

Supervisory Board's report on operations for the financial year ended on 31 December 2020 including the evaluation of the situation of the Company, taking into account the internal control system, risk management, compliance and the internal audit function together with the evaluation regarding financial reporting and operations

The composition of the Supervisory Board as at 31 December 2020 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,
- 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,
- Beata Szmidt – Member of the Supervisory Board.

The evaluation of fulfilment of independence criteria by the members of the Supervisory Board was performed under the written statements submitted by the members of the Supervisory Board pursuant to the detailed rule II.Z.5. of the Best Practices for GPW Listed Companies 2016 and the Regulations of the Supervisory Board. The Supervisory Board is not aware of any relationships or circumstances that can affect the fulfilment of the independence criteria by the members of the Supervisory Board other than those specified in the submitted statements.

In 2020, no member of the Supervisory Board was delegated to personally perform supervisory activities and the Supervisory Board held 5 meetings.

I. Audit Committee

Due to the commencement 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 Registered Auditors, Registered Audit Companies and Public Oversight (consolidated text, Journal of Laws of 2020, item 1415, as amended), appointed from among its members on 8 September 2020 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.

The Audit Committee member with knowledge and skills in accounting or auditing is Dariusz Górka. Dariusz Górka is a graduate of, among others, the Stern School of Business (New York, USA), where he completed MBA studies in finance, during which he acquired knowledge and skills in the aforementioned area. He remains a member of the Institute of Management Accountants (IMA) in Newark (New York, USA).

Jan Szmidt, who has knowledge and skills in the sector in which TOYA S.A. operates, is a member of the Audit Committee. Jan Szmidt is the originator and co-founder of the Company and has been involved with the Company from its establishment. He has experience in business development, confirmed by numerous successes on the Polish and international market. He studied at the Faculty of Civil Engineering and at the Faculty of Information Technology and Management of the Wrocław University of Science and Technology.

In 2020, the Audit Committee held two meetings.

II. Summary of the work of the Supervisory Board and the Audit Committee in 2020.

In its works in 2020, the Supervisory Board focused on analysing, in cooperation with the Management Board, of the current operations and development strategy of the Company and evaluating the Company's profit/loss. The Members of the Management Board were present at the Supervisory Board meetings and provided detailed information and explanations on the matters included in the agenda of the Supervisory Board meeting, in particular on matters related to the Company's product sales strategy, distribution system, including the status of sales projects in individual distribution channels and the implementation of IT projects.

The Supervisory Board approved the company's budget for 2021. The Supervisory Board also analysed the operations of the TOYA S.A. Capital Group, paying particular attention to Yato Tools (Shanghai) Co. Ltd and Yato Tools (Jiaxing) Co. Ltd in view of the prospects for the Chinese market where these companies operate.

The operations of the Supervisory Board were supported by the Audit Committee. The members of the Audit Committee, under the provisions of the Regulations of the Supervisory Board, monitored, inter alia, the effectiveness of the internal control systems, analysed on an ongoing basis the Company's profit/loss presented by the financial department, monitored the Company's financial reporting process and cooperated with the representatives of the auditor, i.e. the company under the business name of 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 2020 financial year.

III. Assessment of the Company's situation, including internal control system, risk management, compliance and the internal audit function, together with evaluation of financial reporting and operations

In supervising the Company's and the Capital Group's activities, the Supervisory Board evaluated the Company's profit/loss and the work of the Management Board, in particular by analysing and evaluating the Company's revenues, costs incurred, operating result, gross and net result, management of inventories, financial resources, receivables and liabilities, financial liquidity and margin on sales achieved.

On this basis, the Supervisory Board assesses that the Company's situation is stable and does not pose any threats to the further development of the Company and the Capital Group.

The Supervisory Board, in cooperation with the Company's auditor, analysed the internal control and risk management system operating in the Company in the following areas:

1. organisation of management processes and the allocation of competencies for decision-making and recording;
2. information systems;
3. financial reporting systems.

On the basis of the work carried out, the Supervisory Board assessed the internal control and risk management systems applied in the Company, concluding that they allow the Company to monitor potential risks and to effectively take the necessary preventive measures, protecting or limiting the effects of such risks.

Under Resolution No. 26/1413/2015 of the GPW Supervisory Board of 13 October 2015 concerning the adoption of the document "Best Practice for GPW Listed Companies 2016", under the content of the Company's information on the application by the Company of the recommendations and rules included in the Best Practice for GPW Listed Companies 2016 of 4 January 2016 and the Company's declaration provided in that document with regard to the application of detailed principle II.Z.10.1., the Supervisory Board further evaluated the Company's situation, taking into account

the internal control system and significant risk management system, compliance system and internal audit function.

1. Internal control system

The Company has an internal control system. Due to the adopted organisational structure, the internal control system is based on the management staff of various departments in the organisational 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 laws and other regulations.

The Company, due to the structure established by the Management Board, effectively performs the tasks in the aforementioned categories. The Supervisory Board conducts continuous monitoring of internal controls and procedures in place to identify and minimise the risks associated with the Company's operations, while the Supervisory Board positively evaluates the assumptions made by the Management Board in this regard.

2. Risk management

The Company's risk management system is based on an established organisational structure composed of specialised organisational units whose task is to identify potential risks, evaluation of their impact on individual decision-making processes, monitor and report directly to the Management Board of the Company. Due to the implementation of the aforementioned solution in the Company, the Company and the Management Board have effective instruments aimed at minimising potential risks related to the Company's operations. At the same time, the Supervisory Board positively evaluates the adopted solutions in the discussed scope.

3. Compliance system

In 2020, a specialised Legal and Compliance Department was established within the Company's organisational structure, responsible for comprehensive control and supervision over the Company's business and organisational units in the scope of fulfilment of obligations associated with compliance with legal regulations, 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 this solution gave the management Board the access to special knowledge regarding the compliance of the Company's operations in all areas and aspects of these activities with the applicable law, internal regulations and the Best Practice for GPW Listed Companies 2016.

4. Internal audit

The Company does not have a separate division responsible for internal audit. As at the date of preparation of this report, the Supervisory Board sees no need to separate the aforementioned unit in the organisational structure of the Company.

The Supervisory Board and in particular the Audit Committee continuously monitor the need for appropriate internal audit structures.

IV. Evaluation of financial reporting and operations

In the opinion of the Supervisory Board, through the application and monitoring of the internal control, risk management and compliance systems described above, which in the opinion of the Supervisory Board are adequate to the nature and scale of the Company's activities, the Company effectively achieves the objectives such as

effectiveness, operational efficiency, reliability of financial statements and compliance with provisions of law and other regulations.

The Company applies internal control systems in the scope of keeping accounting and financial reporting giving a fair and clear view of its financial and economic position. The Company has documentation describing the adopted accounting principles, specifying the methods of valuation of assets and liabilities and determining financial result as well as the manner of keeping accounting books and the system of data protection and their collections. The accounting policies adopted are applied consistently in order to ensure comparability of financial statements using the going concern and prudence principle. Financial statements.

The companies are audited by authorised entities, selected under resolution of the Supervisory Board. The reports are published in accordance with the applicable legal regulations.

Piotr Mondalski

Jan Szmidt

Beata Szmidt

Grzegorz Maciąg

Wojciech Papierak

Michał Kobus

Dariusz Górka