REPORT OF
THE SUPERVISING BOARD
of LSI Software S.A.
with its registered office in Łódź

FOR
THE GENERAL MEETING of LSI Software S.A.

on activities of the Supervisory Board in 2018, results of evaluation of the Company’s separate financial statement and Management Board’s report on Company’s business activities, results of evaluation of the Group’s consolidated financial statement and Management Board’s report on Group’s business activities, results of evaluation of the Management Board’s proposal concerning allocation of net profit for the year 2018 and results of evaluation of the Company’s standing

FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

Łódź, 30 May 2019
In accordance with Art. 382.3 of the Commercial Companies Code of 15 September 2000 (Journal of Laws of 2017, item 1577 as amended, hereinafter referred to as “CCC”), the Supervisory Board of LSI Software S.A. with its registered office in Łódź (hereinafter referred to as “the Company”) hereby submits to the General Meeting the report on activities of the Supervisory Board in 2018, results of evaluation of the Company’s separate financial statement and Management Board’s report on Company’s business activities, results of evaluation of the Group’s consolidated financial statement and Management Board’s report on Group’s business activities, results of evaluation of the Management Board’s proposal concerning allocation of net profit for the year 2018 and results of evaluation of the Company’s standing.

In accordance with Art. 382.3 of the Commercial Companies Code as well as in line with the corporate governance principles applied by the Company, the report of the Supervisory Board (hereinafter referred to as “the Board” or “SB”) contains:

I. the evaluation of the separate financial statement of LSI Software S.A. for the year ended 31 December 2018 and the Management Board’s report on LSI Software S.A. business activities in 2018;

II. the evaluation of the consolidated financial statement of the Group for the year ended 31 December 2018 and the Management Board’s report on Group’s business activities in 2018;

III. the evaluation of the Management Board’s proposal concerning allocation of net profit for the year 2018;

IV. an assessment of LSI Software S.A. standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment covers all significant controls, including in particular those relating to financial reporting and operating activities;

V. report on activities of the Supervisory Board including an assessment of the Company’s compliance with disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and interim reports published by issuers of securities and an assessment of the rationality of the company’s policy referred to in recommendation I.R.2 set forth in Best Practice for GPW Listed Companies 2016 or information about the absence of such policy.
I. Evaluation of the separate financial statement of LSI Software S.A. and the Management Board’s report on LSI Software S.A. business activities

Introduction

In accordance with Art. 382.3 of the Commercial Companies Code, the Supervisory Board has analyzed and assessed:

a) statement of financial position prepared as at 31 December 2018 with total assets and liabilities amounting to PLN 44,402 thousand,

b) profit and loss account for the period of 1 January 2018 – 31 December 2018, disclosing a net profit of PLN 5,501 thousand,

c) statement of comprehensive income for the period of 1 January 2018 – 31 December 2018 disclosing total comprehensive income of PLN 5,501 thousand,

d) statement of changes in equity for the period of 1 January 2018 – 31 December 2018, disclosing an increase in equity by PLN 4,964 thousand,

e) cash flow statement for the period of 1 January 2018 - 31 December 2018, disclosing an increase in net cash by PLN 2,867 thousand,

f) additional explanatory noted to the financial statement,

g) Management Board’s report on Company’s business activities in 2018.

The supervisory Board reviewed the Management Board’s proposal concerning allocation of net profit for the year 2018.

Evaluation of the Company’s separate financial statement for the year 2018 and the Management Board’s report on Company’s business activities in 2018

The Supervisory Board, acting pursuant to the relevant provisions of the Commercial Companies Code, having read:
1) the Company’s financial statement for the period from 1 January 2018 to 31 December 2018;
2) the Management Board’s report on Company’s business activities in 2018 and
3) report of the independent statutory auditor - BDO spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw on the audit of the annual financial statement;

positively assesses the Company’s financial statement for the financial year 2017 in terms of compliance with books of account and documents as well as with the facts and positively assesses the submitted Management Board’s report on Company’s business activities in 2018.

The correctness of preparation of the Company's financial statement for the financial year ended 31 December 2018 in terms of compliance with books of account, documents and the facts does not raise any objections and is confirmed in the report of the statutory auditor - BDO spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw.

Statutory auditors who audited the financial statement issued a positive opinion on the submitted financial statement, stating that the financial statement presents reliably and clearly information relevant to the assessment of the Company's property and financial standing as at 31 December 2018.

As a result of the assessment, the Supervisory Board states that the presented Management Board's report on the Company's activities in 2018 reflects reliably the Company's activities in the assessed period and the Company's development standing. The Management Board thoroughly presented the Company's situation, both financial and market.
Furthermore, in the opinion of the Supervisory Board, the submitted Management Board’s report on the Company's activities in 2018 is consistent in financial terms with the financial statement for the year 2018 presented by the Management Board and audited by an independent auditor.

Statutory auditors stated that the Management Board's report on the Company's activities has been prepared in accordance with the applicable laws and is consistent with the information contained in the financial statement. In addition, the statutory auditors did not identify any material misstatements. Consequently, it can be concluded that the opinion presented in the auditors' report indicates that the report on business activities complies with Art. 49.2 of the Accounting Act and the provisions of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent.

In its report, the Supervisory Board abstains from detailed presentation of the economic and financial results, considering that the above mentioned results were presented in detail and competently in the Management Board's report on the Company's activities.

The Supervisory Board has no objection as to the Company's financial statement and the Management Board’s report on Company’s business activities.

**Supervisory Board’s recommendation**

Based on the results of the assessment contained in the report hereof and the positive opinion of the statutory auditor, the Supervisory Board hereby recommends that the General Meeting approves the financial statement of LSI Software S.A. for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards and the Management Board’s report on LSI Software S.A. business activities in 2018.
Furthermore, the Supervisory Board recommends that the General Meeting grants an approval of the performance by Members of the Management Board of their duties in 2018.

II. Evaluation of the consolidated financial statement of LSI Software Group for the year 2018 and the Management Board’s report on LSI Software Group’s business activities in 2018

1. Introduction

In accordance with Art. 382.3 of the Commercial Companies Code, the Supervisory Board has analyzed and assessed:

a) consolidated statement of financial position prepared as at 31 December 2018 with total assets and liabilities amounting to PLN 44,442 thousand,

b) consolidated profit and loss account for the period of 1 January 2018 – 31 December 2018, disclosing a net profit of PLN 6,067 thousand,

c) consolidated statement of comprehensive income for the period of 1 January 2018 – 31 December 2018 disclosing total comprehensive income of PLN 6,067 thousand,

d) consolidated statement of changes in equity for the period of 1 January 2018 – 31 December 2018, disclosing an increase in equity by PLN 755 thousand,

e) consolidated cash flow statement for the period of 1 January 2018 - 31 December 2018, disclosing an increase in net cash by PLN 3,129 thousand,

f) additional explanatory noted to the consolidated financial statement.

g) Management Board’s report on LSI Software Group’s business activities in 2018.

Consolidated financial statements of the LSI Software S.A. Group include the following subsidiary undertakings:
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</thead>
<tbody>
<tr>
<td>GiP sp. z o.o. with its registered office in Łódź</td>
<td>100,00%</td>
<td>Poland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSI Software s.r.o. with its registered office in Prague</td>
<td>100,00 %</td>
<td>Czech Republic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive Software USA LLC with its registered office in Irving</td>
<td>100,00%</td>
<td>United States of America</td>
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Evaluation of the Group’s consolidated financial statement for the year 2018 and the Management Board’s report on Group’s business activities in 2018

The Supervisory Board, acting pursuant to the relevant provisions of the Commercial Companies Code, having read the report of the independent statutory auditor BDO spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw on the audit of the annual consolidated financial statement of LSI Software Group for the period from 1 January 2018 to 31 December 2018 - positively assesses the Group's consolidated financial statement for the financial year 2018 in terms of compliance with books of account and documents as well as with the facts and positively assesses the submitted Management Board’s report on Group’s business activities in 2018.

The correctness of preparation of the Group's consolidated financial statement for the financial year ended 31 December 2018 in terms of compliance with books of account, documents and the facts does not raise any objections and is confirmed in the report of the statutory auditor.

Statutory auditors who audited the consolidated financial statement issued a positive opinion on the submitted consolidated financial statement, stating that the financial statement presents reliably and clearly information relevant to the assessment of the
Group's property and financial standing as at 31 December 2018.

As a result of the assessment, the Supervisory Board states that the presented Management Board's report on the Group's activities in 2018 reflects reliably the Company's activities in the assessed period.

Furthermore, in the opinion of the Supervisory Board, the submitted Management Board's report on the Group's activities in 2018 is consistent in financial terms with the consolidated financial statement for the year 2018 presented by the Management Board and audited by an independent auditor.

In its report, the Supervisory Board abstains from detailed presentation of the economic and financial results, considering that the above mentioned results were presented in detail and competently in the Management Board's report on the Group's activities.

The Supervisory Board has no objection as to the Group’s consolidated financial statement and the Management Board’s report on Group’s business operations.

**Supervisory Board’s recommendation**

Based on the results of the evaluation presented in the report hereof and the positive opinion of the statutory auditor, the Supervisory Board hereby recommends that the General Meeting approves the consolidated financial statement of LSI Software S.A. Group for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards and the Management Board’s report on LSI Software S.A. Group’s business activities in 2018.

**Assessment of the Management Board’s proposal concerning allocation of net profit for the year 2018**

The Company’s Management Board proposes to allocate the net profit for the financial year 2018 in the amount of PLN 5,500,311.46 (five million five hundred thousand three hundred and eleven zlotys forty-six grosz) to statutory capital reserve.
Having read the Management Board's proposal regarding the allocation of net profit for 2018, the Supervisory Board concludes that the proposal presented by the Management Board is consistent with the interests of the Company and its Shareholders and complies with the existing policy of the Management Board.

**Assessment of the Company’s standing including an assessment of the internal control, risk management and compliance systems and the internal audit function**

1. Assessment of the Company’s standing in 2018

Acting pursuant to Par. 21.1 of the Company's Articles of Association and based on principle II.Z.10.1 as set forth in Best Practice for GPW Listed Companies, the Supervisory Board has assessed the Company's standing in 2018.

In this period, the Company recorded good economic and financial results which are discussed in detail in the report. In the opinion of the Supervisory Board, there are no direct threats to the Company’s operations at present and the actions taken by the Management Board, consisting in particular in numerous investments in production-related infrastructure, including production machinery and equipment, predict further development of the Company.

In the opinion of the Supervisory Board, the Management Board identifies and constantly monitors indirect threats related to unfavorable fluctuations in raw material prices, as well as cost pressure in the area of employment and logistics, in order to minimize the impact of the above-mentioned market situation on the Company's operations.

As at 31 December 2018, the Company held the following shares in subsidiary undertakings:

Subsidiary undertakings:
<table>
<thead>
<tr>
<th>Business name</th>
<th>Country of incorporation</th>
<th>% share in capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>GiP sp. z o.o. with its registered office in Łódź</td>
<td>Poland</td>
<td>100,00%</td>
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<td>100,00%</td>
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<td>100,00%</td>
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<td></td>
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<td>100,00%</td>
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According to the Supervisory Board, the Management Board constantly and accurately monitors the most important financial indicators and takes them into account in its operations.

There were no disturbing economic events in the Company that could in any way affect the further development of the Company. The generated operating profit confirms that the adopted approach is correct.

In the opinion of the Supervisory Board, the significant risk factors and threats that could affect the further development of the Company indicated in the Management Board’s report should not significantly disrupt the implementation of the plans set out by the Management Board.

In the opinion of the Supervisory Board, the general standing of the Company assessed by reference to

- the company’s production potential and

- the Company’s market position

does not pose any threats to further development of the Company in the coming years.

2. Assessment of the internal control, risk management and compliance systems and
the internal audit function

Preparation of financial data for the Company's reporting purposes is a mostly automated process and based on the Company's own software. Preparation of source data is subject to operational and acceptance procedures, which determine the scope of competences of individual employees.

All entries made to the proprietary software of the Company are subject to control and reconciliation with the entries in the documents.

Financial data and descriptive data for the needs of the Company's financial statements are prepared by the Company's Financial Department. Persons preparing financial statements mainly use the entries in the Company's proprietary software.

Persons responsible for the preparation of individual elements of the financial statement confirm the compliance of the data with the facts and their recognition in the books of account.

The prepared financial statement is formally approved by the Company's Chief Accountant. The financial statement approved by the Chief Accountant is accepted by the Management Board of the Company. The company constantly monitors the legal, tax, economic and operational risks, etc. The Supervisory Board states that the Company has an organized system of internal control, which consists, among other things, in cooperation with skilled persons who perform control of individual departments.

In addition, the Management Board of the Company personally engages at certain stages of internal regulations in the proper functioning of the entire control system and monitors its operation on an ongoing basis.

In the field of financial reporting, one of the key elements of the control executed over the process of preparation and correctness of published financial statements is their verification by an independent external auditor. The semi-annual financial statement is subject to review while the annual financial statement to the audit performed by the
statutory auditor. The auditor has a positive recommendation from the Company’s Supervisory Board to audit the financial statements.

Despite indicated in the Management Board’s report non-compliance by the Company with the detailed principles set forth in Best Practice for GPW Listed Companies, namely: IZ1.10., IZ1.16., IZ1.20., IZ2., II.Z.8., III.Z.1., III.Z.2., III.Z.3., III.Z.4., III.Z.5., IV.Z.2., VI.Z.7., VI.Z.8., VI.Z.9., VI.Z.11., VZ.6, the Supervisory Board considered the Company’s internal control, risk management and compliance systems as well as the internal audit function, to be correct and appropriate.

Report on Supervisory Board’s activities along with the assessment of the company’s compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and interim reports published by issuers of securities and an assessment of the rationality of the company’s policy referred to in recommendation I.R.2 set forth in Best Practice for GPW Listed Companies 2016 or information about the absence of such policy.

Introduction

In accordance with Par. 20.1 of the Company’s Articles of Association, the Supervisory Board performs permanent supervision over the Company in all areas of its operations. As set out in Par. 19.2 of the Company’s Articles of Association, the joint term of office of Members of the Supervisory Board is three years. The current term of office expires on 29 June 2021, however the mandate of a Member of the Supervisory Board shall expire on the day of the General Meeting approving the financial statement for the year 2020. The year 2018 was the first year of the Supervisory Board of current term of office. The above is consistent with Art. 369.4 read with Art. 386.2 of the Commercial Companies Code which stipulates that the last full financial year is the last financial year which began during the supervisory board’s member’s term of office (as confirmed by the Resolution of the Supreme Court dated 24 November 2016, III CZP 72/16).

Composition of the Supervisory Board in 2018

In the period from 1 January 2018 to 31 December 2018, the composition of the Supervisory Board was as follows:
1. Grzegorz Siewiera – Chairman of the Supervisory Board;
2. Krzysztof Wolski – Vice-Chairman of the Supervisory Board;
3. Andrzej Kurkowski - Member of the Supervisory Board;
4. Grzegorz Kwiatkowski - Member of the Supervisory Board;
5. Piotr Kardach - Member of the Supervisory Board.

During the Extraordinary General Meeting of Shareholders held on 31 January 2018, the composition of the Supervisory Board changed as follows:

1. Grzegorz Siewiera - Chairman of the Supervisory Board;
2. Krzysztof Wolski - Vice-Chairman of the Supervisory Board;
3. Andrzej Kurkowski - Member of the Supervisory Board;
4. Grzegorz Kwiatkowski - Member of the Supervisory Board;
5. Piotr Kraska - Member of the Supervisory Board.

During the Ordinary General Meeting of Shareholders held on 29 June 2018, the composition of the Supervisory Board changed as follows:

1. Grzegorz Siewiera - Chairman of the Supervisory Board;
2. Krzysztof Wolski - Vice-Chairman of the Supervisory Board;
3. Andrzej Kurkowski - Member of the Supervisory Board;
4. Piotr Kraska - Member of the Supervisory Board;
5. Maciej Węgierski - Member of the Supervisory Board.

During the Ordinary General Meeting, members of the Supervisory Board were appointed to the Supervisory Board of the new term of office. As at the day of the report hereof preparation, the composition of the Company's Supervisory Board was as follows:

1. Grzegorz Siewiera - Chairman of the Supervisory Board;
2. Krzysztof Wolski - Vice-Chairman of the Supervisory Board;
3. Andrzej Kurkowski - Member of the Supervisory Board;
4. Piotr Kraska - Member of the Supervisory Board;
5. Maciej Węgierski - Member of the Supervisory Board.
Information regarding activities of the Supervisory Board in 2018

In 2018, the Supervisory Board held four meetings during which the current activities of the Company's Management Board and the Company's ongoing financial activity were assessed. This was reflected in the minutes drawn up from the Board's meetings.

The Supervisory Board operates on the basis of the provisions of the Commercial Companies Code, the provisions of the Company's Articles of Association, as well as other applicable laws.

Members of the Supervisory Board performed their duties in person at the meetings of the Supervisory Board, which acted collectively. In accordance with the provisions of the Commercial Companies Code and the Company's Articles of Association, the Supervisory Board exercised permanent supervision over the activities of the Company, exercised control over the documents presented by the Management Board of the Company and carried out other tasks. Members of the Supervisory Board maintained regular contact with the Management Board of the Company.

By exercising direct supervision over the activities of the Company, the Supervisory Board instructed the Management Board to prepare analyzes and studies necessary to assess the risks and actions undertaken in order to adopt relevant resolutions.

At each meeting of the Supervisory Board in the financial year 2018, the Board was informed by the Management Board about the current situation and the financial results of the Group’s companies.

The Supervisory Board examined current problems related to the proper functioning of the Company and adopted resolutions on matters associated with Company's operations and on those arising from the provisions of the Commercial Companies Code and the Company's Articles of Association.

The analysis of above mentioned problems by the Supervisory Board was aimed at improving the management of the Company in order to maximize its financial results, increase its value and ensure long-term development.

The Supervisory Board positively assesses the cooperation with the Management Board of the Company. Documents for the meetings of the Supervisory Board were
prepared in a reliable and exhaustive manner. During the meetings of the Supervisory Board, numerous discussions were held with the Management Board of the Company in terms of current affairs and future development of the Company and the Group. Information provided by the Management Board and other persons invited to the meetings was comprehensive and had a high substantive value.

Assessment of the company's compliance with disclosure obligations


The obligation of the Issuer to comply with Best Practice stems from Par. 29.2 of the WSE Rules. Below there is a description of the extent to which the Issuer derogates from the application of corporate governance rules and explanation of the reasons for this derogation:

Disclosure Policy, Investor Communications

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation

The principle is not applied.

The Company does not publish and has not published the financial projections in the last 5 years.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting

The principle is not applied.
The Company does not apply the principle regarding the transmission of the general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

I.Z.1.20. an audio or video recording of a general meeting
The principle is not applied.

The Company does not apply the principle regarding an audio or video recording of a general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

I.Z.2. A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.
The principle is not applied.

The shareholding structure and the nature and scope of business activities do not support the application of this principle. However, the Company ensures the availability of its website is available in English to the extent required under the Liquidity Support Program.

Management Board, Supervisory Board

II.Z.8. The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.

The principle is not applied.

The Chairman of the audit committee does not meet the independence criteria referred to in principle II.Z.4. The Chairman of the audit committee meets the independence criteria referred to in Art. 129.3 of the Act on Statutory Auditors.
Internal Systems and Functions

III.Z.1. The company’s management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit functions.

The principle is not applied.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.2 Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.

The principle is not applied.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.3 The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.

The principle is not applied.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.4 The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.
The principle is not applied.

The Company has not separated the internal audit functions due to the fact that it is not justified by the size or type of the Company’s activity.

III.Z.5 The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company’s management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not applied.

The principle is not applied by the Company in respect of the internal audit functions due to the size and type of the Company’s activity.

General Meeting, Shareholder Relations

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied.

The Company does not apply the principle regarding the transmission of the general meeting due to a low degree of shareholding dispersion and significant costs associated with applying this rule.

IV.Z.7. A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.
Company's comment regarding the manner of applying the above principle:
The principle is applied providing that the Shareholder justifies the request to order a break.

IV.Z.8. A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

Company's comment regarding the manner of applying the above principle:
This principle will be applied unless its application will not be detrimental to the Company.

IV.Z.9. Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

The principle is not applied.

This principle will be applied unless its application will not be detrimental to the Company.

IV.Z.11. Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.

Company's comment regarding the manner of applying the above principle:
The principle will be applied unless its application will not lead to difficulties related to the proper functioning of the Management Board and will not be detrimental to the Company.
Conflict of Interest, Related Party Transactions

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company’s internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The principle is not applied.

The Company does not apply this principle. The Company, however, does not prejudice the possibility of preparation of internal regulations providing among others for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest.

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The Supervisory Board positively assesses the manner in which the Company fulfills its disclosure obligations regarding the compliance with the corporate governance principles set out in the aforementioned provisions and does not identify any infringements in this regard.

Based on the documents published by the Company, information available and knowledge in terms of fulfilling disclosure requirements concerning compliance with corporate governance by the Company, the Supervisory Board did not identify any infringements in the preparation or timeliness of publication of the required information.

In the opinion of the Supervisory Board, the Company’s information policy is clear and transparent and presents the view of the most important events of the Company.
5. Self-assessment of the Supervisory Board

The Supervisory Board exercised permanent supervision over the Company’s operations in all areas of its activity, and held consultations with the Company’s Management Board concerning issues associated with strategic decisions for the Company. In terms of its activity, the Board has demonstrated conscientiousness, reliability and expertise. During the meetings, the members of the Board analyzed and discussed internally and with the Management Board the documents presented by the Company. The Board made comments and expressed opinions on the activities carried out by the Management Board.

The composition of the Supervisory Board met the requirements set out in the Best Practice for GPW Listed Companies with respect to the competences of members of the Supervisory Board. In addition, four out of five members of the Supervisory Board meet the independence criteria referred to in Annex II to European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.

In connection with the requirement to appoint an audit committee imposed on public companies by the new Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight which entered into force on 21 June 2017, the Supervisory Board selected an Audit Committee from among its members. Audit Committee is composed of four members: Piotr Kraska - the chairman of the Audit Committee, Krzysztof Wolski - a member of the Audit Committee, Maciej Węgierski - a member of the Audit Committee, Andrzej Kurkowsk - a member of the Audit Committee and Grzegorz Siewiera - a member of the Audit Committee.

Elected members of the Audit Committee meet the criteria specified in the Act. From the moment of appointment, the Audit Committee carries out its tasks and duties by means of regular internal meetings as well as meetings with the Auditor and members of the Management Board. During the meetings of the Supervisory Board, the Audit Committee provides the Supervisory Board with information obtained during its work. At the same time, the Audit Committee invites all members of the Supervisory Board
to its meetings.

The scope, method of operation and composition of the Supervisory Board were compliant with the Commercial Companies Code of and the Company's Articles of Association, particularly in terms of the number of Supervisory Board members as well as the frequency and subject matter of the meetings.

Bearing in mind the above, the Supervisory Board positively assesses its work in LSI Software S.A. in 2018 and the cooperation with the Management Board of the Company.