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***Report on the activity
of the Supervisory Board of CCC S.A.
for the period from 01.01.2019 to
31.12.2019.***



1. Introduction

The Supervisory Board of CCC S.A. acting on the basis of Article 382 § 1 of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board of CCC S.A., as well as the provisions of the Code of Best Practice for WSE Listed Companies 2016 hereby submits to the Ordinary General Meeting of Shareholders a report on the activities of the Supervisory Board for the period from 1 January 2019 to 31 December 2019.

In accordance with the principles and recommendations of the Code of Best Practice for WSE Listed Companies 2016, the Supervisory Board made an assessment:

- 1) the situation of the Company, including the operation of internal control systems, risk management, compliance and internal audit functions,
- 2) the manner in which the Company fulfils its information obligations concerning the application of corporate governance rules set out in the Exchange Rules and regulations concerning current and periodic information provided by issuers of securities,
- 3) the rationality of the Company's sponsorship, charity or other similar policy,
- 4) meeting the independence criteria by the Supervisory Board members.

Within the framework of this report, the Supervisory Board, in the course of implementing the principles set out in the Code of Best Practice for WSE Listed Companies 2016, presents the aforementioned assessments and a detailed description of activities in the financial year 2019.

2. Information on the term of office of the Supervisory Board, the personal composition of the Supervisory Board and its functions, as well as changes in the composition of the Board during the financial year

Pursuant to the provisions of the Company's Articles of Association, the Supervisory Board is composed of five to seven members appointed by the General Meeting for a joint three-year term of office. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders.

The table below shows the composition of the Supervisory Board as at 1 January 2019.

Table no. 1. Supervisory Board composition of the 7th term of office as at January 1, 2019

No.	First and last name	Function performed	Period of office in 2019
1.	Wiesław Oleś	Chairman of the Supervisory Board	01.01.2019 – 11.04.2019
2.	Marcin Murawski	Member of the Supervisory Board	01.01.2019 – 18.06.2019
3.	Jerzy Suchnicki	Member of the Supervisory Board	01.01.2019 – 11.04.2019
4.	Waldemar Jurkiewicz	Member of the Supervisory Board	01.01.2019– 31.12.2019
4.	Piotr Nowjalis	Member of the Supervisory Board	01.01.2019– 18.06.2019

In 2019, together with resignation from the position of the President of the Management Board, Mr. Dariusz Miłek submitted his candidacy for the position of the Chairman of the Supervisory Board of the Company. On 11 April 2019, the Extraordinary General Meeting adopted a resolution on appointing Mr. Dariusz Miłek to the Supervisory Board, entrusting him with the function of its Chairman. The function of Vice Chairman of the Supervisory Board was entrusted to Mr. Wiesław Oleś. At the same time, the General Meeting dismissed Mr Jerzy Suchnicki from the Supervisory Board, appointing Mr Filip Gorczyca in his place.

On 18 June 2019, the Ordinary General Meeting appointed Members of the Supervisory Board for a joint 8th three-year term of office, commencing on 18 June 2019, in persons:

- Mr. Dariusz Miłek - Chairman of the Supervisory Board;
- Mr Wiesław Oleś - Member of the Supervisory Board;
- Mr Waldemar Jurkiewicz - Member of the Supervisory Board;
- Mrs. Zofia Dzik - Member of the Supervisory Board;
- Mr. Filip Gorczyca - Member of the Supervisory Board.

Until the end of 2019, the Board remained unchanged.

Table no. 2. Supervisory Board of the 8th term of office as at 31 December 2019

No.	First and last name	Function performed	Period of office in 2019
1.	Dariusz Miłek	Chairman of the Supervisory Board	11.04.2019 – 31.12.2019
2.	Wieslaw Oles	Deputy Chairman of the Supervisory Board	01.01.2019 – 31.12.2019
3.	Waldemar Jurkiewicz	Member of the Supervisory Board	01.01.2019 – 31.12.2019
4.	Filip Gorczyca	Member of the Supervisory Board	11.04.2019– 31.12.2019
4.	Sophie Wilderness	Member of the Supervisory Board	18.06.2019 – 31.12.2019

3. Information on meeting the independence criteria by the Supervisory Board members

At least two members of the Supervisory Board should meet the independence criteria set out in the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) taking into account the Code of Best Practice for WSE Listed Companies 2016.

In connection with the appointment by the Ordinary General Meeting of Shareholders on 18 June 2019 The Supervisory Board for the next 8th term of office, the Supervisory Board, at its meeting on August 8th, after evaluating the statements submitted regarding the fulfilment of independence criteria, adopted Resolution No. 02/08/2019/RN regarding the determination of the number of members of the Supervisory Board meeting the independence criteria, stating that in a five-member composition, three members of the Board - that is Mr Wiesław Oleś, Mr Filip Gorczyca, and Ms Zofia Dzik - meet the independence criteria.

In the course of remaining in the Supervisory Board of the Company in 2019, none of its members reported any changes in the status of independence and personal, factual and organizational links with shareholders of CCC S.A.

4. Information on significant issues dealt with by the Supervisory Board, number of meetings held and resolutions adopted in 2019

The Board exercises permanent supervision over the Company's operations and performs its tasks based on special powers granted by the Company's Articles of Association, Regulations of the Supervisory Board and Resolutions of the General Meeting, taking into account the Best Practices of WSE Listed Companies, performing their functions at meetings. According to the Articles of Association, the Board meets as required, at least three times in a financial year. Its proceedings are convened by the Chairman of the Supervisory Board.

In the financial year 2019 the Supervisory Board of CCC S.A. held 9 meetings at the Company's headquarters: 28 February, 8 March, 14 March (remote), 11 April, 9 May, 8 August, 29 August (remote), 24 October, 17 December, adopting 36 resolutions.

Within the scope of its activities, the Supervisory Board actively supported the Management Board in the implementation of the Company's strategic objectives, considered the Management Board's motions concerning the issues requiring the Supervisory Board's consent, and familiarized itself with the current economic and financial results of the Company, periodical financial statements, as well as with periodical information of the Company's Management Board concerning current and planned activities. Members of the Board held meetings with the chartered accountant. The main issues dealt with by the Supervisory Board in 2019 are presented below.

Table 3. Main issues dealt with by the Supervisory Board in 2019

1.	Approval of the budget for 2019
2.	Granting the Vice Presidents of the Management Board variable remuneration for the second half of 2018.
3.	Approval of the tasks of Vice Presidents of the Management Board entrusted by the President of the Management Board for the first half of 2019.
4.	Awarding the Vice Presidents of the Management Board an annual award for 2018.
5.	Selection of a certified auditor to audit the separate financial statements of CCC SA and the consolidated report of the CCC SA Group for the years 2019-2021.
6.	Presentation by the auditor, Ernst & Young, of observations after the audit of the separate and consolidated financial statements for 2018.
7.	The Management Board provided information on the preliminary results of the Company for 2018 and its current financial and economic situation.
8.	Assessment of the <i>Individual Financial Statements of the Company CCC S.A. for the period from 01.01.2018r. to 31.12.2018r.</i> and the <i>Report on the Company's activity for the period from 01.01.2018r. to 31.12.2018r.</i>
9.	Assessment of the <i>Consolidated Financial Statement of the CCC S.A. Capital Group for the period from 01.01.2018. to 31.12.2018r.</i> and the <i>Report on the activity of the CCC S.A. Capital Group for the period from 01.01.2018r. to 31.12.2018r.</i>
10.	Evaluation of the Management Board's proposal to allocate a part of the reserve capital to the payment of dividends.
11.	Evaluation of the Management Board's proposal to allocate the profit for 2018 and pay out the dividend.
12.	Acceptance of the <i>Report of the Supervisory Board on the results of the assessment of the standalone and consolidated financial statements, the report on the activities of CCC S.A. and the CCC Capital Group and the proposal of the Management Board to allocate the profit for the period from 01.01.2018. to 31.12.2018r.</i>

13.	Adoption of the <i>Report on the activities of the Supervisory Board for the period from 01.01.2018. to 31.12.2018, including</i> , inter alia: assessment of the Company's situation including the assessment of internal control systems, risk management, compliance and internal audit function, assessment of the manner of fulfilment by the Company of its information obligations concerning the application of corporate governance principles, assessment of the rationality of the Company's policy in the scope of sponsoring, charity or other similar activities and assessment of fulfilment of independence criteria by members of the Supervisory Board.
	Adopting the following resolutions on recommendations at the General Meeting of Shareholders:
14.	<ol style="list-style-type: none"> 1) approval of the <i>Individual Financial Statements of the Company CCC S.A. for the period from 01.01.2018r. to 31.12.2018r. and the Report on the activity of the Company for the period from 01.01.2018. to 31.12.2018;</i> 2) approval of the <i>Consolidated Financial Statements of the CCC S.A. Capital Group for the period from 01.01.2018. to 31.12.2018r. and the Report on the activity of the CCC S.A. Capital Group for the period from 01.01.2018r. to 31.12.2018r;</i> 3) to allocate part of the reserve capital to the payment of dividends; 4) the allocation of the generated profit for 2018 and the payment of dividends; 5) granting a vote of acceptance to the Management Board of the Company for the discharge of its duties in 2018.
15.	Presentation by the Management Board of draft resolutions for the General Meeting
16.	Provision by the Management Board of preliminary information on the financial and economic situation of the Company in the first quarter of 2019
17.	Presentation by the auditor, Ernst&Young, of observations after the audit of the interim financial statements for H1 2019
18.	Presentation by the Management Board of the Company's results for H1/Q2 2019 and providing information on the current financial and economic situation of the Company
19.	Awarding the Vice Presidents of the Management Board with variable remuneration for the performance of tasks in the first half of 2019
20.	Approval of the tasks of Vice Presidents of the Management Board entrusted by the President of the Management Board for the second half of 2019
21.	Presentation by the Management Board of the Company's results for the third quarter of 2019 and providing information on the current financial and economic situation of the Company
22.	Adoption of amendments to the Supervisory Board Regulations
23.	Appointment of the President of the Management Board and determination of the remuneration of the President of the Company's Management Board
24.	Delegating a Member of the Company's Supervisory Board to perform certain supervisory activities on their own
25.	Appointment of the Audit Committee for the next term of office and its Chairman.
	Approval of amendments to the Company's internal regulations concerning
26.	<ol style="list-style-type: none"> 1/ information obligations: <ol style="list-style-type: none"> a) approval of the Individual Reporting Standard of CCC S.A; b) approval of the Regulations for circulation and protection of confidential information in CCC S.A; c) approval of the Regulations of preparation and publication of current and periodic reports in CCC S.A; d) approval of the Regulations on the provision of information on transactions by the obliged persons and restrictions on making such transactions. 2/ regulations concerning selection and use of audit firms and Audit Committee Regulations. 3/ procedures of Periodic Evaluation of Transactions with Related Entities of CCC S.A. 4/ Regulations of remuneration of members of the Management Board of CCC S.A.

5. Information on the adoption of resolutions of the General Meeting relating to the activities of the Supervisory Board

In the financial year 2019, on 18 June, the Ordinary General Meeting of CCC S.A. presented the Report on the activities of the Supervisory Board for the period from 01.01.2018. to 31.12.2018, including among others: assessment of the situation of the Company including evaluation of internal control systems, risk management, compliance and internal audit functions, evaluation of the way in which the Company fulfils its information

obligations concerning application of corporate governance principles, evaluation of the rationality of the Company's policy in the scope of sponsoring, charity or other similar activities and evaluation of meeting the independence criteria by members of the Supervisory Board and the Supervisory Board Report from the results of the assessment of the standalone and consolidated financial statements, the report on the activities of CCC S.A. and CCC Capital Group and the proposal of the Management Board to allocate part of the reserve capital for the payment of dividends and profit distribution for the period from 01.01.2018. to 31.12.2018r. At the same time, the Ordinary General Meeting adopted a resolution on the appointment of the Supervisory Board for the next 8th term of office and changing the duration of the term of office of the Board, equating it with the term of office of the Board, from two to three years.

6. Performance of duties by the Audit Committee

On 8 August 2019 the Supervisory Board appointed the Audit Committee for the third term of office from among the members of the Supervisory Board, in accordance with the requirements of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. The Audit Committee was appointed from among the Board members: Filip Gorczyca, Zofia Dzik and Waldemar Jurkiewicz. The independence requirements for members of the Audit Committee were verified by the Supervisory Board on the basis of statements submitted by the candidates, stating that two of the three members of the audit committee meet all independence criteria laid down in Article 129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision. Filip Gorczyca was appointed as the Chairman of the Audit Committee and at the same time appointed as a member of the independent audit committee and having knowledge and skills in accounting or auditing. As a member of the audit committee having knowledge and skills in the industry were indicated by Waldemar Jurkiewicz.

Audit Committee Regulations of 6 October 2017, was analyzed and was updated on 8 March 2019. The Board established that the tasks of the Audit Committee include in particular:

- 1) support of the Supervisory Board in performing its statutory control duties and supervisory in scope:
 - a) monitoring the financial reporting process in CCC S.A. and its Capital Group,
 - b) monitoring the effectiveness of internal control systems in the CCC S.A. Capital Group and risk management systems,
 - c) monitoring the effectiveness of internal audit in the CCC S.A. Capital Group, including financial reporting,
 - d) monitoring the proper functioning of risk identification and management systems,
 - e) monitoring the independence of internal and external auditors,
 - f) monitoring the audit process;
- 2) as part of its supervisory activities concerning financial reporting, the Audit Committee in particular:
 - a) monitors the financial reporting process, including giving its opinion on the accounting policy adopted by the Company and the rules of preparing financial statements,
 - b) analyzes annual, semi-annual and quarterly financial statements together with the Company's bodies,
 - c) monitor the performance of financial audit activities, in particular the audit firm's performance of the audit, taking into account any conclusions and findings of the Audit Supervision Commission resulting from the audit carried out in the audit firm, including discussing the results of the audit of the annual standalone and consolidated financial statements,

- d) informs the Supervisory Board about the results of the survey and explains how the survey contributed to the reliability of financial reporting in CCC S.A., as well as what was the role of the audit committee in the survey process,
 - e) submits recommendations to ensure the reliability of the financial reporting process in CCC S.A.
 - f) gives its opinion on the Management Board's reports on its activities and the Management Board's conclusions on the distribution of profit/loss coverage, and makes recommendations to the Supervisory Board on their evaluation,
 - g) provides opinions on important financial information published by the Company;
- 3) as part of its supervisory activities concerning internal control, the Audit Committee in particular:
- a) examines the adequacy of the Management Board's systems for identifying, monitoring and reducing threats to the Company's operations,
 - b) monitors the effectiveness of the Company's internal control system, including the effectiveness of corrective actions taken,
 - c) supervise the operation of the internal audit, inter alia by monitoring its work plans and results and assessing resources,
 - d) monitors the compliance of the Company's operations with the law and other regulations;
- 4) as part of the supervision of risk management, the Audit Committee in particular:
- a) monitors the effectiveness of the risk management system having a significant impact on the Company's operations,
 - b) provides opinions on the draft principles of prudent and stable management and acceptable levels of risk in the areas of the Company's operations,
 - c) provides opinions on draft significant regulations and amendments to the Company's regulations concerning the rules of compliance with standards, including the compliance risk policy,
 - d) assesses the performance by the relevant units of the Company of the procedure of informing about irregularities in the Company;
- 5) in order to ensure the independence of external auditors, the Committee in particular:
- a) presents the Supervisory Board with recommendations concerning the selection of the Company's auditor, as well as his change and his remuneration,
 - b) controls and monitors the independence of the statutory auditor and audit firm, in particular, when other services than auditing are provided to CCC S.A. by an audit firm,
 - c) expresses opinions on engaging the external auditor in the performance of services other than auditing the Company's financial statements, and presents a position on the Company's policy in this respect,
 - d) assesses the independence of the auditor and agrees to the provision of permitted services which are not audited by CCC S.A,
 - e) develops a policy for selecting the audit firm to conduct the audit,
 - f) develop a policy for the provision by the audit firm carrying out the audit, by entities related to that audit firm and by a member of the audit firm's network of authorised non-audit services,
 - g) determines the procedures for the selection of an audit firm by CCC S.A,
 - h) reviews the effectiveness of the external audit process and the Management Board's response to the external auditor's recommendations.

As part of its audit activities, the Audit Committee familiarised itself with the financial statements for 2019, the independent auditor's report on the audit of the annual financial statements prepared by the Company, and from the audit of the annual consolidated financial statements, as well as with an additional report to the Audit Committee.

The Audit Committee monitored the financial reporting process, together with the Supervisory Board, met with the auditor and monitored the audit process, including analysing the auditor's independence.

Systematic reporting by the Audit Committee to the Supervisory Board of the results of supervisory and monitoring activities in relation to financial reporting processes and the audit of financial statements has contributed to an increased understanding of these areas, improved communication between the management and supervisory bodies and, as a result, improved the quality of the financial reporting process.

The Audit Committee concluded that the financial statements prepared by the Company contain reliable information about the Company's operations and have been prepared in accordance with the applicable requirements.

Thus, the Audit Committee recommended to the Supervisory Board a positive opinion on the annual financial statements for 2019.

7. Evaluation of the work of the Supervisory Board

The Supervisory Board of CCC S.A. performed constant supervision over the Company's activity and the work of the Management Board in accordance with the duties and powers specified in the Code of Commercial Companies and other legal regulations, the provisions of the Company's Statute and the Regulations of the Supervisory Board, taking into account the principles contained in the Code of Best Practice for WSE Listed Companies.

On the basis of the assessment, the Supervisory Board states that the Company fulfils the obligations imposed on it by the provisions of the Commercial Companies Code, other generally binding legal regulations related to the public joint stock company's operation, as well as performs the obligations resulting from the statutory regulations.

All members of the Board shall exercise due diligence in the performance of their duties in the Board, using their best knowledge to the best of their ability and experience in running and supervising commercial law companies.

Moreover, the Supervisory Board delegated the Chairman of the Board to independently perform certain supervisory activities in the scope of supervision over specific areas of the Company's activity. The information provided by the Chairman on an ongoing basis to the Supervisory Board is a source of reliable information on the aspects of the activities supervised by the Chairman of the Board. Moreover, the delegation is used both to use the knowledge possessed by the Chairman and skills, as well as the intensive development of the Company's activities in these areas, translating into the interests of the Company and its Shareholders.

The Supervisory Board is of the opinion that it performs its duties in accordance with the applicable regulations and good practices on the market. In view of the above, the Supervisory Board requests that its members be granted a discharge for the performance of their duties in the financial year 2019.

8. Assessment of the Company's situation, including assessment of internal control systems, risk management, compliance and internal audit function

1) Implementation of the Company's strategy

The assessment of the Company's situation was prepared on the basis of documents submitted by the Management Board, discussions held at meetings of the Supervisory Board with the participation of the Management Board, the certified auditor, the internal auditor, as well as taking into account the financial statements and reports on the Company's operations for the financial year 2019 and on the basis of conclusions resulting from the audit of the Company's books of account by the certified auditor.

In 2019, work on the development of the Group's strategy for the years 2020-2022 was undertaken. The basis for this work was an analysis of the activities undertaken by the Group in previous years. The strategic review carried out in the analysed period, together with an analysis of the business environment and trends determining the future of the retail sector, ended in January 2020. CCC Group strategy for 2020-2022 GO.22.

The strategy is focused on multiplying the Group's value by meeting the needs of current and future customers, and consists of five pillars that cover key strategic areas. The objectives set in each area will be implemented between 2020 and 2022 with the support of new technologies and data analysis.

- Pillar I: Omnichannel with a customer in the centre, focusing on the development of a unique, multi-channel trading model (so-called omnichannel). Selective expansion of the fixed-line sales channel is to include active management of the fixed-line store portfolio and its digitalization through, among others, self-service checkouts, tablets and esize.me scanners. The increase in the sales area of stores in the CCC Group by 2022 is to take place by max. The increase in the sales area in the CCC Group by 2022 is to take place by max. 120,000 m² net, mainly on the Romanian and Russian markets. Further development of digital channels is also planned (especially eobuwie.pl, ccc.eu, deezee.pl, gino-rossi.pl and MODIVO platform launched in 2019). Increasing the level of e-commerce sales in 2022 to 35-40% of total sales.
- Pillar II: A product whose development is to be customer-oriented;. The basis for the Group's efforts will be a significant expansion of the offer (strategic goal: +100% of new products), strengthening the basic 5-6 brands (including Lasocki, Gino Rossi, Sprandi), improving the quality of products, expanding the fashion offer, wider e-commerce only offer, expanding other categories (e.g. accessories). Product changes will be accompanied by a change in the way of communication strengthening the identity of individual brands (e.g. building shopping opportunities through micro-season communication in stores and online and extensive use of social media).
- Pillar III: Efficiency and effectiveness, the aim of which is to improve and optimize selected internal processes through the use of new technologies, modern IT solutions and data analysis. The Strategy aims to optimize the process of supply chain and product lifecycle management, implement a shared service center for the Group and improve financial supervision through special tools (SAP, BI). An important element of the Strategy is also the development of the organisational culture, e.g. through the implementation of the Group's key values in the organisation. These are: focus on the customer and product, dynamism, enthusiasm and commitment, openness and cooperation, responsibility and personal development.
- Pillar IV: Financial stability, implemented by the financial policy, aims at the stability and financial security of the Group. It is assumed to increase the Group's operating and net profitability in 2022, increase the efficiency of working capital utilization by improving the cash conversion cycle and optimize capital expenditure. The strategic goal is to achieve a low net debt to EBITDA ratio of 0-1x (compared to 2.9 at the end of 2019).
- Pillar V: Sustainability means minimising the impact of activities on the environment and supporting environmental and social activities. The strategy assumes developing the offer of environmentally friendly products, e.g. increasing the number of ecological product lines, increasing the share of ecological leathers, cooperation only with suppliers who sign the so-called CCC Code of Conduct, containing environmental and social obligations.

2) Basic results of the Company

Retail sales are conducted within the network of own and agency stores on the territory of Poland. The total number of own and agency stores as at 31 December 2019 amounted to 473. The average area of these stores increased by 46 m² to 660 m² (613 m² in 2018). The total area of CCC's own and agency stores as of 31 December 2019 amounted to 312.3 thousand m² and increased by 9% compared to 2018. (285.8 thousand m²). Revenues from retail sales increased by 4.1% to PLN 2,113.7 million (PLN 2,030.7 million in 2018) and accounted for 93.1% of total sales. Revenue from retail sales per square meter amounted to 7.06 thousand PLN/m² (7.11 thousand PLN/m² in 2018). The main reason for the decrease were unfavourable weather conditions, in particular the warmer fourth quarter, which adversely affected the sales of the autumn collection at the first price.

More information on the analysis of the financial results of CCC S.A. and CCC S.A. Group was included in the Report of the Supervisory Board on the results of the evaluation of the annual financial report and consolidated financial report and the Report of the Management Board from the activity of CCC S.A. and CCC S.A. CG for the period from 01.01.2019 to 31.12.2019.

The Supervisory Board states that the overall situation of the Company in 2019 was good. In 2019, the Company consistently pursued its development path and based on the analysis worked out a new strategy for the years 2020-2022. In the opinion of the Supervisory Board, the chosen strategy, rational cost policy and financial security will enable the Company to function properly and implement its investment assumptions.

3) Evaluation of the internal control system

The Company has a multi-level internal control system, which is designed to effectively prevent and quickly eliminate any possible irregularities. The internal control system includes control activities carried out by the employees of the CCC Group companies within the scope of tasks and duties entrusted to them, functional control carried out by supervision over subordinate organizational units by all employees in managerial positions and control carried out by internal audit, the aim of which is to make a proper and objective assessment of risk management and internal control systems. The reporting process is covered by an internal control and risk management system which contributes to the reliability and integrity of financial reporting, and compliance with laws and internal regulations.

In the process of preparing the Company's financial statements, one of the basic elements of control is verification of the financial statements by an independent certified auditor. The tasks of the chartered auditor include in particular: review of the semi-annual financial statements and preliminary and basic audit of annual reports. In order to ensure the reliability of keeping the Company's books of account, the Management Board adopted and approved for use the Accounting Policy in accordance with the principles:

- 1) The Group has been consulted by the International Financial Reporting Standards Board,
- 2) the Accounting Act,
- 3) The Company's Articles of Association,
- 4) internal accounting procedures.

4) Evaluation of the risk management system in the Company in 2019

Risk management in the process of preparing financial statements is based on identifying and assessing risks and defining and taking actions to minimize them. Supervision over the process of preparing the Company's financial statements is exercised by the Chief Accountant and the President of the Management Board, to whom the financial and accounting services are subject. The risk management process begins at the lowest levels of the Group to ensure that the assumed objectives are met. Risk management in the CCC Group is a process supervised by the Board and key management personnel. Moreover, independent internal audits of financial and accounting processes are conducted. The correctness of preparing financial statements is also verified by members of the Audit Committee. In order to confirm the compliance of the data contained in the financial statements with the facts and entries in the books kept by the Company, the statements are audited by an independent auditor, who issues an opinion in this respect. All actions taken by the Company are aimed at ensuring compliance with legal and factual requirements and identifying and eliminating potential risks at an early stage so that they do not affect the reliability and accuracy of the presented financial data.

The Supervisory Board has also familiarised itself with the significant risk and threat factors with the degree of exposure to them of the Company, as well as with the risk management system in CCC, which was included in point 6.2.5 of the report on the activity of CCC S.A. for 2019. The following types of risks were identified as the main ones:

- 1) related to the implementation of the strategy:
 - a) strengthening its own sales network,
 - b) actions aimed at increasing brand recognition and value,
 - c) location of retail outlets,
- 2) external risks:
 - a) exchange rate risk,
 - b) interest rate risk,
 - c) the risk of a general economic upturn,
 - d) seasonality of sales and weather conditions,
 - e) fashion trends and misguided collections,
- 3) internal risks:
 - a) credit risk.

The main objectives of risk management are to ensure the safety of the Company's operations and to ensure the effectiveness of decisions taken, aimed at maximising profits at an acceptable level of risk.

The CCC Group's risk management policy sets out assumptions, policies, risk factors and how they are mitigated to ensure maximum control over risks that could adversely affect the CCC Group. This policy is required and followed by all CCC Group companies. The risk management policy is reviewed periodically and updated with detailed regulations covering specific areas of risk within the Group.

The risk management procedure is carried out by identifying and assessing the risk areas for all areas of the Company's activity and defining actions necessary to mitigate it. The purpose of capital risk management is to protect the Company's ability to continue its operations so that it is possible to realize returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce its cost. The Company monitors the capital using the debt ratio. The change of the ratio is consistent with the Company's expectations.

The Supervisory Board and the Audit Committee exercise permanent supervision over the Company's activity also in the scope of assessment of the internal control system and risk management and make decisions affecting the Company's activity in an effective and efficient manner in order to achieve strategic objectives.

The Board states that the Company conducts analyses of currency markets on an ongoing basis, actively manages financial liquidity understood as the ability to settle liabilities in a timely manner and to raise funds to finance current operations and investment needs, which meets the relevant functional needs.

5) Compliance

In CCC S.A., the system of supervision over the compliance of activities with the law has not been formalised. This matter is partly covered by the Code of Ethics introduced in December 2014 and updated in 2019. The Code of Ethics is aimed at preventing the occurrence of unlawful conduct, regulations and the highest ethical standards, stopping such conduct as soon as it is disclosed and taking appropriate action in case of a violation. The Code of Ethics describes the most important values that the Company follows in its activities and reflects the directions set out in the strategy of sustainable development of CCC S.A.

No compliance unit was established in the Company. At each organizational level, all employees participate in the process of compliance risk management and counteracting the lack of compliance with national and international law and ethical principles. The persons responsible for supervision are the President of the Management Board, Chief Financial Officer, legal services and the Audit Department. Supervisory Board and the Audit Committee, in the framework of its meetings, analyzed key new legal regulations, including regulations concerning tax matters, information obligations and good stock exchange practices.

6) Internal audit

In the CCC S.A. Group, the internal audit performs its tasks through long-term and annual audit plans covering the scope of its activity of CCC S.A. and subsidiaries from the CCC S.A. Capital Group. The main objective is to plan and implement audit activities of an advisory nature. The basic functions and tasks of internal audit include: analysis and evaluation of the correctness and effectiveness of the applied financial and operational controls, implementation of solutions that improve the quality and adequacy of the implemented controls, operational improvements that will ensure that the correct controls are carried out in the companies and communication with employees and management at all levels in order to learn and analyze the processes, and evaluation of the effectiveness of internal control carried out within these processes.

Audit plans are constructed on the basis of risk analysis, which may be verified in connection with ad hoc audits commissioned by the Company's Management Board. The audit plan is submitted to the Supervisory Board for approval. The results of internal audit work are submitted to the Board once a year in the form of periodic reports, in the effective functioning of the systems and their functions in terms of: implementation and maintenance of effective internal control systems, risk management, regulatory compliance and internal audit functions. They contain recommendations to correct control mechanisms and suggest efficiency changes.

In the opinion of the Supervisory Board, the control mechanisms functioning in the Company guarantee an appropriate level of safety of the Company's activity, as well as allow for active management of risks, in particular those that may have a negative impact on the results of CCC S.A. Capital Group.

9. Evaluation of the way the Company fulfils its information obligations concerning the application of corporate governance principles

From 1 January 2016, the Company was subject to the "Code of Best Practice for WSE Listed Companies", which was introduced by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) of 13 October 2015. CCC S.A. observes the recommendations and principles contained in the Good Practices 2016.

The obligations concerning the application of corporate governance rules are set out in § 29 of the Regulations of the Warsaw Stock Exchange S.A. and § 91.5 of the Regulation of the Minister of Finance of 19 February 2009 on current information and periodic... With regard to the aforementioned Regulations, on 20 October 2017 the Company submitted a report by the EIB system on updating the scope of application of the Good Practices 2016, informing that all rules are applied by the Company.

In the opinion of the Supervisory Board of CCC S.A. in 2019 The Company correctly fulfilled its information obligations relating to the application of corporate governance rules.

10. Assessment of the rationality of the Company's sponsorship policy

The Company conducts sponsorship activities based on the adopted Sponsorship Policy, in accordance with the strategic and marketing assumptions of the CCC Group. The purpose of the Policy is to build a positive image, increase brand awareness and popularize the trademark by targeting the sponsorship activities to appropriate target groups. The implementation of the sponsorship assumptions contributes to ensuring mutual benefits, both for the sponsor and the sponsored entity.

The company has been involved in sports sponsoring for years, in particular supporting Polish cycling. In 2019, GK CCC S.A. supported a professional cycling group and a team of basketball players, promoted a healthy lifestyle among children and youth, participating in the development of cycling schools. Cycling events were also sponsored. In the opinion of the Supervisory Board, in 2019, the Company rationally implemented the policy of sponsorship activities, contributing to the increase in brand value and image benefits.

11. Assessment of the CCC non-financial report for 2019

In accordance with the requirements of the Accounting Act and taking into account the principles of sustainable economic development policy in its strategy, the CCC Group prepared a report containing key non-financial information. The CCC Group's non-financial report, which is an integral part of the Annual Report of Activities, collects information about the Group's business model, key non-financial performance indicators related to the Group's operations, the policies applied by the Group in relation to social, labour, environmental, human rights and anti-corruption issues, together with a description of the results of their application and the due diligence procedures. The report covers data for the period from 1 January to 31 December 2019. In accordance with good international and Polish market practice, the publication was prepared in accordance with the latest Global Reporting Initiative (GRI) Standard in the Core option. Also meeting the requirements of EU Directive 2014/95 and the resulting changes to the Accounting Act in terms of disclosure of non-financial data, the Report covers the entire CCC Capital Group. In accordance with the regulatory requirement, the key data were presented separately in the consolidated form and for CCC S.A. The list of key topics for the CCC Group from the perspective of sustainable development and responsible business are: market responsibility - topics particularly important for customers, suppliers and subcontractors; responsibility in the workplace - topics particularly important for current and potential employees of the factory, shops and the office and administration; responsibility around the social environment - important for the local community, beneficiaries of activities and employees; responsibility towards the environment - important for customers, employees and local community.

The report also presents the risks associated with the Group's operations and how they are managed.

In the opinion of the Supervisory Board, the information collected in the non-financial report can serve the most important stakeholders of the Group as a source of reliable information on the non-financial aspects of the CCC Group's activities.

Warsaw, 28 May 2020

- Chairman of the Supervisory Board - Dariusz Miłek
- Deputy Chairman of the Supervisory Board - Wiesław Oleś
- Member of the Supervisory Board - Waldemar Jurkiewicz
- Supervisory Board Member - Zofia Dzik
- Member of the Supervisory Board - Filip Gorczyca