



***Report on the activities of the
Supervisory Board of CCC S.A.
for the period from 01.01.2016 to
31.12.2016***

1. Introduction

The Supervisory Board of CCC S.A. acting pursuant to Article 382 § 1 of the Code of Commercial Companies, the Articles of the Associations of the Company 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 General Meeting the Report on activities of the Supervisory Board for the period from 1 January 2016 to 31 December 2016.

According to the rules and recommendations of the Best Practices of WSE Listed Companies 2016, The Supervisory Board assessed:

- 1) the Company's situation, including an evaluation of internal control systems, risk management, compliance and internal audit functions,
- 2) manners of fulfilling disclosure obligations by the Company regarding the application of the principles of corporate governance set out in the Stock Exchange Rules and regulations on current and periodic information published by issuers of securities,
- 3) the reasonableness of sponsorship policy executed by the Company, charity policy or any other of a similar nature,
- 4) compliance with the independence criteria for members of the Supervisory Board.

Under this report, the Supervisory Board following the principles set out in the Code of Best Practice for WSE Listed Companies 2016 presents the above mentioned assessments and a detailed description of the activities in the fiscal year 2016.

2. Information on the term of office of the Supervisory Board, the composition of the Supervisory Board and performed her functions, as well as changes in the composition of the board during the fiscal year

The Supervisory Board consists of five to seven members appointed by the General Meeting for the joint term of two years. Members of the Supervisory Board are appointed and dismissed by the General Meeting.

The following table shows the composition of the Supervisory Board as of 1 January 2016.

Table no. 1 The composition of the Supervisory Board as of 1 January 2016.

| No. | Name and surname | Function performed | Period of service in 2016. |
|-----|----------------------------|--------------------------------------|--------------------------------|
| 1. | Henryk Chojnacki | Chairman of Supervisory Board | 01.01.2016 – 02.06.2016 |
| 2. | Wiesław Oleś | Member of Supervisory Board | 01.01.2016 – 02.06.2016 |
| 3. | Mirosław Stachowicz | Chairman of Supervisory Board | 02.06.2016 - 31.12.2016 |
| | | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |
| 4. | Marcin Murawski | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |
| 5. | Jerzy Suchnicki | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |

In the financial year 2016, the Chairman of the Supervisory Board - Henryk Chojnacki, made his resignation as of the date of approving the annual reports for 2015, i.e. on 2 June 2016. On that day, the Ordinary General Meeting adopted a resolution on increasing the number of members of the Supervisory Board up to 6 members. At the same time, the members of the Supervisory Board, Karol Półtorak and Waldemar Jurkiewicz were appointed to supplement the composition of the Supervisory Board. Wiesław Oleś was appointed by the General Meeting the new Chairman of the Supervisory Board. Due to the appointment of Karol Półtorak to the Company's Management Board from 1 December 2016, he resigned from membership in the Supervisory Board with effect from 30 November 2016.

Table no. 2. The composition of the Supervisory Board as of 31 December 2016.

| No. | Name and surname | Function performed | Period of service in 2016. |
|------------|----------------------------|--------------------------------------|-----------------------------------|
| 1. | Wiesław Oleś | Member of Supervisory Board | 01.01.2016 – 02.06.2016 |
| | | Chairman of Supervisory Board | 02.06.2016 – 31.12.2016 |
| 2. | Marcin Murawski | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |
| 3. | Jerzy Suchnicki | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |
| 4. | Mirosław Stachowicz | Member of Supervisory Board | 01.01.2016 – 31.12.2016 |
| 5. | Waldemar Jurkiewicz | Member of Supervisory Board | 02.06.2016 – 31.12.2016 |
| 6. | Karol Półtorak* | Member of Supervisory Board | 02.06.2016 – 30.11.2016 |

* Karol Półtorak - Member of the Supervisory Board until 30.11.2016

Due to changes in the composition of the Supervisory Board, i.e. the resignation of Mirosław Stachowicz as a Member of the Supervisory Board with effect from 31 January 2017 and the appointment by the Extraordinary General Meeting on 10 January 2017 of Piotr Nowjalis to the composition of the Supervisory Board at the date of this report is as follows:

Table 3. Composition of the Supervisory Board of the VI term of office as at the date of the report submission

| No. | Name and surname | Function performed |
|------------|----------------------------|--------------------------------------|
| 1. | Wiesław Oleś | Chairman of Supervisory Board |
| 2. | Marcin Murawski | Member of Supervisory Board |
| 3. | Jerzy Suchnicki | Member of Supervisory Board |
| 4. | Waldemar Jurkiewicz | Member of Supervisory Board |
| 5. | Piotr Nowjalis | Member of Supervisory Board |

* Piotr Nowjalis - Member of the Supervisory Board since 10.01.2017

3. Information on the fulfillment by the members of the Supervisory Board of the independence criteria.

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

Members of the Board provided the Management Board and the General Meeting of Shareholders a statement on compliance with the independence criteria. The Supervisory Board after making the assessment adopted at its meeting on 2 September 2016 the Resolution No. 01/09/2016/RN on the determination of number of members of the Supervisory Board meeting the criteria of independence, stating that all Board members meet the independence criteria.

Due to supplementing by the Ordinary General Meeting of Shareholders on 2 June 2016 the composition of the Supervisory Board and the appointment of Karol Półtorak and Waldemar Jurkiewicz to the members of the Supervisory Board of CCC S.A., the Supervisory Board at its meeting on 2 June, after assessing the statements submitted regarding the fulfillment of independence criteria, adopted the Resolution No. 01/06/2016/RN on determining the number of Supervisory Board members meeting the criteria of independence, stating that six members of the Supervisory Board met the criteria of independence.

While remaining in the composition of the Company's Supervisory Board in 2016, none of its members reported any changes in the status of independence as well as personal, factual and organizational links with shareholders of CCC S.A.

As at the date of submission of the report, due to changes in the composition of the Supervisory Board after the balance sheet date, the Supervisory Board at its meeting on 1 February 2017 evaluated the statements submitted regarding the fulfillment of independence criteria and adopted the Resolution No. 01/02/2017/RN on the determination the number of members of the Supervisory Board meeting the criteria of independence, stating that in a five-persons board, three members of the Supervisory Board meet the criteria of independence, and the criteria of independence of the Supervisory Board are met.

4. Information on significant issues handled by the Supervisory Board, the number of meetings held and adopted resolutions in 2016

The Supervisory Board exercises permanent supervision over the operations of the Company and performs its tasks on the basis of specific powers which are conferred on the Supervisory Board by the Company's Articles of Associations, the Rules of the Supervisory Board and the resolutions of the General Meeting with regard to the Code of Best Practice for WSE Listed Companies.

The Board supervises the operations of CCC S.A., performing its functions at the meetings. According to the Articles of Association, the Board shall meet as needed, not less than three times a year. Its sessions are convened by the Chairman of the Supervisory Board.

In fiscal year 2016, the Supervisory Board of CCC S.A. held six meetings at the headquarters of the Company: 21 January, 12 April, 5 May, 2 June, 22 August, 21 November; adopting thirty seven resolutions, including three resolutions by circulation voting. Within the scope of its activities, the Supervisory Board actively supported the Management Board in implementing the strategic objectives of the Company, considered the conclusions of the Management Board on matters that require the consent of the

Supervisory Board, and got acquainted with current economic - financial results of the Company, periodic financial statements, as well as periodic information of the Company's Management Board as for current and planned operations. The Members of the Board held meetings with the certified auditor. The following are the main issues handled by the Supervisory Board in 2016.

Table 3. The main issues handled by the Supervisory Board in 2016.

| The main issues handled by the Supervisory Board in 2016. | |
|--|--|
| 1. | Approval of the internal audit plan for 2016. |
| 2. | Granting additional remuneration to members of the Management Board for the second half of 2015. |
| 3. | Giving a consent to having a seat of the members of the Management Board of the Company in management boards and supervisory boards outside Capital Group CCC S.A. (pursuant to Rule II.Z.2 of the "Good Practices of WSE Listed Companies 2016"). |
| 4. | Making changes to the remuneration of members of the Management Board. |
| 5. | Approval of financial plan for 2016. |
| 6. | Discussion of the observations following the audit of the financial statements for 2015. |
| 7. | Adoption of the financial statements of CCC S.A. and the report on the operations of the Company for 2015 to be recommended to the GM. |
| 8. | Adoption of the consolidated financial statements and the report on the operations of the Capital Group for the year 2015 to be recommended to the GM. |
| 9. | Adoption of the report of the Supervisory Board of CCC S.A. on the activities in 2015. |
| 10. | Adoption of the report of the Supervisory Board of CCC S.A. on the results of the assessment of separate and the consolidated financial statements, the Management Board's report on the operations of CCC S.A. and Capital Group CCC S.A. for 2015. |
| 11. | Giving an opinion and adopting of the motion of the Management Board regarding the distribution of profit for 2015 to be recommended to the GM. |
| 12. | Adoption of motions on giving the vote of approval for the members of the Management Board for the year 2015 to be recommended to the GM. |
| 13. | Appointment of the Management Board of the Company for the next term of office for 2016 - 2018. |
| 14. | Adoption of the "Rules of remuneration for members of the Management Board of CCC S.A." |
| 15. | Determination of remuneration for individual members of the Management Board for serving the function of a member of the Management Board. |
| 16. | Initiation of the tender procedure for auditing by authorized entities the financial statements for the financial year ended 31.12.2016. |
| 17. | Adoption of amendments to the "Supervisory Board Regulations". |
| 18. | Approval of "Organizational Regulations". |
| 19. | Determination of the number of Supervisory Board members who meet the criteria of independence. |
| 20. | Determining the number of members of the Audit Committee and appointing the Audit Committee and its Chairman. |
| 21. | Adoption of the "Rules of the Audit Committee of the Supervisory Board of CCC S.A." |
| 22. | Acknowledgment of the total consolidated net profit of the capital group for 2013, 2014, 2015 in the amount not lower than PLN 620 million, calculated excluding the costs incurred due to the implementation of the Incentive Scheme and the fulfillment of the terms and conditions of the Incentive Scheme. |
| 23. | Approval of the revised Entitled Persons List to participate in the Incentive Scheme. |
| 24. | Confirmation of meeting the terms and conditions of the Incentive Scheme by the Scheme Participants who are members of the Management Board and handing over Grant Letters. |
| 25. | Selection of a certified auditor. |
| 26. | Introduction of the amendments to the "Incentive Scheme Regulations" and adoption of the unified text of the "Incentive Scheme Regulations". |
| 27. | Changing the number of members of the Board for the fifth term of office 2016-2018. |
| 28. | Appointment of new members of the Management Board along with approving the remuneration for individual new members of the Management Board for serving the function as a member of the Management Board. |

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

In the fiscal year 2016, the General Meeting of CCC S.A. adopted on 24 June, three resolutions in respect of: determining the changed number of members of the Supervisory Board for the next term of office of the six-persons Board, supplementing the composition of the supervisory board by two new members and the election of the Chairman of the Supervisory Board.

6. Performing the duties of the Audit Committee by the Supervisory Board

Within the structures of the Supervisory Board CCC S.A., due to the fact that the Supervisory Board of the Company operates in the minimum, provided for by law, composition of five members, the Board did not appoint separate committees. The tasks of the committee referred to in Annex I to the Commission Recommendation (...) are implemented directly by the full composition of Supervisory Board. The Supervisory Board of CCC S.A. performing the duties of the audit committee monitored the effectiveness of the Company's internal control, internal audit and assessed the significant risk factors and threats to which the Company is exposed.

In assessing the risks associated with asset management The Board made, in particular, the analysis of management control of cash and receivables, management control of currency exchange risk, credit risk and interest rate changes in connection with the concluded loan agreements. In assessing the operational risk associated with investments and management of subsidiaries of CCC S.A., the Board examined the location of commercial facilities, the dynamics of development of the branches network and the cost of their expansion, as well as the efficiency of operating facilities.

The Supervisory Board of CCC S.A. acting pursuant to art. 86 of the act of 7 May 2009 on certified auditors and their autonomy, entities authorized to audit financial statements and public oversight (Journal of Laws 2015.1011), also due to supplementing by the Ordinary General Meeting of Shareholders of CCC S.A. on 2 June 2016 the composition of the Supervisory Board up to six members, appointed the Audit Committee by the Supervisory Board of CCC S.A. by the Resolution No. 02/06/2016/RN dated 2 June 2016. Out of the members of the Supervisory Board, three members were elected to the Audit Committee: Marcin Murawski - Chairman of the Audit Committee, Jerzy Suchnicki - Member of the Committee, Karol Póltorak - Member of the Committee. The Supervisory Board pointed out that the Chairman of the Committee is also a person meeting the independence criteria and qualified in the field of accounting and auditing.

While appointing the Audit Committee, the Supervisory Board adopted the Regulations of the Audit Committee. The Board has determined that the tasks of the Audit Committee include in particular:

- 1) monitoring the financial reporting process;
- 2) monitoring the effectiveness of internal control, internal audit and risk management;
- 3) monitoring auditing activities;
- 4) monitoring the independence of the certified auditor and the entity authorized to audit the financial statements;
- 5) recommending the supervisory board the entity authorized to audit financial statements.

In 2016 there were held two Audit Committee meetings (22 August and 21 November). Due to the made resignation of Karol Póltorak from the function of a member of the Supervisory Board, the composition of the Audit Committee was supplemented on 1

February 2017. The Supervisory Board adopted a resolution that out of members of the Supervisory Board, a person of a Piotr Nowjalis supplements the composition of the Audit Committee.

As part of the performance of auditing activities, the Audit Committee reviewed the financial statements prepared by the Company for 2016. The Audit Committee monitored the financial reporting process, together with the Supervisory Board met the auditor and monitored the review process (including the analysis the auditor's independence).

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

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

7. Assessment of Supervisory Board's activities

The Supervisory Board of CCC S.A. performed constant supervision over operations of the Company and activities of the Management Board in accordance with the duties and powers set out in the Commercial Companies Code and other laws, Articles of Association and the Rules of Supervisory Board taking into account the principles contained in the Code of Best Practice for WSE Listed Companies. On the basis of this assessment, the Supervisory Board states that all the statutory and code obligations were fulfilled.

All Board members did their utmost in the performance of their duties in the Board, using their best knowledge and experience in conducting and supervising commercial companies. The Supervisory Board believes that it performed in accordance with all the formal - legal requirements, and its work contributed to the increase in the value of the company and enhance shareholders' confidence. Therefore, the Supervisory Board approves its activity in 2016, and requests its members to vote for acknowledgement of the fulfilment of duties by its members in the fiscal year 2016.

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

1) Implementation of the Company's strategy

Assessment of the Company was prepared on the basis of the documents submitted by the Management Board, discussions held at the meetings of the Supervisory Board with the participation of the Management Board, the auditor, as well as with regard to the financial statements and statements on the operations of the Company for the fiscal year 2016 and the conclusions resulting from the audit of the books of account of the Company by the auditor.

The Company CCC S.A. firmly and dynamically implemented the foreign expansion strategy adopted for 2016-2017. The key element of the CCC Group's strategy is to continue its very successful expansion in Central and Eastern Europe, to become a leader in each of the local footwear markets in the region and to achieve sustainable profitability in the markets of Austria and Germany over the next few years. In order to meet its objectives, the Group opened a distribution company in Serbia in 2016 and launched franchise sales in Estonia. The Company's strategy was based on consistent expansion of its sales network and opening new stores, both domestically and abroad, of carefully selected in terms of expected profitability and return. In 2016 the retail floor space of the Capital Group for 31.12.2016 amounted to 459.0 thousand m² (including: CCC network of 458.6 thousand m², BOTI network of 0.4 thousand m²) and increased by 88.3 thousand m² (compared with 31.12.2015), which was caused by the opening and enlargement of CCC stores +94.7 thousand m² and closures - 6.4 thousand m² (including: CCC network of 5.2 thousand m²). The retail floor space in CCC own facilities

increased by 25.4% and amounts to 425.7 thousand m² on 31.12.2016 (including 212.2 thousand m² in Poland) compared to 339.4 thousand m².

As at 31 December 2016, the sales network of the CCC S.A. covered 862 CCC stores, including 436 CCC stores in Poland (of a retail floor space: 212 242 m²), 82 CCC stores in the Czech Republic (of a retail floor space: 39 415 m²), 42 CCC stores in the Slovak Republic (of a retail floor space: 23 104 m²), 69 stores in Hungary (of a retail floor space 38 040 m²), 39 stores in Austria (of a retail floor space 23 580 m²), 11 stores in Slovenia (6 272 m²), 20 stores in Croatia (of a retail floor space 11 842 m²), 75 stores in Germany (of a retail floor space:58 127 m²), 9 stores in Bulgaria (of a retail floor space: 5 665 m²), 2 stores in Serbia (of a retail floor space: 1089 m²) and 11 stores in Russia (of a retail floor space 6 639 m²). As for franchise stores: 7 CCC stores in Latvia (of a retail floor space: 3281 m²), 50 CCC stores in Romania (of a retail floor space: 24 386 m²), 5 CCC stores in Ukraine (of a retail floor space: 2709 m²), 3 stores in Lithuania (of a retail floor space: 1787 m²), 1 store in Estonia (of a retail floor space: 724 m²).

The Group is also planning to continue its foreign expansion, thus strengthening its position in the markets where it already has been operating. Only in 2017, the Group intends to invest in fixed assets of over PLN 150 million and intends to increase its retail floor space by not less than 100,000 m² net of a new retail floor space, of which approximately 40% will be opened in Poland and the remaining part which will make the Group at the end of 2017 manage the sales network with a total area of 569 thousand m² and thus having CCC stores in 15 countries in Central and Western Europe.

The Company's strategy is also reflected in the product range and its competitiveness, which consequently increases the potential of the sales network. An important element of competitiveness is the price and quality, but also systematic expansion of product offering and the introduction of a new product range to stores, through the introduction of: new brands of leather shoes manufactured by CCC, a wide range of children's shoes, sports shoes of its own brand ("Sprandi") and wider range of accessories accompanying the sale of footwear.

The company regularly conducts marketing activities to support the brand CCC by both classical advertising campaigns in the media, sports sponsorship, as well as making internal arrangements and external advertising in stores more attractive. The element in strengthening its market position is also to maintain the standardization of customer service and promoting the customer loyalty program (Club CCC) as well as its efficient use to support the sale activities.

The strategic goal in the field of e-commerce is to use synergies within the CCC Group and gaining by eobuwie.pl a leadership position in online footwear sales in Central Europe. Currently, eobuwie.pl sells footwear via its regional domains in Poland, the Czech Republic, Slovakia, Germany, Romania and Hungary. In addition, the Company has started work on the creation of an Internet platform fully integrated with CCC stores, which will significantly increase the Group's reach.

2) Basic results of the Company

In the reporting period the Group CCC S.A. sold over 34 million pairs of shoes and 2.1 pieces of bags. The sales structure is dominated by sales of women shoes, representing 57% of the value of footwear sales in 2016 where 21% accounts for men's footwear and 13% kids' footwear.

In 2016 sale revenue amounted to PLN 3,183.3 billion, an increase of PLN 878.3m (38.1%) compared to the previous year. The increase in sales was mainly influenced by business development and expansion in particular retail markets, especially in Poland. In total retail sale revenue in 2016 accounted for 86.0% of total sales from external customers, with 5.0% of wholesale sales and 9.0% of e-commerce sales. Poland is the largest sales market whose share in total sales in 2016 amounted to 53.0% compared to 62.3% in 2015. In comparison with the previous year, sales to external customers increased in all markets. The Group maintains high retail sales per square meter - over the past year sales did not change compared to 2015 and amounted to 6.4 thousand

PLN/m², with the increase of an average CCC store area + 9.6% up to the level of 535 m². The size of revenue is affected by the change in sales in existing facilities and the changes resulting from the opening and closing of retail facilities. Consolidated gross profit on sales of the Group increased by 32.7% and amounted to PLN 1,680.1 billion in 2016. The higher growth of cost of goods sold + 44.6% compared to sale revenue + 38.1% resulted in a decrease in gross margin on sales by 2.2 p.p. relative to the previous year. Higher dynamics of cost of goods sold than revenues is related, among others to the functioning of the e-commerce channel, which generates a gross margin of 42.6%.

The margin in the retail segment was 54.9% in 2016 and was lower by 1.0 p.p. relative to last year.

The gross profit earned on sales covers the costs of operating stores and creates the result of the segments. In 2016, the cost of operating of stores increased by PLN 200.2m compared to the previous year, and the result of the retail segment increased by PLN 26.8m.

More information from the analysis of the financial results of CCC S.A. and CCC Group S.A. was included in the Report of the Supervisory Board on the results of evaluation of a separate and the consolidated financial statements and the Management Board's Report on the activities of CCC S.A. and Capital Group CCC S.A. for the period from 01.01.2016 to 31.12.2016.

The Supervisory Board finds that the overall situation of the Company in 2016 was very good. In 2016 the Company consistently implemented its chosen strategy. According to the Supervisory Board's assessment, the chosen strategy, rational cost policy, financial security will enable the Company to function properly and realize investment objectives.

3) Evaluation of the internal control system

The Company has a multi-level system of internal control, which aims at effectively preventing and quickly eliminating possibly resulting irregularities. The internal control system covers all areas and organizational units of the Company. At the same time, the obligation of full self-employees control and functional control exercised by all levels of management within coordination and supervisory duties was maintained, which meets the relevant functional needs. In the process of preparing the financial statements of the Company, one of the basic elements of control is verification of financial statements by an independent auditor. The tasks of the independent auditor include in particular: review of the interim financial statements and preliminary and basic review of annual reports. To ensure the reliability of keeping the accounts of the Company, the Management Board adopted and approved for using the Accounting Policy pursuant to International Reporting Standards.

4) Assessment of the market risk management in the Company in 2016

The Supervisory Board took note of important risk factors and dangers, along with the level of their exposure for the Company, as well as the risk management system in CCC, which is included in section 6.5 of the statements on the operations of CCC S.A. for the year 2016. As the main types of risks are identified those that may be associated with internal factors, associated with the strengthening of the sales network, increase of brand recognition and brand value as well as external factors. The external factors included risks associated with:

- level of exchange rates,
- changes in interest rates,
- general economic situation,
- seasonality of sales and weather conditions,
- trends in fashion and failed collections.

A credit risk was included in internal risks. The CCC Group's risk management policy sets out the assumptions, principles, risk factors and methods of their elimination so as to provide a maximum control over the risks that could adversely affect the CCC Group's operations. This policy is required and respected by all CCC Group companies. The risk management policy is constantly being developed and supplemented by detailed regulations covering the individual risk areas occurring within the Group.

The Management Board of the Company is responsible for risk management, at the strategic level. The substantive supervision over the process of financial reporting is exercised by Vice President for Financial Affairs. The Chief Accountant of the Company is responsible for the organization of the process of preparing financial statements who simultaneously supervises the proper recording of business transactions in the accounting books of the Company. The method of document circulation allows minimizing any risks associated with the proper recording of business operations. The effectiveness of the risk management system is provided based on the division of powers related to making business decisions and their recording and established scope of financial reporting by the Company, including a system of internal budgeting. Management in the procedure of risk management involves identifying and assessing risk areas for all areas of activity of the Company and defines the actions necessary to limit these risks. The Company's objective in capital management is to protect the Company's ability to continue its operations, so that it can generate return for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce its cost. The Company monitors 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 operations also in the evaluation of internal control and risk management and make decisions affecting the running of the Company in effectively and efficiently in order to achieve strategic objectives. The Board states that the Company on regular basis conducts analysis of exchange currency markets, actively manages its financial liquidity, understood as the ability to settle liabilities timely and raise funds to finance current operations and investment needs, which meets the relevant functional needs.

5) Compliance

The system monitoring compliance of the operations with the law was not formalized in the Company CCC S.A.. This matter is partially covered by the Code of Ethics introduced in December 2014. The Code of Ethics is intended to prevent the occurrence of non-compliance with laws, regulations and the highest ethical standards, suppression of such proceedings as soon as it is discovered and to take proper action in case of stating the infringement. The Code of Ethics describes the most important values, which the Company is guided by in its activities and reflects the directions set out in the Sustainable Development Strategy of CCC S.A..

The Company has not established an organizational unit in the field of compliance. At every organizational level, all employees are involved in the process of risk management compliance and prevention of non-compliance with national and international law and ethical principles. The persons responsible for the supervision are the CFO, Finance Director, legal services and internal auditor. The Supervisory Board and the Audit Committee, in their meetings, analysed key new regulatory issues including tax regulations, information disclosure and best practises of the stock market.

6) Internal audit

Within the Group CCC S.A., 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 of the Capital Group CCC S.A.. The main objective is planning and implementation of audit advisory activities. The basic functions and tasks of the internal audit include: analysis

and evaluation of the accuracy and effectiveness of used financial and operational controls, implementation of solutions that improve the quality and relevance of the ongoing control, operational improvements that will ensure proper execution of control in companies as well as communication with employees and managers at all levels to learn and analyse processes, and evaluation of the effectiveness of internal controls implemented as part of these processes.

The audit plans are developed based on a risk analysis, which can be verified in relation to emergency controls mandated by the Management Board. The audit plan is submitted to the Supervisory Board for approval. Results of internal audit are submitted to the Board once a year in the form of a report. They contain recommendations correcting controlling mechanisms, as well as suggesting changes of the efficiency nature.

According to the Supervisory Board, controlling mechanisms functioning in the Company guarantee the proper security levels for the Company's operations, as well as allow for the active management of risks, in particular those having a negative impact on the results of the Capital Group CCC S.A.

9. Evaluation of fulfilling the Company's disclosure obligations regarding the application of the principles of corporate governance

Since 1 January 2016 has been subject to "Good Practices of WSE Listed Companies", which were introduced by the Resolution No.26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) dated 13 October 2015. The Management Board, after prior approval of the Supervisory Board, adopted to apply the recommendations and rules, except for the rule set out in VI.Z.2. "In order to tie the remuneration of board members and key managers with the company's long-term business and financial goals, the period between the incentive scheme or other equity-linked instruments schemes and the possibility of their realization should amount to at least 2 years. "The Company's justification is as follows: In the Company's Incentive Scheme adopted before the document becoming effective of " Best Practices of WSE Listed Companies " the instruments are used which are characterized by the fact that the period between their granting and the realization is shorter than 2 years.

Obligations regarding the application of corporate governance principles are set out in § 29 of the Regulations of Warsaw Stock Exchange S.A. and in § 91 sec. 5 of the Decree of the Minister of Finance of 19 February 2009 on current and periodic information (...). Regarding the aforementioned Regulations, the Company published, through the EIB system, the current report 1/2016 dated 26 January 2016 on the application of good practices of companies listed on the WSE and information on the condition of application of the recommendations and principles contained in the Good Practices of Companies listed on the WSE 2016.

According to the Supervisory Board of CCC S.A. in 2016, The Company properly met disclosure obligations relating to the application of the principles of corporate governance.

10. Evaluation of the rationality of the sponsorship policy activities conducted by the Company.

The company conducts sponsorship activity on the basis of the adopted sponsorship policy, in accordance with the strategic and marketing objectives of CG CCC S.A.. The aim of the policy is to build a positive image, increase brand awareness and popularization of the trademark by targeting sponsoring activities to the relevant target groups. Implementation of sponsoring activities helps to provide mutual benefits for both the sponsor and the sponsored entity.

The company has been involved in sport sponsorship for years, in particular the promotion of Polish cycling. CG CCC S.A. supports the national team, a group of professional cycling and promotes a healthy lifestyle among children and young people, co-operating in the development of cycling schools. Cycling events are also sponsored. In 2016, the company re-launched its sponsorship activities for the women basketball team of CCC Polkowice.

According to the Supervisory Board in 2016 the Company reasonably implemented a policy of conducted sponsorship activity, contributing to the increase in brand value and the image benefits.

Polkowice, 10 May 2016

Chairman of the Supervisory Board - Wiesław Oleś

Member of the Supervisory Board - Marcin Murawski

Member of the Supervisory Board - Jerzy Suchnicki

Member of the Supervisory Board - Waldemar Jurkiewicz

Member of the Supervisory Board - Piotr Nowjalis