

Appendix to the Resolution 10/2020 of the Audit Committee of ERBUD SA of 08 September 2020

POLICY AND PROCEDURE FOR SELECTING THE ENTITY AUTHORISED TO CARRY OUT A REVIEW OF THE INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND TO AUDIT AND ISSUE AN OPINION/REPORT ON THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND FOR PERFORMANCE OF OTHER ACTIVITIES FOR THE ISSUER OR THE ISSUER'S SUBSIDIARY BY THE ENTITY AUTHORISED TO CARRY OUT A REVIEW OF THE INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND TO AUDIT AND ISSUE AN OPINION/REPORT ON THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS.

(“Policy”)

DEFINITIONS:

For the purposes of this Policy:

- 1) “**Issuer**” means ERBUD S.A. with its registered office in Warsaw;
- 2) “**Regulation (EU) No 537/2014**” means Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ EU.L.2014.158.77);
- 3) “**Prohibited Services**” means the services indicated in Article 5 of Regulation No 537/2014;
- 4) “**Act on Statutory Auditors**” means the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089 as amended);
- 5) “**Accounting Act**” means the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047, as amended).

I. POLICY FOR THE SELECTION OF THE ENTITY AUTHORISED TO CARRY OUT A REVIEW OF THE INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND TO AUDIT AND ISSUE AN OPINION/MANAGEMENT REPORT ON THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS (HEREINAFTER: “AUTHORISED ENTITY”)

1. The Issuer as a public interest entity shall be guided in selecting the entity authorised to review the interim separate and consolidated financial statements and authorised to audit and issue an opinion/a report on the annual separate and consolidated financial statements by:
 - a. the legal acts governing these aspects;
 - b. the Issuer's Statutes and internal acts binding in the Issuer's Company, in particular *the Procedure for Selecting the Authorised Entity* developed by the Audit Committee, contained in this Policy;
 - c. the reputation of the Authorised Entity;
 - d. the Authorised Entity's experience in auditing financial statements in the industries in which the Issuer and its subsidiaries operate;
 - e. the price for the above mentioned services.
2. The selected Authorised Entity will perform financial revision activities in all entities dependent on the Issuer, which have their registered office in Poland.
3. The Issuer will select the Authorised Entity for a period consistent with the provisions of law, in particular the Polish Act on Statutory Auditors and the Accounting Act.

4. The Issuer may shorten the period indicated in the section above, with the consent of the Supervisory Board and after obtaining a positive opinion of the Audit Committee in this respect, in the following cases:
 - a. Infringement of the rules resulting from the Act on Statutory Auditors by the Authorised Entity;
 - b. Infringement of the provisions of the agreement between the Issuer and the Authorised Entity by the Authorised Entity;
 - c. Issuing of a final and binding court decision in the case of negative activities of the Authorised Entity in the field of auditing, unauthorised behaviour, violation of rules resulting from the Act on Statutory Auditors;
 - d. Dissolution of the company within which the Authorised Entity operates.

II. PROCEDURE FOR SELECTING THE AUTHORISED ENTITY

1. Pursuant to the Issuer's Statutes, the Supervisory Board is the body authorised to select the entity authorised to review the interim separate and consolidated financial statements and to audit and issue an opinion/a report on the audit of the annual separate and consolidated financial statements (§ 18 section 3 of the Issuer's Statutes);
2. The Authorised Entity is appointed by the Issuer's Supervisory Board upon recommendation of the Audit Committee operating within the Issuer's Supervisory Board (§ 11b section 3 subsection 6 of the Issuer's Statutes).
3. Three months prior to the selection of the Authorised Entity, the Issuer's CFO prepares a request for offers concerning the review and audit of the interim and annual separate and consolidated financial statements, as well as the annual financial statements of the subsidiaries which are subject to mandatory audit under the Accounting Act.
4. The request for offers shall be addressed to at least 3 audit firms.
5. One month prior to the election of the Authorised Entity, the Issuer's CFO shall submit the collected offers to the Chairman of the Audit Committee.
6. If the election does not concern the extension of the agreement with the Authorised Entity, two weeks before the selection of the Authorised Entity, the Chairman of the Audit Committee shall forward the recommendation of the Audit Committee to the members of the Supervisory Board. The recommendation shall include at least:
 - a. two possibilities to choose an audit firm with a justification and an indication of the Audit Committee's justified preference for one of them;
 - b. a statement that the request for offers made under section 4: (i) did not violate the provisions of Article 17 section 3 of Regulation No 537/2014, and (ii) did not exclude from participation in the selection procedure companies which received less than 15% of their total remuneration for audits from public interest entities in a given EU country in the previous calendar year, included in the list of audit firms referred to in Article 91 of the Act on Statutory Auditors;
 - c. a statement that the prepared tender documents for the invited audit firms: (i) enabled those firms to get to know the Issuer's operations, (ii) included an indication of the financial statements to be audited, (iii) included transparent and non-discriminatory criteria for selecting the offers submitted by the audit firms in response to the request referred to in section 4;
 - d. a brief description of the direct negotiations conducted with the tenderers concerned;
 - e. a summary report containing the conclusions of the selection procedure approved by the Audit Committee;
 - f. an indication that the findings and conclusions contained in the annual report referred to in Article 90 section 5 of the Act on Statutory Auditors, which may influence the selection of the audit firm, have been taken into account.

7. Where the appointment of an audit firm concerns the extension of the agreement with the Authorised Entity, two weeks before the appointment of the Authorised Entity, the Chairman of the Audit Committee shall forward the Audit Committee's recommendation to the members of the Supervisory Board. The recommendation shall include at least:
 - g. identification of the audit firm to which it is proposed to entrust the statutory audit;
 - h. a statement that the recommendation is free from third-party influence;
 - i. a statement that the Issuer has not entered into any agreements containing the clauses referred to in Art. 66 section 5a of the Accounting Act.
8. The Authorised Entity will be selected at a meeting of the Supervisory Board or electronically. In selecting the Authorised Entity, the Supervisory Board will take into account the recommendations of the Audit Committee and independently the findings and conclusions contained in the annual report referred to in Art. 90 section 5 of the Act on Statutory Auditors.
9. The Issuer notifies the selection of the Authorised Entity through an ESPI report and in writing the Trade Supervision Department of the Polish Financial Supervision Authority (KNF), unless the Legislator introduces changes in this respect.

III. OTHER ACTIVITIES OF THE AUDIT COMMITTEE RELATED TO THE FINANCIAL AUDIT AND THE ACTIVITIES OF THE AUTHORISED ENTITY FOR THE ISSUER.

1. Pursuant to § 11b) section 3 subsection 4); 5) of the Issuer's Statutes and § 6 section 1 and § 7 of the By-Laws of the Audit Committee, the Audit Committee may take the following actions in its relations with the Authorised Entity:
 - a. monitor the performance of auditing activities, in particular the performance of the audit by the audit firm;
 - b. monitor the independence of the authorised entity and/or the statutory auditor.
 - c. monitor the financial reporting process;
 - d. monitor the effectiveness of internal control and risk management and internal audit systems, including financial reporting;
 - e. control and monitor the independence of the statutory auditor and the audit firm, in particular where services other than auditing are provided to the Company by the audit firm;
 - f. inform the Company's Supervisory Board of the results of the audit and explain how the audit contributed to the reliability of financial reporting in the Company, as well as the role of the Audit Committee in the audit process;
 - g. assess the independence of the statutory auditor and agree to the provision of permitted services not constituting the audit of the Company;
 - h. develop policies for selecting the audit firm to carry out the audit;
 - i. develop policies for the provision of permitted non-audit services by the audit firm carrying out the audit, by entities related to that audit firm and by a member of the audit firm's network of;
 - j. define procedures for the selection of an audit firm by the Company;
 - k. present recommendations to the Supervisory Board on the appointment of statutory auditors or audit firms in accordance with the policies developed by the Audit Committee;
 - l. present recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

IV. THE COMPANY'S POLICY REGARDING THE PERFORMANCE OTHER ACTIVITIES FOR THE ISSUER OR ITS SUBSIDIARY BY THE SELECTED ENTITY AUTHORISED TO REVIEW THE INTERIM SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND TO AUDIT AND ISSUE AN OPINION/ REPORT ON

THE AUDIT OF THE ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS.

1. With respect to activities other than reviewing the interim separate and consolidated financial statements and auditing and issuing an opinion/a report on the audit of the annual separate and consolidated financial statements of the Issuer and the Issuer's subsidiaries, the Issuer will apply Art. 136 of the Polish Act on Statutory Auditors, in particular with respect to Prohibited Services.
2. Before entrusting the Authorised Entity with services other than statutory audit, the Audit Committee assesses the threats and safeguards for independence referred to in Articles 69-73 of the Act on Statutory Auditors. The results of the performed analysis are communicated by the Chairman of the Audit Committee to the Supervisory Board and the Management Board.
3. In the case the Authorised Entity is not allowed to provide services other than statutory audit on the basis of the performed analysis, points I. and II. of this Policy shall apply accordingly.

For the Audit Committee of ERBUD SA

Michał Otto - Chairman of the Audit Committee