

Report
of the Supervisory Board
MOSTOSTAL WARSZAWA S.A.
for 2020

I. Supervisory Board activities in 2020.

In 2020 Supervisory Board of the 9th term of Mostostal Warszawa S.A., worked in the following composition:

- Antonio Muñoz Garrido - Chairman of the Supervisory Board
- José David Márquez Arcos - Vice-Chairman of the Supervisory Board (resigned from the Supervisory Board on 5 November 2020 with effect from the date of the next General Meeting)
- Neil R. Balfour - Member of the Supervisory Board
- Javier Serrada Quiza - Member of the Supervisory Board
- Javier Lapastora Turpín - Member of the Supervisory Board in accordance with the declaration of independence criteria
- Ernest Podgórski - Member of the Supervisory Board in accordance with the declaration meeting the independence criteria.

Information on the Management Board of Mostostal Warszawa S.A.

From 1 January to 31 December 2020, the composition of the Management Board of Mostostal Warszawa S.A. was as follows:

- Miguel Angel Heras Llorente - President of the Management Board
- Jorge Calabuig Ferre - Vice-President of the Management Board
- Jacek Szymanek - Member of the Management Board
- Carlos Enrique Resino Ruiz - Member of the Management Board (appointed as Member of the Management Board with effect from 1 August 2020)



- Alvaro Javier de Rojas Rodriguez- - Member of the Management Board (resigned as Member of the Management Board with effect from 31 July 2020)
- Radosław Gronet - Member of the Management Board (resigned as Member of the Management Board with effect from 7 January 2020)

Evaluation by the Supervisory Board on the composition and management of the Company by the Company's Management Board

The Supervisory Board assesses that the composition of the Management Board of Mostostal Warszawa S.A. represented in the financial year 2020 ensured professional and effective management of the Company and corresponded to the strategy adopted by the Company.

Supervisory Board's assessment of the Company's situation

During the year 2020 The Supervisory Board systematically assessed the Company's situation on the basis of the financial statements and information materials submitted by the Management Board and on the basis of the reports of the independent auditor - KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, selected by the Supervisory Board to audit the financial statements for 2020.

Work of the Supervisory Board in 2020.

The Supervisory Board of Mostostal Warszawa S.A. performed its duties on the basis of the Code of Commercial Companies, Good Practices of Companies Listed on the Warsaw Stock Exchange 2016, the Company's Statute and the Regulations of the Company's Supervisory Board.

The specific tasks of the Company's Supervisory Board include:

1. examination of the Company's and the Capital Group's financial statements, both as to their compliance with the books and documents and with the facts, examination of the Management Board's report on the Company's activities, conclusions as to the distribution of profits or coverage of losses, and submission of a written report on the results of the examination to the General Meeting;
2. issuing opinions on motions submitted by the Company's Management Board for consideration by the General Meeting;
3. appointment and dismissal of the Company's Management Board members.

Activity of the Supervisory Board

The work of the Supervisory Board of Mostostal Warszawa S.A. was managed by its Chairman, or in his absence by the Vice-Chairman of the Supervisory Board or another person elected from among the present members of the Supervisory Board.

Resolutions of the Supervisory Board were adopted by an absolute majority of votes in the presence of at least half the members of the Supervisory Board. The meetings of the Supervisory Board were minuted and the minutes were signed by all its members present at the meeting.

Five meetings of the Supervisory Board were held in the 2020 financial year. All resolutions passed by the Supervisory Board were passed with the quorum required by law. In the year 2020, the Supervisory Board adopted a total of 34 resolutions.

The following resolutions were passed at the meeting held on 14 April 2020:

- the Company's separate financial statements for 2019 and the Board of Directors' report on the Company's activities for 2019.
- the consolidated financial statements for 2019 and the management report on the activities of the Group for 2019.
- the coverage of the Company's loss for 2019.
- discharging the members of the Board of Directors of the Company for their activities in 2019.
- approval of the Supervisory Board's report on its own activities for 2019.
- statements by the Supervisory Board on the appointment, composition and functioning of the Audit Committee.
- statements of the Supervisory Board regarding the appointment of the Auditor to audit the financial statements.
- adoption of a resolution to consider and give an opinion on the matters to be discussed at the General Meeting of the Company, in accordance with the principles of Corporate Governance.
- adoption of a resolution on awarding annual bonuses to the Management Board of Mostostal Warszawa S.A.

At its meeting on 14 May 2020 the Supervisory Board discussed the results of the first quarter of 2020.

The following resolutions were passed at the meeting held on 30 July 2020:

- appointing a member of the Management Board of Mostostal Warszawa S.A.
- consenting to the conclusion of a transaction with a related party.

The following resolutions were passed at the meeting held on 24 September 2020:

- condensed interim unconsolidated financial statements of Mostostal Warszawa S.A. for the period 1 January 2020 - 30 June 2020 and Management Report of Mostostal Warszawa S.A. for the period 1 January 2020. - 30 June 2020.
- condensed interim consolidated financial statements of Mostostal Warszawa Capital Group for the period 1 January 2020 - 30 June 2020 and Report on operations of the Group to the condensed interim consolidated financial statements for the period 1 January 2020. - 30 June 2020.

At its meeting on 19 November 2020 the Supervisory Board discussed the results of the third quarter of 2020.

Moreover, in the reporting period the Supervisory Board adopted 17 resolutions by correspondence on, among others, the following issues: expressing consent to conclude a transaction with an affiliated entity, establishing a civil law partnership between Mostostal Warszawa S.A. and Acciona Construcción S.A., setting out the terms of the Management Board Members' contract, and expressing its position on the disposal of real estate and on the purchase of real estate.

On 22 June 2020 the Supervisory Board expressed its position regarding the draft Remuneration Policy of the Management Board and Supervisory Board of Mostostal Warszawa S.A. ("Remuneration Policy") presented by the Management Board of the Company. The Remuneration Policy was adopted on 22 July by the General Meeting of the Company.

On 14 April 2020 the Supervisory Board took note of the Auditor's Report containing an assessment of the financial statements and the Management Board's report for 2020 and the consolidated financial statements for 2020 and the report on the Group's activities in 2020, which finds no irregularities in the activities of the Company's Management Board.

Having analysed the Company's activities and reports, taking into account the Auditor's opinion, the Supervisory Board decides to recommend to the General Meeting acknowledgement of the fulfilment of duties by the members of the Management Board in 2020: Miguel Angel Heras Llorente, Jorge Calabuig Ferre, Jacek Szymanek, Carlos Enrique Resino Ruiz (from 1 August 2020 to 31 December 2020) Alvaro Javier de Rojas Rodriguez (from 1 January 2020 to 30 July 2020) and Radosław Gronet (from 1 January 2020 to 7 January 2020).

In addition, the Supervisory Board decides to recommend to the General Meeting acknowledgement of the fulfilment of duties by the members of the Management Board in 2020: Antonio Muñoz Garrido, José David Márquez Arcos, Neil Roxborough Balfour, Ernest Podgórski, Javier Lapastora Turpín and Javier Serrada Quiza.

Evaluation of the work of the Supervisory Board of Mostostal Warszawa S.A. for 2020, prepared in accordance with the Good Practices of Companies Listed on the Warsaw Stock Exchange 2016 for presentation at the General Meeting of the Company.

In the 2020 financial year, 5 Supervisory Board meetings were held. During the meetings, which were duly convened and prepared, all relevant and important matters for the Company were discussed. The agendas of the individual Board meetings took into account the motions put forward by the Management Board of the Company. The subject of the Supervisory Board meetings were the current affairs of the Company, including, among others: the financial situation of the Company, analysis of the strategy and operational tactics of the Company, examination of the Company's financial statements, examination of the Management Board's report on operations and other matters falling within the competence of the Supervisory Board resulting directly from the provisions of law, its Regulations and the Articles of Association of the Company.

In the opinion of the Supervisory Board, the most important risk and threat factors for the Company include:

- in the financial field: price, currency, credit and liquidity risks
- in terms of employees: risk of increased employment costs, risk of accidents at work
- in the organisational scope: risk of untimely performance of works by subcontractors, risk of low quality of subcontractor's works, risk of failure of equipment, machines
- in intellectual terms: risks of having to modify contracts in terms of works and/or technology
- in the social field: risks of lack of or delays in obtaining administrative approvals/decisions, risks of lengthy procedures for awarding public tenders
- in the natural scope: risks of adverse environmental conditions, weather, land, natural disasters

The Supervisory Board has taken appropriate measures to verify and agree on management principles covering: interest rate risk, currency risk, commodity price risk, credit risk, liquidity risk, in particular consisting in:

- ongoing monitoring of the market situation,
- negotiating the terms of hedging derivatives in such a way that they correspond to the terms of the hedged item and ensure maximum effectiveness of the hedge,
- monitoring of prices and centralisation of purchases of basic building materials,
- the formulation of contractual agreements taking into account the possibility of changing contractual deadlines and the introduction of indexation clauses taking into account the possibility of changing remuneration depending on market prices of labour factors,
- concluding transactions with companies with a creditworthiness that guarantees commercial security,
- continuous monitoring of the status of payables and receivables,
- formal, legal and financial verification of counterparties.

Evaluation of the company's situation, including evaluation of the internal control systems, risk management, compliance and internal audit function

Mostostal Warszawa S.A. in line with good practices of companies listed on the Warsaw Stock Exchange has effective internal control, risk management and compliance systems, as well as an internal audit function. All the aforementioned elements enable the Supervisory Board to exercise constant supervision over the Company's activities and to assess its situation on an ongoing basis.

The Company has an internal control system consisting of comprehensive internal procedures and instructions.

Risk management takes place in the Company at the strategic and operational level and covers, inter alia, the following areas: financial, legal, human resources, contractual, technological, environmental and other.

Risk assessment is a process used throughout the Company's core business: at the stage of winning an order, after signing a contract, during planning and during execution. The results of risk assessment are documented in the Risk Assessment Sheet, while the risk control plan including: risk avoidance / risk transfer / risk reduction / risk acceptance is documented in the Risk Control Plan.

The internal audit function is carried out, among others, by the Management Systems Department.

As part of the Integrated Management System operating in the Company, internal and external audits are conducted. As a result of the audits, preventive, corrective and corrective actions are taken, resulting from the identified observations and non-compliances. All these activities are aimed at ensuring compliance with the requirements of the standards: ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and PN-N-18001 and BS OHSAS (Occupational Health and Safety Management Systems). At the same time, on 11 December 2020. The Company received recertification of ISO 9001:2015, ISO 14001:2015, PN-ISO 45001:2018 standards, effective from 1 February 2021 to 31 January 2024.

The Supervisory Board systematically monitors compliance risk management. All significant risks associated with the Company's operations are discussed and monitored by both the Audit Committee of the Supervisory Board and the Supervisory Board.

To ensure transparency of processes while maintaining their compliance with applicable external and internal regulations, the Company has a legal department that is responsible for monitoring and complying with internal regulations and laws. The legal department keeps abreast of changes in the legal environment and informs the Company's managers of changes that affect or may affect the Company's operations. These units are also responsible for recommending necessary actions to be taken.

The Board of Directors, at its regular meetings, provides comprehensive oversight of the day-to-day operation of the compliance and reputation risk management process by analysing, assessing and controlling the Company's compliance with legal regulations and regulatory guidelines. Key information on non-compliance is communicated and discussed with the Supervisory Board.

The results of the systems assessments are reported to the Company's Management Board, which presents them to the Supervisory Board.

On the basis of the results of its activities, the Supervisory Board assesses the internal control system and the compliance risk management system as adequate for the size of the Company and as constituting adequate, but not unconditional security against the occurrence of undesirable events. The Supervisory Board does not see a need to separate a unit in the organisational structure that performs the internal audit function.

In conclusion, the Members of the Supervisory Board of Mostostal Warszawa S.A., ensure that they have made every effort to fulfil effectively the duties entrusted to them within the scope of their functions.

II. Activities of the Audit Committee

In 2020 the Audit Committee of the Company's Supervisory Board was composed as follows:

- Javier Lapastora Turpín
- Ernest Podgórski
- José David Márquez Arcos

During the 2020 financial year, 7 Audit Committee meetings were held.

At its meeting held on 26 March 2020 the Audit Committee met with the Company's auditor to discuss the status of work on the audit of the Company's and Group's 2019 financial statements.

At its meeting held on 7 April 2020 the Audit Committee met with the Company's auditor to discuss the status of work on the audit of the Company's and Group's 2019 financial statements.

At its meeting on 14 April 2020 the Audit Committee presented its conclusions and recommendations from the evaluation of the financial statements to the Supervisory Board. Furthermore, the Committee approved the report on its activities for 2019.

At its meeting on 14 May 2020 the Audit Committee reviewed and discussed the financial statements of the Company and the consolidated financial statements of the Group for the first quarter of 2020.

At its meeting on 24 September 2020 the Audit Committee met with the Company's auditor to discuss the Company's financial statements and the consolidated financial statements of the Group for H1 2020 and presented the conclusions and recommendations of the Board's evaluation of the financial statements.

At its meeting on 19 November 2020 the Audit Committee reviewed and evaluated the financial statements of the Company and the Group for the third quarter of 2020 and presented its conclusions and recommendations from the evaluation of the financial statements to the Supervisory Board. In addition, following discussion, it adopted the Audit Committee's work schedule for 2021.

At its meeting on 16 December 2020 the Audit Committee met with the Company's Auditor to discuss the scope of work for the 2020 financial statements.

The specific tasks of the Audit Committee of the Company's Supervisory Board include:

1. supporting the Supervisory Board in the performance of its statutory control and supervisory duties, in particular with regard to:

- a) the proper implementation and control of financial reporting processes within the Company and its group,
 - b) the effectiveness of the Company's internal controls,
 - c) the proper functioning of risk identification and management systems,
 - d) ensuring the independence of internal and external auditors,
 - e) monitoring the Company's relationship with related parties;
2. monitoring:
 - a) the financial reporting process,
 - b) the effectiveness of internal control and risk management systems and internal audit, including on financial reporting,
 - c) the performance of the auditing activities, in particular the conduct of the audit by the audit firm;
 3. developing a policy for the selection of the audit firm to carry out the audit;
 4. determining the procedure for the selection of the audit firm by the Company;
 5. developing a policy on the provision of permitted non-audit services by the audit firm carrying out the audit, by entities affiliated with that audit firm and by a member of the audit firm's network;
 6. making recommendations to the Supervisory Board on the appointment of statutory auditors or audit firms (referred to in Article 16(2) of Regulation No. 537/2014);;
 7. assessing the auditor's independence and approving the provision of permitted non-audit services by the auditor to the Company;
 8. controlling and monitor the independence of the statutory auditor and audit firm, in particular where services other than audit are provided to the Company by the audit firm;
 9. informing the Supervisory Board of the results of the audit and explaining how the audit contributed to the integrity of the Company's financial reporting and the Audit Committee's role in the audit process;
 10. making recommendations to ensure the integrity of the Company's financial reporting process.

In this respect, the Audit Committee carries out the following activities belonging to the key elements of the internal control system:

- evaluation of the current financial situation of the Company and the prospects for its operations in the coming years, through the analysis of financial statements, economic indicators and the size of its order portfolio.
- holding annual meetings with the Company's independent auditor in order to obtain direct information on the correctness, reliability and verifiability of the accounts and on phenomena noted during the audit that could have a significant impact on the audited financial statements.

The audit of the statements is a mandatory audit within the meaning of Article 64 of the Accounting Act. The subject of the audit was the separate financial statements of Mostostal Warszawa S.A. including:

1. the statement of financial position as at 31.12.2020 showing both on the assets and liabilities side the amounts: PLN 821,269 thousand;
2. the profit and loss account for 2020 showing a net profit of PLN 4,292 thousand;
3. the statement of changes in equity showing an increase in equity by PLN 4,292 thousand (total equity amounts to PLN 18,705 thousand);
4. the cash flow statement, showing a decrease in net cash during the financial year of PLN 76,722 thousand;
5. additional information.

The Auditor considered the audited financial statements, comprising figures and verbal explanations, as:

- reliably presenting all information significant for the assessment of the financial and asset situation as well as the financial result of the Company for the period covered by the audit,
- prepared, in all material respects, in accordance with the provisions set out in the opinion on the audited financial statements and on the basis of properly maintained accounting records,
- in accordance with the legal provisions and the articles of association affecting the content of the financial statements.

Also for the assessment of the Management Board's Report on the activities of Mostostal Warszawa S.A. for the period from 1 January 2020 to 31 December 2020 the Audit Committee has relied on the documents prepared by the auditing firm. The Audit Committee shares the Auditor's assessment expressed in the opinion, which states that the report meets the requirements of Article 49 of the Accounting Act.

Additionally the subject of the audit was the consolidated financial statements of the Mostostal Warszawa S.A. Capital Group, including

1. the consolidated statement of financial position as at 31.12.2020, which on the assets and liabilities side shows a total of PLN 963,164 thousand;
2. the consolidated income statement for the 2020 financial year, which shows net profit attributable to the Parent Company and non-controlling shareholders of PLN 8,080 thousand;
3. the statement of changes in total consolidated equity showing an increase in equity by PLN 6,355 thousand (total equity amounts to PLN 56,263 thousand);
4. the consolidated cash flow statement, showing a decrease in net cash during the financial year 2020 by the sum of PLN 90,394 thousand;
5. additional information.

The Auditor considered the audited consolidated financial statements, comprising the figures and verbal explanations, as:

- giving a true and fair view of all the information relevant to the assessment of the financial position and financial performance for the period under review,
- in accordance with the legal provisions and the articles of association affecting the content of the financial statements.

The Audit Committee also took note of the opinion and report supplementing the audit opinion on the 2020 financial statements, which also includes an assessment of the operation of the internal control system.

The Audit Committee supervised the appropriate actions taken by the Board of Directors in verifying and agreeing on management principles covering: interest rate risk, foreign exchange risk, commodity price risk, credit risk, liquidity risk, in particular consisting of:

- ongoing monitoring of the market situation,
- negotiating the terms of hedging derivatives in such a way that they correspond to the terms of the hedged item and ensure maximum effectiveness of the hedge,
- monitoring prices of the most frequently purchased building materials,
- the formulation of contractual agreements taking into account the possibility of changing the deadlines for the execution of the contract and the introduction of indexation clauses taking into account the possibility of changing the remuneration depending on the market prices of labour factors,
- concluding transactions with companies with a creditworthiness that guarantees commercial security,
- continuous monitoring of the status of payables and receivables,
- formal, legal and financial verification of counterparties.

Having read the opinion and the report supplementing the audit opinion on the consolidated financial statements for 2020 and having heard the Auditor's information, the Audit Committee shares the Auditor's assessment and concludes that the consolidated financial statements of the Group for 2020 comply, in form and content, with the regulations applicable to the Group and are consistent with the consolidation documentation.

Evaluation of the manner in which the Company fulfils its disclosure obligations regarding the application of corporate governance.

In 2020, the Company applied the set of principles of the "Best Practices for Listed Companies 2016" "DPSN". The Company includes a statement on the application of corporate governance in its published separate and consolidated annual report.

On the Company's website, in the Investor Relations/Corporate Governance section (<http://www.mostostal.waw.pl/relacje-inwestorskie/lad-korporacyjny>), the Company's good practice

compliance report, the Code of Best Practice GPW Listed Companies and other related documents can be downloaded.

The Company does not have a policy on sponsorship, charity or other similar activities, but occasionally engages in similar activities as part of its business.

Warsaw, 14 April 2021

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Antonio Muñoz Garrido

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José David Márquez Arcos

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Neil Balfour

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Javier Lapastora Turpín

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Ernest Podgórski

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Javier Serrada Quiza