, in particular EUR / PLN, USD / PLN, GBP / PLN, CAD / PLN, CHF / EUR, BRL / PLN and RUB / PLN affecting the profitability of foreign sales;
- d) risk of financial liquidity and increased expectations of clients in the area of financing IT projects by IT suppliers, related to the spread of sales of IT products and services in the services model ("cloud computing").

In the opinion of the Supervisory Board, the Management Board correctly identifies risks and manages their activities effectively. The financial statements provide a fair and complete picture of the Group's situation.

The Supervisory Board particularly appreciates the Group's consistent mission of selling innovative technical thought of Polish engineers around the world. The Supervisory Board also draws attention to the fact that in addition to business operations, the Comarch Group also conducts pro-social activities, supports non-governmental organizations and charity campaigns, is a patron of culture, art and sport - also outside Poland.