

## **Appendix 1 to Resolution No. 16/2020 of the Supervisory Board of INTER CARS S.A. of May 7th 2020**

### *Report of the Supervisory Board of Inter Cars S.A.*

*on its activities in 2019, along with the assessments prepared in accordance with the Code of Best Practice for WSE Listed Companies 2016*

The Supervisory Board of Inter Cars S.A of Warsaw (**the “Company”**) submits to the General Meeting a report on its activities in the period **from January 1st 2019 to December 31st 2019**, along with the assessments prepared in accordance with the Code of Best Practice for WSE Listed Companies 2016 (**the “WSE Best Practices”**).

### **Composition of the Supervisory Board and its committees**

As at January 1st 2019, the composition of the Company's Supervisory Board was as follows:

- 1) Andrzej Oliszewski – Chairman of the Supervisory Board,
- 2) Jacek Klimczak – Member of the Supervisory Board,
- 3) Michał Marczak – Member of the Supervisory Board,
- 4) Piotr Płoszajski – Member of the Supervisory Board,
- 5) Tomasz Rusak – Member of the Supervisory Board.

On June 17th 2019, the Company’s Annual General Meeting made appointments to the Supervisory Board for a new joint term of office. Furthermore, the Company’s Annual General Meeting resolved that the Supervisory Board of the new term would comprise six members. The following persons were appointed to the Company’s Supervisory Board by resolutions of the Annual General Meeting:

- 1) Andrzej Oliszewski – Chairman of the Supervisory Board,
- 2) Jacek Podgórski – Member of the Supervisory Board,
- 3) Radosław Kudła – Member of the Supervisory Board,
- 4) Tomasz Rusak – Member of the Supervisory Board,
- 5) Piotr Płoszajski – Member of the Supervisory Board,
- 6) Jacek Klimczak – Member of the Supervisory Board.

As at the date of adoption of this report, the composition of the Supervisory Board did not change.

Currently, there are at least two members on the Supervisory Board who meet the criteria of independence from the Company and entities with significant links to the Company pursuant to Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, the relevant criteria specified in the WSE Best Practices, and the independence criteria specified in Art. 129.3 of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017.

There is an audit committee operating within the Supervisory Board, appointed on September 25th 2017 pursuant to Art. 128 and Art. 129 of the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (the “Audit Committee”).

As at January 1st 2019, the Audit Committee was composed of the following Supervisory Board members:

- 1) Piotr Płoszajski – Chairman of the Committee (independent member of the Supervisory Board),
- 2) Andrzej Oliszewski – Member of the Committee,
- 3) Jacek Klimczak – Member of the Committee (independent member of the Supervisory Board).

Following the appointments to the Supervisory Board made for a new joint term of office by the Company’s General Meeting on June 17th 2019, the Supervisory Board appointed the Audit Committee for a new term of office, consisting of:

- 1) Piotr Płoszajski – Chairman of the Committee,
- 2) Jacek Klimczak – Member of the Committee,
- 3) Andrzej Oliszewski – Member of the Committee,
- 4) Jacek Podgórski – Member of the Committee.

As at the date of adoption of this report, the composition of the Audit Committee did not change.

The Audit Committee operates within the Supervisory Board and is appointed to supervise the financial reporting process, the effectiveness of the internal control, internal audit and risk management systems, and to monitor the performance of financial audit activities.

## **II. Meetings of the Supervisory Board and its committees**

In the reporting period, the Supervisory Board held five meetings, during which it passed resolutions required under the applicable laws and regulations, and took positions on matters covered by the agendas of the respective meetings. The meetings were held on April 15th, May 29th, June 27th, October 8th and December 4th. At the meeting of April 15th, four out of the five members of the Supervisory Board were present, at the meeting of June 27th five out of the six members of the Supervisory Board were present, and at the meeting of December 4th three out of the six members of the Supervisory Board were present. The other meetings were attended by all members of the Supervisory Board. The Supervisory Board meetings were also attended by members of the Management Board and other representatives of the Company, which enabled the Supervisory Board to obtain comprehensive answers and explanations on matters covered by the respective agendas. The Supervisory Board was also kept informed, by email, of all material aspects of the Company's operations. Furthermore, the Supervisory Board was provided with all requested information and materials prepared by the Company's Management Board.

During the meetings, the Supervisory Board passed a number of resolutions, including a resolution to appoint an audit firm, appoint the Audit Committee of the Supervisory Board for a new term of office, and adopt a procedure for periodic assessment of related-party transactions. Moreover, in the reporting period the Supervisory Board passed six resolutions by written ballot. The resolutions concerned: granting consent to disposal of property by the Company; opening of a tender procedure to appoint an audit firm; adoption of the Supervisory Board's assessment of the separate and consolidated financial statements of Inter Cars S.A. and the Inter Cars Group for the year ended December 31st 2018, as well as the Directors' Report on the operations of the Inter Cars Group in the year ended December 31st 2018, prepared together with the Directors' Report on the operations Inter Cars S.A., in terms of their consistency with the books, documents and facts; adoption of the Supervisory Board's statement on the operation of the Audit Committee of the Inter Cars S.A. Supervisory Board; approval of expansion of the scope of audit of the Group's Key Entity; and granting consent to employment of Krzysztof Oleksowicz by the Company.

At its meetings, the Supervisory Board also discussed other important matters presented by the Management Board, as part of which it monitored the Group's overall sales performance and implementation of the requirements imposed by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), as well as the status of cybersecurity and crisis management measures, and reviewed the development of new sales segments. The Audit Committee also reported to the Supervisory Board, keeping it informed of the Committee's activities and of its recommendations and assessments regarding tasks and activities performed by the internal audit unit.

In the reporting period, the Audit Committee held six meetings, on April 4th 2019, May 29th 2019, June 27th 2019, October 8th 2019, November 13th 2019, and December 4th 2019.

In the reporting period, the Audit Committee performed the audit committee tasks laid down in applicable laws. Matters discussed during the Audit Committee meetings included progress of the auditor's work, the Company's and the Group's financial results, as well as the tasks and day-to-day activities of the internal audit unit, including the findings of internal audits performed in selected areas of the Company's and the Inter Cars Group's operations. At its meetings, the Audit Committee passed a number of resolutions, including resolutions to open a tender procedure to appoint an audit firm, adopt the Internal Audit plan and budget for 2019, adopt a recommendation on assessment of the Company's and the Inter Cars Group's financial statements for 2018, as well as the Directors' Reports on the Company's and the Group's operations in the financial year 2018, and adopt a recommendation concerning a draft procedure for periodic assessment of related-party transactions.

In 2019, the Audit Committee also assessed the independence of the audit firm and gave its consent to each provision of non-audit services by the audit firm and entities of the audit firm's network.

On May 29th 2019, the Audit Committee adopted a recommendation, prepared in compliance with applicable laws and the Company's internal regulations, to extend the existing audit engagement agreement with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. of Warsaw so that it covered the Company's and the Inter Cars Group's financial statements for 2019 and 2020.

Moreover, in the reporting period the Audit Committee passed three resolutions outside of a meeting. Two of the resolutions concerned approval of purchase of non-audit services from the group's auditor, and the third resolution concerned adoption of a recommendation on assessment of the separate and consolidated financial statements of Inter Cars S.A. and the Inter Cars Group for the year ended December 31st 2018, as well as the Directors' Report on the operations of the Inter Cars Group in the year ended December 31st 2018, prepared together with the Directors' Report on the operations Inter Cars S.A., in terms of their consistency with the books, documents and facts.

### **III. Information on the performance of the obligations under the Commercial Companies Code, other laws and regulations, and the Company's Articles of Association**

In the reporting period, the Supervisory Board exercised ongoing supervision over the Company's activities in each area of its business, remaining in direct contact with the Management Board. The Supervisory Board assessed, among other things, the Company's economic standing, financial liquidity and ability to settle liabilities. The Supervisory Board also considered opportunities and methods for the Company's further development. As part of the supervision over the Inter Cars Group, the Supervisory Board analysed development prospects and current financial results of the Group companies. The Supervisory Board gave its opinions on the Group's draft business plans, budgets and strategic objectives, analysed the management methods and current financial condition of the Company, and discussed the implementation and delivery of the budget and material projects. The Supervisory Board also reviewed the findings of internal audits performed in selected areas of the Company's and the Inter Cars Group's operations.

Within the prescribed deadline, the Supervisory Board assessed the Directors' Reports on the Company's and the Inter Cars Group's operations in 2018, the Management Board's proposal concerning distribution of profit for 2018, as well as the separate and consolidated financial statements for the financial year 2018, and submitted a written report on the results and findings of its assessment to the General Meeting.

The Supervisory Board also adopted a brief assessment of the Company's standing in accordance with the corporate governance policy applied by the Company.

On May 29th 2019, the Company's Supervisory Board passed, in accordance with the Audit Committee's recommendation, a resolution to extend the existing audit engagement agreement with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp. k. of Warsaw so that it would cover the Company's financial statements for 2019 and 2020.

The audit firm was appointed after the Company's Supervisory Board had read and considered the above recommendation from the Audit Committee of the Supervisory Board, prepared in compliance with applicable laws and the Company's internal regulations.

In the reporting period, the Supervisory Board did not exercise its powers under Art. 383 of the Commercial Companies Code, i.e. it did not suspend, for a good reason, any or all members of the Management Board, nor did it delegate Supervisory Board members to temporarily perform the duties of Management Board members.

The Supervisory Board operates in accordance with the corporate governance rules set out in the WSE Best Practices. In 2019, there were no instances of non-compliance of the Supervisory Board with the corporate governance policy applied by the Company.

### **IV. Assessment of work of the Supervisory Board**

In the financial year from January 1st 2019 to December 31st 2019, the Supervisory Board, acting conscientiously and with due diligence, performed its duties stipulated in the Articles of Association and the Rules of Procedure for the Supervisory Board.

The role of the Supervisory Board is to exercise ongoing supervision over the Company's activities in each area of its business, in accordance with the Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board adopted by the General Meeting. Other key objectives of the Supervisory Board's efforts are to supervise the Company's Management Board and monitor its activities, and to ensure stability of the Company, its controlled development and strengthening of its market position.

Taking into account the work and involvement of the Supervisory Board, and based on the findings discussed above and the Board's general activity in 2019, the Board is of the opinion that in the reporting period it fulfilled its statutory duties in a proper manner and for the benefit of the Company, in line with best market practices. In 2019, the Supervisory Board exercised effective and efficient supervision over the Company, and its cooperation with the Management Board was good and properly organised. Therefore, we move that the members of the Supervisory Board be granted discharge in respect of performance of their duties in the reporting period.

### **V. Assessment of the Company's standing, including evaluation of its internal systems and functions**

This evaluation is the Supervisory Board's assessment of the Company's standing and includes evaluation of the Company's internal control, risk management and compliance systems and the internal audit function, in accordance with the Company's corporate governance policy. The Supervisory Board performed this assessment on the basis of the Directors' Reports on the Company's and the Inter Cars Group's operations in 2019, the

separate and consolidated financial statements for 2019, as well as information obtained by the Supervisory Board while performing its duties.

### **A. Assessment of the Company's standing**

The Supervisory Board issues a positive opinion on the Management Board's achievements in 2019, which should be viewed as a good period for the entire Inter Cars Group.

In 2019, the Inter Cars Group (the "Group") reported revenue of PLN 8,764,261 thousand, which represents a 10.3% year-on-year improvement, and delivered net profit in excess of PLN 227m, up 1.8% on the previous year. In 2019, the Group opened 14 new branches (one was closed), and as at December 31st 2019 its sales network comprised 561 points of sale in 17 countries (2018: 548), including 248 locations in Poland and 313 locations on foreign markets.

In the Supervisory Board's opinion, the 10.3% revenue increase posted in 2019 was attributable in particular to the expansion of operating scale and geographical development of the network. The 1.8% year-on-year increase in net profit reported for 2019 despite a 10.3% increase in revenue was mainly an outcome of the streamlining of many internal processes (improved inventory turnover and reduced inventory levels), reduction of the Group's debt measured as the ratio of net debt to EBITA, and the completed expansion of the central warehouse in Zakroczym.

The Supervisory Board positively assesses the Group's growth in Poland and abroad. The Group's activities help to further strengthen Inter Cars' leading position in Central and Eastern Europe. The Supervisory Board also favourably assesses the results posted by all of the Group subsidiaries in 2019. In 2019, the fastest growing markets of the Group included Greece, Bosnia and Herzegovina and Moldova. These are new markets and the Company is in the process of launching its offering on them. Romania is the Group's second largest market (after Poland). Inter Cars ranks third on the Romanian market, with 66 branches supplying more than 12,000 workshops.

In 2019, the Group made additions to its product portfolios in each segment and expanded its distribution network both in Poland and abroad. The distribution network comprises the Logistics Centre in Zakroczym, as well as a network of 248 branches in Poland and 313 points of sale outside Poland. Late 2019 and early 2020 saw completion of the extension of the central warehouse in Zakroczym. The efficiency of automation and processes at the ILS European Logistics and Development Centre will allow shipments of even as many as 500,000 items within 24 hours. The Company is also continuing the efforts to optimise inventory management by optimising stock levels in individual product groups and the supply chain. In the Supervisory Board's opinion, such investments help the Group build its competitive advantage.

Equally important is the continued development of a comprehensive 'One Stop Shop' customer service model, offering attractive terms of business, investment, financing and marketing programmes, as well as training opportunities.

The Supervisory Board was also satisfied to learn that [www.motointegrator.de](http://www.motointegrator.de) received the 'TopShop2019' award from Computer Bild, a German IT magazine. In 2019, the store was once again recognised for its offering, customer friendly layout, service quality and short delivery times.

The Supervisory Board would like to emphasise that, in addition to the distribution of parts and automotive products, the Group is also engaged in a manufacturing activity closely related to the automotive industry, which expands the distribution network's value chain. Lauber Sp. z o.o., engaged in regeneration of automotive parts and subassemblies, and Feber Sp. z o.o., a manufacturer of semi-trailers, are positive contributors to the Group's financial results. The Group's offering also includes sale of Isuzu vans and trucks by Q-Service Truck Sp. z o.o., an authorised dealer of the brand. The company is also an authorised representative of ZF Friedrichshafen AG for the sale and repairs of manual, automated and automatic truck gearboxes. On June 13th 2019, Q-Service Truck Sp. z o.o. commenced cooperation also with Ford Trucks. Under the agreement with Ford Trucks, Q-Service Truck was appointed the only distributor of Ford Trucks vehicles in Poland.

The Supervisory Board also expresses its appreciation of the Company's fulfilment of the highest standards in corporate social responsibility, reporting, investor relations management, corporate governance, information policy, as well as environmental, social and economic impacts. In December 2018, the Warsaw Stock Exchange announced a new list of the RESPECT Index constituents, which included Inter Cars. In August 2019, the Warsaw Stock Exchange, recognising the increased importance of ESG criteria in selecting companies for inclusion in investment portfolios, decided to publish WIG-ESG, a new index which replaced the RESPECT Index. The WIG-ESG index comprises all companies listed in the WIG20 and mWIG40 indices. The level of compliance with ESG criteria is verified based on Sustainalytics' reports and assessment of compliance with the

code of best practice. Inter Cars S.A. found itself among the companies that met the criteria defined by the WSE.

Assessment of the Company's financial statements for 2019, the Directors' Report on the Company's operations in 2019 and the Management Board's proposal regarding distribution of the Company's net profit for 2019 is presented in a separate report of the Supervisory Board.

#### **B. Assessment of the internal audit, risk management and compliance systems, and of the internal audit function**

The Company does not fully comply with the WSE Best Practices with respect to the implementation and maintenance of efficient internal control, risk management and compliance systems, as well as maintenance of the internal audit function. The internal control and risk management systems are dispersed, reflecting the organisational structure, and are maintained to a large extent by the Finance Division and the Operating Division, as described below.

In 2019, the Company continued to implement the compliance programme adopted by the Management Board in the second half of 2017, which includes in particular the Code of Conduct and Good Practice, Fraud Prevention Policy, Conflict of Interest Management Policy, Information Confidentiality Policy, Anti-Mobbing Policy, as well as Occupational Health and Safety and Environmental Policy. The programme is designed to ensure compliance of the Company's activities with law, business standards and other market requirements by ensuring that the compliance risk is properly managed. Such processes as managing risks of fraud and conflicts of interest have been defined within the framework of the programme.

The Supervisory Board reviews the internal audit and risk management systems on an ongoing basis, which includes assessment of the process of preparation of separate and consolidated financial statements. The assessment is based on information provided by the Company's Management Board, Chief Financial Officer, and the Audit Committee. The Supervisory Board also assesses components of the compliance system on an ongoing basis, with the assessment based on information provided by the Company's Management Board, the Legal Counsel, and the Audit Committee.

The Audit Committee supports the Supervisory Board in the day-to-day pursuit of its supervisory tasks by monitoring the Company's financial reporting process, financial audit tasks, the auditor's independence, and the effectiveness of the internal control and risk management systems, and of the internal audit function.

Following separation of the internal audit unit in Q1 2018, the organisation and effectiveness of risk management and control processes are also periodically audited by the internal audit unit, reporting functionally to the Audit Committee. In addition, the Audit Committee approves annual plans of internal audits, any changes of such plans requiring prior consent from the Audit Committee. In 2019, internal audits were performed in selected areas of the Company's and the Group's operations. Relevant recommendations were provided on an ongoing basis to the Management Board, the Audit Committee and the Supervisory Board.

Financial statements and periodic reports are prepared in accordance with the applicable laws and the Company's accounting policies by the Chief Financial Officer, and are reviewed on an ongoing basis by the Management Board, which is responsible for the accuracy and consistency of information disclosed by the Company, and for the applied accounting policies. Financial statements are prepared exclusively by persons having access to relevant financial data. All financial data contained in the financial statements and periodic reports are sourced from the financial and accounting system, where all business events are recorded in accordance with the Company's accounting policies (approved by the Management Board), based on International Accounting Standards and International Financial Reporting Standards. The Company continuously monitors changes to the regulatory framework and regulations applicable to stock exchange reporting, and makes preparations sufficiently in advance to incorporate any required changes. The financial reporting process is also monitored by the Audit Committee, which reviews the Company's interim and annual reports and monitors individual stages of the process for compliance and correctness. The Audit Committee's tasks additionally include reviewing and giving opinions on the rules of the financial reporting systems used by the Company.

Once approved by the Management Board, financial statements are reviewed or audited by an independent auditor – the audit firm selected from among reputed audit firms and appointed by the Supervisory Board, which takes into account recommendations of the Audit Committee. Based on circumstances identified during the audit of financial statements, the Finance Division, acting in communication with the audit firm, attempts to formulate recommendations on how to enhance the Company's internal control system, for possible implementation.

The Finance Division and Division Heads prepare periodic management information reports, including analyses of key financial data and operating indicators of the business segments, and submit them to the Management Board.

In view of the above, the Supervisory Board gives a positive opinion on the Company's internal control, risk management and compliance systems.

**VI. Assessment of the Company's compliance with corporate governance requirements as specified in the Stock Exchange Rules and in the statutory regulations governing current and periodic information to be published by issuers of securities**

In the opinion of the Supervisory Board, the Company has made every effort to ensure application of and due compliance with the disclosure requirements imposed by law and other regulations. To ensure transparency and effectiveness of its disclosure policy, the Company provided the shareholders, analysts and investors with swift and reliable access to relevant information.

The Company fully complied with the statutory disclosure requirements where they apply to current and periodic reports. In 2019, the Company published 31 current reports and 5 periodic reports. All the reports are available on the Company's website at <http://inwestor.intercars.com.pl/pl/>, in the "Reports" and "Corporate Governance" sections.

In the Supervisory Board's opinion, the information disclosed by the Company is compliant with the relevant requirements and gives a true and fair view of the application of the corporate governance policy.

**VII. Assessment of the reasonableness of the Company's charitable giving and sponsorship policies**

The Company's charitable giving and CSR policies have been incorporated into the Responsible Business Strategy, which is described in detail in the report on non-financial information. Furthermore, as part of the compliance programme, the Company implemented a system of supervision of charitable donations provided by the Company.

The Company supports sports activities and runs educational programmes for school children, and supports charity initiatives.

To date, the Company has sponsored athletes in such disciplines as car racing, cycling, and volleyball.

The Company, in partnership with automotive vocational schools, also runs an educational programme for young students. As part of the initiative, the Company, among other things, provides selected schools with modern equipment for vehicle repair and diagnostics, and holds theoretical training sessions.

Although the Company does not have a defined sponsorship and charitable giving policy, the Supervisory Board evaluates the Company's activities in this area as reasonable and desirable, to a significant extent related to its involvement in the education of school youth.

In the future, the Company may also develop a sponsorship and charitable giving policy document, which would reflect the Company's activities in this respect.

**VIII. Final considerations**

In the Supervisory Board's opinion, the Management Board used all reasonable effort to ensure the delivery of good financial results by the Inter Cars Group. Therefore, the Supervisory Board positively assesses the Management Board's efforts to further the Company's and the Inter Cars Group's key strategic objectives. The Supervisory Board recommends that the General Meeting grant discharge to all members of the Company's Management Board in respect of their duties in 2019.

Supervisory Board of Inter Cars S.A.