

# **RULES FOR PERIODIC ASSESSMENT OF TRANSACTIONS CONCLUDED WITH RELATED PARTIES ON MARKET CONDITIONS IN THE ORDINARY COURSE OF BUSINESS AT ERBUD S.A.**

Acting pursuant to Article 90j(2) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws of 2019, item 623, as amended), these Rules are implemented.

## **§ 1**

### **DEFINITIONS**

The following terms have the following meaning in these Rules:

- 1) **Related Party** - means a Related Party as defined in the international accounting standards adopted on the basis of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243 of 11.09.2002, p. 1, as amended. 9) - EU Official Journal of the European Union Polish Edition, Chapter 13, Vol. 29, p. 609), the full definition of which is contained in Appendix 1 to the Rules; a Related Party is in particular:
  - a) a person controlling or co-controlling the Company, having significant influence on the Company or being a member of the key management personnel of the Company or its parent company;
  - b) a close family member of a person referred to in point (a) above;
  - c) an entity belonging to the same capital group as the Company;
  - d) an entity that together with the Company is a joint venture of the same third party;
  - e) an entity controlled or jointly controlled by a person referred to in (a) or (b) above.
- 2) **Chairman of the Supervisory Board** - means the Chairman of the Supervisory Board;
- 3) **Supervisory Board** - means the Supervisory Board of the Company;
- 4) **Rules** - means these Rules for periodic assessment of transactions concluded with Related Parties on market conditions in the ordinary course of business at ERBUD S.A.;
- 5) **Rules of Concluding Transactions with Related Parties** - means the Rules of Concluding Transactions with Related Parties at ERBUD S.A.;
- 6) **Supervisory Board By-Laws** - means the By-Laws of the Supervisory Board of ERBUD Spółka Akcyjna with its registered office in Warsaw;
- 7) **Company** - means ERBUD Spółka Akcyjna with its registered office in Warsaw (02-797) at ul. Franciszka Klimczaka 1, registered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, under KRS number 0000268667, using the following statistical number REGON: 005728373, tax identification number NIP: 8790172253;
- 8) **Offering Act** - means the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Journal of Laws of 2019, item 623, as amended);
- 9) **Management Board** - means the Management Board of the Company.

**§ 2**  
**APPLICATION OF THE RULES**

The Rules establish a procedure for periodic assessment by the Supervisory Board of transactions concluded with the Company's Related Parties on market terms in the ordinary course of business by the Company and its subsidiaries.

**§ 3**  
**THE COURSE OF ASSESSMENT ACTIVITIES**

1. The Supervisory Board assesses transactions concluded with the Company's Related Parties at least once every **6 months**.
2. The Supervisory Board submits a request to the Management Board to prepare, **within 14 days**, on the basis of the data contained in the register referred to in § 9(4) of the Rules of Concluding Transactions with Related Parties, information on all transactions concluded on market conditions in the ordinary course of business with the Company's Related Parties in the period indicated by the Supervisory Board.
3. On the basis of information provided by the Management Board, the Chairman of the Supervisory Board adds to the agenda of the next meeting of the Supervisory Board an item concerning the assessment by the Supervisory Board of transactions concluded with the Company's Related Parties on market terms in the ordinary course of business, ensuring that materials received from the Management Board are also made available to other Members of the Supervisory Board.
4. As part of the agenda referred to in Section 3 above, the Supervisory Board adopts a resolution or resolutions stating whether individual transactions were concluded on market conditions in the ordinary course of business.
5. If a resolution of the Supervisory Board states that the transaction was not concluded on market conditions in the ordinary course of business, the Management Board immediately verifies, whether considering the above it should not fulfil its obligations under the Rules of Concluding Transactions with Related Parties.

**§ 4**  
**ASSESSMENT OF THE CRITERION OF MARKET CONDITIONS AND ORDINARY COURSE OF THE COMPANY'S BUSINESS**

1. When assessing whether a given transaction with a Related Party of the Company has been concluded on market terms, the Supervisory Board takes into account in particular:
  - a) comparison of the terms of a transaction with a Related Party of the Company with terms of an identical or similar (in terms of size, nature, type, risk, etc.) transaction with one or more non-related parties;
  - b) comparison of transaction with known market conditions for substantially similar transactions in the market.
2. Existing discrepancies in the economic and contractual conditions of the transaction in question, as compared to standard market conditions or practices, do not automatically mean that the transaction was concluded on non-market terms, if this is justified by the profitability of such transaction or the profitability of the relationship with the Company's Related Party concerned.

3. When assessing whether a given transaction has been concluded as part of the Company's ordinary business, the Supervisory Board takes into account, in particular, whether a given transaction can be classified as related to the Company's ordinary operating activities, whereby operating activities mean all activities undertaken by the Company as part of its core business which serve to produce goods or provide services that are the subject of its business.
4. In order to assess whether the concluded transaction falls within the scope of the Company's ordinary operating activities, the Supervisory Board takes in particular the following elements into account:
  - a) nature of the counterparty;
  - b) the subject matter of the transaction;
  - c) the repeatability and universality of a given type of transaction;
  - d) the value of the transaction.
5. In the case of a transaction conducted by a subsidiary, the provisions of paragraphs 3 and 4 above apply accordingly to the assessment of the subsidiary's operations.
6. In particularly justified cases, the Supervisory Board may, before assessing the market conditions of a transaction and its conclusion in the ordinary course of business, pursuant to § 2(4) of the Supervisory Board By-Laws, consult or appoint, at the Company's expense, experts to develop appropriate opinions to the extent necessary.

## **§ 5**

### **FINAL PROVISIONS**

1. The Rules enter into force upon adoption by the Supervisory Board.
2. Any amendments to these Rules require their adoption by the Supervisory Board.
3. The provisions of the Company's Statutes and the Supervisory Board By-Laws apply accordingly to the manner and operation of the Supervisory Board referred to in these Rules.
4. The Appendix to these Rules forms an integral part hereof.
5. The Supervisory Board reviews the Rules for their adequacy and effectiveness at least once every 3 years.

**Annex 1 - Definition of related party in the light of international accounting standards adopted on the basis of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.**

**INTERNATIONAL ACCOUNTING STANDARD 24  
RELATED PARTY DISCLOSURES**

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of the group of which the entity is part, provides key management personnel services to the reporting entity or its parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The terms "control", "investment entity", "joint control" and "significant influence" are defined in IFRS 10, IFRS 11 *Joint Arrangements*, and IAS 28 *Investments in Associates and Joint Ventures*, respectively, and are applied in this Standard with the meaning specified in those IFRSs.

## [IFRS 10

### *Control*

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, an investor controls an investee if and only if the investor has all the following:

- (a) power over the investee (see paragraphs 10–14);
- (b) exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18 IFRS 10).

*An Investment Entity* is an entity that:

- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

## [IFRS 11

A joint arrangement has the following characteristics:

- (a) the parties are bound by a contractual arrangement, and
- (b) the contractual arrangement gives two or more of those parties joint control of the arrangement (see paragraphs 7-13 of IFRS 11).

A joint arrangement is either a joint operation or a joint venture.

### *Joint control*

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

[IAS 28

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. ]

When considering all possible relationships between related parties, the essence of the relationship, not just its legal form should be considered.

In the context of this Standard, the following are not considered to be related parties:

- a) two entities only because they have a common director or other member of key management personnel or because a member of the key management personnel of one entity has significant influence on the other entity;
- b) two venturers of a joint venture simply because they have joint control over the joint venture;
- c) (i) institutions or persons providing funding;  
(ii) trade unions;  
(iii) public utilities;  
(iv) government departments and agencies that do not control or jointly control and have no significant influence on the reporting entity;  
only on the basis of their routine contacts with the entity (although they may restrict the entity's freedom of action or participate in their decision-making processes);
- d) a single customer, supplier, franchisor, distributor or agent with whom the entity carries out a significant part of its business, solely on the basis of a premise of economic dependence.

In the definition of a related party, the term associate includes subsidiaries of that associate and the term joint venture includes subsidiaries of that joint venture. Thus, for example, a subsidiary of an associate and an investor with significant influence over the associate are related.