

CCC
SHOES & BAGS

***Report on activities of the CCC S.A.
Supervisory Board for the period
01.01.2015 - 31.12.2015 r.***

1. Introduction

The Supervisory Board of CCC S.A. acting pursuant to Article 382 § 1 of the Code of Commercial Companies Articles of the Associations of the Company and the Regulations of the Supervisory Board of CCC S.A., as well as the provisions of the Code of Best Practice for WSE Listed Companies 2016, hereby submits to the General Meeting the Report on activities of the Supervisory Board for the period from 1 January 2015. 31 December 2015.

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

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

Under this report, the Supervisory Board following the principles set out in the Code of Best Practice for WSE Listed Companies 2016 presents the above mentioned assessments and a detailed description of the activities in the fiscal year 2015.

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

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

The following table shows the composition of the Supervisory Board as of 1 January 2015.

Table no. 1 The composition of the Supervisory Board as V term of office of 1 January 2015.

| No. | Name and surname | Function performed | Period of service in 2015. |
|-----|-------------------------|--------------------------------------|--------------------------------|
| 1. | Henryk Chojnacki | Chairman of Supervisory Board | 01.01.2015 – 24.06.2015 |
| 2. | Martyna Kupiecka | Member of Supervisory Board | 01.01.2015 – 24.06.2015 |
| 3. | Wojciech Fenrich | Member of Supervisory Board | 01.01.2015 – 24.06.2015 |
| 4. | Marcin Murawski | Member of Supervisory Board | 01.01.2015 – 24.06.2015 |
| 5. | Jan Rosochowicz | Member of Supervisory Board | 01.01.2015 – 24.06.2015 |

In the financial year 2015 the V term of office of the Board expired. With the expiry of the mandates of the members, the General Meeting of Shareholders on 24 June 2015 appointed the Supervisory Board for the VI term of office.

Table no. 2. The composition of the Supervisory Board as VI term of office of 31 December 2015.

| No. | Name and surname | Function performed | Period of service in 2015. |
|------------|----------------------------|--------------------------------------|-----------------------------------|
| 1. | Henryk Chojnacki | Chairman of Supervisory Board | 24.06.2015 – 31.12.2015 |
| 2. | Wiesław Oleś | Member of Supervisory Board | 24.06.2015 – 31.12.2015 |
| 3. | Mirosław Stachowicz | Member of Supervisory Board | 24.06.2015 – 31.12.2015 |
| 4. | Marcin Murawski | Member of Supervisory Board | 24.06.2015 – 31.12.2015 |
| 5. | Jerzy Suchnicki | Member of Supervisory Board | 24.06.2015 – 31.12.2015 |

The Board acted in the above-mentioned composition as of 31 December 2015 and acts until the date of preparation of this report.

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

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

Members of the Board provided the Management Board and the General Meeting of Shareholders a statement on compliance with the independence criteria. The Supervisory Board after making the assessment adopted at its meeting on 2 September 2015 the Resolution No. 01/09/2015 / RN on the determination of number of members of the Supervisory Board meeting the criteria of independence, stating that all Board members meet the independence criteria.

During the service in the Supervisory Board of the Company, none of its members reported any changes in terms of changing the status of independence and personal, factual and organizational links with the shareholders of CCC S.A.

4. Information on significant issues handled by the Supervisory Board, the number of meetings held and adopted resolutions in 2015

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

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

In fiscal year 2015, the Supervisory Board of CCC S.A. held five meetings at the headquarters of the Company: 14 January, 14 April, 20 May, 2 September, 30

November; adopting twenty-four resolutions, including three resolutions by circulation voting. Within the scope of its activities, the Supervisory Board actively supported the Management Board in implementing the strategic objectives of the Company, considered the conclusions of the Management Board on matters that require the consent of the Supervisory Board, and got acquainted with current economic - financial results of the Company, periodic financial statements, as well as periodic information of the Company's Management Board as for current and planned operations. Members of the Board held meetings with the certified auditor. The following are the main issues handled by the Supervisory Board in 2015.

Table 3. The main issues handled by the Supervisory Board in 2015.

| The main issues handled by the Supervisory Board in 2015. | |
|--|---|
| 1. | Approval of the financial plan for the year 2015. |
| 2. | Adoption and approval of the internal audit plan for 2015. |
| 3. | Approval of the list of persons entitled to participate in the Incentive Scheme (as amended). |
| 4. | Approval of the Organizational Regulations of CCC S.A. (as amended). |
| 5. | Granting members of the Management Board additional remuneration based on Policy remuneration of members of the Management Board: additional compensation for 2014 and the first half of 2015 |
| 6. | Approval of the financial plan for the year 2015. |
| 7. | Adoption for the recommendations at the AGM of the financial statements of CCC SA and the report on the Company's operations for 2014. |
| 8. | Adoption for the recommendations at the AGM of the consolidated financial statements and the report on the operations of the Capital Group for 2014. |
| 9. | Adoption of the report of the Supervisory Board on the activities in 2014. |
| 10. | Adoption of the report of the Supervisory Board of the results of the assessment of the financial statements and reports on the operations of the Company and the consolidated financial statements and the report on the operations of the Group, as well as the Management Board's motion for profit distribution for 2014. |
| 11. | Expressing opinions and adopting for the recommendations at the AGM the Management Board's motion for profit distribution for 2014. |
| 12. | The adoption of motions for the recommendations to the AGM on acknowledgement of the fulfilment of duties by the Management Board members for 2014. |
| 13. | Selecting a certified auditor. |
| 14. | Expressing opinions on the amendments to the Articles of Association. |
| 15. | Approval of amendments to the Rules of the Incentive Scheme with the adoption of a uniform text. |

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

In the fiscal year 2015 General Meeting of CCC S.A. adopted on June 24, four resolutions in respect of: determining the number of members of the Supervisory Board for the next term of office, establishing the rules for remuneration of the members of the Supervisory Board, the selection and appointment of members of the Supervisory Board for another VI term of office and the election of the Chairman of the Supervisory Board.

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

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

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

Under performance of financial audit, the Board took note of financial statements for 2015 prepared by the Company and analysed the risks, met with the auditor and the Management Board of the Company. The Supervisory Board monitored the financial reporting process, met with the auditor and monitored the process of financial auditing (also analyzed the auditor's independence). The Supervisory Board of CCC concluded that financial statements prepared by the Company contain reliable information about the Company's operations and were prepared in accordance with the applicable requirements. The Board noted that in spite of many possible events affecting negatively on the economy and seasonality of demand, there were no significant factors threatening the continuation of its business both as a business entity and as a public company.

7. Assessment of Supervisory Board's activities

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

All Board members did their utmost in the performance of their duties in the Board, using their best knowledge and experience in conducting and supervising commercial companies. The Supervisory Board believes that it performed in accordance with all the formal - legal requirements, and its work contributed to the increase in the value of the company and enhance shareholders' confidence. Therefore, the Supervisory Board approves its activity in 2015, and requests its members to vote for acknowledgement of the fulfilment of duties by its members in the fiscal year 2015.

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

1) Implementation of the Company's strategy

Assessment of the Company was prepared on the basis of the documents submitted by the Management Board, discussions held at the meetings of of the Supervisory Board with the participation of the Management Board, the auditor, as well as with regard to the financial statements and statements on the operations of the Company for the fiscal year 2015 and the conclusions resulting from the audit of the books of account of the Company by the auditor.

The Company CCC S.A. decisively and dynamically was implementing the strategy of international expansion adopted for 2013-2015. The company focused on increasing floor space in Poland, the Czech Republic, Slovenia, Hungary, Romania, Slovenia, and in Croatia. On the other hand with the highest attention it focused on investments in Germany and Austria whose markets appear to be of a high growth potential.

The Company's strategy assumed consistent expanding the sales network and the opening of new stores, both domestically and abroad, carefully selected in terms of profitability and the expected rate of return. In 2015, the company obtained the status of the largest footwear company in the region of Central and Eastern Europe. The achieved results by far exceeded the expected goal - the floor space increased by approx. 123%, which is over 205 thousand m². At the end of 2015, the Company owned 773 stores with a total floor space of 371 501 thousand m², which consisted of: 410 CCC company stores domestically (of a floor space of 186 782 m²), 79 CCC stores in the Czech Republic (with of a floor space of 36 104 m²), 37 CCC stores in the Slovak Republic (of a floor space of 18 852 m²), 61 stores in Hungary (of a floor space of 30 462 m²), 27 stores in Austria (of a floor space of 14 681 m²), 8 stores in Slovenia (of a floor space of 4 603 m²), 13 stores in Croatia (of a floor space of 7 314 m²), 3 lounges in Turkey (of a floor space of 1 805 m²), 51 stores in Germany (of a floor space of 34 920 m²), 6 stores in Bulgaria (of a floor space of 3 875 m²). As for the franchise stores: 8 franchise CCC stores in Russia (of a floor space of 3 617 m²), 7 CCC stores in Latvia (of a floor space of 3 232 m²), 42 of CCC stores in Romania (of a floor space of 19 325 m²), 7 CCC stores in Kazakhstan and Ukraine (of a floor space of 3 055 m²), 2 stores in Lithuania (of a floor space of 1 187 m²).

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

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

In 2015, the Company in order to meet the customers' expectations expanded its operations and enabled customers to shop online. At the beginning of 2016, the Company handles selling products online for both premium and economy segment. Together with the purchase of the Company eobuwie.pl S.A., the Group sells footwear through its regional domain in Poland, the Czech Republic, Slovakia, Germany, Romania and Hungary, and from January 2016 also in Ukraine.

In February 2016, the Company presented the plans for the development for the years 2016-2017, which aims at increasing the scale of operations while maintaining high efficiency and operating efficiency, thus increasing the Company's value. The plans for the development were positively received by the capital market. The Supervisory Board also agrees with ambitious plans of the Company and a business model approved by the Management Board, especially that the Company has the potential and the appropriate resources for their implementation, further development and creating value growth of the Company.

2) Basic results of the Company

In the reporting period the Group CCC S.A. sold over 28.2 million pairs of footwear and 1.6 million bags. The sales structure is dominated by sales of women footwear, representing 57% of sales of footwear in 2015, 21% is men footwear and 13% of kids footwear.

In 2015, retail sales of the whole Group increased by 13.3% to 2,186.2 bln PLN (PLN 1,930.1 bln) and accounted for 94.8% of total sales. Revenue from retail sales per square meter amounted to 6.42 thousand PLN/m² (6.79 thousand PLN/m² in 2014). Sales revenues in 2015 amounted to PLN 2,307.0 bln, an increase of PLN 297.9 million (14.8%) compared to the previous year. Consolidated gross sales profit of the Group increased by 14.4% and amounted in 2015 to PLN 1,265.8 bln. The generated gross profit on sales covers the costs of operating stores, and creates segments results. In 2015 compared to the previous year, costs of operating stores increased by 99.2 million PLN and gross profit increased by 39.2 million PLN. More information from the analysis of the financial results of the Company CCC S.A. and Group CCC S.A. is contained in the Report of the Supervisory Board of the results of the assessment of the separate and consolidated financial statements and the Management Board's Report on the operations of CG CCC S.A. and CCC S.A. for the period from 01.01.2015 to 31.12.2015.

The Supervisory Board finds that the overall situation of the Company in 2015 was very good. The year 2015 was the last year of a three-year strategy of foreign expansion, in which the Company during this period proved that its international aspirations are realistic and reasonable. According to the assessment of the Supervisory Board, the chosen strategy for the years 2016-2017, rational cost policy, financial security in the form of loan agreements, enables the Company to function properly and implement the investment assumptions.

3) Evaluation of the internal control system

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

4) Assessment of the market risk management in the Company in 2015

The Supervisory Board took note of important risk factors and dangers, along with the level of their exposure for the Company, as well as the risk management system in CCC, which is included in section 5.5 of the statements on the operations of CCC S.A. for the year 2015. As the main types of risks are identified those that may be associated with internal factors, associated with the strengthening of the sales network, increase of brand recognition and brand value as well as external factors. The external factors included risks associated with:

- The level of exchange rates,
- Changes in interest rates,
- Credit risk,
- General economic situation,

- Seasonality of sales and weather conditions,
- Location of retail stores,
- Trends in fashion and failed collections.

The Management Board of the Company is responsible for risk management, at the strategic level. The substantive supervision over the process of financial reporting is exercised by Vice President for Financial Affairs. The Chief Accountant of the Company is responsible for the organization of the process of preparing financial statements who simultaneously supervises the proper recording of business transactions in the accounting books of the Company. The method of document circulation allows minimizing any risks associated with the proper recording of business operations. The effectiveness of the risk management system is provided based on the division of powers related to making business decisions and their recording and established scope of financial reporting by the Company, including a system of internal budgeting. Management in the procedure of risk management involves identifying and assessing risk areas for all areas of activity of the Company and defines the actions necessary to limit these risks. The Company's objective in capital management is to protect the Company's ability to continue its operations, so that it can generate return for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce its cost. The Company monitors capital using the debt ratio. The change of the ratio is consistent with the Company's expectations.

The Supervisory Board performing, in full composition, the duties of the Audit Committee shall exercise permanent supervision over the Company's operations also in the evaluation of internal control and risk management and makes decisions affecting the running of the Company in effectively and efficiently in order to achieve strategic objectives. The Board states that the Company on regular basis conducts analysis of exchange currency markets, actively manages its financial liquidity, understood as the ability to settle liabilities and raise funds to finance current operations and investment needs, which meets the relevant functional needs.

5) Compliance

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

The Company has not established an organizational unit in the field of compliance. At every organizational level, all employees are involved in the process of risk management compliance and prevention of non-compliance with national and international law and ethical principles. The persons responsible for the supervision are the CFO, Finance Director, legal services and internal auditor. The Supervisory Board as part of their meetings made some analysis of the key, new regulations including regulations regarding tax issues, information obligations and best stock exchange practices.

6) Internal audit

Within the Group CCC S.A., the Internal Audit performs its tasks through long-term and annual audit plans covering the scope of its activity of CCC S.A. and CCC.eu Sp. z o.o., and foreign companies of the Capital Group CCC S.A.. The main objective is planning and implementation of audit advisory activities. The basic functions and tasks of the internal audit include: analysis and evaluation of the accuracy and effectiveness of used financial and operational controls, implementation of solutions that improve the quality and

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

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

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

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

In 2015, CCC S.A. was subject to principles of corporate governance contained in the document "Best Practices of WSE Listed Companies" adopted by Resolution No. 19/1307/2012 the Stock Exchange Board as of 21 November 2012 and being in force until 31 December 2015.

In 2015, the Company did not apply the principle contained in Section 10 of Chapter IV of the "Best Practices of WSE Listed Companies" in force since 1 January 2013, on providing shareholders the possibility to participate in the General Meeting by means of electronic communication consisting of:

- 1) transmission of the general meeting in real time,
- 2) providing the shareholders with the possibility to participate in general meetings by electronic means of communication.

In 2015, CCC S.A. applied all the other principles of corporate governance.

Due to becoming effective on 1 January 2016 of "The Best Practices of WSE Listed Companies" introduced by Resolution No. 26/1413/2015 of the Supervisory Board of the Stock Exchange in Warsaw (WSE) as of 13 October 2015, The Management Board of the Company, prior to approval of the Supervisory Board, adopted the applications of recommendations and rules, except the rule set in VI.Z.2. on: "To link the remuneration of board members and key managers with long-term business and financial companies objectives, the period between granting under the incentive program options or other instruments linked to shares of the company, and the possibility of their implementation should be a minimum of 2 years." Justification of the Company was: Incentive Scheme of the Company, adopted prior to the document in force of the " Best Practices of WSE Listed Companies ", uses instruments, which are characterized by the fact that the period between their granting and the implementation is less than 2 years.

Simultaneously, the Management Board decided that the following recommendations and rules do not apply for the Company: I.Z.1.10., II.Z.8., III.Z.6.

Obligations relating to the application of the principles of corporate governance are defined in § 29 of the Rules of the Stock Exchange in Warsaw S.A. and § 91 item 5 of the Decree of the Minister of Finance as of 19 February 2009 on current and periodic information (...). In reference to these Regulations, the Company published:

- 1) via the EBI system, the current report 1/2014 of 12 March 2014 on not applying the Best Practices of WSE Listed Companies;
- 2) via the EBI system, the current report 1/2016 of 26 January 2016 on the application of good practices of companies listed on the Stock Exchange;
- 3) information on the status of the application by the Company of recommendations and principles contained in the Set of Best Practices of WSE Listed Companies 2016

- 4) information about the participation of women and men in the Management Board and Supervisory Board of CCC S.A. in the years 2013-2015;
- 5) a statement on applying corporate governance principles for 2014.

According to the Supervisory Board of CCC S.A. in 2015, The Company properly met disclosure obligations relating to the application of the principles of corporate governance.

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

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

The company has been involved in sport sponsorship for years, in particular the promotion of Polish cycling. CG CCC S.A. supports the national team, a group of professional cycling and promotes a healthy lifestyle among children and young people, co-operating in the development of cycling schools. Cycling events are also sponsored. According to the Supervisory Board in 2015 the Company reasonably implemented a policy of conducted sponsorship activity, contributing to the increase in brand value and the image benefits.

Polkowice, 5 May 2016

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| Chairman of the Supervisory Board | - Henryk Chojnacki | |
| Member of the Supervisory Board | - Wiesław Oleś | |
| Member of the Supervisory Board | - Mirosław Stachowicz | |
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