ERBUD S.A.

REPORT ON THE SUPERVISORY BOARD'S ACTIVITIES FOR THE PERIOD FROM 1 JANUARY 2019 UNTIL 31 DECEMBER 2019

I. Composition of the Supervisory Board

From 01 January 2019 until 31 December 2019 the Supervisory Board of ERBUD S.A. operated in the following composition:

- Udo Berner – Chairman,
- Gabriel Główka – Vice-Chairman,
- Albert Dürr – Board Member,
- Michał Otto – Board Member,
- Janusz Reiter – Board Member,
- Piotr Kaczmarek – Board Member.

Dependent Members of the Supervisory Board of ERBUD SA are:
Mr. Udo Berner und Mr. Albert Dürr (representing the shareholder Wolff & Müller Baubeteiligungen GmbH & Co. KG and Wolff & Müller Holding GmbH & Co. KG) and Mr. Gabriel Główka (since 15.11.2018).

Two Committees operate within the Supervisory Board of ERBUD S.A., i.e.:

1. **Audit Committee**, which operated in the following composition from 01 January 2019 until 31 December 2019:

- Michał Otto - Chairman (independent Committee Member, in AC since 28.04.2016),
- Gabriel Główka - Committee Member (dependent Committee Member, in AC since 15.11.2006),
- Janusz Reiter - Committee Member (independent Committee Member, in AC since 29.05.2018),
- Piotr Kaczmarek - Committee Member (independent Committee Member, in AC since 03.12.2018).

In the Company's Audit Committee, Mr. Michał Otto, Mr. Janusz Reiter and Mr. Piotr Kaczmarek meet the independence criteria within the meaning of Article 129 section 3 of the Act on Auditors.

In addition, Mr. Gabriel Główka fulfils the conditions of the Act on Auditors concerning knowledge and skills in accounting or auditing. Mr. Gabriel Główka graduated from the Warsaw School of Economics, Faculty of Production Economics, specialization in construction and investment economics. His knowledge in this area is also evidenced by obtaining a Doctor of Science degree. This highest degree is awarded in the field of economic sciences in the following disciplines: economics, commodity science, management and finance. Obtaining the degree of Doctor of Science in the discipline of finance is a confirmation of knowledge in a wide area of finance, including financial verification of enterprises, assessment of their financial condition etc. The competences of Mr. Gabriel Główka are also confirmed by his experience gained, among others: (i) in the Credit Department at ING Bank Śląski, (ii) at ING Bank Śląski, where he headed (as chairman) the Warsaw Region Credit Committee of that Bank. The most important task of the Committee was to assess and verify the financial capacity of enterprises to contract credit obligations and make decisions on granting them working capital and investment loans, (iii) while holding the position of President of the Management Board of Śląski Bank Hipoteczny - later ING Bank Hipoteczny, where he managed the finances of this business entity - as Financial Director, (iv) while holding a position in the State Qualification Committee for property value assessment.

For over 30 years he has been a researcher and lecturer at the Warsaw School of Economics - currently he is the director of the Institute of Corporate Finance and Investments. In the years 2002-2004 and again since 2009 he has been a member of the State Qualification Committee - Subcommittee on property value assessment.

As a result, the Issuer meets the requirements referred to in Art. 129 sections 1, 3 and 5 of the Act on Auditors.

2019, the Audit Committee held 5 meetings called by the Chairman of the Audit Committee (on: 04.03.2019, 21.03.2019, 13.06.2019, 30.08.2019 and 21.11.2019), in which the participation of other Members of the Supervisory Board was possible.

In addition to the convened meetings as mentioned above, 2019 the members of the Audit Committee participated in meetings with the Management Board of ERBUD SA to discuss current risks and events affecting the financial performance of the company and the ERBUD Group.

2. **Remuneration Committee** operated in the following composition from 01 January 2019 until 31 December 2019:

- Udo Berner - Committee Chairman
- Michał Otto - Committee Member
- Janusz Reiter - Committee Member

II. Supervisory Board's Activities

In the period from 01 January 2019 to 31 December 2019, the Supervisory Board of ERBUD S.A. held 4 meetings. (22.03.2019, 24.05.2019, 24.09.2019, 02.12.2019).

During the meetings of the Supervisory Board in 2019, the Supervisory Board familiarised itself with the current financial results and current activities of the Company as well as the activities of the ERBUD Group. The members of the Supervisory Board were also acquainted with the Company's and the ERBUD Group's budget plans for 2020.

The Company has a procedure for selecting an audit firm, a policy for selecting an audit firm to conduct an audit and a policy for the provision of permitted non-audit services by the audit firm conducting the audit, by entities related to the audit firm and by a member of the audit firm's network. The main principles of the policy developed for the selection of an audit firm to carry out statutory audit and the policy for the provision of non-audit services by the audit firm carrying out the audit shall be in compliance with the rules relating to the audit: (i) maintaining the statutory auditor's independence, (ii) avoiding conflicts of interest, (iii) proper preparation of the documentation in the bidding process, (iv) a non-discriminatory selection process for the audit firm during the bidding process, (v) a fair assessment of the experience of the audit firm and the audit team and the key statutory auditor, (vi) determining the appropriate remuneration of the audit firm for the services provided, (vii) ensuring appropriate rotation of audit firms. 2019, ERBUD S.A. selected an audit firm to conduct an audit on the basis of the procedures adopted in this respect. On 5 March 2019, the Audit Committee issued a recommendation to the Supervisory Board regarding the selection of an audit firm. Then, on 22 March 2019, the Supervisory Board adopted a resolution on the extension of the agreement with the audit firm Pricewaterhousecoopers Polska sp. z o.o. for services related to statutory audit for the years 2019 - 2020.
Moreover, the Audit Committee, acting pursuant to Article 130 section 1 item 4)of the Act on Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089), adopted a resolution on the assessment of

the auditor's independence and consent to the provision by the auditor of permitted non-audit services in the Company, i.e. review services of the Company's financial statements for the first half of 2019.

On 02 December 2019, as a result of Mr Józef Zubelewicz's resignation from the position of Member of the Management Board of ERBUD S.A. with effect as of 31 December 2019, the Supervisory Board appointed Mr Jacek Leczkowski to the Management Board of ERBUD S.A. for a joint three-year term of office, who entered the Management Board of the company as of 02.01.2020.

At the same time, on 02 December 2019, the Supervisory Board changed the functions of individual Members of the Management Board, effective as of:

01.01.2020

Dariusz Grzeszczak – President of the Management Board
Agnieszka Głowacka – Vice-President of the Management Board.

02.01.2020

Jacek Leczkowski - Vice-President of the Management Board

In the year 2019 the Supervisory Board adopted 59 resolutions, both at meetings and by circulation.

The resolutions adopted by the Supervisory Board concerned mainly:

1. Renewal of credit/guarantee lines / issuance of guarantees;
2. Adoption of a dividend policy
3. Giving its opinion on the matters included in the agenda of the General Meeting of Shareholders convened for 24 May 2019
4. Giving its opinion on the Management Board's report to the financial statements for 2018;
5. Examination and opinion on the proposal of the Company's Management Board on covering the loss for the financial year 2018
6. Issuing of a statement on the appointment and operation of the Audit Committee
7. Issuing of a statement on the selection of the audit firm to carry out the audit of the annual financial statements in accordance with the applicable law
8. Extension of the agreement with an audit firm for services related to the audit and review of the financial statements of the company and the ERBUD Group for 2019-2020
9. Granting consent to new investments exceeding the powers of the Company's Management Board - offers concerning the aforementioned large projects were discussed at meetings and also approved in written resolutions adopted by circulation;
10. Approval of the revenue plan, operating result and general costs budget of the Management Board of ERBUD S.A. and the ERBUD Group for 2020;
11. Appointment of a new Member of the Management Board of ERBUD S.A.
12. Changes in the functions of the Members of the Management Board of ERBUD S.A.
13. Setting the remuneration of the Members of the Management Board of ERBUD S.A.

Moreover, the Supervisory Board received monthly reports from the Management Board of ERBUD S.A. describing the current financial and economic situation of the Company and the ERBUD Group.

Significant issues and financial data were analysed and discussed by the Audit Committee and the Supervisory Board together with the Management Board of ERBUD S.A., by telephone, during the meetings of the Supervisory Board.

The Management Board kept the members of the Supervisory Board informed about special events on an ongoing basis. The Management Board also informed the members of the Supervisory Board in advance of all important events and important decisions to be taken.

III. Assessment of the Company's situation, including assessment of internal control systems, risk management, compliance and internal audit function.

The Supervisory Board confirms that in the ERBUD S.A. Group there is an audit and internal control unit, which directly reports to the Management Board of ERBUD SA.

The Audit and Internal Control Department creates independent work places focused on planning and coordinating audit and control undertakings.

The tasks of the Audit and Internal Control Department include:

- Supervision of processes in the company in terms of economy, legality, purposefulness, reliability, as well as transparency and openness of applied solutions.
- Identification of risk areas and initiation of corrective and preventive actions to eliminate irregularities that may occur in the future, by making recommendations for specific solutions and standards.
- Submitting of proposals of changes in the organisation of implemented projects and changes aimed at lowering the costs of implementation or increasing the competitiveness of ERBUD S.A.'s offer.
- Examination of the correctness of the performance of tasks belonging to the scope of activity of the Company's organisational units - presentation of protocols, reports, post-control speeches and recommendations.
- Disclosing of financial irregularities and ensuring compliance of activities with the binding legal order, rules of expertise and established internal standards and procedures.
- Determination of the actual state of implementation of the tasks belonging to the scope of activity of the controlled entities, documenting it, comparing it with the required state and assessing the established facts in terms of legality, economy, purposefulness and reliability. Identification of persons responsible for irregularities.
- Preparation and implementation of an annual audit and control plan, as well as ad hoc audits and controls commissioned by the Company's Management Board.
- Monitoring of the implementation of recommendations from audit / control proceedings and providing support in implementing the recommendations.
- Close cooperation with the controlling department with regard to the correctness of the valuation of long-term contracts as of the date of control (including the balance sheet date); joint monthly analysis of results on individual projects taking into account potential risks.

The Audit Department carries out its activities on the basis of audits and controls planned and commissioned by the Management Board.

In the opinion of the Supervisory Board, the obligations relating to financial reporting and operating activities are fulfilled by the units appointed to that effect in a proper manner.

The Supervisory Board positively assesses the control mechanisms functioning in the Company.

IV. Assessment by the Supervisory Board of the compliance of the report on the operations of ERBUD SA and the annual financial statements with the books, documents and facts.

Both the Supervisory Board and the Audit Committee of ERBUD SA held several meetings, the purpose of which was to analyse the separate and consolidated financial documents for the period 01.01.2019 - 31.12.2019.

On 06 April 2020, acting on the basis of §70 section 1 item 14 and §71 section 1 item 12 of the Regulation of the Minister of Finance of 29 March 2018 on periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, the Supervisory Board of ERBUD SA adopted a resolution stating that the report on the operations of ERBUD S.A. and the ERBUD S.A. capital group and the annual financial statements of ERBUD S.A. and the consolidated financial statements of the ERBUD S.A. capital group are consistent with the books, documents and facts.

The Supervisory Board justified its assessment as follows:
ERBUD S.A. keeps the books of account in a proper manner and economic events are correctly reflected in the accounting records. The report on operations and the financial statement prepared on their basis properly reflect the formal and factual state of ERBUD S.A. and the capital group.

The Management Board of the Parent Company is responsible for preparing the Consolidated Report on Operations in accordance with the law.
The Management Board of the Parent Company and members of the Supervisory Board are obliged to ensure that the Consolidated Report on Operations together with the separated parts meet the requirements provided in the Accounting Act.

In its opinion of 06 April 2020, the certified auditor assured that the consolidated financial statements of the ERBUD capital group in which ERBUD SA is the parent company:

- gives a true and fair view of the Group's consolidated asset and financial conditions as of 31 December 2019 and its consolidated financial result and consolidated cash flows for the financial year then ended, in accordance with applicable International Financial Reporting Standards as adopted by the European Union and with adopted accounting policies;

- is consistent in form and content with the legal regulations binding on the Group and the Statutes of the Parent Company.

This opinion is consistent with the additional report for the Audit Committee that was issued by PwC on 06 April 2020.

The Management Board of ERBUD SA also stated that the financial statements of ERBUD SA for 2019 had been prepared in accordance with the applicable accounting principles and reflect, in a true, fair and clear manner, the asset and financial situation of the company ERBUD SA.

The Supervisory Board of ERBUD SA, having familiarized itself with the documents submitted by the Management Board:

1) Separate financial statements of ERBUD Spółka Akcyjna for the year ended on 31 December 2019, including:

   a) the Company's Management Board's report on the operations of ERBUD SA in the financial year ended on 31 December 2019.
   b) the balance sheet as of 31 December 2019, with total assets and liabilities of PLN 712,504,621.67 (seven hundred and twelve million five hundred and four thousand six hundred and twenty-one 67/100 zlotys),

c) the profit and loss statement for the period from 1 January to 31 December 2019, showing a net profit of PLN 18,691,264.28 (eighteen million six hundred and ninety-one thousand two hundred and sixty-four 28/100 zlotys),
d) the cash flow statement showing a decrease in cash during the financial year ended on 31 December 2019 by PLN 90,421,715.85 (ninety million four hundred and twenty-one thousand seven hundred and fifteen 85/100 zlotys),
e) the statement of changes in equity showing an increase in equity during the financial year ended on 31 December 2019 by PLN 18,748,036.50 (eighteen million seven hundred forty-eight thousand thirty-six 50/100 zlotys),
f) notes on adopted accounting policies and other explanatory notes.

2) Consolidated financial statements of the ERBUD S.A. Capital Group for the year ended on 31 December 2019, including:

a) report on the operations of the ERBUD Capital Group in the financial year ended on 31 December 2019
b) consolidated balance sheet of the ERBUD Capital Group as of 31 December 2019, with total assets and liabilities of PLN 1,173,493,643.66 (one billion one hundred seventy three million four hundred ninety three thousand six hundred forty three 66/100 zlotys),
c) the consolidated profit and loss statement of the ERBUD Capital Group for the period from 1 January to 31 December 2019, showing a net profit of PLN 35,042,589.01 (thirty-five million forty-two thousand five hundred and eighty-nine 01/100 zlotys),
d) the ERBUD Capital Group's consolidated cash flow statement showing a decrease in cash during the financial year ended on 31 December 2019 by PLN 58,368,050.86 (fifty-eight million, three hundred and sixty-eight thousand and fifty 86/100 zlotys),
e) the statement of changes in consolidated equity showing an increase in equity during the financial year ended on 31 December 2019 by PLN 33,904,966.58 (thirty three million nine hundred four thousand nine hundred sixty six 58/100 zlotys),
f) notes on adopted accounting policies and other explanatory notes.

3) The auditor's report and opinion of 06 April 2020.

made a positive assessment of the above-mentioned documents as regards their compliance with the Company's books and documents, as well as with the actual state of affairs. Therefore, the Supervisory Board of ERBUD SA decides to submit this assessment to the Ordinary General Meeting of ERBUD SA.

The Supervisory Board recommends that the General Meeting of ERBUD SA approve:

- Separate financial statements of ERBUD Spółka Akcyjna for the financial year ended on 31 December 2019,
- Consolidated financial statements of the ERBUD Capital Group for the financial year ended on 31 December 2019,
- Management Board's reports on the operations of the ERBUD Capital Group including the report on the operations of ERBUD S.A. in 2019,
- Integrated Annual Report on the operations of the ERBUD GROUP containing non-financial data.

V. Assessment of the Management Board's proposal to allocate the net profit of ERBUD SA for the year ended on 31 December 2019.

The Supervisory Board positively assesses the proposal of the Management Board of ERBUD SA to the Ordinary General Meeting of ERBUD SA to allocate the net profit of ERBUD SA for 2019 in the amount of PLN 18,691,264.28 (eighteen million six hundred and ninety one thousand two hundred and sixty four 28/100 zlotys), which it recommends to allocate as follows:

1. the amount of PLN 12,254,355.09 (twelve million two hundred and fifty-four thousand three hundred and fifty-five 09/100 zlotys) to be allocated to cover the loss of PLN 12,254,355.09 (twelve million two hundred and fifty-four thousand three hundred and fifty-five 09/100 zlotys) generated for the financial year 2018;

2. the remaining amount of PLN 6,436,909.19 (six million four hundred and thirty-six thousand nine hundred and nine 19/100 zlotys) to be allocated in full to the Company's reserve capital created for the purchase of the Company's own shares for the purpose of their redemption.

VI. Self-Assessment of the Supervisory Board's Activities

The Supervisory Board made a self-assessment of its activities in 2019. The members of the Supervisory Board, in accordance with the established custom, filled in a self-assessment questionnaire and the answers were analysed by the Chairman of the Supervisory Board, who then presented his conclusions to the Supervisory Board.

The Supervisory Board maintained its independence as regards the assessment of the work of the Management Board and the Company's activity also in the area of its functioning as a public interest entity. With regard to the composition of the Supervisory Board, it can be stated that the Company's Supervisory Board is distinguished by its composition, which has diverse knowledge and experience. The members of the Supervisory Board represent a high level of preparation and are prepared in terms of their merits, taking into account the specific nature of the Company's and the Capital Group's operations. All Members of the Supervisory Board have exercised due diligence in performing their duties, using their knowledge, qualifications and skills.

All members of the Supervisory Board have a good understanding of the risks associated with the Company's operations. In performing its duties, the Supervisory Board used the information and documents presented by the Management Board of the Company, as well as by the Company's appointed employees, in particular in the area of internal audit or legal department. The Supervisory Board actively cooperates with the committees of the Supervisory Board and positively assesses the activities of these committees. In the opinion of the Supervisory Board, the cooperation with the Company's Management Board was very efficient and there were no cases of the Supervisory Board taking over the competences. Members of the Supervisory Board were involved in the work of the Board, usually participating in its deliberations in full composition. Few cases of absence were always justified. Activities to which the Supervisory Board is obliged were performed on time and with the utmost care. Decisions were made after detailed discussions, listening to the Management Board's arguments, not infrequently intensified by expert opinions and opinions prepared by external advisors. The Chairman of the Supervisory Board performs his function in a satisfactory manner through the efficient conduct of meetings and an appropriate level of involvement outside them. Significant observations and opinions of the Supervisory Board members were reflected in the minutes of the Board meetings. All Members of the Supervisory Board performed their functions in an active way, showing the necessary level of involvement in the work of the entire Supervisory Board. Members of the Supervisory Board devoted the necessary amount of time to perform their duties resulting from sitting on the supervisory body, including the committees of the Supervisory Board, in particular the Audit Committee. In light of the obligations arising from the provisions of law and the Company's Statutes, the Supervisory Board duly fulfilled its obligations arising from permanent supervision over the Company.

In the opinion of the members of the Board, the Supervisory Board of the Company properly fulfilled its obligations arising from the provisions of law, the Statutes and the Supervisory Board Rules.

VII. Assessment of the manner in which the Company fulfils its information obligations concerning the application of corporate governance rules specified in the Rules of the Warsaw Stock Exchange and the regulations concerning current and periodic information provided by issuers of securities

The Supervisory Board evaluated the way in which the Company fulfils its information obligations related to the application of corporate governance rules specified in the Rules of the Warsaw Stock Exchange –Gielda Papierów Wartościowych w Warszawie S.A. and regulations concerning current and periodical information provided by issuers of securities.

The Supervisory Board positively assesses the fulfilment of the obligations referred to above by the Company ERBUD S.A.

Since 1 January 2016, ERBUD S.A. has been guided by the guidelines developed by the Exchange Supervisory Board in a set of corporate governance rules called "Best Practices of WSE Listed Companies 2016".

The Supervisory Board is aware of the regulations applicable to ERBUD S.A. concerning current and periodic information provided by issuers of securities and internal regulations developed by ERBUD S.A. regulating the flow of confidential information in ERBUD S.A. and identifying the types of events subject to qualification in ERBUD S.A. for recognition as confidential information subject to reporting.

VIII. Assessment of the rationality of the Company's policy on charity, sponsoring or other activities or information about the lack of such policy

The Supervisory Board assessed the rationality of the Company's policy on charity and sponsorship activities.

2019, the Company focused strongly on supporting the activities of Eryk Grzeszczak Foundation "ERBUD - Common Challenges", the aim of which is to help the pupils of orphanages and foster care in the process of becoming independent.

2019, the ERBUD Foundation implemented 3 projects, namely:

- Program Together - employee mentoring
- Independence Vehicle with the Robinson Crusoe Foundation
- Recipe for Success - diagnosing the needs of children and young people by providing practical techniques to increase motivation, commitment and perseverance in setting personal goals. It is also diagnosing needs, raising psychological competence and improving professional competences of educators.

Successively developing activity of the Eryk Grzeszczak Foundation ERBUD Common Challenges is not the only form of social involvement of the ERBUD Group. ERBUD Group companies support various social initiatives, their selection is consistent with the Social and Sponsoring Policy. Sports and charity activities of employees are also supported.
An important aspect of the ERBUD Group's social and sponsorship activities is supporting vocational education in the area of construction professions.

2019, the ERBUD Group companies were involved in sponsoring in the following areas:

- the main sponsor of the Construction Knowledge and Skills Olympics,
- membership in the Advisory Board of the Dean of the Faculty of Civil Engineering, Warsaw University of Technology,

- presentations and lectures by ERBUD specialists at construction faculties,
- marketing classes at the Construction Faculty of the Cracow University of Technology,
- cooperation with construction high schools in Warsaw, Łódź, Wroclaw, Rzeszów, Grudziądz and Bydgoszcz,
- thematic showcases, posters, roll-ups, information leaflets in construction high schools,
- educational trips for pupils and students on construction sites,
- participation of pupils in Safety Week,

The ERBUD Group companies take care of the health and well-being of their employees.

• For several years now, the ERBUD Group has been taking part in the "2 Hours for the Family" campaign.
• The ERBUD Group continuously takes part in the Second Infrastructure and Construction Industry Sports Olympics organised by the Polish Association of Construction Employers.
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SUMMARY

- Expenditure incurred on CSR activities in ERBUD SA in 2019 amounted to PLN 259 400.
- 26 charity events;
- 107 persons covered by the Foundation's activities
- cooperation with 6 orphanages

IX. Dividend

In 2019 the Company did not pay dividend.

Warsaw, 28,05,2020

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Udo Berner
Chairman
of the Supervisory Board