

A woman with long dark hair, wearing a wide-brimmed straw hat and a light blue dress, stands on a balcony overlooking a city and water. She is looking to the right. A pink bag is slung over her shoulder. The background shows a cityscape with buildings and a body of water under a bright sky.

***Report on the activities of the Supervisory
Board of CCC S.A. for the period from
01.01.2018 to 31.12.2018.***

1. Introduction

Supervisory Board of CCC S.A. acting pursuant to art. 382 § 1 of the Code of Commercial Companies, the Statutes of the Company and the Regulations of the Supervisory Board of CCC S.A., as well as the Best Practices of Listed Companies on the Warsaw Stock Exchange 2016, hereby presents to the Ordinary General Meeting a report on the activities of the Supervisory Board for the period from January 1, 2018 to December 31, 2018.

In accordance with the principles and recommendation of Best Practices of WSE Listed Companies 2016, the Supervisory Board assessed:

- 1) the situation of the Company, including the assessment of internal control systems, risk management, compliance and internal audit functions,
- 2) how the Company complies with its disclosure obligations regarding the application of corporate governance principles set out in the Exchange Rules and regulations regarding current and periodic information provided by issuers of securities,
- 3) the rationality of the sponsoring, charitable or other similar policy pursued by the Company,
- 4) meeting the independence criteria by members of the Supervisory Board.

As part of this report, the Supervisory Board, performing the rules set out in the Code of Best Practice for WSE Listed Companies 2016, presents the above-mentioned assessments and a detailed description of operations in the financial year 2018.

2. Information on the term of office of the Supervisory Board, the 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 Articles of Association, the Supervisory Board consists of five to seven members appointed by the General Meeting for a joint two-year term. Members of the Supervisory Board are appointed and dismissed by the General Meeting of Shareholders.

The table below presents the composition of the Supervisory Board as at 1st of January 2018.

Table No. 1. Composition of the Supervisory Board of the VII term of office as at 1st of January 2018.

No.	Name and surname	Function	Period of performing in 2018
1.	Wiesław Oleś	Chairman of the Supervisory Board	01.01.2018 – 31.12.2018
2.	Marcin Murawski	Member of the Supervisory Board	01.01.2018 – 31.12.2018
3.	Jerzy Suchnicki	Member of the Supervisory Board	01.01.2018 – 31.12.2018
4.	Waldemar Jurkiewicz	Member of the Supervisory Board	01.01.2018– 31.12.2018
4.	Piotr Nowjalis	Member of the Supervisory Board	01.01.2018 – 31.12.2018

Throughout 2018 the composition of the Supervisory Board remained unchanged.

In 2019, along with his resignation from the position of the President of the Management Board, Dariusz Miłek submitted his candidacy for the position of the Chairperson of the Supervisory Board of the Company. On 11 April 2019 the Extraordinary General Meeting adopted a resolution on appointment of Dariusz Miłek to the Supervisory Board, at the same time entrusting him with the function of its Chairperson, from which Wiesław Oleś had been dismissed. At the same time, the General Meeting dismissed Jerzy Suchnicki from the Supervisory Board and appointed Filip Gorczyca in his place.

3. Information on the fulfillment of the independence criteria by the 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 regarding the role of non-executive or supervisory directors of listed companies and committees of the (supervisory) board (2005/162/WE) taking into account the Good Practices of Listed Companies on the Warsaw Stock Exchange 2016.

With the appointment by the Annual General Meeting on 8 June 2016 of the Supervisory Board for the next term, the Supervisory Board at its meeting on August 17, after assessing the submitted statements regarding compliance with the independence criteria, adopted the Resolution No. 01/08/2017/RN on determining the number of Supervisory Board members meeting the independence criteria, stating that in the five-member composition, three members of the Board, namely Wiesław Oleś, Marcin Murawski and Jerzy Suchnicki, meet the independence criteria.

While remaining in the Company's Supervisory Board in 2018, none of its members reported any changes in the scope of changing 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 2018

The Supervisory Board has a permanent supervision over the Company's activities and performs its tasks based on special rights granted to the Supervisory Board by the Company's Articles of Association, the Supervisory Board Regulations and the General Meeting Resolution, taking into account the Good Practices of WSE Listed Companies, performing their functions at meetings. In accordance with the Statute, the Board meets as needed, at least three times in a financial year. Its sessions are conveyed by the Chairman of the Supervisory Board.

In the financial year 2018, the Supervisory Board of CCC S.A. held five meetings at the Company's headquarters: February 14, March 6, May 10, August 9, November 20, adopting twenty resolutions.

In 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 proposals regarding issues requiring approval of the Supervisory Board, and familiarized itself with the current economic and financial results of the Company, periodic financial statements, as well as periodic information of the Company's Management Board current and planned activity. Board members held meetings with a certified auditor. The main issues discussed by the Supervisory Board in 2018 are presented below.

Table 4. The main issues that the Supervisory Board dealt with in 2018.

The main issues that the Supervisory Board dealt with in 2018.

1.	Approval of the 2018 budget
2.	Granting Vice Presidents of the Management Board mobile remuneration for the second half of 2017.
3.	Approval of the tasks of the Vice Presidents of the Management Board entrusted by the President of the Management Board for the first half of 2018.
4.	Granting an annual award for 2017 to the Vice Presidents of the Management Board.
5.	Adoption of resolutions on changing the monthly remuneration for Vice Presidents of the Management Board for performing the function of a member of the Management Board.
6.	Presentation by the certified auditor, Ernst & Young, of the observations following the audit of the separate and consolidated financial statements for 2017.
7.	Publication of information by the Management Board on the preliminary results of the Company for 2017 and the current financial and economic situation of the Company.
8.	Assessment of <i>the Separate Financial Statement of CCC S.A. for the period from 01.01.2017 to 31.12.2017 and the Report on the activities of the Company for the period from 01.01.2017 to 31.12.2017.</i>
9.	Assessment of <i>the Consolidated Financial Statement of the CCC S.A. Capital Group for the period from 01.01.2017 to 31.12.2017 and the Report on the activities of the CCC S.A. Capital Group for the period from 01.01.2017 to 31.12.2017.</i>
10.	Assessment of the Management Board's motion concerning the allocation of a part of the supplementary capital for the payment of dividends
11.	Assessment of the Management Board's motion regarding the allocation of profit for 2017 and payment of dividends.
12.	Adoption of <i>the Supervisory Board Report on the results of the assessment of the individual and consolidated financial statements, the report on the activities of the Company CCC S.A. and the Capital Group CCC S.A. and the proposal of the Management Board concerning the allocation of profit for the period from 01.01.2017 to 31.12.2017.</i>
13.	Adoption of <i>the Report on the activities of the Supervisory Board for the period from 01.01.2017 to 31.12.2017</i> , containing the following content, among others: assessment of the Company's situation including assessment of the internal control systems, risk management, compliance and internal audit functions, assessment of the manner in which the Company fulfills its information obligations regarding the application of corporate governance rules, assessment of the rationality of the Company's policy on sponsorship, charity or other similar activities and assessment of compliance with the independence criteria by members of the Supervisory Board.
	Adoption of the following resolutions on recommendations at the General Meeting of Shareholders:
14.	<ol style="list-style-type: none">1) approval of <i>the Separate Financial Statement of CCC S.A. for the period from 01.01.2017 to 31.12.2017 and the Report on the Company's activities for the period from 01.01.2017 to 31.12.2017;</i>2) approval of <i>the Consolidated Financial Statement of the CCC S.A. Capital Group for the period from 01.01.2017 to 31.12.2017 and the Report on the activities of the CCC S.A. Capital Group for the period from 01.01.2017 to 31.12.2017;</i>3) allocation of a part of the supplementary capital for the payment of dividends;4) allocation of the generated profit for 2017 and payment of dividends;5) granting the Management Board of the Company a vote of acceptance for the performance of duties in 2017.
15.	Presentation by the Management Board of a draft resolution for the Ordinary General Meeting of Shareholders on amending the Company's Articles of Association
16.	Presentation by the Management Board of preliminary information on the financial and economic situation of the Company in the first quarter of 2017
17.	Presentation by the certified auditor, Ernst&Young, of the observations following the audit of the interim financial statement for the first half of 2018
18.	Presentation by the Management Board of the Company's results for H1/Q2 2018 and providing information on the current financial and economic situation of the Company
19.	Granting Vice Presidents of the Management Board remuneration for performance of their duties in the first half of 2018
20.	Approval of the tasks of the Vice Presidents of the Management Board entrusted by the President of the Management Board for the second half of 2017
21.	Presentation by the Management Board of the Company's results for the third quarter of 2018 and providing information on the current financial and economic situation of the Company

22.	Presentation by the Management Board of the preliminary draft budget for 2019
23.	Approval of the updated Preliminary List of Persons Entitled to Participate in the Incentive Scheme
24.	Discussion on the preparatory actions for the initial public offering (IPO) of the shares of eobuwie.pl S.A. and the admission of the shares of the company to trading on the regulated market operated by the Warsaw Stock Exchange S.A.
25.	<p>Approval of the Company's internal regulations concerning disclosure obligations:</p> <ul style="list-style-type: none"> a) approval of <i>the Individual Reporting Standard of CCC S.A.</i>; b) approval of <i>the Regulations on handling and protection of confidential information in CCC S.A.</i>; c) approval of <i>the Regulations for the preparation and publication of current and periodic reports in CCC S.A.</i>; d) approval of <i>the Regulations for providing information on transactions by obliged persons and limitations in making such transactions.</i>

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

In the financial year 2018, on 19 June, the Ordinary General Meeting of CCC S.A. presented the Report on the activities of the Supervisory Board for the period from 01.01.2017 to 31.12.2017, including the following in its content: assessment of the situation of the Company including assessment of internal control systems, risk management, compliance and internal audit functions, assessment of the manner in which the Company fulfills its disclosure obligations concerning the application of corporate governance rules, assessment of the rationality of the Company's sponsoring, charity or other similar policies and assessment of compliance with independence criteria by members of the Supervisory Board and the Supervisory Board Report on the results of the assessment of the separate and consolidated financial statements, the report on the activities of the Company CCC S.A. and the Capital Group CCC S.A. and the motion of the Management Board regarding the allocation of a part of the supplementary capital for the payment of dividends and the allocation of profit for the period from 01.01.2017 to 31.12.2017. The General Meeting also granted, through the adoption of appropriate resolutions, the vote of approval for the year 2017. At the same time, the Ordinary General Meeting passed a resolution on the amendment of the rules of remuneration for members of the Supervisory Board of CCC S.A.

Regarding changes in the composition of the Supervisory Board, the General Meeting in 2018 did not adopt any resolutions.

6. Performing duties by the Audit Committee

On 17 August 2017 The Supervisory Board appointed the Audit Committee of the 2nd 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: Marcin Murawski, Jerzy Suchnicki and Piotr Nowjalis. The independence requirements for the members of the audit committee were verified by the Supervisory Board based on the statements submitted by the candidates, stating that two out of three members of the audit committee meet all the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Marcin Murawski was appointed the Chairman of the Audit Committee, who was simultaneously appointed as a member of the independent audit committee and the person possessing knowledge and skills in accounting or auditing financial statements. Piotr Nowjalis was appointed as a member of the audit committee with relevant knowledge and skills in the industry.

The Audit Committee Regulations adopted on 6 October 2017 is in force, taking into account changes in the functioning of audit committees introduced by the Act of May 11, 2017 on statutory auditors, auditing companies and public supervision. The Supervisory Board determined that the tasks of the Audit Committee should include in particular:

- 1) support of the Supervisory Board in the performance of its statutory control and supervisory duties in the scope of:
 - a) monitoring the financial reporting process at CCC S.A. and its Capital Group,
 - b) monitoring the effectiveness of internal control systems in the Capital Group CCC S.A. and risk management systems,
 - c) monitoring the effectiveness of the internal audit function in the CCC S.A. Capital Group, including in the field of financial reporting,
 - d) monitoring the proper functioning of risk identification and management systems,
 - e) monitor the independence of internal and external auditors,
 - f) monitoring the financial audit process;

- 2) as part of supervision activities related to financial reporting, the Audit Committee, in particular:
 - a) monitors the financial reporting process, including the opinion on the accounting policy adopted by the Company and the applied rules for preparing financial statements,
 - b) analyses annual, semi-annual and quarterly financial statements together with the Company's authorities,
 - c) monitors the performance of auditing activities, in particular conducting an audit by the audit firm, including all requests and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm, including the results of the annual audit of the separate and consolidated financial statements,
 - d) informs the Supervisory Board about the results of the audit and explain how the audit contributed to the reliability of financial reporting in CCC S.A., and what was the role of the audit committee in the audit 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 operations and the Management Board's conclusions regarding the distribution of profit / coverage of losses, and presents recommendations to the Supervisory Board regarding their assessment,
 - g) provides opinions on relevant financial information published by the Company;

- 3) as part of supervision activities related to internal control, audit committee, in particular:
 - a) examines the adequacy of the risk identification, monitoring and mitigation systems for the Company's operations conducted by the Management Board,
 - b) monitors the effectiveness of the Company's internal control system, including the effectiveness of corrective actions taken,
 - c) supervises the operation of the internal audit, including by monitoring his work plans and results of this work and assessing resources,
 - d) monitors the compliance of the Company's operations with the provisions of law and other regulations;

- 4) as part of the supervision over risk management, the audit committee, in particular:
 - a) monitors the effectiveness of the risk management system having a significant impact on the functioning of the Company,
 - b) gives its opinion on the draft principles of prudent and stable management as well as acceptable levels of risk in the areas of the Company's operations,
 - c) gives opinions on projects of significant regulations and changes in the Company's regulations regarding compliance with standards, including compliance risk policy,

- d) assesses the performance by the relevant units of the Company of information on irregularities in the Company;
- 5) as a part of ensuring the independence of external auditors, the Committee, in particular:
- a) presents to the Supervisory Board recommendations regarding the selection of the Company's statutory auditor, as well as his change and his remuneration,
 - b) controls and monitors the independence of the statutory auditor and the audit firm, in particular when CCC S.A. the services are provided by the auditing firm other than the audit,
 - c) expresses opinions on the involvement of an external auditor in the provision of services other than the audit of the Company's financial statements, and presents his position regarding the Company's policy in this respect,
 - d) assesses the independence of the auditor and consents to the provision of permitted non-audit services at CCC S.A.,
 - e) develops a policy of selecting an audit company to conduct the study,
 - f) elaborates the policy of providing by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services,
 - 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 a part of the auditing activities, the audit committee reviewed the financial statements prepared by the Company for 2018, 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 an additional report to the audit committee.

The audit committee monitored the financial reporting process, together with the Supervisory Board met with the statutory auditor and monitored the financial audit process, including analysing the independence of the auditor.

Systematic reporting by the Audit Committee to the Supervisory Board of the results of supervisory and monitoring activities in relation to financial reporting and auditing processes contributed to increasing the understanding of these areas, improving communication between management and supervisory bodies and, as a result, improving the quality of the financial reporting process.

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

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

7. Evaluation of the Supervisory Board work

Supervisory Board of CCC S.A. performed a permanent supervision over the activities of the Company and the work of the Management Board in accordance with the obligations and powers specified in the Code of Commercial Companies and other legal regulations, the Articles of Association and the Regulations of the Supervisory Board taking into account the principles contained in the Best Practice Code of Listed Companies on WSE.

Based on the assessment, the Supervisory Board states that the Company fulfills the obligations imposed on it by the provisions of the Code of Commercial Companies, other generally applicable laws relating to the public action of a joint-stock company, as well as performs obligations under statutory regulations.

All members of the Board exercised due diligence in performing their duties in the Supervisory Board, using their best knowledge with commitment and experience in the field of running and supervising commercial law companies.

The Supervisory Board believes that it performs its duties in accordance with the applicable regulations and good practices in force on the market. In connection with the above, the Supervisory Board requests that its members shall be granted discharge of their duties in the financial year 2018.

8. Assessment of the Company's situation, including the 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 based on documents submitted by the Management Board, discussions held at the meetings of the Supervisory Board with the participation of the Management Board, certified auditor, internal auditor and also taking into account the financial reports and reports on the Company's operations for the fiscal year 2018 and based on the conclusions resulting from auditing the Company's accounting books by an auditor.

The Company's strategy is built based on a set of unique competences that give it a competitive advantage on the European retail footwear market.

The CCC Group intends to develop on two strong pillars (offline and online) so that already in 2020 - 30% of sales will come from the digital channel. The ambition of CCC is to double in the next 5 years, with the increase in EBITDA margin to the level of leading groups in the apparel and footwear retail industry. The main growth axis for 2018 are the countries of Central and Southern eastern Europe. The Group assumes the continuation of successful expansion in the markets will give a leading position in each of the important footwear domestic markets in this region. As part of the development and expansion plans for 2019, the CCC Group assumes: a further roll-out of the new format of CCC stores. In 2019, the Group plans to implement investments in fixed assets and increase the area of stores with no less than 100,000 m² of additional space. The Group focuses on the development of e-commerce - the launch of CCC online, MODIVO, the opening of CCC stores in the Middle East (GCC countries); the development of the product offer - sports, fashion, premium, foreign brands, accessories.

In 2019, the Group plans to invest at least PLN 100 million in the development of logistics and IT, including the investment in new logistics warehouses in Zielona Góra. In 2019, the Group intends to continue work on the digital transformation of CCC and modernization of IT and business systems. Moreover, in 2019 the Company intends to develop R&D Centre focused on customer experience, product and process innovations. In relation to the financial policy, the Company will continue to optimize working capital, reduce the level of debt and extend the average maturity of financial liabilities, as well as to improve cost discipline and profitability.

2) Basic results of the Company

In 2018, retail sales in the chain of own and agency stores took place in Poland, the Czech Republic, Slovakia, Austria, Slovenia, Croatia, Serbia, Russia, Bulgaria, Hungary, as well as in Romania since 25 April. The total number of own and agency stores as at 31 December 2018 amounted to 893. The average area of these stores increased by 59 m² to 621 m² (562 m² in 2017). The total area of CCC own and agency stores as at 31 December 2018 amounted to 554.1 thousand m² and increased by 27.3% compared to 2017. (435.2 thousand m²). Retail revenue increased by 15.9% to PLN 3,639.0m (PLN 3,140.9m in 2017) and represented 77.0% of total sales revenue. Retail sales revenue per sq.m was PLN 6.57 thousand (PLN 7.22 thousand in 2017). The above figures refer to continued operations and do not include CCC Germany and, due to the year-on-year comparability of the data, Romania.

In 2018, the franchise partners to whom the wholesale is addressed were present in Romania (until 25 April 2018), Ukraine, Latvia, Lithuania, Estonia and Moldova. The total number of franchise stores as at 31 December 2018 amounted to 26. The average area of these stores increased by 25.9 m² to 676.2 m² (650.3 m² in 2017). The total area of franchise stores as at 31 December 2018 amounted to 17.6 thousand m² and increased by 42.3% compared to 2017. (12,400 sq.m). Wholesale sales revenues increased by 6.4% to PLN 80.1m (PLN 75.3m in 2017) and accounted for 1.7% of total sales revenue. Revenue per square meter decreased by 25.2% from 2017 to PLN 4.6 thousand per square meter.

More information on the analysis of the financial results of the CCC S.A. and CCC Group S.A. is included in the Report of the Supervisory Board on the results of the assessment of the annual financial statements and consolidated financial statements and the Management Board Report on the activities of CCC S.A. and CCC S.A. for the period from 01.01.2018 to 31.12.2018.

The Supervisory Board states that the general situation of the Company in 2017 was very good. In 2018, the Company consistently pursued its chosen strategy. According to the Supervisory Board's assessment, the chosen strategy, rational cost policy, financial security will enable the Company to properly operate and implement investment assumptions.

3) Evaluation of the internal control system

The company operates a multi-level internal control system, which is designed to effectively counteract and quickly eliminate any irregularities that have occurred. The internal control system includes control activities carried out by employees of the CCC S.A. Group companies in the scope of tasks and responsibilities entrusted to them, functional control performed by supervision over subordinate organizational units by all employees in managerial positions and control carried out by internal audit, which aims to ensure proper and an objective assessment of risk management and internal control systems. The process of preparing reports is covered by the internal control system and the risk management system, which contributes to maintaining the credibility and reliability of financial reporting, as well as compliance with legal regulations and internal regulations.

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

- 1) International Financial Reporting Standards,
- 2) The Accounting Act,
- 3) Statute of the Company,
- 4) Internal accounting procedures.

5) Assessment of the market risk management system in the Company in 2018

Risk management in the process of preparing financial statements is based on the identification and assessment of a risk along with defining and undertaking actions aimed at minimizing them. The supervision over the process of preparing the financial statements of the Company is exercised by the Chief Accountant and the Vice-President of the Management Board for Finance who is responsible for financial and accounting services. The risk management process begins at the lowest levels of the Group to ensure that the objectives are met. Risk management in the CCC Group is a process supervised by the Management Board and key management personnel. In addition, independent internal audits of financial and accounting processes are carried out. The correctness of preparing financial statements is also verified by members of the Audit Committee. In order to confirm the compliance of data included in the financial statements with the actual state and entries in the accounting books kept by the Company, the report is reviewed by an independent chartered auditor who issues an opinion on this matter. All activities undertaken by the Company are aimed at ensuring compliance with legal requirements and the actual state of affairs as well as early 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 familiarized itself with significant risk factors and threats together with the degree of the Company's exposure to them, as well as with the risk management system in CCC, which was included in item 6.5.5 of the report on the activities of CCC S.A. for the year 2018. The following were identified as the main risks,

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

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

The risk management policy in the CCC Group defines the assumptions, principles, risk factors and methods of mitigating them so as to ensure maximum control over risks that could adversely affect the operations of the CCC Group. This policy is required and used by all companies of the CCC Group. The risk management policy is constantly developed and supplemented by detailed regulations covering specific risk areas in the Group.

The management risk procedure is implemented by identifying and assessing risk areas for all areas of the Company's activity and defining the activities necessary to limit it. The goal in capital risk management is to protect the Company's ability to continue its operations so that it is possible to perform returns for shareholders and benefits for other interested parties, as well as to maintain an optimal capital structure in order to lower its

cost. The company monitors capital using the debt ratio. The change in the ratio is in line with the Company's expectations.

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

The Board states that the Company conducts currency market analyses on an ongoing basis, actively manages financial liquidity understood as the ability to pay liabilities on time and to raise funds to finance current operations and investment needs, which meets the relevant functional needs.

6) Compliance

At CCC S.A. the system of supervision over the compliance of activities with the law has not been formalized. This matter partly includes the Code of Ethics introduced in December 2014 and updated in 2018. The Code of Ethics aims to prevent illegal behaviours, regulations and the highest ethical standards, to stop such proceedings immediately after it is disclosed and to take proper actions in case of finding an infringement. The Code of Ethics describes the most important values that the Company is guided by in its activities and reflects the directions set out in the sustainable development strategy of CCC S.A.

There is no organizational unit in the scope of compliance in the company. At each organizational level, all employees participate in the process of managing compliance risk and counteracting non-compliance with national and international law as well as ethical principles. The persons responsible for supervision is the Vice President of Finance, Finance Director, legal services and the Audit Department. The Supervisory Board and the Audit Committee, as part of their meetings, analysed key new legal regulations, including regulations on tax matters, disclosure obligations and good exchange practices.

7) Internal audit

In the CCC S.A. Group Internal audit carries out its tasks through long-term and annual audit plans covering the scope of its operation. CCC S.A. and subsidiaries of the CCC S.A. Capital Group. The main goal is to plan and implement audit activities of an advisory nature. The basic functions and tasks of the internal audit include: analysis and assessment of the correctness and effectiveness of applied financial and operational controls, implementation of solutions to improve the quality and adequacy of performed controls, operational improvements that ensure proper controls in companies and communication with employees and management at all levels in to understand and analyse processes, and to assess the effectiveness of internal control carried out as part of these processes.

Audit plans are constructed on the basis of risk analysis, which may be subject to verification 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 the internal audit work are transferred to the Board once a year in the form of periodic reports, in the effectiveness of the systems and their functions in the scope of: implementation and maintenance of effective internal control systems, risk management, compliance with legal regulations and internal audit function. They contain recommendations correcting control mechanisms as well as suggesting changes of an effective nature.

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

9. Evaluation of the manner in which the Company fulfills information obligations regarding the application of corporate governance principles

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

The obligations regarding the application of corporate governance principles are specified in § 29 of the Regulations of the Warsaw Stock Exchange S.A. and in § 91 para. 5 of the Decree of the Minister of Finance of 19th of February 2009 on current and periodic information (...). With regard to the above-mentioned Regulations, on 20th October 2017 the Company submitted a report via the EIB system regarding the update of the scope of application of Best Practices 2016, informing that all the rules are applied by the Company.

In the opinion of the Supervisory Board of CCC S.A. in 2016, the Company correctly fulfilled information obligations relating to the application of corporate governance principles.

10. Evaluation of the rationality of the Company's policy in the field of sponsorship

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

The company has been involved in sports sponsorship for many years, in particular supporting Polish cycling. In 2018 the CCC S.A. Capital Group supported a professional cycling group and basketball team, promoted a healthy lifestyle among children and teenagers, participating in the development of cycling schools. Cycling events were also sponsored. In the opinion of the Supervisory Board, in 2018 the Company rationally implemented the policy of sponsoring activities, contributing to the growth of the brand value and image benefits.

11. Evaluation of the CCC's non-financial report for 2018

The CCC Group, in accordance with the requirements of the Accounting Act, and including in its strategy the principles of the policy for sustainable economic development prepared a report containing key non-financial information. The non-financial report of the CCC Group, which is an integral part of the Annual Activity Report, contains information about the Group's business model, key non-financial performance indicators related to the Group's operations, policies used by the Group in relation to social, employment, environment, respect for human rights and counteracting corruption along with a description of the results of their application, as well as due diligence procedures. The report covers data for the period from 1st January to 31st December 2018, as an opening report also refers to good practices implemented in previous years in the CCC Group. In accordance with good international practice and the Polish market, the publication was created in accordance with the latest Standard Global Reporting Initiative (GRI) in the Core option. In meeting the requirements of the EU Directive 2014/95 and the resulting changes introduced to the Accounting Act regarding the disclosure of non-financial data, the Report

covers the entire Capital Group CCC. In accordance with the regulatory requirement, key data are presented separately in 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 is the market responsibility - topics particularly relevant to customers, suppliers and subcontractors, responsibility in the workplace - topics particularly relevant to current and potential employees of the factory, stores and office and administration, responsibility around social environment - important for the local community, beneficiaries of activities and employees, responsibility towards the environment - important for customers, employees and the local community.

The report also presents the risks associated with the Group's operations and the manner of managing them.

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

Warsaw, 9 May 2019

- Chairman of the Supervisory Board – Dariusz Miłek
- Member of the Supervisory Board - Wiesław Oleś
- Member of the Supervisory Board - Marcin Murawski
- Member of the Supervisory Board - Waldemar Jurkiewicz
- Member of the Supervisory Board - Piotr Nowjalis
- Member of the Supervisory Board - Filip Gorczyca