

## 6. CORPORATE GOVERNANCE

### 6.1 APPLIED SET OF CORPORATE GOVERNANCE PRINCIPLES

#### 6.1.1 STATEMENT OF THE MANAGEMENT BOARD ON APPLYING CORPORATE GOVERNANCE PRINCIPLES

Since 01.01.2016, CCC S.A. has been subject to the new corporate governance principles introduced by the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) dated 13.10.2015, „Good Practices of WSE Listed Companies 2016” (hereinafter referred to as Good Practices 2016).

Document is available in the website of WSE: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl)

Starting from the reporting year 2017, the Company publishes a non-financial CSR report.

#### 6.1.2 INFORMATION ON THE WITHDRAWAL FROM THE APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE

CCC SA complies with the recommendations and principles contained in the Best Practices 2016

The full statement of CCC concerning the application of the Good Practices 2016 (DPSN) is available on the website of the Company, in the section on corporate governance: <http://firma.ccc.eu/>.

#### 6.1.3 INFORMATION POLICY OF THE GROUP CCC

CCC S.A. runs a corporate website which is a reliable and useful source of information about the Company for the capital market representatives. Especially, for company's shareholders, investors and analysts there operates a service within the Investor Relations website ([www.ccc.eu](http://www.ccc.eu)). Its content is prepared in a transparent, fair and complete way so as to enable investors and analysts to make decisions based on the information presented by the Company. Corporate website service is run in Polish and English.

CCC Group provides equal access to information concerning the Company through the full fulfilment of the information obligations arising from the operation of the Company on the regulated market; application of the principles of corporate governance and keeping communication with all capital market participants based on the best standards and market practices.

The steps taken in the field of information policy are addressed to specific participants of the capital market, including, among others, investors (individual and institutional), shareholders of CCC S.A., entities related to the regulated market (Polish Financial Supervision Authority, Warsaw Stock Exchange), and stock market analysts.

**CORPORATE GOVERNANCE**

Having regard to the proper fulfilment of the information obligations, CCC S.A. publicises:

- information required by the provisions of law applicable to companies listed on the Warsaw Stock Exchange and in accordance with the Best Practices of WSE Listed Companies 2016
- financial results and interim reports within the deadlines set by applicable laws. The company strives to make this term as short as possible;
- information about significant events affecting the price of the shares of the Company immediately after their occurrence, if the law does not provide otherwise, of the required deadline

The tools used for communicating with capital market participants are as follows:

- Electronic System for Information Transfer (ESPI) – to execute the information obligations resulting from share trading on the regulated market;
- Electronic Information Database (EIB) – to distribute reports on application of corporate governance;
- Investor Relations service on the website of the company (<http://firma.ccc.eu/pl/3,relacje-inwestorskie.html>), where there are all the information about the Company, such as current reports, presentations, financial reports, information on authorities of the Company, current shareholder structure, contact information, etc.;
- Result conferences for analysts and media broadcasted live, each time after the publication of financial results (video footage from the conference is available on the Investor Relations website);
- Teleconferences for domestic and foreign investors and analysts;

- Meetings of representatives of the Management Board and Investor Relations with individual and institutional investors and analysts, including the organization of the Open Days and the Days of the Investor in the Company's headquarters;
- Participation of representatives of the Management Board and the Investor Relations team at investor conferences in Poland and abroad;
- The availability of the Investor Relations team for capital market participants by phone and e-mail. The Company endeavours to reply to the questions provided immediately upon receipt, but no later than within 3 working days. The deadline may be extended, in exceptional cases and circumstances beyond the control of the Company;
- Making materials from General Meetings of Shareholders on Investor Relations available, including video materials.
- Organizing Open Days and Investor Day for both institutional and individual investors

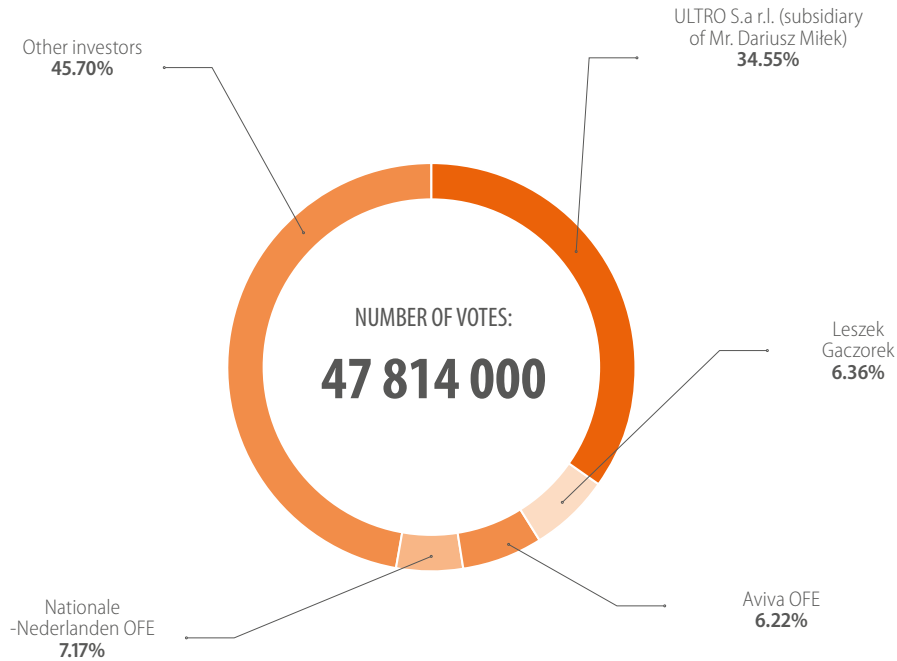
Service of Investor Relations at [www.ccc.eu](http://www.ccc.eu) is subject to periodic reviews and verifications so that its contents to the fullest will meet the information needs of the capital market representatives.

#### **6.1.4 SHAREHOLDERS OF THE COMPANY HAVING SPECIAL CONTROLLING AUTHORIZATIONS**

According to the Articles of Association of the Company, the shares of CCC S.A. are divided into two types:

- ordinary bearer shares, with one share carries one vote at the General Meeting of the Company,
- registered preference shares as for the voting that each share carries two votes at the General Meeting of the Company.

## SHAREHOLDINGS BY THE NUMBER OF VOTES



List of shareholders holding preferred shares (as of the date of submission of the annual report)

SHAREHOLDER	NUMBER OF SHARES HELD	% SHARE IN SHARE CAPITAL	NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS	% SHARE IN THE NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS
ULTRO S.a r.l. (subsidiary of Mr. Dariusz Miłek)	4 750 000	11.51%	9 500 000	19.87%
Leszek Gaczorek	1 750 000	4.25%	3 500 000	7.32%
Lech Chudy	50 000	0.12%	100 000	0.21%
Renata Miłek	50 000	0.12%	100 000	0.21%
Mariusz Gnych	50 000	0.12%	100 000	0.21%
<b>TOTAL</b>	<b>6 650 000</b>	<b>16.12%</b>	<b>13 300 000</b>	<b>27.82%</b>

Section 4.2.2 indicated the shareholders holding directly or indirectly significant blocks of shares, specifying the number of shares and votes at the general meeting.

Indication of any restrictions on the exercise of voting rights in the Issuer's company

There are no restrictions on the exercise of voting rights.

### **6.1.5 INDICATION OF ALL RESTRICTIONS ON VOTING RIGHTS IN THE COMPANY OF THE ISSUER**

The shareholders of the parent company have the pre-emptive right to purchase registered preference shares held for sale. If you do not use this right for all or part of the shares, the transfer of ownership of these shares requires the consent of the Management Board of the Company.

### **6.1.6 OPERATIONS OF THE GENERAL MEETING OF CCC S.A. AND ITS MAIN POWERS AND THE RIGHTS OF SHAREHOLDERS AND THEIR EXECUTION METHOD**

In terms of amendments in the Articles of Association, the provisions of the Commercial Companies Code shall apply. Amending the Company's Articles of Association requires a resolution of the General Meeting of Shareholders adopted by a majority of  $\frac{3}{4}$  of votes and an entry into the National Court Register. The Supervisory Board may, in accordance with the authorization given to it by the General Meeting, establish a uniform text of the amended Articles of Association or make other changes of editorial nature specified in the resolution of the General Meeting.

A resolution on amending Articles of Association is effective from the moment of entering into the National Court Register.

## 6.2 GENERAL MEETING OF CCC S.A.

### 6.2.1 OPERATIONS OF THE GENERAL MEETING OF CCC S.A. AND ITS MAIN POWERS AND THE RIGHTS OF SHAREHOLDERS AND THEIR EXECUTION METHOD

The General Meeting operates on the basis provided by the Company to the public, among others, on the website of CCC S.A., The Company's Articles of Association and Rules of the General Meeting and to the extent not indicated by indicated documents by Commercial Companies Code.

### APPOINTING AND DISMISSING THE GENERAL MEETING OF SHAREHOLDERS

This point describes the principles for appointing and dismissing the General Meeting of Shareholders of the Company:

- The General Meeting of Shareholders may be convened as ordinary or extraordinary.
- The General Meeting of Shareholders is held at the headquarters of the Company, in Warsaw or in Wrocław, in the time and venue indicated in the notice on convening the General Meeting.
- The Ordinary General Meeting is held annually within six months after the end of a fiscal year.
- Information on convening the General Meeting together with the venue and date (day and time) the Management Board provides in the form of a current report and publishes on the Company's website.

## **POWERS OF THE GENERAL MEETING OF SHAREHOLDERS**

Competence of the General Meeting are beyond all matters related to the activities of the Company and the matters specified in the laws, with the exception of the acquisition and disposal of real property, perpetual usufruct or shares in real estate:

- Selection and dismissal of members of the Supervisory Board
- Approval of the Regulations of the Supervisory Board
- Setting the rules for remuneration of the Supervisory Board
- Determining the amount of remuneration for the members of the Supervisory Board.

Powers of the General Meeting are set forth in the documents:

- Articles of Association of the Company, which is available on the Company's website
- Regulations of the General Meeting CCC S.A., which is available on the Company's website ([www.ccc.eu](http://www.ccc.eu))
- Code of Commercial Companies
- Taking into account the „Code of Best Practice for WSE Listed Companies“.

## **PARTICIPATION IN THE GENERAL MEETING OF SHAREHOLDERS**

The members of the Management Board and the Supervisory Board may attend The General Meeting. The certified auditor should be present if the agenda includes the Company's financial matters.

The Management Board may also invite other experts to participate in the session and consultants in order to provide participants of the General Meeting with opinions on the matters on the agenda. CCC S.A., in compliance with the law and regarding the Company's interests, enables media representatives to attend the General Meetings. The members of the Management Board and the Supervisory Board and the certified auditor of the Company, within of their competence and to the extent necessary to resolve the matters discussed by the General Meeting, shall provide the participants of the meeting with explanations and information concerning the Company. Answering questions from the participants of the General Meeting is made taking into account the legal rules governing the functioning of the capital market, and such giving of information cannot be made by means other than resulting from these regulations.

A shareholder may participate in the Ordinary General Meeting of CCC S.A. and exercise their right to vote in person or by proxy. The power of attorney to vote shall be granted in writing or in electronic form. Granting power of attorney in electronic form does not require a secure electronic signature verified by a valid qualified certificate.

The shareholder is obliged to send information to the Company on granting the power of attorney in an electronic form together with powers of attorney to the address [wza@ccc.eu](mailto:wza@ccc.eu). In case of granting the power of attorney to further proxy, it is necessary to submit an uninterrupted sequence of powers of attorney together with documentation showing the power of attorney to act on behalf of previous proxies.

Commencing from the year 2016 it is possible to participate in the General Meeting of Shareholders using electronic means of communication, provided that in the announcement on a given General Meeting the information about the existence of such possibility is given. Such participation includes in particular:

1. transmission of the General Meeting in real time,
2. bilateral real-time communication whereby shareholders will be able to speak during the General Meeting of Shareholders being in a place other than the venue of the meeting,
3. exercising personally by the shareholder or by the proxy the voting right during the General Meeting.

### VOTING DURING THE GENERAL MEETING OF THE COMPANY

Presented below are the voting rules at the General Meeting of the Company, which are in line with the provisions of the Regulations of the General Meeting, Articles of Association and the Commercial Companies Code:

- Voting at the General Meeting is open. A secret ballot is made for elections and motions for dismissal of members of the bodies of Company to hold them accountable, as well as in personal matters. In addition, secret ballot is made at the request of at least one shareholder or its representative.
- The General Meeting can choose the Scrutiny Commission, whose duties include ensuring the proper conduct of each voting, supervising the computer service (in case of voting using electronic technology) and determining voting results and transmitting them to the Chairman of the General Meeting.

- Each share gives right to one vote at the General Meeting. In case of preferred shares Series A1 (registered privileged share) one share gives the right to two votes.
- Chairman of the General Meeting shall announce the voting results, which are then brought to the minutes of the meeting.

### 6.2.2 GENERAL MEETING IN 2018

On 19.06.2018, the Ordinary General Meeting of CCC S.A.

During the session of the Ordinary General Meeting, the shareholders approved annual statements on the operations of the Company and the CCC Group and financial statements for 2017.

The General Meeting decided to allocate the entire net profit of the Company for 2017 in the amount of PLN 37,372,525.22 to pay dividends and allocate part of the reserve capital in the amount of PLN 57,304,674.78 for a dividend payment (in total PLN 2.30 per share). At the same time, the Ordinary General Meeting set the day of 19.09.2018 as the dividend day and 01.10.2018 as the date of the dividend payment.

In addition, the General Meeting adopted a resolution on amendments to the Articles of Association and amendments to the Regulations of the Supervisory Board of CCC S.A., more information in CR 26/2018.

## 6.3 MANAGERIAL AND SUPERVISORY PERSONS AND THEIR COMMITTEES IN CCC S.A.

### 6.3.1 THE MANAGEMENT BOARD

#### COMPOSITION OF MANAGEMENT BOARD

In 2018, the Management Board operated in the following composition:

NAME AND SURNAME OF THE MANAGEMENT BOARD MEM	PERFORMED FUNCTION
Dariusz Miłek	President of the Management Board
Mariusz Gnych	Vice-President of the Management Board
Marcin Czyczerski	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board
Marcin Pałajej*	Vice-President of the Management Board

\*Marcin Pałajej – Vice-President of the Management Board from 09.01.2017 to 31.01.2018

Composition of the Management Board as at the date of submission of the report for 2018:

NAME AND SURNAME OF THE MANAGEMENT BOARD MEM	PERFORMED FUNCTION
Dariusz Miłek	President of the Management Board
Mariusz Gnych	Vice-President of the Management Board
Marcin Czyczerski	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board





### **DARIUSZ MIŁEK | President of the Management Board**

Appointed as the President of the Management Board on June 15, 2004.

Mr. Dariusz Miłek in 1993-2003 ran a business under the name Trade Company „MIŁEK” in Lubin, and since 1995 in Chróstnik. In 1999-2004 he worked in the CCC Sp. z o.o. (Ltd.) based in Polkowice as a proxy, and since 2002 as The President of the Management Board.

Since 2004 – he performs the function of the President of the Management Board in the Company CCC S.A.

The Laureate of prestigious competitions in the field of management. In 2007, Mr. Dariusz Miłek received the title of Entrepreneur of the Year 2007, and the opportunity to represent Poland in the competition for the World Entrepreneur of the Year in Monte Carlo, in 2014 he was awarded the “Kisiel” prize in the category of an entrepreneur, the laureate of the „Bulls and Bears” – Parkiet Newspaper as the best President in 2014, also awarded as Ambassador of Sports of the Free Poland.



**MARIUSZ GNYCH | Vice-President of the Management Board**

Appointed to the position of Vice-President on 15 June 2004.

He graduated from his doctoral studies at the University of Economics in Wrocław; previously he graduated from study at the Faculty of Computer Science and Management at Wrocław University of Technology (major: organization and management), as well as the University of Banking in Poznań (Tax Consultancy) and studies at the Faculty of Law and Administration of the University of Wrocław (Investment Law). He has been related to Capital Group CCC since 2000, in 2004 he was appointed the President of the Management Board of CCC Factory Sp. z o.o. and management board member of the CCC S.A, and since 2007 – Vice-President of the Management Board. Previously, he worked as the deputy mayor of Polkowice Commune, he had a seat in the board of Polkowice Housing Association Sp. z o.o. and Municipal Company Sp. z o.o. Mariusz Gnych is entitled to sit on the supervisory boards of one-person companies of the State Treasury.



### **MARCIN CZYCZERSKI** | Vice-President of the Management Board

Appointed to the position of Vice-President of the Management Board on 1 January 2017.

Marcin Czyczerski graduated from his PhD studies at the Wrocław University of Economics, previously graduated from the Faculty of Informatics and Management of the Wrocław University of Technology (major: financial management), as well as studies at the University of Wrocław at the Faculty of Social Sciences (major: political marketing).

He has many years of management experience. Since 2001 associated with the Volkswagen Group. In the years 2010 – 2016 he worked for the Volkswagen Group as a Managing Director of Sitech Sp. z o.o., headquartered in Polkowice, acting simultaneously as a proxy. In the Company he was responsible for management in the areas of finance, accounting, controlling, HR, IT and administration. Previously in the Company he worked as a Logistics Director and a Financial Manager.

Since 2006 he has also lectured at the Wrocław University of Economics and the JWU in Polkowice.

**CORPORATE GOVERNANCE**



**KAROL PÓLTORAK | Vice-President of the Management Board**

Appointed to the position of Vice-President of the Management Board on 1 December 2016.

A graduate of Warsaw School of Economics (SGH) and the University of Derby. He has had experience with the domestic capital market since 1999. In 1997, he received a license of a securities broker.

From 2014 until March 2016 he was a Vice-President of the Warsaw Stock Exchange. Previously, in the years 2011-2014 he worked for the Citibank Group as the Vice President of the Management Board of Dom Maklerski Bank Handlowego (Stock-brokerage House). Between 2000 and 2011 he worked for UniCredit CAIB (Warsaw and London) where he performed ECM and M & A transactions in various sectors of the economy, including the retail sector. Mr. Karol Póltorak's previous professional experience includes his position as an auditor at PwC (1999-2000), for Deutsche Bank Securities (formerly ProCapita) (1999), and Grant Thornton in London (1998).



### **MARCIN PAŁAZEJ** | Vice-President of the Management Board

Appointed to the position of Vice-President of the Management Board on 9 January 2017.

Mr. Marcin Pałazej is a graduate of the AGH University of Science and Technology (major: Management) and a graduate of the Business School in Le Mans (France). Mr. Marcin Pałazej has more than 14 years of experience in management positions and as an advisor in the international clothing industry. During his professional career he has dealt with issues related to the operating management of sales network, among others, development and reorganization of the network, increasing efficiency and productivity of employees, cost reduction, strategic planning.

In the years 2015-2016 he worked as an independent business advisor and consultant, among others, for LPP S.A., he held the position of International Director at Inditex Spain in 2011-2015, where he managed the Inditex brands in six countries (Russia, Poland, Ukraine, Romania, Bulgaria and Kazakhstan), in 2005-2011 as Managing Director of Inditex Polska responsible for 7 Inditex brands. Previously, from 1998 to 2002 he was associated with the Empik Group where he subsequently held the position of a Financial Director at Beauty Distribution, a Financial Director at 3Suisse Poland and Operations Director at Galeria Centrum. In the years 1995-1998 Marcin Pałazej worked as a consultant for MAZARS..

### **PRINCIPLES GOVERNING THE APPOINTMENT AND DISMISSING MANAGING PERSONS AND THEIR RIGHTS, ESPECIALLY THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES**

Members of the Board of the Issuer shall be appointed and dismissed by the Supervisory Board. The powers and principles of operation the Management Board of CCC S.A. are set out in the documents:

- Commercial Companies Code.
- Articles of Association of the Company, which is available on the Company's website ([www.ccc.eu](http://www.ccc.eu))
- Regulations the Management Board, which is available on the Company's website ([www.ccc.eu](http://www.ccc.eu))
- Scheme of division of responsibilities for different areas of the Company's operations between the members of the Management Board (<http://firma.ccc.eu>)

The Management Board of the Company is authorized in particular to:

- establish internal regulations of the Company and other normative acts of the Company;
- submit proposals to the Supervisory Board on matters of distribution of profits and covering losses;
- conclude employment contracts with employees of the Company who are not members of the Management Board;
- grant power of attorney;
- pass resolutions concerning the establishment and closure of branches of the Company;
- present proposals on all other matters to the Supervisory Board and the General Meeting;
- convene General Meetings.

The issue of new shares may take place after the adoption of the resolution by the General Meeting of the Company and it results in increasing the share capital of the Company. The regulations of the Commercial Companies Code and the provisions of the Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies are in force for the issuance of new shares and repurchase of shares.

### **POWERS OF THE MANAGEMENT BOARD**

The scope of activities of the Management Board include conducting all the affairs of CCC S.A. not reserved by the Commercial Companies Code or the Articles of Association to the competence of other bodies of the Company. All members the Management Board of are obliged and entitled to manage the affairs of CCC S.A., manage all general operations of the Company, represent it externally and manage its assets. The Management Board is required to manage the assets and affairs of the Company with due diligence, follow the law, the provisions of Articles of Association, the Regulations of the Management Board and the resolutions adopted by the Supervisory Board and the General Meeting, in which – by law or the Articles of Association those bodies are empowered to make decisions binding the Management Board.

### **DESCRIPTION OF OPERATIONS AND ORGANIZATION OF THE WORK OF THE MANAGEMENT BOARD**

The President of the Management Board is in charge of the Management Board who coordinates and manages the work of the Management Board. In the absence of the President, his competence in the organization of the work the Management Board is performed by Vice-President who is directly in charge of the Finance Division, subsequently Vice-President – who is in charge of the Division of Logistics and Manufacture.

Powers of individual members the Management Board in matters of ordinary management are divided into areas of activity in which the individual members of the Management Board perform a leading role. Within the scope of functions, each member of the Management Board is assigned the appropriate responsibilities for running the affairs of the Company:

**PRESIDENT OF THE MANAGEMENT BOARD | Dariusz Miłek**

- directs overall operations of the Company, supervises the execution of the tasks assigned to individual members of the Management Board and subordinate managers of organizational units;
- develops a strategy and directions of development of the Company;
- supervises the expansion of the Capital Group CCC S.A., including making decisions on locations of new sales facilities;
- plans and supervises trade and product policy, promotional and marketing activities of the Company.

**VICE-PRESIDENT OF THE MANAGEMENT BOARD | Mariusz Gnych**

- is responsible for the implementation process of manufacture, efficient planning and coordination of work related to the operation of the factory located in Polkowice;
- is responsible for the implementation and realization of investment projects within Legnica SEZ in Polkowice;
- supervises the course of logistics processes, including supply chain management in the Capital Group CCC S.A.

**VICE-PRESIDENT OF THE MANAGEMENT BOARD | Marcin Czyczerski**

- is responsible for all economic and financial issues of the Company's and organizational enterprises; and in particular for financial policy, investor relations, capital allocation and their acquisition;
- supervises the IT policy of the Capital Group CCC S.A. ;
- supervises the implementation of tasks under the Accounting Act and the act on income tax from legal persons;
- supervises the conducted personnel policy, supervises the implementation of tasks assigned to managers of subordinate organizational units and acts as an employer within the meaning of the Labor Code.

**VICE-PRESIDENT OF THE  
MANAGEMENT BOARD | Karol Póttorak**

- supervises the implementation of development projects in the Capital Group CCC S.A.
- defining long-term directions of development of the CCC Capital Group;
- analysis of the markets in which the Group operates or may operate;
- development of a policy of possible mergers and acquisitions and acquisitions (M&A);
- supervision of companies from CCC S.A. Capital Group operating in the area of new technologies and e-commerce, including eobuwie.pl S.A.
- co-operation with CFO in terms of investor relations.

**VICE-PRESIDENT OF THE  
MANAGEMENT BOARD | Marcin Pałazej**  
(from 9 January 2017 to 31 January 2018)

- responsible for retail operations and chain expansion process in the markets of Austria, Croatia, Slovenia and Germany.
- designing strategic development directions and responsibility for the expansion of the CCC chain;
- supervision of companies from Capital Group CCC S.A. in the area of organization of the process of retail sales and marketing;
- supervising the implementation of investment projects in the Capital Group CCC S.A. in retail sale;
- overseeing the personnel policy conducted by the Capital Group CCC S.A..



## 6.3.2 SUPERVISORY BOARD

### COMPOSITION OF THE SUPERVISORY BOARD

Composition of the Supervisory Board of CCC S.A. in 2018:

NAME AND SURNAME OF SUPERVISORY BOARD MEMBER	PERFORMED FUNCTION
Wiesław Oleś	Chairman of the Supervisory Board elected on 8 June 2017. (II term of office)
Marcin Murawski	Member of the Supervisory Board elected on 8 June 2017. (III term of office)
Jerzy Suchnicki	Member of the Supervisory Board elected on 8 June 2017. (II term of office)
Waldemar Jurkiewicz	Member of the Supervisory Board elected on 8 June 2017. (II term of office)
Piotr Nowjalis*	Member of the Supervisory Board elected on 8 June 2017. (II term of office)

\*Piotr Nowjalis – Member of the Supervisory Board since 10.01.2017

Composition of members of the Supervisory Board as at the date of submission of the report.

NAME AND SURNAME OF SUPERVISORY BOARD MEMBER	PERFORMED FUNCTION
Wiesław Oleś	Chairman of the Supervisory Board elected on 8 June 2017. (II term of office)
Marcin Murawski	Member of the Supervisory Board elected on 8 June 2017. (III term of office)
Jerzy Suchnicki	Member of the Supervisory Board elected on 8 June 2017. (II term of office)
Waldemar Jurkiewicz	Member of the Supervisory Board elected on 8 June 2017. (II term of office)
Piotr Nowjalis	Member of the Supervisory Board elected on 8 June 2017. (II term of office)

**CORPORATE GOVERNANCE****WIESŁAW OLEŚ** Chairman of the Supervisory Board

He is the originator and founder of the Office of Legal Advisers „Oleś & Rodzynkiewicz” sp.k., he graduated from law studies at the Faculty of Law and Administration at the Jagiellonian University in Cracow. After graduating from a judge application, in 1991, he took a judicial exam, and in 1993, he obtained the entitlement of a legal adviser. After graduating from studies, Wiesław Oleś was a member of the Regional Audit Chamber in Cracow, a consultant of programs of the US Agency for International Development (USAID) and collaborated, among others with: of the Harvard Institute for International Development; he is a member of Lesław Paga Foundation Council and Chairman of the Supervisory Board of Investment Funds Association Forum S.A., since 2015 he is a member of the supervisory board of CCC S.A. Wiesław Oleś is a lawyer recommended by „Chambers Europe Guide – Europe’s Leading Lawyers for Business.

**MARCIN MURAWSKI** Member of the Supervisory Board

He graduated from studies at the Faculty of Management at Warsaw University, he is a certified auditor in the UK (ACCA Practicing Certificate), the entitlements of KIBR (Polish Certified Auditor No. 90053) and the CIA (Certified Internal Auditor). He is an independent member of supervisory boards and audit committees of companies listed on the WSE: GTC S.A., Apator S.A., since 2012 CCC S.A.

In the years 1997-2005 he worked at PricewaterhouseCoopers Sp. z o.o. – Manager in the Audit Department and then until 2012 he worked in the group Warta as a Director of Department of Internal Audit and Inspection. Approved candidate PID (Polish Institute of Directors) for a member of the supervisory board and audit committees.

**JERZY SUCHNICKI** Member of the Supervisory Board

He graduated from studies at the Foreign Trade Department of the University of Planning and Statistics (currently SGH Warsaw School of Economics) in Warsaw. From 2014 he is an expert of evaluation and assessment of plans for the development of the largest companies in the Access 2 and a member of IMAP (International Network of Merger & Acquisition Partners). Currently, he is a Member of the Supervisory Board of Ferrum S.A., and since 2015 in CCC S.A.. In 2010-2013, he was a director, deputy director of the Department of Bad Loans of the Bank Gospodarstwa Krajowego. In 2006-2009 Jerzy Suchnicki was the CEO of PKP Cargo Service. In 2003-2005, he was the President of the Management Board of Mostostal Zabrze Holding S.A.

Previously, Jerzy Suchnicki was related with Bank Handlowy, Raiffeisen Investment Poland and Bank of Economic Initiatives S.A. He also worked in the Chair of Economics of SGH School of Economics.



### **WALDEMAR JURKIEWICZ** Member of the Supervisory Board

He graduated from Wrocław University of Technology in the Faculty in Computer Science and Management. He completed many courses such as: project management, human resources and new technologies and IT products.

In 1986-1991 he worked as a designer / designer of control systems at the Lumel Research and Development Center for Electrical Metrology. In the years 1991-2011 he was the founder and chairman of the board of Max Elektronik S.A.. From the year 2003 to 2007 he performed as a Chief Executive of the Product Center in the EMAX Group, and then in 2007-2011 to the Sygnity Group as Chief Executive of the Software Development Center.

With the company eobuwie.pl he has been connected since 2006 (former s.f., Traf general partnership) as the Board Advisor. In the years 2015-2016 he took the position of a member of the Supervisory Board of the company eobuwie.pl, where he also held the position of Chairman of the Supervisory Board. Currently he is also a member of the Supervisory Board of CCC S.A.



### **PIOTR NOWJALIS** Member of the Supervisory Board

A graduate of the Kozminski University (Executive MBA) and the University of Gdansk at the Faculty of Economics (major: International Economic and Political Relations, and at the Faculty of Law and Administration (major: Administration). He has been related to the Company CCC S.A. since 2008, initially as CFO and Vice President of the Management Board.

Previously, he was a Director of Economic Affairs in M&S Pomeranian Window Factory (M&S Pomorska Fabryka Okien Sp. z o.o.) and CFO – Executive Director of KGHM Polish Copper S.A.. He also sat on the supervisory boards of TIM S.A. (2010-2016), Ultro S.A. (2014-2016), Rotopino.pl S.A. (2011-2013), Vantage Development S.A. (2011-2015) and now Dino Polska S.A. (since 2015).

Piotr Nowjalis has several years of experience in managerial positions related to financial management in private and public companies. The scope of responsibility was connected with strategic management, shaping the structure of capital, obtaining financing on domestic and foreign financial markets, conducting primary and secondary issues on the WSE, financial risk management, investor relations, merger and acquisition transactions, budgeting and controlling.

**THE RULES GOVERNING THE APPOINTMENT AND DISMISSAL OF SUPERVISORY PERSONS**

Members of the Supervisory Board of CCC S.A. are appointed for a joint two-year term of office. Individual members of the Management Board and the entire Supervisory Board may be dismissed at any time before the end of the term of office. The General Meeting of CCC S.A. appoints the Chairman of the Supervisory Board from the members of the Supervisory Board. The Supervisory Board of CCC S.A. consists of five to seven members.

Members of the Supervisory Board are appointed and dismissed by the General Meeting. The Ordinary General Meeting of CCC S.A. appointed members of the Supervisory Board for a new term of office on 08.06.2017. (CR 37/2017).

Pursuant to the Articles of Association of CCC S.A. and in accordance with the Best Practices of WSE, at least two members of the Supervisory Board should meet the criteria of independence. Independent board members should meet the independence criteria set out in the Commission Recommendation of 15.02. 2005 on the role non – executive directors or being members of supervisory of listed companies and supervisory board committee (2005/162 / EC) with regard to the Code of Best Practice for WSE Listed Companies in 2016.

In connection with the supplement of the composition of the Supervisory Board by the Extraordinary General Meeting of Shareholders on 10.01.2017 and the appointment of Piotr Nowjalis as a member of the Supervisory Board of CCC S.A., the Supervisory Board at its meeting on 01.02.2017 assessed the submitted statements regarding the fulfilment of the independence criteria and Resolution No. 01/02/2017 / RN regarding determination of the number of Supervisory Board members meeting the independence criteria, stating that in a five-member personal composition, three Supervisory Board members meet the independence criteria.

In connection with the appointment by the Annual General Meeting on 08.06.2017 of the Supervisory Board for a new two-year term, composed of 5 members, the Supervisory Board at its meeting on 17.08.2017 made an assessment of the submitted statements regarding the fulfilment of the independence criteria and adopted Resolution No.

01/08/2017 / RN regarding the number of members of the Supervisory Board meeting the independence criteria, stating that in a five-person composition, three Supervisory Board members meet the independence criteria.

While staying in the Supervisory Board of the Company 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.

**POWERS OF SUPERVISORY BOARD**

The Supervisory Board takes appropriate steps to obtain from the Management Board regular and thorough information on all important matters concerning the activities of CCC S.A. and on the risk related to the business activities and ways of managing such risks. Specific powers and rules of operation of the Supervisory Board of CCC S.A. are set out in the following documents:

- Articles of Association of the Company, which is available on the Company's website ([www.ccc.eu](http://www.ccc.eu))
- Rules of the Supervisory Board, which is available on the Company's website ([www.ccc.eu](http://www.ccc.eu))
- Resolutions of the General Meeting,
- Commercial Companies Code and other applicable laws.

**DESCRIPTION OF OPERATIONS AND ORGANIZATION OF THE SUPERVISORY BOARD**

Mode of operation of the Supervisory Board is determined by the Company's Articles of Association and Regulations of the Board. The Supervisory Board performs its duties collectively, but may delegate its members to temporarily perform certain supervisory activities independently. The Supervisory Board shall meet as needed, not less than three times a year.

The meetings are convened at least one week in advance by fax, registered mail or e-mail. The Supervisory Board meetings

shall be convened by its Chairman on his own initiative, at the request of the other members of the Supervisory Board or the Management Board. In case of submitting a Chairman of the Supervisory Board of application referred to above the Board meeting should be held within two weeks from the date of filing the application. Without formally convening of a meeting the Supervisory Board the resolution may be adopted, if all members of the Supervisory Board agree to its adoption. Each member of the Supervisory Board may apply for placing certain matters on the agenda of the next meeting of the Supervisory Board, provided that date is no later than three days before the meeting of the Supervisory Board.

The Supervisory Board may adopt a resolution only if at least half of the members of the Board is present at the meeting and all its members are invited. A resolution adopted contrary to the requirements laid down in this provision is invalid.

Members of the Supervisory Board may adopt resolutions in writing or using means of direct remote communication. The resolution is valid if all the Supervisory Board members received notification of the draft resolution.

### 6.3.3 COMMITTEES

The Supervisory Board of CCC S.A. may appoint permanent committees or ad hoc acting as its collective advisory and opinion bodies.

The first-term Audit Committee was appointed in the Company on 02.06.2016, due to the end of the term of the Supervisory Board and the Ordinary General Meeting of Shareholders (hereinafter: „AGM”) on 08.06.2017. The Supervisory Board for the next term (term of office 2017-2019), the Supervisory Board at the next meeting after the GMS, on 17.08.2017, appointed the Second Term Audit Committee from among the Supervisory Board members, in accordance with the requirements of the Act of 11.05.2017 on statutory auditors, auditing companies and public supervision .

As part of the existing Audit Committee, Mr. Marcin Murawski is a member with knowledge and skills in accounting or auditing, while Mr. Piotr Nowjalis has knowledge and skills in the field of the Company.

For independent members of the Audit Committee, in accordance with the provisions of the Act on Auditors, Audit Firms and Public Supervision and Annex II to the Commission Recommendation of February 15, 2005 regarding the role of non-executive directors or supervisory board members of listed companies and supervisory board committees, and requirements specified in the Code of Best Practice for WSE Listed Companies, Mr Marcin Murawski and Mr Jerzy Suchnicki were recognized.

The Committee performs the tasks and competences foreseen for the Audit Committee in the Act of 11.05.2017 on statutory auditors, audit firms and public supervision (hereinafter: Act on chartered auditors) and other regulations regarding public companies, as well as from resolutions of the Supervisory Board, Of the Regulations and other internal regulations of the Company.

The Committee meets the recommendations of „Best Practices of WSE Listed Companies”, which in relation to committees operating in the Supervisory Board, they require the application of Annex I to the recommendation of the European Commission of February 15, 2005 regarding the role of non-executive directors or supervisory board members of listed companies and committees of the (supervisory) board.

The Committee performs the expert function for the Supervisory Board and supports it in order to ensure the correct and effective application by the Company of the financial reporting, internal control and cooperation with the Company’s auditors.

**CORPORATE GOVERNANCE**

The Audit Committee supports the Supervisory Board in the performance of its statutory control and supervisory duties in the scope of:

1. monitoring the financial reporting process at CCC S.A. and its Capital Group,
2. monitoring the effectiveness of internal control systems in the Capital Group CCC S.A. and risk management systems,
3. monitoring the effectiveness of the internal audit function in the CCC S.A. Capital Group, including in the field of financial reporting,
4. monitoring the proper functioning of risk identification and management systems,
5. monitoring the independence of internal and external auditors,
6. monitoring the financial audit process.

The Supervisory Board may entrust the Audit Committee with supporting the Supervisory Board in the scope of performing also other supervisory activities.

As part of supervision activities related to financial reporting, the Audit Committee in particular:

1. monitors the financial reporting process, including the opinion on the accounting policy adopted by the Company and the applied rules for preparing financial statements,
2. analyses annual, semi-annual and quarterly financial statements together with the Company's authorities,
3. 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 and consolidated financial statements,

4. informs the Supervisory Board about the results of the audit and explains 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,
5. submit recommendations aimed at ensuring the reliability of the financial reporting process in CCC S.A.,
6. provides opinions on the Management Board's report on operations and the Management Board's conclusions regarding the distribution of profit / loss coverage, and presents recommendations to the Supervisory Board regarding their assessment,
7. provides opinions on relevant financial information published by the Company.

As part of supervision activities related to internal control, the Audit Committee, in particular:

1. examines the adequacy of identification and monitoring systems operated by the Management Board and reducing threats to the Company's operations,
2. monitors the effectiveness of the Company's internal control system, including the effectiveness of corrective actions taken,
3. oversees the operation of the internal audit, including by monitoring his work plans and results of this work and resource assessment,
4. monitors the compliance of the Company's operations with the provisions of law and other regulations

As part of the supervision over risk management, the Audit Committee, in particular:

1. monitors the effectiveness of the risk management system having a significant impact on the functioning of the Company,
2. gives its opinion on the draft principles of prudent and stable management as well as acceptable risk levels in the areas of the Company's operations,
3. gives opinions on projects of significant regulations and changes in the Company's regulations regarding compliance with standards, including compliance risk policy,
4. assesses the implementation of information procedures by the relevant Company's units about irregularities in the Company.

As part of ensuring the independence of external auditors, the Committee shall in particular:

1. presents to the Supervisory Board recommendations regarding the selection of the Company's statutory auditor, as well as his change and his remuneration,
2. 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,
3. expresses opinions on the involvement of an external auditor in the provision of services other than auditing the Company's financial statements, and presents the position regarding the Company's policy in this respect,
4. evaluates the independence of the auditor and consents to the provision of permitted non-audit services at CCC S.A. and units controlled by CCC S.A.,
5. develops the policy of selecting an audit firm to conduct the study,

6. develops the policy of providing audit services by the audit firm, by entities related to this auditing company and by a member of the auditing company's chain of permitted non-audit services,
7. determines the procedures for selecting an audit firm by CCC S.A.,
8. reviews the effectiveness of the external audit process and the Management Board's response to the external auditor's recommendations.

#### 6.3.4

#### STATEMENT OF THE SUPERVISORY BOARD REGARDING APPOINTMENT, COMPOSITION AND OPERATION OF THE AUDIT COMMITTEE

Based on §70 paragraph 1 point 8 and §71 paragraph 1 point 8 of the Regulation of the Minister of Finance dated 29.03.2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state. Supervisory Board of CCC S.A. stated that:

1. the provisions regarding the appointment, composition and operation of the Audit Committee at CCC S.A. and the CCC S.A. Capital Group, including those concerning the fulfilment by its members of the independence criteria and requirements regarding the possession of knowledge and skills in the industry in which CCC S.A. operates, and in the field of accounting or auditing of financial statements,
2. the Audit Committee performed the tasks of the audit committee provided for in the applicable regulations.

## **6.4 REMUNERATION OF THE EXECUTIVE MANAGEMENT OF CCC S.A.**

### **6.4.1 REMUNERATION POLICY OF THE MANAGING AND SUPERVISORY PERSONS**

The principles of remuneration for members the Management Board are determined by the remuneration policy of the members of the management board of CCC S.A.. In determining the amount of remuneration of the members of the Management Board, the Supervisory Board should take into account the amount of work necessary for the proper performance of the functions of the Management Board member, the scope of duties and responsibilities associated with the duties of a member of the Management Board and the level of remuneration in a similar position used by other entities operating on the market; remuneration of the members the Management Board corresponds to the size of the company and remains in reasonable relation to the economic results of the Company.

### **6.4.2 PRINCIPLES OF GRANTING BONUSES**

In order to improve quality and efficiency of work of Management Board members, their remuneration is determined taking into account the incentive character and the effective and smooth management of the Company, and therefore it is composed of fixed elements – monthly remuneration adopted by the Supervisory Board and the moving parts, i.e. additional remuneration granted by the Supervisory Board after the first and second half of the year and dependent on the profits realized by the Company and the extent of the tasks realization. The level of the bonus depends on the performance of individual tasks (qualitative and quantitative) established by the Supervisory Board for individual members of the Management Board. The performance evaluation of individual bonus tasks by particular Member of the Management Board is carried out every six months by the Supervisory Board.

The Supervisory Board adopts a resolution on granting the Management Board Member additional remuneration for the first half of the data at the first meeting after its completion. The resolution is the basis for the payment of additional remuneration.



### 6.4.3 REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND OTHER BONUSES

SPECIFICATION	2018 [GROSS PLN]	2017 [GROSS PLN]
<b>Remuneration of the members of the Management Board, including:</b>		
<b>– remuneration and other benefits</b>		
Dariusz Miłek <sup>[1]</sup>	840 000	840 000
Mariusz Gnych <sup>[2]</sup>	840 000	720 000
Marcin Czyczerski <sup>[3]</sup>	880 000	780 000
Karol Póttorak	820 000	720 000
Marcin Pałajej <sup>[4] [5]</sup>	80 000	944 762
<b>– bonuses for the previous period</b>		
Dariusz Miłek	—	—
Mariusz Gnych	340 000	120 000
Marcin Czyczerski	350 000	130 000
Karol Póttorak	340 000	120 000
Marcin Pałajej	120 000	120 000
<b>Total</b>	<b>4 590 000</b>	<b>4 614 762</b>

[1] for 2018, Mr. Dariusz Miłek additionally received a remuneration of PLN 28.300 in the subsidiary company CCC Factory Sp. z o.o. under the employment contract (for 2017 – PLN 30.000);

[2] for 2018 Mr. Mariusz Gnych additionally received a remuneration for sitting on the board of a subsidiary company CCC Factory Sp. z o.o. in the amount of PLN 90.000 (for 2017 – PLN 90.000).

[3] for 2018 Mr. Marcin Czyczerski additionally received a remuneration of PLN 30.000 under a contract of employment in a subsidiary CCC Factory Sp. z o.o. (for 2017 – PLN 30.000).

[4] for 2018 Mr. Marcin Pałajej additionally received a remuneration in the amount of 2,535.86 PLN in the subsidiary CCC Factory Sp. z o.o. (for 2017 – PLN 30.000).

[5] for the period 09.01.2017 – 31.01.2018

Managing persons due to their functions in the companies of the Capital Group CCC S.A. do not take remuneration other than those indicated in 6.4.3.

**CORPORATE GOVERNANCE****6.4.4  
REMUNERATION OF SUPERVISORY BOARD**

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD, INCLUDING:	2018 (GROSS PLN)	2017 (GROSS PLN)
Wiesław Oleś <sup>[1]</sup>	110 000.00	96 000.00
Marcin Murawski <sup>[2]</sup>	93 000.00	72 000.00
Mirosław Stachowicz <sup>[3]</sup>	—	6 000.00
Jerzy Suchnicki <sup>[4]</sup>	86 000.00	72 000.00
Waldemar Jurkiewicz <sup>[5]</sup>	72 000.00	72 000.00
Piotr Nowjalis <sup>[6]</sup>	86 000.00	70 571.40
<b>Total</b>	<b>447 000.00</b>	<b>388 571.40</b>

[1] For the period from 01.01.2017 to 31.12.2017

[2] For the period from 01.01.2017 to 31.12.2017

[3] For the period from 01.01.2017 to 31.01.2017

[4] For the period from 01.01.2017 to 31.12.2017

[5] For the period from 01.01.2017 to 31.12.2017

[6] For the period from 10.01.2017 to 31.12.2017

Managing persons due to their functions in the companies of the Capital Group CCC S.A. do not take remuneration other than those indicated in 6.4.4.

## 6.5 RISK MANAGEMENT

### 6.5.1 DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements and consolidated financial statements prepared in accordance with:

1. International Financial Reporting Standards, approved by European Union.
2. Accounting Act of 29 September 1994, (unified text – Journal of Laws of 2013, item 330, as amended)
3. Articles of Association of the Company CCC S.A.
4. Accounting standards existing in CCC S.A. and the standards existing in the subsidiaries,
5. internal accounting records procedures.

The process of drawing up reports is covered by a system of internal control and risk management system, which contributes to maintaining the credibility and reliability of financial reporting and compliance with laws and internal regulations.

The internal control system includes:

1. controlling activities carried out by employees of the companies of CG CCC S.A. on their assigned tasks and responsibilities,
2. controlling function, implemented by the supervision over subordinate organizational units by all employees in managerial positions,
3. controlling carried out by the internal audit, the aim of which is to make an independent and objective evaluation of risk management and internal control

Risk management in the process of preparing financial statements is based on the identification and assessment of risks along with defining and undertaking measures to minimize them or their total elimination. Chief Accountant and the Vice-President for the Financial Affairs of the Company supervise the preparation of the financial statements who financial and accounting services are subject to. The risk management process begins at the lowest levels of the Group so as to ensure the fulfilment of its assumed objectives. Risk

**CORPORATE GOVERNANCE**

management in the Group CCC is a process supervised by the Management Board and key management personnel. Moreover, independent audits of internal financial and accounting processes are carried out. The correctness of financial reporting is also verified by the members of the Audit Committee of the Supervisory Board. In order to confirm that the data contained in the financial statements with the facts and accounting records maintained by the Company, the report is subject to a certified audit by an independent certified auditor, who issues opinions on the subject. All actions taken by the company are aimed at ensuring compliance with the law and the current condition, and early identification and elimination of potential risks so that they cannot affect the reliability and accuracy of presented financial data.

### **6.5.2 SCOPE OF THE SYSTEM OF RISK MANAGEMENT IN THE GROUP**

The main objectives of risk management:

- ensuring the safety of operations of the Company,
- ensuring effectiveness of undertaken decisions aimed at maximizing profits at an acceptable level of risk

Risk Management Policy in the Group CCC, defines main objectives, principles, risk factors and ways to reduce them to ensure the control of risks that could adversely affect the Group CCC. This policy is required and followed by all companies of the Group CCC. The risk management policy is still being developed and supplemented by detailed regulations covering individual areas of risk in the Group, including:

- The remuneration policy of the Management Board
- Code of Ethics,
- Supplier Code of Conduct,
- Purchasing policy,
- Security Policy of IT systems
- Health and safety policy,
- Environmental policy.

### **6.5.3 BODIES RESPONSIBLE FOR RISK MANAGEMENT IN THE GROUP**

Below we present the bodies responsible for risk management in the Group CCC together with the scope of their duties:

#### **MANAGEMENT BOARD OF CCC S.A.**

- Acceptance of Risk Management Policy in the Group CCC, on the basis of which Risk Management System is implemented.

#### **AUDIT COMMITTEE**

- Monitoring the effectiveness of the risk management system that has a significant impact on the Company's operations, including the effectiveness of corrective actions taken.

#### **SUPERVISORY BOARD**

- Periodic checking of the accuracy and efficiency of the Risk Management Policy, the aim of which is to ensure that all major risks are identified and an adequate system of management was implemented.

**INTERNAL AUDITOR**

- Periodic verification of the effective functioning of the systems and functions relating to: implementation and maintaining effective internal control systems, risk management, compliance and internal audit functions.

**FINANCE DIVISION:**

- Implementation of Risk Management System in the Group CCC,
- Supervision of staff responsible for risk management in the Group CCC,
- Continuous accumulation of knowledge and techniques aimed at improving the effectiveness of risk management systems,
- Monitoring of the Risk Management System and ensuring its integration with the processes occurring in the Group CCC.

**MANAGERIAL PERSONNEL:**

- Increasing awareness of the importance of the Risk Management System,
- Management of available resources in order to implement and ensure the highest efficiency of Risk Management System,
- Verification of plans and targets concerning the development of the Risk Management System.

**6.5.4  
PERMISSIBLE LEVELS OF RISK  
ACCEPTED BY THE GROUP**

Group CCC is based on the fundamental criteria that are used to identify, assess and determine the validity of risk, which are based on the concept of risk tolerance. A very important factor in the operation of the management of the Group is to determine the strategy and acceptable level of risk, which must take into account the value of risk that the Group is willing to accept to be acceptable to ensure the realization of its objectives. This level is regularly updated, and changed whenever the Group CCC changes operation strategy.

**6.5.5  
SIGNIFICANT RISK FACTORS**

CCC Group identified the following risks, which are presented below, along with their description and actions taken to minimize their effects.

## CORPORATE GOVERNANCE

## RISKS OF STRATEGY IMPLEMENTATION

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Strengthening own sales chain	<p>In 2019, the Group plans to increase the commercial space of CCC stores by 100.000 thousand square m.</p> <p>In case of non-implementation of its assumed objectives, the Group may prove to be less competitive than its competitors, and thus lose market share, which could result in lower revenues. At the same time in case of chain development, contrary to the demand, the Group may incur costs higher than necessary.</p>	<p>In order to minimize the risks associated with the strengthening of own sales chain, the Group introduced the following solutions:</p> <ul style="list-style-type: none"> <li>• monitoring the activities of competitors,</li> <li>• monitoring the situation in the industry,</li> <li>• monitoring of the macroeconomic situation,</li> <li>• creating a detailed plan and a dedicated team responsible for the implementation of the objectives connected to the development of own sales chain..</li> </ul>
Activities aimed at increasing brand recognition and value of the brand	<p>Increase of brand recognition and its value can contribute to the increase in keeping regular customers, as well as to increased growth in new customers. The result will lead to an increase in market share and revenue. In case of fall in brand recognition and its value the outflow of customers may occur and a drop in market share and ultimately a drop in revenue.</p>	<p>Group in order to ensure further increase in brand recognition and value of the brand has undertaken the following actions:</p> <ul style="list-style-type: none"> <li>• the introduction of appropriate instruments and advertising – promotion media,</li> <li>• the introduction of interesting interior of stores</li> <li>• presence of stores in prestigious locations.</li> </ul>
Location of commercial facilities	<p>The location of commercial facilities is an important factor in the attractiveness of the brand to consumers. Inappropriate choice of location, may lead to low profitability of m2, and thus to reduce the Group's profitability. Strengthening the market position by the dynamic development of the chain of commercial facilities may be associated with the risk of an unfortunate location of the store, and with a limited number of new, attractive locations.</p>	<p>The Group in order to ensure the appropriate choice of location of commercial facilities, carry out a detailed analysis of the location before deciding to sign a lease agreement, and bases their decisions on historical data.</p>

## EXTERNAL RISKS

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Exchange rate risk	Companies of the CCC S.A. Capital Group they realize revenues in PLN, EUR, CZK, HUF, HRK, BGN, RSD, RUB, CHF. Most of the costs are borne in foreign currencies. As a result, CZK, HUF, HRK, BGN, RSD, RUB, CHF, USD and EUR exchange rates (virtually all of the imports are denominated in USD and EUR, and a large percentage of rental costs in EUR) will affect the structure of revenues and expenses group. The main supply market for the CCC S.A. Capital Group is the Chinese market and, consequently, the CNY Chinese currency exchange rate in relation to the major world currencies may also have a significant impact on the Group's costs. CNY's appreciation may worsen import conditions and, as a result, increase costs for consumers.	The Group has undertaken the following measures to reduce the impact of exchange rate risk: <ul style="list-style-type: none"> <li>• continuous monitoring of significant, for the Group, changes in exchange rates,</li> <li>• Introducing the strategy of a natural hedging</li> </ul>
The risk of changes in interest rates	The Capital Group CCC S.A. is exposed to the risk of changes in interest rates, in connection with the loan agreements. These loans bear interest at a variable interest rate based on WIBOR or BLR. Increase in interest rates will affect the amount of interest paid on loans.	The Group has undertaken the following measures to reduce the impact of interest rate risk: <ul style="list-style-type: none"> <li>• diversification of sources of capital,</li> <li>• monitoring key interest rates</li> </ul>
The risk of the overall economic situation	The Capital Group CCC S.A. conducts business activity primarily on the Polish, Czech, Hungarian and Slovak markets, so for the Group's consumer purchasing power and propensity to consume is important. The economic downturn could have a negative impact on results of operations and financial position of the Group. Group CCC also operates in several other foreign markets (inter alia: Germany, Austria, Croatia, Slovenia, Bulgaria, Serbia, Russia).	The Group has undertaken the following measures to reduce the impact of risk of the overall economic situation: <ul style="list-style-type: none"> <li>• diversification in terms of countries where the Group operates (decrease of economic situation correlation between countries)</li> <li>• monitoring the economic situation in the world and in the countries important for the Group, as well as suitable adjustment to the Group's strategy,</li> <li>• monitoring of important economic indicators in selected countries (unemployment rate, GDP per capita, CPI).</li> </ul>
Seasonality of sales and weather conditions	Sales and inventory value depends on the seasonality of demand (peak of demand is in spring and autumn). The disorder of weather conditions may result in putting away customer purchase decisions or shortening the season of the highest sales..	Element in reducing the sensitivity of the Capital Group CCC S. A. to seasonal factors and weather is having its own manufacture capacity. The Group is able to rapidly adjust manufacture and deliver goods to shops line with expectations and current weather conditions.
Trends in fashion and unsuccessful collections	The Capital Group CCC S. A. is exposed to risks associated with unsuccessful collections of footwear.	The factor enabling to reduce this risk is a long-standing market experience of the parent company, permanent observation of trends in the European and world fashion (participation in international fairs of footwear fashion I, inter alia: Milan, Garda, Dusseldorf).

**CORPORATE GOVERNANCE**

**INTERNAL RISKS**

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Credit risk	<p>The source of this risk is the uncertainty as to whether and when receivables are settled. Wholesaling sales are also subject to deferred payment, whereby the CCC S.A. Group is exposed to the risk of financing its customers. In order to maintain its leading position on the footwear market, the Group CCC S.A. uses the commercial credit facility, additionally increasing the company's attractiveness to wholesale counterparties.</p>	<p>The Group has taken the following measures to mitigate the effects of credit risk:</p> <ul style="list-style-type: none"> <li>• continuous verification of financial situation of counterparties,</li> <li>• continuous study of the history of cooperation with counterparties</li> </ul>