

Gdańsk, 29 May 2023 r.

To:

The Supervisory Board of LPP SA

The Audit Committee of the Supervisory Board of LPP SA

REPORT OF THE MANAGEMENT BOARD OF LPP SA ON THE EXECUTION OF THE TAX STRATEGY

As required under the In-House Tax Supervision Scheme, the Management Board of LPP SA has drawn up and submits this Report on the execution of the Tax Strategy in w LPP SA from 1 February 2022 to 31 January 2023.

1. Tax strategy vision – changes made in the strategy / plans for its execution

As assessed by the Management Board of LPP SA, the tax strategy adopted by the Company in 2021 requires no changes or additions. Despite numerous legislative amendments and a change in the Company's expansion direction (due to the need to sell the distribution company conducting sales in the territory of the Russian Federation and the decision to focus on the development on the markets of Southern and Western Europe), the currently applicable Strategy complies with the actual nature and scope of operations carried out by the Company and its group members. The Strategy's assumptions are also up to date, in particular, pressure to ensure long-term development of the LPP SA Group, improving its financial results and, in consequence, its taxable base as well as issues involving levies paid under public law. Also, the assumed low tax risk tolerance (minor risk appetite) has not changed, with one of its manifestations being the non-use of business models that might be considered as the so-called aggressive tax optimisation. The Company has been holding talks with the representatives of the Ministry of Finance and the National Fiscal Administration in terms of negotiating the co-operation agreement with the Head of the National Fiscal Administration. In the second half of 2022, the audit in the Company, carried out by the Head of the National Fiscal Administration, came to an end and the Company received post-audit recommendations.

The execution of the Strategy involved, among others, the appointment of the Company's Tax Committee, which commenced its works in January 2023. Furthermore, the Company's Management Board made a decision to employ in the following period, in the tax department, two new persons licenced as tax advisors.

2. Description of execution of the Tax Risk Strategy

- key tax risks faced by the Company
- actions taken as part of the Strategy, arising from tax risk evaluation
- implemented and planned changes in the tax risk management system, including those related to the level of risk appetite

- analysis of sensitivity of results generated by the Company towards major changes in external taxation-related factors

As part of execution of the Tax Strategy, in the period in question, the Company prepared a tax risk register and a tax responsibility matrix. Both these documents are enclosed to this Report.

The execution of the tax risk strategy is described in the enclosed separate Report of the Management Board on tax risk evaluation.

As part of execution of the Tax Strategy, the Company continues activities involving negotiations of the co-operation agreement with the Head of the National Fiscal Administration. In the last settlement period, the audit of the Company, carried out by the Head of the National Fiscal Administration, came to an end. Last year, the Company started implementing post-audit recommendations, with that process being continued in the current period.

The above involved, among others, preparation of the correction of CIT declarations and additional CIT payments for the years 2018-2020. The correction resulted from discrepancies in construing transfer pricing laws. The following CIT payments were made:

TAX PERIOD	TAX	INTEREST
01.01.2018 - 31.12.2018	6,542,630.00	1,086,300.50
01.01.2019 - 31.01.2020	4,184,869.00	499,002.50
01.02.2020 - 31.01.2021	838,282.00	63,761.00
TOTAL	11,565,781.00	1,649,064.00

The execution of the Tax Strategy involved, among others, the appointment of the Company's Tax Committee, which commenced its works in January 2023. The Tax Committee has been entrusted, in particular, with the following tasks:

- monitoring of processes related to the Company's tax function,
- controlling and verifying processes which affect the shaping of the Company's tax duties,
- determining and evaluating tax risks,
- deciding on actions aimed at limiting the tax risk,
- discussing changes in the Company's IT systems required to ensure resources for controlling and managing the tax function,
- reporting to the Management Board of transactions, processes and any other events affecting the Company's tax function,
- discussing important tax law amendments and their impact on the Company,
- periodical verification of the Company's in-house documentation on performance of the tax compliance function,

- i. assessing independence of an external tax auditor and granting consent for the provision by such auditor of permitted services other than the audit or review of the report,
- j. drafting a policy for choosing an entity to carry out an independent tax audit,
- k. providing the Management Board with recommendations as to the entity to be entrusted with the performance of the independent tax audit,
- l. reviewing the report on the independent tax audit along with the audit documentation incorporating tests and procedures carried out during the audit,
- m. providing recommendations aimed at ensuring the accuracy of processes related to the Company's tax function.

The Tax Committee is composed of the following persons:

- Przemysław Lutkiewicz, Member of the Management Board, responsible for the Company's finance division,
- Sławomir Łoboda, Member of the Management Board, responsible for legal issues,
- Lucyna Dziańach, Key Accountant
- Danuta Krzysiak, Director of the Shared Services Centre
- Arkadiusz Wróbel, IT Director
- Dominika Bonarska, Manager of the Tax Department
- Adam Gosz, the Company's lawyer.

The Tax Committee meets at least once a month, analysing current issues and recommending further actions.

As required under the Tax Strategy and in adherence to the duties imposed under the Tax Constitution, from October 2022 to January 2023, an independent tax audit was carried out in the Company by EY Doradztwo Podatkowe Krupa sp. k. in Warsaw. The review covered VAT settlements, focusing on transactions involving the 0% rate (intra-community supply of goods, intra-community distance sales of goods, exports of goods, documentation for applying the 0% VAT rate) and on the correctness of recognition by the Company of corrective invoices (settlements of sales correction invoices in minus and purchase correction invoices in minus).

The Report on the tax review of selected VAT areas for 2022, drawn up by EY Doradztwo Podatkowe Krupa sp. k. in Warsaw, is enclosed hereto.

Apart from the areas given above, the Company has neither implemented nor plans any changes in the tax risk management system, including, in particular, in respect of the tax risk appetite level.

3. Plans for executing the Tax Strategy in the current and the following tax year, with due consideration of actions taken in the preceding tax years

In the current tax year, the Company continues actions involving preparations to conclude and execute the co-operation agreement with the Head of the National Fiscal Administration. As mentioned above, in the previous settlement period, the Company's audit carried out by the

Head of the National Fiscal Administration was completed. The Company pursues activities as part of further stages of implementing post-audit recommendations, commenced in the preceding period. As initially assumed, the co-operation agreement with the Head of the National Fiscal Administration will be concluded in the current period.

In order to adequately strengthen the resources and competences, the Company's Management Board decided to employ, in the current period, in the tax department, two additional persons licenced as tax advisors.

In the current period, the Company plans to continue its current tax strategy and the tax risk management policy, with due consideration of recommendations of the Head of the National Fiscal Administration. Furthermore, as assessed by the Company, there will be numerous procedural and technical changes resulting from the implementation of the National E-Invoice System, i.e. the mandatory public platform for issuing and receiving e-invoices. Considering the fact that legislative and implementation-related works are still in progress, currently, it is difficult to foresee the scope of changes required.

4. Statement of the Management Board

This Report and enclosures hereto (the 2022 Tax Risk Register and the Report of the Management Board on the tax risk evaluation) specify all major tax risks and uncertainties of importance for the Company's financial condition for the next 12 months.

The Company plans to execute its tax risk strategy in the current and the following tax year as follows.

In the current period, the Company plans to continue its current tax strategy and its tax risk management policy, with due consideration of recommendations of the Head of the National Fiscal Administration.

In the preceding tax years, the Company undertook actions with a view to executing the tax risk strategy as described in section 2 above.

The level of sensitivity of the results generated by the Company towards important changes in external taxation-related factors is as follows.

The Company identifies no changes in external taxation-related factors which could pose a major threat for the Company's operations. The assessment of potential risks in that respect is given in the enclosed Report of the Management Board on tax risk evaluation.

In the period covered by this report, the Company implemented no changes in terms of determination of risk appetite and plans no such changes.

In the period covered by this report, the Company implemented changes concerning the tax risk management system as described in section 2 above.

In the period covered by this report, the Company implemented no changes in the Tax Strategy in terms of its tax vision and plans for its execution. At present, the Company has no plans to implement any changes in the next reporting period.

In the period covered by this report, the Company made no other changes in its Tax Strategy. Currently, the Company has no plans to implement any changes in the next reporting period.

Enclosures:

- 1) 2022 Tax Risk Register
- 2) Tax Responsibility Matrix
- 3) Report of the Management Board on tax risk evaluation
- 4) Report of the tax review of selected VAT areas for 2022

Management Board of LPP SA:

Marek Piechocki

President of the Management Board

Marek Piechocki

Jacek Kujawa

Vice-President of the Management Board

Jacek Kujawa

Przemysław Lutkiewicz

Vice-President of the Management Board

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Sławomir Łoboda

Vice-President of the Management Board

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Marcin Piechocki

Vice-President of the Management Board

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