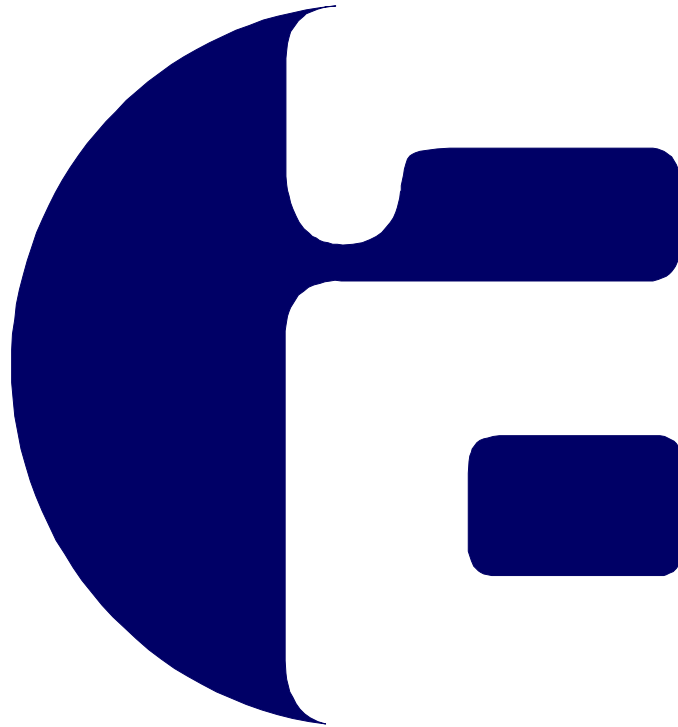


ARCUS Spółka Akcyjna

[www.arcus.pl](http://www.arcus.pl)



**STATEMENT ON COMPLIANCE WITH CORPORATE GOVERNANCE RULES**

**IN 2018**

**Annex to the Report of the Management Board on business activities of the  
Company in 2018**

Warsaw, 26 April 2019

## 1 A SET OF CORPORATE GOVERNANCE PRINCIPLES THAT THE ISSUER COULD APPLY VOLUNTARILY AND AN INDICATION OF WHERE THE TEXT OF THESE PRINCIPLES IS PUBLICLY AVAILABLE

The Issuer has applied the corporate governance principles introduced by the Resolution of the Warsaw Stock Exchange Supervisory Board of 13 October 2015 "Best Practice for GPW Listed Companies 2016" [https://static.gpw.pl/pub/files/PDF/RG/DPSN2016\\_GPW.pdf](https://static.gpw.pl/pub/files/PDF/RG/DPSN2016_GPW.pdf).

The report on the compliance by Arcus S.A. with Recommendations and Principles set forth in currently binding document - "Best Practice for GPW Listed Companies", is available on the Company's website at: [http://www.arcus.pl/sites/default/files/ckeditor/imce/gpw\\_dobre\\_praktyki\\_arcus.pdf](http://www.arcus.pl/sites/default/files/ckeditor/imce/gpw_dobre_praktyki_arcus.pdf).

## 2 INDICATION OF THE EXTENT TO WHICH THE ISSUER DEROGATED FROM THE APPLICATION OF PRINCIPLES SET FORTH IN THE CORPORATE GOVERNANCE CODE REFERRED TO IN PARAGRAPH 1, INDICATION OF THESE PRINCIPLES AND EXPLANATION OF THE REASONS FOR THIS DEROGATION

The Management Board of the Company declares that in 2018 the Company complied with the corporate governance principles set out in the document "Best Practice for GPW Listed Companies 2016", except for the principles listed below:

- 1) I.Z.1.15. The company implements a diversity policy applicable to the company's governing bodies and key managers, however this policy is not institutionalized. The diversity policy is implemented by diversifying age, gender, type of education or professional experience. Nevertheless, an important objective of the Company is to create a work environment in which employees can develop their skills and are treated with due respect, and in which the objectives of the Company and its strategy are implemented. In accordance with the best knowledge of the Company, the remaining provisions of the Corporate Governance code, including those applicable to supervised institutions and issued by the Financial Supervision Authority, are complied with by the Company to the full extent.
- 2) I.Z.1.16. The Company does not provide for the possibility to participate in the General Meeting, using electronic means of communication or real-time bilateral communication. The Company also does not foresee an audio or video recording of a general meeting and publishing it on its website. In the opinion of the Company, the communication associated with General Meetings implemented so far through publication of current reports and relevant materials on the website of the Company, ensures the transparency of operations of the Company as well as protects the rights of the shareholders.
- 3) I.Z.1.20. The Company does not provide for the possibility to participate in the General Meeting, using electronic means of communication or real-time bilateral communication. The Company also does not foresee an audio or video recording of a general meeting and publishing it on its website. In the opinion of the Company, the communication associated with General Meetings implemented so far through publication of current reports and relevant materials on the website of the Company, ensures the transparency of operations of the Company as well as protects the rights of the shareholders.
- 4) II.Z.10.4 The Company has no formal policy related to charity and sponsorship activities. The Company provides the financial or in-kind support to interesting projects and ideas. The sponsorship activity is focused on the development of youths through sports activities. As far as possible, the Company also helps people touched by unfortunate fate. The Company does not exclude that in the future, this rule will be fully implemented.
- 5) III.Z.3 The functions of an internal audit were not organizationally separated in the Company.
- 6) III.Z.4 The functions of an internal audit were not organizationally separated in the Company.
- 7) VI.Z.4 In the report on business activities, the Company discloses the information on the remuneration of members of the Management Board as required by law. Currently, however, the Company does not disclose a report on the remuneration policy applied to the extent specified in the subject principle. The Company believes that the information contained in the above document would be an excessive disclosure of the data to the industry competition.

### 3 DESCRIPTION OF THE MAIN FEATURES OF THE ISSUER'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are prepared by the Financial and Accounting Department of the Company. This Department cooperates with other departments that provide information necessary for the preparation of financial statements, and not resulting directly from accounting data. Financial statements are prepared and signed by Chief Accountant and Chief Financial Officer. The Chief Financial Officer is directly responsible for the organization and operation of the Financial and Accounting Department. The data necessary for preparing financial statements are regularly reviewed by the responsible persons and by the Management Board of ARCUS S.A. Persons involved in the process of preparing and verifying financial statements have many years of experience and the required knowledge. All members of the Management Board of the Company review the progress of the works and the content of the financial statements on an ongoing basis. The Members of the Management Board regularly submit their comments as to the additional issues to be addressed in the statements. The prepared financial statements together with the report of the Management Board on the business activities of the Company are submitted to the Certified Auditor. In the course of the examination of the financial statement, the auditor compares its content with accounting books and internal accounting procedures on an on-going basis. During the meetings with key employees and Members of the Management Board, the Auditor discusses and analyzes the correctness of the presentation of particular issues in the financial statement and in the report of the Management Board on business activities of the Company. After making final corrections in consideration of the comments of the Auditor, the persons preparing the financial statement and the managing persons, the final version of the financial statement is signed by these persons. In the opinion of the Management Board, the above-described internal control and risk management systems applied for the preparation of financial statements and consolidated financial statements are sufficient and take into account both the specific nature of the business and the size of the Company. In the recent practice of drawing up financial statements, no material risks have been identified. With the development of the Company and the Capital Group, the system will be adapted to the growing requirements.

### 4 INDICATION OF SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY SIGNIFICANT BLOCKS OF SHARES WITH AN INDICATION OF THE NUMBER OF SHARES HELD BY EACH SHAREHOLDER, THEIR RESPECTIVE SHARE IN THE CAPITAL, THE NUMBER OF VOTES ATTACHED TO THE SHARES AND THE SHARE IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

Shareholding structure of ARCUS S.A. as at 31 December 2018.

Shareholder	Number of shares = Number of votes	Nominal value of shares held (PLN)	Share in capital = share in total number of votes
MMR Invest S.A.	4 800 000	480 000	65,6%
Other	2 520 000	252 000	34,4%
<u>TOTAL</u>	<u>7 320 000</u>	<u>732 000</u>	<u>100,0%</u>

\*Mr. Marek Czeredys, Mr. Michał Czeredys and Mr. Rafał Czeredys are a dominant entity in MMR Invest S.A.

### 5 IDENTIFICATION OF HOLDERS OF ANY SECURITIES CONFERRING SPECIAL CONTROL POWERS WITH RESPECT TO THE ISSUER, INCLUDING A DESCRIPTION OF SUCH POWERS

ARCUS S.A. did not issue any securities conferring special control powers with respect to the Company.

## 6 RESTRICTIONS ON VOTING RIGHTS, SUCH AS LIMITATIONS OF THE VOTING RIGHTS OF HOLDERS OF A GIVEN PERCENTAGE OR NUMBER OF VOTES, TIME LIMITATIONS ON EXERCISING VOTING RIGHTS, OR PROVISIONS UNDER WHICH, WITH THE COMPANY'S COOPERATION, THE EQUITY RIGHTS ATTACHED TO SECURITIES ARE SEPARATED FROM THE HOLDING OF SECURITIES

In 2018, there were no restrictions in the Company as to the voting rights as well as there were no provisions under which, with the company's cooperation, the equity rights attached to securities are separated from the holding of securities.

## 7 INDICATION OF ANY LIMITATIONS OF THE TRANSFERABILITY OF THE ISSUER'S SECURITIES

According to the best knowledge, as at 31 December 2018 and at the date of publication of this report, there are no limitations regarding the transferability of the Issuer's securities other than those resulting from the binding laws and regulations of the WSE.

## 8 RULES GOVERNING THE APPOINTMENT AND DISMISSAL OF MANAGING PERSONS AND SUCH PERSONS' POWERS, INCLUDING IN PARTICULAR THE POWER TO MAKE DECISIONS AS TO THE ISSUE OR BUY-BACK OF SHARES

In accordance with ARCUS S.A. Articles of Association, the Company's Management Board shall be composed of one to five members. Members of the Management Board are appointed by the Supervisory Board for a common, one to three-year term of office. The first Management Board's term of office is one year. The Supervisory Board determines the number of members of the Management Board for a given term of office, the duration of term of office, and appoints the President and Vice-President of the Management Board. Mandates of the Management Board members expire on the date of holding the General Meeting of Shareholders approving the financial statements for the last full financial period of performing the function of the Management Board member. The mandate of a member of the Management Board appointed before the end of the term of office of the Management Board shall expire at the same time as the mandates of the other members of the Management Board.

## 9 RULES GOVERNING AMENDMENTS TO THE ISSUER'S ARTICLES OF ASSOCIATION

Changes to the Company's Articles of Association are made by the General Meeting of Shareholders by a majority of three-fourths of the votes.

## 10 MANNER OF OPERATION OF THE GENERAL MEETING, ITS BASIC POWERS AND DESCRIPTION OF THE SHAREHOLDERS' RIGHTS ALONG WITH THE PROCEDURE FOR THEIR EXERCISE, IN PARTICULAR THE RULES STIPULATED IN THE RULES OF PROCEDURE FOR THE GENERAL MEETING, EXCEPT WHERE PRESCRIBED DIRECTLY BY LAW

The General Meeting is convened by the Management Board. The Ordinary General Meeting is held within 6 months of the end of each financial year. The Extraordinary General Meeting is convened by the Management Board on its own initiative, at the written request of the Supervisory Board, or a written request of a shareholder or shareholders representing at least 1/20 of the share capital. The Extraordinary General Meeting should be convened within 2 weeks of the date of the request. The request to convene a Meeting should specify the matters to be discussed and contain the justification. The Supervisory Board has the right to convene an Ordinary General Meeting of Shareholders if the Management Board fails to convene it within the time limit specified in the Articles of Association. The Supervisory

Board shall have the right to convene an Ordinary General Meeting of the Company if the Management Board fails to convene it within the period specified in the Articles of Association and an Extraordinary General Meeting of Shareholders, if such convening is deemed advisable and the Management Board fails to convene a General Meeting of Shareholders within 2 weeks of the date of submission of a relevant request by the Supervisory Board. A shareholder or shareholders representing at least ½ of the share capital may request that an Extraordinary General Meeting of Shareholders be convened, as well as that certain matters be placed on the agenda of the Meeting. Such request must be submitted in writing to the Management Board no later than one month before the proposed date of the General Meeting. Each share gives the right to one vote at the General Meeting. Shareholders may participate in the General Meeting and exercise voting rights in person or by their representatives. The power of attorney to participate in the General Meeting and to exercise the voting right is granted in writing under the pain of nullity. The General Meeting adopts all resolutions by an absolute majority of votes, unless the Articles of Association of the Company or the applicable laws provide for stricter requirements for adoption of a given resolution. Votes "for", "against" and "abstentions" are considered votes cast. The competences of the General Meeting include:

- examination and approval of the Management Board's report on the Company's activities and the financial statements for the previous financial year and granting discharge to members of the Company's governing bodies for the performance of their duties;
- any amendments to the Articles of Association, including the increase and decrease of the share capital and the change of the subject of the Company;
- decisions on claims for redress of damage caused upon formation of the Company or in the course of management or supervision;
- granting a consent to disposal or tenancy of the enterprise or its organised part and a creation of a limited right in rem thereon;
- issue of convertible bonds or bonds with the right of priority;
- merger and transformation of the Company;
- dissolution and liquidation of the Company;
- other matters which, according to the Articles of Association of the Company or the applicable laws are within the competences of the General Meeting.

## 11 COMPOSITION OF THE MANAGEMENT BOARD AND CHANGES THEREON DURING THE LAST FINANCIAL YEAR AND A DESCRIPTION OF OPERATION OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND THEIR COMMITTEES

### **Management Board**

In accordance with ARCUS S.A. Articles of Association, the Company's Management Board shall be composed of one to five members. Members of the Management Board are appointed by the Supervisory Board for a common, one to three-year term of office. The first Management Board's term of office is one year. The Supervisory Board determines the number of members of the Management Board for the given term of office, the duration of term of office, and appoints the President and Vice-President of the Management Board. Mandates of the Management Board members expire on the date of holding the General Meeting of Shareholders approving the financial statements for the last full financial period of performing the function of the Management Board member. The mandate of a member of the Management Board appointed before the end of the term of office of the Management Board shall expire at the same time as the mandates of the other members of the Management Board. The powers of the Members of the Management Board are governed by generally applicable laws, including the Commercial Companies Code and the Company's Articles of Association. Detailed procedural issues are contained in the Rules of the Management Board adopted by the resolution of the Supervisory Board of 26 November 2018.

In accordance with ARCUS S.A. Articles of Association, the Management Board manages the affairs of the Company and represents the Company.

Members of the Management Board perform their duties in person, in accordance with the function specified in the resolutions adopted by the Supervisory Board on the appointment of members of the Management Board. The specific duties of members of the Management Board include:

- development and implementation of the strategy and execution of the main objectives of the Company's operations, ensuring the effectiveness of the Company's management system and management of the Company's affairs in accordance with the applicable laws and good practice.

Under the division of competences:

- President of the Management Board – Chief Executive Officer – manages the entire work of the Company's Management Board and supervises the commercial and service areas, product development, human resources management as well as marketing and PR;
- Vice-President of the Management Board - Chief Financial Officer - is responsible for the area of finance and accounting, investor relations, logistics and storage facility;
- Member of the Management Board - Legal and Corporate Director - is responsible for the administration and legal issues.

The Management Board adopts the resolutions by a simple majority of votes. In case of equal number of votes the vote of the President of the Management Board shall prevail. In the case of a Management Board composed of two members, each member of the Management Board is entitled to make representations on behalf of the Company and to incur liabilities. In the case of the Management Board consisting of three to five members, two Management Board Members acting jointly are entitled to make representations on behalf of the Company and to incur liabilities.

The Management Board of ARCUS S.A. may dispose of the right and contract an obligation on behalf of the Company up to the amount of PLN 5,000,000. The consent of the Supervisory Board of the Company is required to dispose of a right and contract an obligation exceeding the above amount.

The Management Board of the Company does not have the power to decide on the issue or redemption of own shares. According to the Rules of ARCUS S.A. Management Board, ordinary management matters arising from the Company's on-going operations are carried out by individual members of the Management Board, in line with division of competences and tasks within the Company's Management Board. Matters exceeding the scope of ordinary management as well as issues with regard to which at least one member of the Management Board requests to be resolved by the Management Board, are resolved by way of a resolution.

Pursuant to the Rules of the Management Board of ARCUS S.A., the Management Board of the Company defines the strategy and the business objectives of the Company and presents them to the Supervisory Board of the Company.

As at 1 January 2018, the composition of the Management Board was as follows

- |                   |                                     |
|-------------------|-------------------------------------|
| – Michał Czeredys | – President of the Management Board |
| – Rafał Czeredys  | – Member of the Management Board    |

As at 31 December 2018, the composition of the Management Board was as follows:

- |                   |                                     |
|-------------------|-------------------------------------|
| – Michał Czeredys | – President of the Management Board |
| – Rafał Czeredys  | – Member of the Management Board    |

As at the date of the financial statement hereof publication, the composition of the Management Board was as follows:

- |                   |                                     |
|-------------------|-------------------------------------|
| – Michał Czeredys | – President of the Management Board |
| – Rafał Czeredys  | – Member of the Management Board    |

## Supervisory Board

In accordance with the Articles of Association of ARCUS S.A., the Company's Supervisory Board shall be composed of 5 to 10 members. The Supervisory Board exercises permanent supervision over the operations of the Company in all areas of its business. In particular, the scope of competences of the Supervisory Board include:

- appointing and dismissing members of the Management Board;
- giving consent to the establishment and liquidation of branch offices of the Company;
- giving consent to the subscription, acquisition, disposal, encumbrance of shares in other enterprises;
- giving consent to disposal of a right and contract an obligation by the Management Board above the amount of PLN 5,000,000;
- expressing consent to acquisition of the immovable property, perpetual usufruct right or share in the immovable property;
- selection, at the request of the Management Board, of a certified auditor to audit the Company's annual financial statements.

The Supervisory Board annually submits to the General Meeting a brief assessment of the Company's situation. Members of the Supervisory Board receive the remuneration for performing their duties. The amount of remuneration of members of the Supervisory Board is determined by the General Meeting

As at 1 January 2018, the composition of the Supervisory Board was as follows:

- |                                |  |
|--------------------------------|--|
| – Marek Czeredys               | – Chairman of the Supervisory Board      |
| – Tomasz Konewka               | – Vice-Chairman of the Supervisory Board |
| – Bogusław Wasilewko           | – Member of the Supervisory Board        |
| – Leszek Lechowski             | – Member of the Supervisory Board        |
| – Krzysztof Franciszek Przybył | – Member of the Supervisory Board        |

As at 31 December 2018 and as at the day of the financial statement hereof publication, the composition of the Supervisory Board was as follows:

- |                        |  |
|------------------------|--|
| – Marek Czeredys       | – Chairman of the Supervisory Board      |
| – Tomasz Konewka       | – Vice-Chairman of the Supervisory Board |
| – Jolanta Grus         | – Member of the Supervisory Board        |
| – Krzysztof Rajczewski | – Member of the Supervisory Board        |
| – Leszek Lechowski     | – Member of the Supervisory Board        |
| – Michał Łotoszyński   | – Member of the Supervisory Board        |

By the Resolution of the Supervisory Board of 9 July 2015, within the structure of the Supervisory Board, the Audit Committee was appointed. As from 10 October 2017 the composition of the Audit Committee was as follows: Leszek Lechowski (Chairman of the Committee), Michał Łotoszyński and Krzysztof Franciszek Przybył. On 5 July 2018, a new composition of the Committee was appointed by the resolution of the Supervisory Board:

- |                      |                             |
|----------------------|-----------------------------|
| – Leszek Lechowski   | – Chairman of the Committee |
| – Michał Łotoszyński | – Member of the Committee   |
| – Jolanta Grus       | – Member of the Committee   |

**Statutory Auditor**

According to the Articles of Association of the Company, (as allowed under Art. 146.1 of the Commercial Companies Code), the auditor is selected by the Supervisory Board, which annually appoints a statutory auditor in accordance with the applicable regulations and professional standards. By the resolution of the Supervisory Board of 10 October 2017, Doradca Auditors Sp. z o.o. (Limited Liability Company) with its registered office in Gdańsk (80-266) at 212 Grunwaldzka Street (entered on the list of entities authorized to audit financial statements under the number: 913), was appointed to audit and review the separate and consolidated financial statements of ARCUS S.A.

**Information on the participation of women and men in the Management and Supervisory Boards of Arcus S.A.**

From 1 January 2012 until the publication of this report, only men were members of the Management Board of the Company - their share was 100%. As of 28 June 2018, 1 woman sits on the Supervisory Board of the Company - the percentage participation of women is 16.6%, compared to 83.4% of men.

Warsaw, 26 April 2019

**[Electronic signature on the original version of the document]**

Michał Czeredys  
President of the Management Board

**[Electronic signature on the original version of the document]**

Rafał Czeredys  
Member of the Management Board