

CCC

Report on the activities of the Supervisory Board of CCC S.A.
for the financial year beginning on 1 January 2020 and ending on 31 January 2021





1. Introduction

The Supervisory Board of CCC S.A., acting on the basis of Article 382 § 1 of the Code of Commercial Companies, the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board of CCC S.A., as well as the provisions of the Good Practice of Companies Listed on the WSE 2016, hereby presents to the Ordinary General Meeting the Report on the activities of the Supervisory Board for the period beginning on 1 January 2020 and ending on 31 January 2021.

In accordance with the principles and recommendations of the Best Practices of WSE Listed Companies 2016, the Supervisory Board has evaluated:

- 1) situation of the Company, taking into account the operation of the internal control systems, risk management, compliance and the internal audit function,
- 2) the manner in which the Company fulfils its disclosure obligations regarding the application of the principles of corporate governance, as set out in the Stock Exchange Rules and in the regulations concerning current and periodic information to be provided by issuers of securities,
- 3) the reasonableness of the Company's sponsorship, charity or other similar policy of a similar nature,
- 4) fulfilment of the criteria of independence by members of the Supervisory Board.

As part of this report, the Supervisory Board, exercising the principles set out in the Best Practices of Listed Companies 2016, presents the assessment made and a detailed description of the activities in the financial year beginning 1 January 2020 and ending 31 January 2021.

2. Information on the term of office of the Supervisory Board, the composition of the Supervisory Board and functions held on it, as well as changes in the composition of the Board during the financial year beginning on 1 January 2020 and ending on 31 January 2021.

According to the Company's Articles of Association, the Supervisory Board consists of five to seven members appointed by the General Meeting for a joint term of three years. The 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 of the 8th term as at 1 January 2020.

Table No. 1: Composition of the Supervisory Board of the 8th term as at 1 January 2020.

No.	Name and surname	Function performed	The period of office in 2020 r. /2021 r.
1.	Dariusz Miłek	Chairman of the Supervisory Board	01.01.2020 – 31.01.2021
2.	Wiesław Oleś	Vice Chairman of the Supervisory Board	01.01.2020 – 31.01.2021
3.	Waldemar Jurkiewicz	Member of the Supervisory Board	01.01.2020 – 31.01.2021
4.	Filip Gorczyca	Member of the Supervisory Board	01.01.2020 – 31.01.2021
5.	Zofia Dzik	Member of the Supervisory Board	01.01.2020 – 31.01.2021

On 24 June 2020, the Annual General Meeting passed resolutions to increase the composition of the Company's Supervisory Board to 6 persons and to appoint Mr Henry McGovern to the Supervisory



Board.

Until the end of January 2021, the Board functioned with an unchanged composition. Throughout the period covered by the Supervisory Board report on the activities of the Chairman of the Supervisory Board, Mr Dariusz Miłek was delegated by the Board to individually supervise purchasing and product management, expansion, marketing strategy and strategy and development.

Table No. 2: Composition of the Supervisory Board of the 8th term as at 31 January 2021.

No.	Name and surname	Function performed	The period of office in 2020 r. /2021 r.
1.	Dariusz Miłek	Chairman of the Supervisory Board	01.01.2020 – 31.01.2021
2.	Wiesław Oleś	Vice Chairman of the Supervisory Board	01.01.2020 – 31.01.2021
3.	Waldemar Jurkiewicz	Member of the Supervisory Board	01.01.2020 – 31.01.2021
4.	Filip Gorczyca	Member of the Supervisory Board	01.01.2020 – 31.01.2021
5.	Sophia Dzik	Member of the Supervisory Board	01.01.2020 – 31.01.2021
6.	Henry McGovern	Member of the Supervisory Board	24.06.2020 – 31.01.2021

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

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 Annual General Meeting, on 24 June 2020 Mr. Henry McGovern to the Supervisory Board of the 8th term of office, the Supervisory Board at its meeting on 29 September 2020, after evaluation of the statement submitted by the newly appointed member of the Supervisory Board on meeting the independence criteria, adopted Resolution No. 01/09/2020/RN on determining the number of members of the Supervisory Board meeting the independence criteria, stating that in the six-member composition, four members of the Board meet the independence criteria (Mr. Wiesław Oleś, Mr. Filip Gorczyca, Mr. Henry McGovern and Ms. Zofia Dzik - independent members).

While remaining in the composition of the Supervisory Board of the Company in the financial year from 01.01.2020 to 31.01.2021, none of its members reported any changes in terms of changes in independence status and personal, factual and organizational ties with shareholders of CCC S.A.

4. Information on significant issues dealt with by the Supervisory Board, the number of meetings held and resolutions passed during the financial year beginning 1 January 2020 and ending 31 January 2021.

The Supervisory Board exercises constant supervision over the Company's activities and performs its tasks on the basis of



The Supervisory Board has the specific rights granted to it by the Company's Articles of Association, the Supervisory Board Regulations and the Resolutions of the General Meeting, taking into account the Best Practices of WSE Listed Companies, performing its functions primarily at meetings.

In accordance with the Regulations of the Board, the Board meets as required, at least three times per financial year. Its meetings are convened by the Chairman of the Supervisory Board.

In the financial year from 01.01.2020 to 31.01.2021. The Supervisory Board of CCC S.A. held 16 meetings at the registered office of the Company or through direct remote communication means (remote): 21st January, 28th January, 3rd March, 6th March, 18th March, 25th March, 8th April, 23rd April, 29th April, 30th April, 28th May, 29th September, 22nd October, 16th November and 23rd November in 2020 and 28th January in 2021, adopting 29 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 regarding issues requiring the Supervisory Board's approval, and familiarised itself with the Company's current economic and financial results, periodic financial statements as well as periodic information of the Company's Management Board regarding current and planned activities. In particular, during the period covered by the report, the Supervisory Board was involved in issues related to financial liquidity, preparation of launching new segments of the Company's activity, shaping the remuneration policy, which was subsequently approved by the General Meeting of Shareholders, capital transactions regarding the subsidiary company eObuwie SA. The members of the Board held meetings with the statutory auditor. The main issues dealt with by the Supervisory Board in the reporting period are presented below.

Table 3. Main issues dealt with by the Supervisory Board during the financial year ended 31 January 2021.

1.	Approval of individual short-term goals for Board members for the first half of 2020 and short-term goals common to the entire Board for 2020.
2.	Approval of the financial plan for 2020
3.	Determining a fixed monthly salary for the President of the Management Board of CCC S.A.
4.	Award of mobile remuneration to members of the Board of Directors for the second half of 2019.
5.	Adoption of the statement of the Supervisory Board of CCC S.A. regarding the assessment of the reports of CCC S.A. and the Group CCC S.A. Capital Group for 2019.
6.	Giving an opinion on matters which are to be discussed at the Extraordinary General Meeting of CCC S.A. planned for 17 April 2020. (increase of the share capital of the Company through the issue of ordinary shares of series I and series J).
7.	Reviewing the information presented by the Company's Management Board regarding the Company's preliminary results for the fourth quarter of 2019 and the Company's current financial and economic situation.
8.	Periodical reviewing of the information presented by the Company's Management Board on the impact of the SARS-CoV-2 outbreak on the CCC Group's operations, including the actions taken to take advantage of the crisis shield assistance programs available to the CCC Group.
9.	Approving the conclusion of a transaction with a related party (conclusion of a transaction with Ultro S.à r.l. of an agreement to subscribe for J shares).
10.	Suspension of payment of bonuses and changes in the Regulations of remunerating the members of the Management Board of CCC S.A.
11.	Evaluation of the <i>Standalone Financial Statements of CCC S.A. for the period from 01.01.2019 to 31.12.2019 and the Report on the Company's activities for the period from 01.01.2019 to 31.12.2019.</i>
12.	Evaluation of the <i>Consolidated Financial Statements of the CCC S.A. Capital Group for the period from 01.01.2019 to 31.12.2019 and the Report on the Activities of the CCC S.A. Capital Group for the period from 01.01.2019 to 31.12.2019.</i>
13.	Evaluation of the Management Board's proposal to cover the loss for 2019 from the Company's reserve capital.
14.	Adoption of the <i>Report of the Supervisory Board on the results of the assessment of the unconsolidated and consolidated financial statements, the report on the activities of CCC S.A. and the CCC S.A. Capital Group and</i>



the proposal of the Management Board as to the coverage of the loss for the period from 01.01.2019 to 31.12.2019.

15. Adoption of the *Report on the activity of the Supervisory Board for the period from 01.01.2019 to 31.12.2019*, containing in its content, inter alia, the assessment of the situation of the Company, taking into account the assessment of the systems of internal control, risk management, compliance and the internal audit function, the assessment of the way in which the Company fulfils its information obligations regarding the application of the principles of corporate governance, the assessment of the rationality of the policy pursued by the Company with regard to sponsoring, charitable activities or other activities of a similar nature and the assessment of the fulfilment of the criteria of independence by the members of the Supervisory Board.
16. Approval of the Report of the Chairman of the Supervisory Board on the independent performance of certain supervisory activities in the period from 01.01.2019 to 31.12.2019.
- Adoption of resolutions on recommendations to the General Meeting of Shareholders regarding the following resolutions:
17.
 - 1) to approve the *standalone financial statements of CCC S.A. for the period from 01.01.2019 to 31.12.2019 and the Report on the Company's activities for the period 01.01.2019 to 31.12.2019;*
 - 2) to approve the *Consolidated Financial Statements of the CCC S.A. Capital Group for the period from 01.01.2019 to 31.12.2019 and the Activity Report of the CCC S.A. Capital Group for the period from 01.01.2019 to 31.12.2019;*
 - 3) to allocate of part of the capital reserve to cover the loss of 2019;
 - 4) to grant a discharge to the Company's Board of Directors for the performance of its duties in 2019.
18. Presentation by the Management Board of draft resolutions for the General Meeting.
19. To give an opinion on the draft Remuneration Policy for members of the Management Board and members of the Supervisory Board.
20. Approval of the amendments together with the adoption of the consolidated text of the Regulations of the Audit Committee.
21. Establishing the uniform text of the Articles of Association of CCC S.A.
22. To determine the number of members of the Supervisory Board who meet the independence criteria.
23. To read the information presented by the Company's Management Board on the results for the first half of 2020 and the current financial and economic situation of the Company.
24. To get acquainted with the information presented by the Management Board of the Company on the implementation and proposed update of Company Strategy GO.22.
25. To get acquainted with the information presented by the Company's Management Board on the results for the third quarter of 2020 and the current financial and economic situation of the Company.
26. Approval of individual short-term targets for Board members for the second half of 2020.
27. To approve the achievement of individual short-term targets for the first half of 2020 and the award of an individual short-term cash bonus to members of the Board.
28. Adoption of a model agreement on the allocation of risks for liability related to the sitting of CCC representatives in CCC subsidiaries and affiliates, and delegation of the Deputy Chairman of the Board to conclude these agreements with the members of the Management Board.
29. Providing an opinion on draft resolutions for the Extraordinary General Meeting of Shareholders (concerning the establishment of a limited property right in the form of a pledge on shares of CCC Shoes and Bags Sp. z o.o., together with amendments to the Articles of Association of CCC Shoes and Bags).
30. Getting acquainted with the development vision of eobuwie.pl S.A. presented by the Management Board, the Company's new business segment - HalfPrice shops, as well as the prospects of the Sprandi brand.
31. To approve the financial plan for 2021.

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

During the reporting period, on 24 June 2020, at the Ordinary General Meeting, the Report on the activity of the Supervisory Board for the period from 01.01.2019 to 31.12.2019 was presented, including in its content, inter alia: the assessment of the situation of the Company, taking into account the assessment of internal control systems, risk management, compliance and the internal audit function, the assessment of the way in which the Company fulfils its information obligations regarding the application of the principles of corporate governance, the assessment of the reasonableness of the Company's policy



in the area of sponsorship, charity or other activities of a similar nature and the assessment of the fulfillment of independence criteria by members of the Supervisory Board and the Report of the Supervisory Board on the results of the evaluation of the individual and consolidated financial statements, the report on the activities of the Company CCC S.A. and CCC S.A. Capital Group and the proposal of the Management Board as to the coverage of the loss from part of the reserve capital for the period from 01.01.2019 to 31.12.2019. The General Meeting also discharged all members of the Supervisory Board for the performance of their duties in 2019 by passing the relevant resolutions. At the same time, the Annual General Meeting adopted resolutions on increasing the size of the Supervisory Board of the 8th term and appointing a new member to its composition.

The General Meeting, acting on the basis of the content of Article 90c-90f of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies, also adopted the Remuneration Policy for the members of the Management Board and the Supervisory Board of CCC S.A.

6. Performance of the Audit Committee's duties

During the reporting period, the Audit Committee of the third term, appointed on 8 August 2019 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, continued to perform its duties with an unchanged composition, i.e. : Filip Gorczyca, Zofia Dzik and Waldemar Jurkiewicz.

While remaining in the composition of the Audit Committee during the reporting period, none of its members reported any change in their independence status as defined in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

The Audit Committee functioned during the reporting period in accordance with the generally applicable regulations and the Audit Committee Regulations of 6 October 2017, as amended to reflect the amendments adopted on 28 May 2020.

According to the above document, the tasks of the Audit Committee in particular include:

- 1) supporting the Supervisory Board in the performance of its statutory control duties and supervision in the area of:
 - 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 the internal audit function in the CCC S.A. Capital Group, including in terms of 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 shall in particular:
 - a) monitor the financial reporting process, including giving its opinion on the accounting policy adopted by the Company and on the principles applied in the preparation of financial statements,
 - b) analyse the annual, half-yearly and quarterly financial reports together with the Company's bodies,
 - c) monitor the performance of the financial audit activities, in particular the conduct of the audit by the audit firm, taking into consideration all findings and conclusions of the Audit Oversight Committee arising from the audit conducted at the audit firm, including the discussion of the results of the audit of the annual standalone and consolidated financial statements,
 - d) inform the Supervisory Board about the results of the audit and explains how the audit contributed to the reliability of financial reporting at CCC S.A., as well as what was the role of the audit committee in the audit process,

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- e) make recommendations to ensure the integrity of the financial reporting process at CCC S.A.
 - f) evaluate the Management Board's reports on its activities and the Management Board's proposals regarding the distribution of profit/losses, and makes recommendations to the Supervisory Board regarding their evaluation,
 - g) give its opinion on important financial information published by the Company;
- 3) As part of its supervisory activities concerning internal control, the Audit Committee shall in particular:
- a) examine the adequacy of the systems operated by the Management Board for identifying, monitoring and mitigation of risks to the Company's operations,
 - b) monitor the effectiveness of the Company's internal control system, including the effectiveness of any corrective actions taken,
 - c) supervise the operation of internal audit, inter alia, by monitoring its work plans and results and evaluating its resources,
 - d) monitor the Company's compliance with laws and other regulations;
- 4) As part of its supervision of risk management, the Audit Committee shall in particular:
- a) monitor the effectiveness of the risk management system having a significant impact on the Company's operations,
 - b) give its opinion on the draft principles of prudent and stable management and acceptable levels of risk in the areas of activity of the Company,
 - c) give its opinion on drafts of significant regulations and amendments to the Company's regulations on compliance rules, including the compliance risk policy,
 - d) assess the implementation of the Company's whistleblowing procedure by the relevant units of the Company;
- 5) In ensuring the independence of the external auditors, the Committee shall in particular:
- a) make recommendations to the Supervisory Board on the appointment of the Company's auditor, as well as its replacement and its remuneration,
 - b) control and monitors the independence of the auditor and the audit firm, in particular when services other than audit are provided to CCC S.A. by the audit firm,
 - c) express its opinion on the engagement of the external auditor to perform services other than the audit of the Company's financial statements and presents its position on the Company's policy in this respect,
 - d) assess the auditor's independence and approves the provision of permitted non-audit services by the auditor at CCC S.A,
 - e) develop a policy for selecting the audit firm to carry out the audit,
 - f) develop a policy on the provision of permitted non-audit services by the audit firm, by affiliates of the audit firm and by a member of the audit firm's network,
 - g) set out the procedures for the selection of the audit firm by CCC S.A,
 - h) review the effectiveness of the external audit process and the Board's response to the external auditor's recommendations.

As part of its audit work, the Audit Committee reviewed the financial statements for 2019 prepared by the Company, the independent auditor's report on the audit of the annual financial statements and the audit of the annual consolidated financial statements, as well as the additional report to the Audit Committee. In addition, the Committee took note of the independent auditor's observations following the review of the separate and consolidated financial statements for H1 2020.



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

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

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

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

Regardless of the monitoring of the financial reporting process, the Audit Committee, within the scope of its powers and responsibilities, exercised constant supervision over the areas of the Company's activity, familiarising itself with the information submitted, by the Management Board and individual units within the Company, inter alia, in the following areas

- analysis of customer base and results of marketing research together with presentation of marketing strategy,
- sustainable development strategy 2020-2022,
- new stock management methodology,
- improving the reporting and financial reporting process,
- IT security and business continuity risk management,
- organisation of the work of the Internal Audit Capability,
- organisation of the compliance area,
- rules on the handling of ethical notifications,
- ongoing and continuous monitoring of the Company's liquidity position and work related to the debt refinancing process.

The supervisory activities of the Audit Committee also included the subsidiaries of CCC S.A., including in particular issues related to the company eobuwie.pl S.A.

7. Evaluation of the work of the Supervisory Board

The Supervisory Board of CCC S.A. exercised constant supervision over the activities of the Company and the work of the Management Board in accordance with the duties and powers defined in the Code of Commercial Companies and other laws, the provisions of the Articles of Association and the Regulations of the Supervisory Board, taking into account the principles contained in the Good Practice of Companies Listed on the WSE.

Based on its assessment, the Supervisory Board concludes that the Company fulfils the obligations imposed on it by the provisions of the Commercial Companies Code, other generally applicable legal regulations relating to the operation of a public joint-stock company, as well as fulfils the obligations arising from statutory regulations.

All Board members have exercised due diligence in the performance of their duties on the Board, using with dedication their best knowledge and experience in running and supervising commercial companies.

In addition, on 29 August 2019, the Supervisory Board delegated, for the duration of the Board's 8th term of office, the Chairman of the Board to independently perform certain supervisory activities over the indicated areas of the Company's business. The information provided by the Chairman to the Supervisory Board on an ongoing basis, provided a source of reliable information on aspects of the operations of the areas supervised by the Chairman. Furthermore, the delegation granted serves both to utilise the knowledge and skills possessed by the Chairman and



and intensive development of the Company's activities in these areas, translating into the interests of the Company and its Shareholders.

In the opinion of the Board, the duties imposed on the Board both by generally applicable laws, as well as internal regulations of CCC Group S.A. are carried out by it in accordance with the applicable regulations and good practices concerning the above mentioned body. In view of the above, the Supervisory Board requests that its members be granted a discharge of their duties for the financial year beginning on 01 January 2020 and ending on 31 January 2021.

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

1) Implementation and modification of the Company's strategy

The assessment of the Company's situation was prepared on the basis of the documents submitted by the Management Board, the discussions held at the meetings of the Supervisory Board with the participation of the Management Board, the statutory auditor, the internal auditor, as well as taking into account the financial statements and reports on the Company's activities for the financial year commencing on 01 January 2021 and ending on 31 January 2021 and based on the conclusions arising from the auditor's examination of the Company's accounts.

29 January 2020. The Management Board of the Company published the Group's GO.22 strategy and developed a financial plan for 2020-2022. The financial plan was prepared according to the main segments of activity in the CCC S.A. Capital Group. According to this plan, both CCC S.A. and the entire Capital Group was to achieve positive cash flows in individual years of the projection, which was to translate into a reduction in the level of debt. During its preparation, the Management Board adopted a number of assumptions, of which the most important concerned:

- 1) increase sales in digital channels by developing existing and launching new e-commerce platforms (including mobile ones);
- 2) an increase in sales per m2 in the offline shop chain through an increase in conversions, the average number of items per receipt and the average value of a receipt, with a moderate decrease in the "visitation" of offline shops (so-called traffic);
- 3) moderate expansion of the offline network (compared to previous years) through a selective approach to opening new shops in selected markets;
- 4) development of the product offer, including implementation of attractive spring-summer and autumn-winter collections of own brands, as well as supplementing the offer with selected foreign brands;
- 5) the implementation of a new communication strategy and, consequently, among other things, the expansion of the Group's customer base;
- 6) improving life-cycle management of products, including with a view to maximising sales of products at so-called "first prices";
- 7) implementing advanced data analytics solutions to personalise communications to customers;
- 8) a reduction in investment expenditure in relation to previous years;
- 9) improving working capital management and shortening the cash conversion period;
- 10) to continue its cooperation with the Group's existing financing institutions by extending the financing of instruments maturing in 2020 at a similar level to that then in force.

As a result of the outbreak of the COVID-19 pandemic and the temporary ban on retail trade in the countries in which the Group operates, the implementation of the aforementioned strategy and financial plans was significantly disrupted. Consequently, a priority task faced by the Company's Management Board was to sign an agreement with the banks financing the Group's activities, allowing a stable level of financing to be ensured for the duration of the pandemic. The Supervisory



Board carried out ongoing supervision over activities related to ensuring the stability of financing, receiving regular information from the Management Board on the progress of work in this area.

Following negotiations with bondholders, the banks financing the Group's operations and leading shareholders in the months of March to April 2020, an agreement was reached to stabilise the Group's financing for a period of 12 months, i.e. until 30 April 2021 (the "Standstill Agreement"), the term of which was subsequently extended to 29 June 2021.

At the same time, the Company held discussions with the bondholders regarding the amendment of the Terms and Conditions of the Series 1/2018 Bonds, which was adopted by the Bondholders' Meeting on 17 May 2021 and approved by the Company's Management Board on 20 May 2021.

The COVID-19 pandemic also had an impact on the supply chain. Many of the Group's important suppliers are located in Asia. In all phases of the pandemic, the start of production in China was delayed, affecting production levels and delivery. At the same time, impediments to production occurred in other countries, including India and Bangladesh, where the Group's suppliers are located. As a result of the actions taken, the Company had a secured range of goods for sale during the financial year ended 31 January 2021.

In addition, a comprehensive plan was prepared to stabilise operations, including operational, financial and strategic dimensions. Key actions included maintaining the Group's operating processes in an environment of widely used remote working, strengthening e-commerce logistics processes, accelerating the launch of e-commerce platforms in new markets, starting negotiations with landlords on adapting lease terms to the circumstances of the pandemic and the expected decrease in the number of people visiting the shops after they open, applying for and receive support from available public assistance programmes on labour costs and others.

In the financial year under review, the Company prepared a new line of business consisting of the sale of clothes, shoes and other goods in Offprice shops. The initiative to launch this business segment was developed by the Chairman of the Supervisory Board and was discussed by the Board, receiving positive evaluations as it not only provides an opportunity to optimise the retail space used but also offers a chance for additional accelerated growth of the Company by entering other areas of retail activity.

The Company, despite the difficulties caused by the pandemic, maintains the GO.22 strategy.

2) Key results of the Company

Retail sales are conducted through a network of own and franchise shops within and outside Poland. The total number of own shops, including eobuwie.pl and Gino Rossi as at 31 January 2021, amounted to 979. The average area of these shops increased by 22 m² to 663.0 m² (641.1 m² in 2019). The Group's sales area as at 31 January 2021 amounted to 683.7 thousand m² and increased by 6.0 m² compared to 31.01.2020, which included an increase in the net area of CCC's own shops (+5.4 thousand m²), the opening of 4 new eobuwie.pl shops (+3.8 thousand m²), the closure of Gino Rossi shops (-4.0 thousand m²) and an increase in the area of franchise shops in the Middle East and Ukraine (+2.2 m²). The sales area in CCC, Gino Rossi and eobuwie.pl own stores increased by 1% compared to the previous reporting period and amounted to 649.1 thousand m² (including 328.4 m² in Poland). The sales area in franchise outlets increased by 1% in comparison with the previous year and as at the balance sheet date. The sales area of franchised stores increased by 1% in comparison to the previous year and as of the balance sheet date amounted to 34.5 thousand m².



Revenues from retail sales decreased by PLN 1,310.3m (-33.4%) to PLN 2,616.0m from the previous reporting period and accounted for 46% of total sales. This was due to the closure of outlets in the period from 15 March to 7 May 2020, from 7 November to 28 November 2020 and from 29 December 2020 to 17 January 2021 due to the spread of the COVID-19 pandemic. After the lockdown periods, a slow return of customers to shopping in offline shops, a shift of some customers to shopping through the e-commerce channel and the sale of goods after the peak season, which involved discounted sales, was observed.

The Company recorded a dynamic increase in the share of revenue in the e-commerce channel from PLN 1,442.1 million in 2019 to PLN 2,696.3 million in the reporting period, accounting for 48% of total sales in the aforementioned period (the e-commerce channel within CCC was launched in June 2019). The closure of offline outlets due to the impact of the COVID-19 pandemic and the shift of some customers to purchase through the e-commerce channel contributed to the increase in revenue in this segment.

More information on the analysis of the financial results of CCC S.A. and CCC S.A. Group is contained in the Report of the Supervisory Board on the results of the assessment of the unconsolidated financial statements of CCC S.A. and the consolidated financial statements and the report of the Management Board on the activities of CCC S.A. Group for the financial year beginning on 1 January 2020 and ending on 31 January 2021.

The Board concludes that the overall position of the Company at the end of the financial year ended 31 January 2021 was good. During the indicated reporting period, the Company consistently pursued the chosen path of development and, despite the unfavourable conditions of the COVID-19 pandemic, flexibly adapted to the changing environment, taking effective measures to limit losses and maintain financial liquidity. 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 objectives, especially the GO.22 strategy.

3) Evaluation of the internal control system

In the Company there is a multi-level system of internal control, which is designed to effectively counteract and quickly eliminate any irregularities that may occur. The internal control system includes control activities carried out by the employees of CCC SA Capital Group companies within the scope of tasks and responsibilities entrusted to them, functional control carried out by supervising subordinate organizational units by all employees in managerial positions and control carried out by internal audit, whose aim is to make a proper and objective assessment of the risk management and internal control systems. The reporting process is covered by an internal control system and a risk management system, which contributes to maintaining the credibility and reliability of financial reporting, and compliance with legal provisions and internal regulations.

In the process of preparing the financial statements of the Company and the Group, one of the basic elements of control is the verification of the financial statements by an independent statutory auditor. The statutory auditor's tasks include in particular: reviewing semi-annual financial statements and auditing annual financial statements. In order to ensure the integrity of the Company's accounts, the Board of Directors updated and implemented for use in the new wording from 1 April 2020. Accounting Policy in accordance with the principles:

- 1) International Financial Reporting Standards,
- 2) Articles of Association,
- 3) internal accounting procedures.

4) Assessment of the Company's risk management system for the financial year commencing 1 January 2020 and ending 31 January 2021.

Risk management in the process of preparing financial statements is based on identifying and assessment of risks, together with defining and taking actions aimed at their minimisation. The



process of preparing the Company's financial statements is supervised by the Chief Accountant and the President of the Management Board, to whom the financial and accounting services report. The risk management process begins at the lowest levels of the Group, so as to ensure that the objectives set are met. Risk management in the CCC Group is a process overseen by the Management Board and key management personnel. In addition, independent internal audits of financial and accounting processes are conducted. The correctness of the preparation of 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 actual state of affairs and the entries in the books of account kept by the Company, the statements are audited by an independent statutory auditor, who issues an opinion in this respect. The actions taken by the Company are aimed at ensuring compliance with the legal requirements and the actual state of affairs, as well as timely identification and elimination of potential risks so that they do not affect the reliability and correctness of the presented financial data.

The Supervisory Board also reviewed the significant risks and threats together with the Company's exposure to them, as well as CCC's risk management system, which are included in the section "Risk management" of the Management Board's report on the activities of CCC S.A. Capital Group for the financial year beginning 01 January 2020 and ending 31 January 2021. The following risks were identified as the main risks:

- 1) footfall of offline shops,
- 2) adapting products to customer expectations,
- 3) the strength and recognition of the brands under which the Group sells and own brands of selected products,
- 4) trade credit risk,
- 5) exchange rate risk,
- 6) the risk of changes in interest rates,
- 7) general economic climate risk,
- 8) seasonality of sales and weather conditions,
- 9) the risk of introducing lockdown (administrative restrictions on sales in the offline channel).

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

The Company has a formalised CCC Group Risk Management Policy, which sets out the assumptions, principles, risk factors and ways to mitigate them so as to ensure maximum control over risks that could adversely affect the CCC Group's operations. This policy is required and adhered to by all CCC Group companies. The risk management policy is periodically reviewed and updated with specific regulations covering particular areas of risk occurring in the Group.

The risk management procedure is implemented by identifying and assessing risk areas for all areas of the Company's activities and defining actions necessary to mitigate them. The objective in capital risk management is to protect the Company's ability to continue as a going concern in order to realise returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce its cost.

The Supervisory Board, assisted by the Audit Committee, exercises continuous supervision over the Company's activities also with respect to the evaluation of the internal control and risk management system and takes decisions affecting the conduct of the Company's business in an effective and efficient manner in order to achieve the strategic objectives.

The Board notes that the Company conducts ongoing analysis of the foreign exchange markets and actively manages its liquidity, understood as the ability to pay its liabilities on time and to raise funds to finance its current operations and investment needs, which meets the relevant functional needs.

5) Compliance



The Company CCC S.A. taking into account the need to ensure proper supervision over the compliance of activities with the law, appointed the function of Compliance Officer. In connection with the above, the Company made the necessary changes to the Rules of Organization, including the indication of the position of Compliance in the organizational structure together with the assignment of responsibility and authority. In accordance with the aforementioned regulation, the responsibility of Compliance includes, among other things :

- developing, reviewing and updating compliance risk policies, standards and procedures,
- identification and assessment of the Company's compliance risk,
- analysing and providing opinions on new or updated internal regulations for compliance with legal provisions, internal regulations and market standards,
- organising the process of reporting violations of the Code of Ethics and ensuring proper reporting,
- supporting compliance risk management in CCC Capital Group companies,
- preparing and presenting compliance risk reports to the Management Board, the Audit Committee and the Supervisory Board of the Company.

The Company has internal regulations in the area of compliance, such as rules for reporting irregularities, procedure for dealing with conflicts of interest, procedure for preventing money laundering and the financing of terrorism, and the Code of Ethics. All employees are obliged to comply with these regulations. Therefore, until the appointment of the Compliance Officer, all employees, at every organisational level, participated in the process of compliance risk management and counteracting non-compliance with national and international law and ethical principles. The persons responsible for supervision were the President of the Management Board, the Chief Financial Officer, the legal services and the Audit Department, with the active participation of the Supervisory Board and the Audit Committee in the analysis of key new legal regulations, including tax matters, disclosure obligations and good practices of listed companies.

7) Internal audit

In the CCC S.A. Group, internal audit is subject to a continuous process of professionalization, to include a unified approach to all companies of the CCC S.A. Capital Group. Internal audit carries out its tasks through long-term and annual audit plans covering the scope of its activities CCC S.A. and subsidiaries of the Capital Group CCC S.A. The main objective is to plan and implement the audit activities of an advisory nature. The basic functions and tasks of the internal audit include: the analysis and assessment of the correctness and effectiveness of the applied financial and operational controls, the implementation of solutions to improve the quality and adequacy of the controls carried out, operational improvements to 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 to assess the effectiveness of internal control carried out within these processes.

Audit plans are constructed on the basis of risk analysis and may be subject to verification in connection with ad hoc audits ordered by, among others, the Company's Management Board. The audit plan is submitted to the Audit Committee of the Supervisory Board for approval. The results of the internal audit work are submitted to the Audit Committee in the form of periodic reports on the effectiveness of the systems and their functions with respect to: the implementation and maintenance of effective internal control systems, risk management, compliance with legal regulations and the internal audit function. These include recommendations to correct the control mechanisms, as well as suggesting changes of an efficiency nature.

In the opinion of the Supervisory Board, control mechanisms operating in the Company guarantee an appropriate level of security of the Company's activities, as well as allow for active risk management, especially those which may have a negative impact on the results of CCC S.A. Capital Group.



8. Evaluation of the way in which the Company fulfils its information obligations regarding the application of corporate governance principles

The Company is subject to the "Best Practices for WSE Listed Companies", which were introduced by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) of 13 October 2015. CCC S.A. complies with the recommendations and principles contained in the Good Practices 2016. The obligations regarding the application of corporate governance principles are set out in § 29 of the Rules of the Warsaw Stock Exchange (WSE) and in § 70 (6) (5) of the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent information required by the laws of a non-member state of 29 March 2018.

The Company reported via the EBI system on 20 October 2017 on the update of the scope of application of the 2016 Best Practices, reporting that all principles are applied by the Company.

In the opinion of the Supervisory Board of CCC S.A., in the financial year starting on 1 January 2020, ended on 31 January 2021 The Company properly fulfilled its information obligations relating to the application of the principles of corporate governance.

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

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

In the opinion of the Supervisory Board, in the reporting period the Company rationally implemented the policy of its sponsorship activities, contributing to the growth of brand value and image benefits.

10. Evaluation in respect of CCC's non-financial report for the financial year beginning 1 January 2020 and ending 31 January 2021.

The CCC Group, in accordance with the requirements of the Accounting Act and taking into account the principles of the Sustainable Development Strategy in its business strategy, prepared a report containing key non-financial information. The CCC Group's non-financial report collects information on the Group's business model, key non-financial performance indicators related to the Group's activities, the policies applied by the Group with respect to social, labour, environmental, human rights and anti-corruption issues, together with a description of the results of their application, as well as due diligence procedures. The report covers data for the period from 1 January 2020 to 31 January 2021. In line with international best practice and the Polish market, the publication was prepared in accordance with the Global Reporting Initiative (GRI) Standard in the Core option. Also meeting the requirements of EU Directive 2014/95 and the consequent amendments made to the Accounting Act regarding non-financial disclosures, the Report covers the entire CCC Group. In line with the regulatory requirement, key figures are presented separately on a consolidated basis and for CCC S.A. The list of key topics for the CCC Group from the perspective of sustainable development and responsible business includes: respect for human rights, the impact of the CCC Group on the environment, the circular economy, management of labour resources, occupational health and safety, local communities and cooperation with institutions and organizations, safe product and sales and activities related to the promotion of sport and education.

The report also outlines 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 Group's key stakeholders as a source of reliable information on the non-financial aspects of the CCC Group's activities.

Notwithstanding the above, the Company implemented the GO.22 Sustainability Strategy in the past financial year, whose main objectives cover 4 areas: responsible product, responsibility towards the environment, responsibility towards employees and responsibility towards society.

Polkowice, 24 May 2021

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