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"TOYA" S.A.

Supervisory Board's report on operations for the financial year ended 31 December 2022



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I. Introduction

Acting on the basis of art. 382 § 3 point 3 of the Act of 15 September 2000, the Code of Commercial Companies and Partnerships (consolidated text: Journal of Laws of 2022, item 1467, as amended) ("CCC") and the provisions of the Good Practices of Companies Listed on the Warsaw Stock Exchange in Warsaw adopted by Resolution No. 13/1834/2021 of 29 March 2021 by the Supervisory Board of the Warsaw Stock Exchange ("DPSN21"), the Supervisory Board of "TOYA" S.A. ("TOYA" or "Company") hereby submits to the Annual General Meeting of "TOYA" S.A. Supervisory Board's report on operations for 2022.

II. Information on the composition of the Supervisory Board and its committees

1. Composition of the Supervisory Board

Composition of the Supervisory Board as at 31 December 2022 was as follows:

- Piotr Mondalski – Chairman of the Supervisory Board and Independent Member of the Supervisory Board,
- Jan Szmidt – Vice-Chairman of the Supervisory Board,
- Beata Szmidt – Member of the Supervisory Board.
- Dariusz Górka – Independent Member of the Supervisory Board,
- Grzegorz Maciąg – Independent Member of the Supervisory Board,
- Wojciech Papierak – Independent Member of the Supervisory Board,
- Michał Kobus – Independent Member of the Supervisory Board,

The Supervisory Board consists of people with various education and experience, thus ensuring supervision over the Company's operations in a multi-faceted manner.

2. Indication of which members of the Supervisory Board meet the independence criteria set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, and which of them do not have actual and significant connections with a shareholder holding at least 5% of the total number of votes in the company

Piotr Mondalski, Dariusz Górka, Grzegorz Maciąg, Michał Kobus and Wojciech Papierak met the criteria to be met by independent members of the Supervisory Board in the reporting period.

The assessment of meeting the independence criteria by members of the Supervisory Board was made on the basis of written statements submitted by members of the Supervisory Board. The Supervisory Board has no information that there are any relationships or circumstances that may affect the fulfillment by the members of the Supervisory Board of the independence criteria other than those indicated in the submitted statements. Independent Members of the Supervisory Board have no real and



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significant connections with a shareholder holding at least 5% of the total number of votes in "TOYA" S.A.

According to the statements made by the members of the Supervisory Board of the Company, they do not conduct any activity competitive to the Company, and they do not participate in a competitive company as partners in a civil law partnership, partnership or as members of a competitive capital company or members of a governing body of any competitive legal person, and do not are entered into the Register of Insolvent Debtors kept pursuant to the provisions of the Act of August 20, 1997 on the National Court Register.

3. Information on the composition of the Supervisory Board in the context of its diversity

TOYA has not adopted a diversity policy towards the Supervisory Board. The principle of diversity among its bodies is close to TOYA and adds value to the organization. The Company ensures that the governing bodies include persons with the widest possible scope of competence and qualifications. The members of the Supervisory Board are selected by the General Meeting, while the Management Board is appointed by the Supervisory Board. Despite the lack of a diversity policy, the Company is deeply convinced that the General Meeting and the Supervisory Board, when selecting the Supervisory Board and the Management Board, are primarily guided by the interest and needs of the Company in providing a diverse pool of talents necessary to meet the challenges faced by "TOYA" S.A.

The above can be confirmed by the current Composition of the Supervisory Board and the Management Board, which ensures diversity both in terms of education, specialist knowledge, age.

III. Summary of the Supervisory Board's operations

In 2022, there were no changes in the composition of the Supervisory Board. Members of the Supervisory Board devote the necessary amount of time to perform their duties. In 2022, none of the members of the Supervisory Board was delegated to personally perform supervisory activities.

The Supervisory Board operates on the basis of the provisions of applicable law, in particular the provisions of the Code of Commercial Companies and Partnerships, in accordance with the provisions of the Company's Articles of Association and the Regulations of the Supervisory Board of the Company, as well as on the basis of the corporate governance principles set out in the Code of Standards for Auditors²¹ and the Act of 11 May 2017 on statutory auditors, audit firms and public supervision to the extent it concerns the Supervisory Board.

The Supervisory Board exercised constant supervision over the Company's operations and carried out its tasks on an ongoing basis. Members of the Supervisory Board remained in



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constant contact with the Management Board of the Company.

In 2022, the Supervisory Board held 6 meetings and adopted 36 resolutions.

The Supervisory Board supervised the Company's operations mainly during meetings, taking the required decisions in the form of resolutions.

In its operations in 2022, the Supervisory Board focused on analyzing, in cooperation with the Management Board, the Company's current operations and development strategy and assessing the Company's results. The meetings of the Supervisory Board were attended by members of the Management Board who provided detailed information and explanations on matters included in the agenda of the Supervisory Board meeting, in particular on matters relating to the sales strategy of the Company's products, the distribution system, including the status of sales projects in individual distribution channels and the implementation of IT. The agenda of the meetings also included current information on the impact of the coronavirus pandemic on the Company's operations and the war in Ukraine.

The Supervisory Board approved the company's budget for 2023. The Supervisory Board also analyzed the activities of the TOYA S.A. Capital Group, paying particular attention to Yato Tools (Shanghai) Co. Ltd and Yato Tools (Jiaxing) Co. Ltd due to the prospects of the Chinese market in which these companies operate.

The activities of the Supervisory Board were supported by the Audit Committee.

IV. Audit Committee

Due to the start of the new term of office on 31 August 2020, the Supervisory Board, pursuant to Art. 128 and Art. 129 section 1 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, appointed from among its members on 8 September 2020 the Audit Committee with the following composition:

- Dariusz Górka – Chairman of the Audit Committee and Independent Member of the Audit Committee,
- Grzegorz Maciąg – Independent Member of the Audit Committee,
- Jan Szmidt,
- Piotr Mondalski – Independent Member of the Audit Committee.

Dariusz Górka is a member of the Audit Committee with knowledge and skills in accounting or auditing financial statements. Dariusz Górka is a graduate of i.a. Stern School of Business (New York, USA), where he completed MBA studies with a specialization in finance, during which he acquired knowledge and skills in the above-mentioned area. He remains a member of the Institute of Management Accounting (IMA) in Newark (New York, USA).

Member of the Audit Committee with knowledge and skills in the industry in which "TOYA" S.A. operates. is Jan Schmidt. Jan Szmidt is the originator and co-founder of the Company,



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associated with the Company from the beginning of its existence. He has experience in the field of business development, confirmed by many successes on the Polish and international market. He studied at the Faculty of Civil Engineering and the Faculty of Computer Science and Management of the Wrocław University of Technology.

The main tasks of the Audit Committee are to advise and support the Supervisory Board in the performance of its control and supervisory duties in the field of broadly understood financial reporting, in particular:

- 1) monitoring:
 - a) the financial reporting process,
 - b) the effectiveness of internal control systems and risk management systems and internal audit, including in the field of financial reporting,
 - c) the performance of financial audit activities, in particular conducting audits by the audit company, taking into account all conclusions and findings of the Audit Oversight Commission resulting from the inspection carried out in the audit company;
- 2) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when services other than auditing are provided to the Company by the audit firm;
- 3) informing the Supervisory Board of the Company about the results of the audit and explaining how the audit contributed to the reliability of financial reporting in the Company, and what was the role of the Audit Committee in the audit process;
- 4) assessing the independence of the statutory auditor and expressing consent to the provision of permitted non-audit services by the auditor in the Company;
- 5) developing a policy for selecting an audit firm to conduct the audit;
- 6) developing a policy for the provision by the audit firm conducting the audit, by entities related to that audit firm and by a member of the audit firm's network of permitted non-audit services;
- 7) determining the procedure for selecting an audit firm by the Company;
- 8) presenting to the Supervisory Board the recommendation referred to in Art. 16 sec. 2 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2016 on detailed requirements for statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909/EC (i.e. Journal of Laws EU. L of 2014, No. 158, p. 77), in accordance with the policies referred to in points 5 and 6 above;



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- 9) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company;
- 10) other tasks resulting from generally applicable provisions of law, in particular from the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

In 2022, the Audit Committee held three meetings and adopted 9 resolutions.

Members of the Audit Committee and cooperated with representatives of the statutory auditor, i.e. the company under the name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, discussing with it significant issues related to the reports for the financial year 2022.

V. The results of the assessment of the Management Board's report on the operations of "TOYA" and the TOYA Capital Group for the financial year ended on 31 December 2022, the separate financial statements of "TOYA" and the consolidated financial statements of the TOYA Capital Group for the financial year ended on 31 December 2022, and the result of the assessment of the management board's motion regarding the distribution of profit

The Supervisory Board of the Company, pursuant to art. 382 § 3 of the Code of Commercial Companies and Partnerships, based on the resolution of the Supervisory Board No. 9/RN/2023 of 23 March 2023, adopted an assessment regarding:

- Management Board's report on the operations of "TOYA" S.A. for 2022;
- Management Board's report on the operations of the Capital Group "TOYA" S.A. for 2022
- Standalone financial statements of "TOYA" S.A. for the financial year ended on 31 December 2022;
- Consolidated financial statements of the Capital Group "TOYA" S.A. for the financial year ended on 31 December 2022.

The above-mentioned documents were assessed positively by the Supervisory Board, in particular in terms of their compliance with the books, documents and the facts.

The assessment of the Supervisory Board was made on the basis of its own analysis, after reading the report of the independent statutory auditor (KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.) on the examination of these documents, as well as on the basis of information obtained by the Supervisory Board within the powers vested in this body including, in particular, internal control and audit as well as access to documents and financial books as well as information provided to the Supervisory Board by the Audit Committee as part of the Audit Committee's tasks provided for in applicable regulations.

As part of the assessment referred to above, the Supervisory Board stated the following:



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1. Assessment of the Management Board's report on the operations of „TOYA” S.A. for 2022.

The Management Board's report on the operations of "TOYA" S.A. for 2022 was prepared in accordance with Art. 49 of the Accounting Act of 29 September 1994 and § 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state and positively assessed the above Report as consistent with the books, documents and facts.

2. Assessment of the Management Board's report on the activities of the „TOYA” S.A. capital group for 2022.

The Management Board's report on the operations of "TOYA" S.A. for 2022 was prepared in accordance with Art. 49 of the Accounting Act of 29 September 1994 and § 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state and positively assessed the above Report as consistent with the books, documents and facts.

3. Assessment of the standalone financial statements of "TOYA" S.A. for the financial year ended on 31 December 2022

Standalone financial statements of "TOYA" S.A. for the financial year ended on 31 December 2022 was prepared in accordance with the International Financial Reporting Standards, presents a reliable and clear picture of the property and financial situation of "TOYA" S.A. and positively assessed the above Report as consistent with the books, documents and facts.

4. Assessment of the consolidated financial statements of the "TOYA" S.A. Capital Group for the financial year ended on December 31, 2022

Consolidated financial statements of the TOYA S.A. capital group for the financial year ended on 31 December 2022 was prepared in accordance with the International Financial Reporting Standards, presents a reliable picture of the property and financial situation of the TOYA S.A. capital group. and positively assessed the above Report as consistent with the books, documents and facts.

5. The result of the assessment of the Management Board's motion regarding the distribution of profit

The Supervisory Board, acting pursuant to Art. 382 § 3 point 2 of the Act of September 15, 2000, the Code of Commercial Companies and Partnerships, assessed the application of the Management Board of the company under the name: "TOYA" S.A. concerning the



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distribution of profit shown in the separate financial statements of "TOYA" S.A. for the financial year ended on 31 December 2022.

As part of this assessment, the Supervisory Board positively assessed the Management Board's motion regarding the distribution of profit in the amount of PLN 46,068,490.78 (in words: forty-six million sixty-eight thousand four hundred and ninety PLN 78/100) as follows:

- net profit for the financial year 2022 in the amount of PLN 46,068,490.78 (in words: forty-six million sixty-eight thousand four hundred and ninety PLN 78/100) to be fully allocated to supplementary capital

In connection with the above, the Supervisory Board recommended the Annual General Meeting to distribute the profit of "TOYA" S.A. in the manner specified in the proposal of the Management Board.

VI. Assessment of the Company's situation, including the assessment of the Company on a consolidated basis, taking into account the adequacy and effectiveness of the company's internal control systems, risk management, ensuring compliance of operations with standards or applicable practices, and internal audit.

While supervising the activities of the Company and the Capital Group, the Supervisory Board assessed the financial results of the Company and the work of the Management Board, in particular by analyzing and assessing the Company's revenues, costs incurred, operating result, gross and net result, inventory management, financial resources, receivables and liabilities, financial liquidity and sales margins.

On this basis, the Supervisory Board assesses that the Company's situation is stable and poses no threats to the further development of the Company and the Capital Group.

The Supervisory Board, in cooperation with the Company's statutory auditor, analyzed the Internal control and risk management system functioning in the Company in the following areas:

- a. organization of management processes and division of competences related to decision-making and their recording;
- b. information systems;
- c. financial reporting systems.

Based on the work carried out, the Supervisory Board assessed the internal control and risk management systems used in the Company, stating that they allow for monitoring potential threats and effective taking of necessary preventive measures, protecting or limiting the effects of such threats.

In connection with the content of Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange S.A. of 29 March 2021 regarding the adoption of the document "Best Practices of WSE Listed Companies 2021", the content of the Company's information on the state of application by the Company of the principles contained in the Collection of Best Practices of WSE Listed Companies 2021 of 2 August 2021 and statements of the Company



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submitted in this document regarding the application of rule 2.11, the Supervisory Board presents the assessment of the Company's situation on a consolidated basis, taking into account the internal control system, risk management, compliance and internal audit functions, financial reporting and operational activity, the company's application of corporate governance principles and fulfilling the information obligations regarding their application set out in the Stock Exchange Regulations and the regulations on current and periodic information provided by issuers of securities, together with information on the actions taken by the Supervisory Board in order to make this assessment.

1. Internal control system

The company has an Internal control system. Due to the adopted organizational structure, the Internal control system is based on the management staff of individual departments in the organizational structure with the leading role of the Management Board. The internal control system covers the most important categories of operational effectiveness and efficiency, reliability of financial statements and compliance with the law and other regulations.

Thanks to the structure created by the Management Board, the Company effectively performs tasks in the above-mentioned categories. The Supervisory Board constantly monitors internal control and existing procedures aimed at identifying and minimizing risks related to the Company's operating activities, at the same time the Supervisory Board positively assesses the assumptions adopted by the Management Board in this regard.

2. Risk management

The risk management system in the Company is based on the created organizational structure consisting of specialized organizational units whose task is to identify potential risks, assess their impact on individual decision-making processes, monitor and report directly to the Company's Management Board. Thanks to the implementation of the above solution in the Company, the Company and the Management Board have effective instruments aimed at minimizing potential risks related to the Company's operations. At the same time, the Supervisory Board positively evaluates the adopted solutions in the discussed area.

3. System compliance

In 2020, a specialized Legal and Compliance Department was established as part of the Company's organizational structure, responsible for comprehensive control and supervision of the Company's business and organizational units in terms of fulfilling their



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obligations related to ensuring compliance with the law, good market practices, accepted standards of business ethics and internal regulations.

The Legal and Compliance Department reports directly to the Management Board. The adoption of such a solution gave the Management Board access to special knowledge in the field of compliance of the Company's activities in all areas and aspects of this activity with applicable law, internal regulations of DPSN21.

4. Internal audit

The Company has no division responsible for internal audit. As at the date of this report, the Supervisory Board does not see the need to separate the above-mentioned unit in the Company's organizational structure.

The Supervisory Board, and in particular the Audit Committee, constantly monitors the need to appoint appropriate internal audit structures.

5. Assessment of financial reporting and operations

In the opinion of the Supervisory Board, by applying and monitoring the above-described internal control, risk management and compliance systems, which, in the opinion of the Supervisory Board, are adequate to the nature and scale of the Company's operations, the Company effectively achieves objectives such as effectiveness, operational efficiency, credibility of financial statements and compliance with laws and regulations.

The company applies internal control systems in the field of accounting and financial reporting, ensuring reliable and clear presentation of its financial and property situation. The company has documentation describing the adopted accounting principles, specifying the methods of valuation of assets and liabilities and determining the financial result, as well as the method of keeping accounting books and the system of data protection and their collections. The adopted accounting principles are applied on a continuous basis, ensuring the comparability of financial statements using the going concern principle and prudent valuation.

The Company's financial statements are audited by authorized entities selected by resolution of the Supervisory Board. The reports are published in accordance with applicable law.



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VII. Evaluation of the fulfillment by the Management Board of the obligations related to informing the Supervisory Board about the current situation of the Company and evaluation of the method of preparing or providing the Supervisory Board with information, documents, reports or explanations requested in the mode specified in Art. 382 § 4 of the Code of Commercial Companies and Partnerships.

The Supervisory Board assesses that the information provided to it by the Company's Management Board, referred to in Art. 380¹ § 1 of the Code of Commercial Companies and Partnerships are provided in a proper, timely manner, in line with the Board's expectations and in a comprehensive manner. The Supervisory Board is informed on an ongoing basis about the adopted resolutions of the Management Board.

The Supervisory Board received from the Management Board the information referred to in Art. 380¹ of the Code of Commercial Companies and Partnerships, e.g. about the current situation, including the economic and financial situation of the Company and the Group, significant circumstances in the field of running the Company's affairs, in particular in the operational, investment and human resources areas, progress in the implementation of the designated directions of development of the company's operations. The Supervisory Board was informed with appropriate notice about transactions and other events or circumstances that significantly affect or may affect the financial situation of the company, including its profitability or liquidity.

Considering the above circumstances, the Supervisory Board assesses that the Management Board correctly performed the duties referred to in Art. 380¹ of the Code of Commercial Companies and Partnerships. Due to the comprehensive scope of information and reports provided by the Management Board, the Supervisory Board did not need to exercise the right to request additional information, documents, reports or explanations pursuant to Art. 382 § 4 of the Code of Commercial Companies and Partnerships

VIII. Information on the total remuneration due from the Company for all audits commissioned by the Supervisory Board during the financial year in the manner specified in Art. 382¹ of the Code of Commercial Companies and Partnerships

In 2022, the Supervisory Board did not use the right to examine, at the Company's expense, a specific matter concerning the Company's operations or its assets, or to prepare specific analyzes or opinions by a selected advisor (supervisory board advisor) pursuant to Art. 382¹ of the Code of Commercial Companies and Partnerships.

IX. Assessment of the company's application of the corporate governance rules and the manner of fulfilling the disclosure obligations regarding their application set out in the Stock Exchange Regulations and the regulations on current and periodic information provided by issuers of securities, along with information on the actions taken by the Supervisory Board to make this assessment

In the opinion of the Supervisory Board, the Company applies the principles of corporate governance, taking into account the nature and specificity of its operations, as well as fulfills



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the disclosure obligations regarding their application set out in the Stock Exchange Regulations and regulations on current and periodic information provided by issuers of securities. The above issues were discussed by the Supervisory Board, where the Company informed in detail what rules are applied and justified which corporate governance rules the Company currently does not apply.

Pursuant to § 29 sec. 3 of the Stock Exchange Rules, in relation to rules that are not applied by the issuer, the information contains a detailed explanation of the circumstances and reasons for non-application of a given rule. The company presented information on the state of application by the company of the principles contained in the Collection of Good Practices of Companies Listed on the Warsaw Stock Exchange 2021.

The Management Board's report on the operations of the TOYA S.A. Group in 2022, contains, in accordance with art. § 70 sec. 6 point 5 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state, constituting a separate part of this report, a statement on the application of corporate governance.

In the opinion of the Supervisory Board, the Company duly complied with the information obligations imposed by the law and other regulations applicable to it in the scope of submitted reports on current and periodic information.

In the opinion of the Supervisory Board, the information provided by the Company complies with the relevant requirements and reliably presents the state of application of corporate governance principles.

X. Summary

After the Supervisory Board made a detailed analysis of the Company's situation in 2022, the Supervisory Board positively assesses the Company's operations and financial and business situation as well as the work of the Management Board, which implemented the adopted budget assumptions and made efforts to acquire new contractors and sales markets. The Supervisory Board does not see any circumstances that would threaten the continuation of the Company's operations.

The internal mechanisms functioning in the Company, paying attention by the Company to the issues of compliance, internal control and rational Risk management allow us to assume that the Company is adapting to the modern market not only with regard to presenting a new product offer, but also in the field of corporate governance and compliance. Such actions are aimed at strengthening the Company's position as the owner of strong brands with a global reach.