

**Resolution no. 322/V/2019
Of the Supervisory Board of ERGIS S.A.
with registered office in Warsaw
of 16 April 2019**

§1

Acting pursuant to the Code of Best Practice for GPW Listed Companies 2016, the Supervisory Board ERGIS S.A., having made an assessment of the Company's standing in the financial year 2018 and having read the statements presented by the Internal Auditor and the Management Board of ERGIS S.A., together with their own assessment of the effective functioning of the systems of internal control, risk management, compliance and the internal audit function as well as the recommendation of the Audit Committee, hereby adopts: „*Assessment of the Company's standing in the financial year 2018, including the assessment of the internal control, risk management and compliance systems, and the internal audit function*”, in the wording which is attached as an appendix to this resolution and decides to submit the abovementioned document to the Annual General Shareholders Meeting of ERGIS S.A.

§ 2

The Resolution shall become effective on the day of its adoption.

Appendix:

1. Assessment of the Company's standing in the financial year 2018 including the assessment of the internal control, risk management and compliance systems, and the internal audit function.

*Appendix to Resolution no. 322/V/2019
of the Supervisory Board of ERGIS S.A.
with registered office in Warsaw of 16 April 2019:*

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**The assessment of ERGIS S.A. standing in the financial year 2018,
including the assessment of the internal control, risk management and compliance systems, and
the internal audit function**

Based on: Rule II.Z.10.1 of the Code of Best Practice for GPW Listed Companies 2016

The assessment of ERGIS S.A. standing in the financial year 2018

In 2018, prices of raw materials remained stable at a relatively high level, except for PET flakes whose price increased by over 20% compared to the correspondent period of 2017 (PET virgin noted an increase by over 15%), which negatively influenced the level of margins for PET and PET/PE rigid films.

The value of sales revenue in the Ergis Group increased in 2018 by 3.57%, with the average EUR exchange rate being relatively stable.

EBITDA of the Group in 2018 dropped by PLN 10.6 million (PLN 45,688,000 compared to PLN 56,264,000 generated in 2017).

The main factor which adversely influenced the level of Group's EBITDA was a significant growth of remuneration costs – the total 2018 remuneration costs in the Group were higher by PLN 6.9 million than in 2017.

The other factor which strongly affected the EBITDA in a negative way was a decrease in the profitability of rigid packaging films (RFD), which was induced by the growth of raw materials prices (PET virgin, PET flakes) – the total 2018 EBITDA in this sector dropped by PLN 8.9 million compared to 2017.

Moreover, difficulties in the start-up of the new production line for PET films and laminates in the Berlin plant had a negative impact on the financial performance. Until today, this line has not reached the expected parameters and the Company has not completed the contractual acceptance. The Company expected that the line would increase the level of 2018 EBITDA by PLN 4 million. Currently, the final acceptance of this line is planned for the second quarter of 2019.

In 2018 and the correspondent period of 2017, no extraordinary operations were noted at the Group's level and for this reason the dynamics related to gross profit was close to the one related to sales profit.

2018 saw a slight worsening of general debt ratios as a result of the fact that total liabilities grew from PLN 263.8 million as at 31 December 2017 to PLN 294.7 million as at 31 December 2018, which represents a 11.7% growth. Interest payable did not change considerably (PLN 163.9 million as at 31 December 2017 to PLN 165.5 million as at 31 December 2018) but the trade liabilities increased in the significant way (by approx. 32 million), which results from the policy of limiting early payments in exchange for discounts as well as from arrangements on payment dates made with suppliers. According to the

Management Board, the overall debt level is safe and the Group companies repay their investment loans and other liabilities in a timely manner.

The Supervisory Board has a positive opinion of the efforts taken by both the Company's Management Board and its employees with a view to further developing the Company. The Supervisory Board also finds with satisfaction that by conducting its operations in line with the rules of business ethics and corporate governance, ERGIS S.A. has sound basis to grow further and increase its goodwill for the shareholders.

The Supervisory Board has a positive opinion of the standing of ERGIS S.A.

The assessment of the internal control, risk management and compliance systems, and the internal audit function of significance to the Company in 2018

Based on: Rule II.Z.10.1, III.Z.5 of the Best Practice for GPW Listed Companies 2016

I. General information

This assessment is an annual assessment of the effective functioning of the internal control, risk management and compliance systems, and the internal audit function at ERGIS S.A. in 2018.

The following systems functioned at ERGIS S.A. in the financial year 2018: internal control, risk management, compliance, and the internal audit function.

The Management Board of the Company was responsible for implementing and maintaining effective internal control, risk management and compliance systems as well as the internal audit function at ERGIS S.A.

Persons responsible for individual systems or the internal audit function reported directly to the President of the Management Board of ERGIS S.A. and were given the possibility of providing their reports directly to the Supervisory Board or the Audit Committee of ERGIS S.A.

As far as the person in charge of the audit function is concerned the principles of independence specified in the generally recognised, international standards of internal audit professional practice were applied.

II. Information regarding individual systems and the internal audit function

The internal control system in ERGIS S.A. is regulated by procedures and instructions which specify in detail the manner of conduct and the scope of responsibilities as well as powers of persons involved in the system. The internal control process is carried out by the Company's Management Board in participation by the Company's management personnel

and employees. The scope of duties in individual positions is clearly defined, and the performance of those duties is verified on an ongoing basis. The Company uses the IT system of ERP class, with systems controls built in, preventing unauthorized operations in the system.

Additionally, analyses of deviations of individual financial items are carried out on a monthly basis. The accounting books of ERGIS S.A., as well as those of the majority of its subsidiaries, are kept by Numeratis sp. z o.o., under the supervision of the Financial Director of ERGIS S.A. The Consolidated Financial Statements are prepared based on uniform consolidation packages. Separate Financial Statements of the subsidiaries and the Consolidated Financial Statements are prepared based on uniform accounting principles approved by the President of the Management Board of ERGIS S.A. and the Management Boards of the subsidiaries. The prepared financial statements are subject to review and audit by an independent chartered auditor.

An internal control unit operates at the Company. This is an in-house auditor who directly reports to the Deputy Financial Director of the Company.

In order to improve the internal control system in a very advanced stage, a process mapping is carried out in a specialised computer programme. The process maps will include regulations from procedures and internal instructions, which were not converted into process flow charts. Additionally, „critical knots (points)” for each process will be marked at the process maps. Such knots will undergo an in-depth analysis, also with the view to the installed control mechanisms.

The risk management system at ERGIS S.A. is a process of making decisions and carrying out tasks aimed at achieving a level of risk that is acceptable for the Company.

The risk management system at ERGIS S.A. is of a mixed character. At the strategic level it is centralised. At the operational level – to a large extent decentralised.

At the strategic level, the risk is managed mainly by the Management Board by assessing, monitoring and making decisions.

At the operational level, the risk is managed by the Management Board Members, Directors, Managers and employees through decisions based on procedures and instructions which are designed to limit the risk. Every time serious risk is identified it is included in the procedures or instructions in order to prevent its occurrence in the future. The risk is also limited through the efficient internal control system.

In addition, the Company undertakes measures to develop an integrated risk management system, both on a Company and Group level, which would be a holistic system integrating the present structure with the corporate governance and compliance.

In consequence, the risk will be managed in a methodical way at every level (operating and strategic), which should contribute to increased probability of consistency of the operating and the strategic aims of the Ergis Group as well as to accelerated identification of an existing risk and reaction to it.

The following external risks, significant for the Company, have been identified in the Company:

- 1) risk connected with macroeconomic situation of Poland;
- 2) risk connected with macroeconomic situation of the UE and other countries;
- 3) risk connected with competition;
- 4) risk connected with loan agreements;
- 5) risk connected with currency exchange rates;
- 6) risk connected with changes of legal regulations, including tax laws and their application;
- 7) interest rate risk;
- 8) risk connected with seasonality of sales;
- 9) risk connected with the purchasing process;
- 10) risk connected with hiring employees and maintaining qualified personnel;
- 11) risk connected with launching a new product to the market;
- 12) risk connected with cooperation with customers;
- 13) risk connected with transactions with related undertakings;
- 14) risk connected with amendments to legal regulations on requirements for products admitted to be brought into contact with food;
- 15) risk of environmental pollution.

and the following internal risks:

- 1) risks connected with the purchasing process;
- 2) risks connected with the production process;
- 3) risks connected with the sale and supply process;
- 4) risks connected with financial operations;
- 5) risks connected with personnel management;
- 6) risks connected with managing the Company's assets;
- 7) risk connected with the process of internal and external communication;

Managing the most important of financial risks, i.e. risk connected with changes in interest rates and the risk connected with changes in exchange rates, consists in limiting the risk by entering into hedging transactions and establishing a fixed WIBOR rate for a lending period in respect of the most important loans, as well as implementing natural hedging, i.e. equalling proceeds from sales in EURO with purchases and repayments of loans in Euro.

Compliance monitoring system at ERGIS S.A. consists in examining whether the Company's activities are in compliance with the applicable law, internal regulations and standards adopted by the Company (e.g. Code of Best Practice for GPW Listed Companies, code of ethics, quality and environmental policy etc.) and managing the risk of non-compliance. The compliance system aims to ensure that the activities of ERGIS S.A. (and its subsidiaries) are in compliance with the legal regulations applicable in all areas and aspects of the activities pursued by the Company (and its subsidiaries). The compliance process is carried out in participation by the Company's management personnel and employees. The

system is additionally supported with the compliance function procedure in place at ERGIS S.A. and its subsidiaries.

Internal audit function consists in verifying the activities of individual units of the ERGIS Group, including ERGIS S.A., by an internal auditor who reports directly to the President of the Management Board of ERGIS S.A. In order to ensure auditor independence, the internal auditor has a possibility of submitting reports directly to the Chairperson of the Audit Committee of the Supervisory Board. At least once a year, the Group's internal auditor presents a report on the auditor's operations to the Audit Committee of the Supervisory Board. Following every audit, the Group's internal auditor submits a report on the audit to the President of the Management Board of ERGIS S.A., the Director of Finance of ERGIS S.A., the Director of Human Resources and Public Relations of ERGIS S.A. and persons responsible for implementing repair measures (in case irregularities are identified). The auditor's reports contain the following information: the auditor's findings, an assessment of the audited process, system, mechanism, cause of the event, risks and the recommendations. Once the audit has been completed post-audit review is planned in order to verify whether the auditor's recommendations have been implemented and the repair measures have been completed (in case irregularities are identified).

Activity of the internal audit at Ergis S.A. is determined by the internal audit procedure, which regulates among others: the scope of audit, duties, permissions and responsibilities of the internal auditor, standards of the audit, definition of the audit, independence of the audit.

The Supervisory Board assessed the effectiveness of functioning of the internal control, risk management and compliance systems and the internal audit function at ERGIS S.A. in the financial year 2018 as satisfactory.