

Report on the activities of the Supervisory Board of XTPL S.A. for the financial year of 2020

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1. General Information

XTPL S.A. is a joint-stock company operating on the basis of the Polish law, in particular the Act of 15 September 2002 – Commercial Companies Code.

XTPL S.A. was established through a transformation of XTPL sp. z o.o., a limited liability company with its registered office in Wrocław, under Resolution No. 1 of the Extraordinary General Meeting of Shareholders of XTPL sp. z o.o. of 25 April 2016. The transformation was registered by the District Court for Wrocław Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, on 1 June 2016. XTPL S.A. was entered in the National Court Register under number KRS 0000619674, while XTPL sp. o.o. was entered under number KRS 0000565209.

The District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, is the appropriate registry court for XTPL S.A. This court maintains the registry files of XTPL S.A. and has received all documents of XTPL S.A. which by law need to be included in registry files.

2. Composition of the Supervisory Board

As at 31 December 2020 and as at the date of the report, the composition of the Supervisory Board of XTPL S.A. was follows:

- 1) Wiesław Rozłucki – Chairman of the Supervisory Board – meets the independence criteria
- 2) Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
- 3) Andrzej Domański – Deputy Chairman of the Supervisory Board – meets the independence criteria
- 4) Piotr Lembas – Supervisory Board Member – meets the independence criteria.
- 5) Beata Turlejska – Supervisory Board Member
- 6) Herbert Wirth – Supervisory Board Member – meets independence criteria

In the financial year of 2020, no changes took place in the composition of the Supervisory Board.

Following the resignation of Sebastian Młodziński submitted on 9 January 2020, the Extraordinary General Meeting of Shareholders of XTPL S.A. of 9 January 2020, appointed Herbert Wirth to the Supervisory Board by resolution No. 03/01/2020.

30 June 2020 saw the end of the term of office of the Supervisory Board. Konrad Pankiewicz did not apply to become a Supervisory Board member. On 30 June 2020, the Annual General Meeting appointed the following new Supervisory Board:

- 1) Wiesław Rozłucki – Supervisory Board Chairman
- 2) Bartosz Wojciechowski – Deputy Chairman of the Supervisory Board
- 3) Piotr Lembas – Supervisory Board Member
- 4) Beata Turlejska – Supervisory Board Member
- 5) Herbert Wirth – Supervisory Board Member

On 5 November 2020, the Extraordinary General Meeting appointed Andrzej Domański to the Supervisory Board, entrusting him with the function of the Deputy Chairman of the Supervisory Board.

3. Meetings of the Supervisory Board

In 2020, the Supervisory Board of XTPL S.A. held 11 meetings (some of which were held using means of direct remote communication):

- 1) On 5 February 2020, during which the following business was transacted:
 - i) Adopting a resolution on appointment of an Audit Committee Member.
 - ii) Presentation of an update on the commercialization process by the Management Board.

- 2) On 27 March 2020, during which the following business was transacted:
 - i) Discussing the current financial situation and progress in commercialization.
 - ii) Discussing plans for obtaining further funding.
 - iii) Assessing correctness of communication to shareholders (current and financial reports).
 - iv) Presenting information on the end of the term of office of the Management Board and Supervisory Board.
 - v) Presentation of information on changes in the legal environment (e.g. regarding the remuneration policy).
 - vi) Presenting information on the Whistleblowing procedure.
 - vii) Discussing the issue of reflecting in the 2019 annual report how the crisis related to the coronavirus pandemic affected the Company's operations.
 - viii) Adopting a resolution on the consent to grant a loan to the subsidiary XTPL Inc.
 - ix) Adopting a resolution on granting the CEO shares under the incentive scheme for 2019.

- 3) On 23 April 2020, during which the following business was transacted:
 - i) Adopting a resolution on evaluation and opinion on the standalone and standalone financial statements of XTPL S.A. for 2019 and the Management Board's report on the activities of XTPL S.A. for 2019 and on other statements.

- 4) On 21 May 2020, during which the following business was transacted:
 - i) Presenting the Audit Committee's report for 2019.
 - ii) Adopting a resolution regarding assessment of the standalone financial statements of XTPL S.A. for the financial year of 2019 and presenting a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
 - iii) Adopting a resolution regarding assessment of the consolidated financial statements of XTPL S.A. for the financial year of 2019 and presenting a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
 - iv) Adopting a resolution on assessment of the Management Board's report on the activities of XTPL S.A. for the financial year of 2019 and presenting a recommendation to the Annual General Shareholders Meeting of XTPL S.A.
 - v) Discussing the Management Board's proposal on the covering of the loss incurred in the financial year of 2019.
 - vi) Adopting a resolution on assessment of the Management Board's proposal on the covering of the loss incurred by XTPL S.A. in the financial year of 2019 and presenting a recommendation to the Annual General Meeting of Shareholders of XTPL S.A.
 - vii) Adopting resolutions on proposals to the Annual General Meeting of Shareholders of XTPL S.A. on granting discharge to the Members of the Management Board for performance of their duties.
 - viii) Adopting a resolution on the report on the activities of the Supervisory Board of XTPL S.A. for the financial year of 2019.
 - ix) Discussing a draft of the remuneration policy.

- 5) On 9 June 2020, during which the following business was transacted:

- i) Discussing the General Meeting of Shareholders held on 8 June 2020.
 - ii) Presenting the volume-weighted average price VWAP for XTPL shares over the recent month.
 - iii) Adopting a resolution on the issue price of the newly issued series T shares of XTPL S.A.
 - iv) Adopting a resolution on consent to the submission of an offer to subscribe for newly issued T series shares of XTPL S.A. and concluding an agreement with the Company's CEO for the subscription for series T shares.
- 6) On 25 June 2020, during which the following business was transacted:
- i) Discussing the acquisition of a related company.
 - ii) Discussing the composition of the Management Board of the future term of office.
- 7) On 30 June 2020, during which the following business was transacted:
- i) Discussing the Annual General Meeting of Shareholders held on 30 June 2020.
 - ii) Adopting a resolution on appointment of the Management Board for a new term of office.
 - iii) Adopting a resolution on remuneration for the Management Board Member.
- 8) On 25 September 2020, during which the following business was transacted:
- i) Discussing the commercialization process by the Management Board.
 - ii) Short discussion about half-yearly report for H2 2020.
 - iii) Adopting a resolution on appointing of Audit Committee members.
- 9) On 29 September 2020, during which the following business was transacted:
- i) Discussing the acquisition of shares in TPL sp.z o.o.
- 10) On 27 October 2020, during which the following business was transacted:
- i) Adopting a resolution on the consent to the acquisition of shares in TPL sp. z o.o. based in Wrocław.
- 11) On 25 November 2020, during which the following business was transacted:
- i) Discussing the quarterly report for Q3 2020 by the Management Board.
 - ii) Adopting a resolution on appointment of an Audit Committee Member.

4. Audit Committee

a) Key information about the Audit Committee

By Resolution No. 1/06/2018 of 5 June 2018 the Supervisory Board established an Audit Committee at the Company.

The brief of the Audit Committee is set out in the "Terms of Reference of the Audit Committee of XTPL S.A." adopted by the Supervisory Board by Resolution No. 5/06/2018 of 5 June 2018.

The Audit Committee consists of four members. As of 31 December 2020, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee
- Herbert Wirth – Audit Committee Member (since 5 February 2020)
- Piotr Lembas – Audit Committee Member.
- Andrzej Domański – Audit Committee Member (since 25 November 2020);

Sebastian Młodziński served as Supervisory Board Member until 9 January 2020. On that date he resigned from the Supervisory Board (and thus from the Audit Committee) of XTPL S.A.

On 5 February 2020, the Supervisory Board appointed Herbert Wirth as a member of the Audit Committee.

On 25 November 2020, the Supervisory Board appointed Andrzej Domański as a member of the Audit Committee.

As at the date of the report, the Audit Committee performed its duties in the following composition:

- Wiesław Rozłucki – Chairman of the Audit Committee
- Herbert Wirth – Audit Committee Member
- Piotr Lembas – Audit Committee Member
- Andrzej Domański – Audit Committee Member.

All current members of the Audit Committee meet the independence criteria specified in the Act on Statutory Auditors as at the date of the report. They also met the criteria as at 31 December 2020.

The Audit Committee member who has knowledge and skills relating to the Company's sector (within the meaning of the Act on Statutory Auditors) was Sebastian Młodziński (until 9 January 2020).

Sebastian Młodziński gained his knowledge and skills in the Company's sector in 2015–2017 when he was the President of the Company's Management Board.

As at 31 December 2020 and as at the date of the report, the Audit Committee member who has knowledge and skills relating to the Company's sector (within the meaning of the Act on Statutory Auditors) is Herbert Wirth. Herbert Wirth gained knowledge and skills in the Company's sector, i.e. knowledge of the materials technology industry (Master of Science, PhD, AGH University of Science and Technology in Kraków and current professor at the Wrocław University of Technology) and in the business administration industry (completed postgraduate studies in project management at George Washington University, School of Business and Public Management). Further to this, he has skills relating to the technology sector as well as international trade and management of global corporations (e.g. acquired while serving as the CEO of KGHM). In addition, he has experience in research and development – he held managerial functions at Cuprum sp. z o.o. (R&D Center) and served as Head of Development and Project Management at KGHM). In addition, Herbert Wirth has a number of certificates and qualifications related to quality management, including quality auditor No. 2 5 / DA/PC01-BLXV-6/2000, issued by the Polish Center for Testing and Certification (PCBC) and EOQ Quality Auditor certificate No. PCBC01A-313, issued by European Organization for Quality.

As at 31 December 2020 and as at the date of the report, the Audit Committee member who has knowledge and skills of accounting (within the meaning of the Act on Statutory Auditors) is Piotr Lembas. Piotr Lembas has a degree in Finance and Accounting, the Faculty of Management, Computer Science and Finance of the University of Economics in Wrocław; he also holds a master's degree in Master Studies in Finance – CFA affiliate program and a Chartered Financial Analyst (CFA) licence (no. 200403). In addition, for nearly two years (2013–2015), he worked with EY Corporate Finance as a senior consultant, and in 2015–2017 worked in the financial department of the Adiuvo Investments S.A. Group (a public company), where he supported the financial director in the preparation of financial statements for the purpose of fulfilment of the obligations of WSE listed entities.

Furthermore, As at 31 December 2020 and as at the date of the report, the Audit Committee member who has knowledge and skills of accounting is Andrzej Domański. Andrzej Domański has a university degree (MA in economics and a CFA certification). For many years, he held managerial positions (including on management boards), including as a Member of the Management Board of Eques Investment TFI, responsible for the Capital Markets Department, fund management, preparation of macroeconomic and stock market analyses.

b) Audit Committee's activity in the reporting period

In the reporting period, the Audit Committee performed primarily the tasks specified in Article 130(1) of the Act on Statutory Auditors. The Audit Committee carried out its tasks in particular based on the formally adopted Meetings Calendar and the general program for 2020.

In its day-to-day operations, the Audit Committee carried out assessment of risks relating to the processes and areas subject to its oversight. The recommendations and guidelines formulated by the Audit Committee were followed by the Company. In particular, the Committee pursued its activities as part of regular and working meetings during which the Committee analysed the documents, reports and studies presented to it, as well as consulted and determined activities with the Company's internal financial and legal services.

The Audit Committee actively participated in the work related to the audit of the financial statements for the financial year 2019, remaining in constant contact with the auditor, tracking the progress of the audit work and discussing the audit findings. The Audit Committee discussed the additional report prepared for the Audit Committee by the statutory auditor, focusing on the nature, frequency and scope of the auditor's contacts with the Audit Committee or an Audit Committee's representative. The discussion also related to the methodology used and the quantitative materiality level used to perform the statutory audit.

As part of the tasks related to monitoring the financial reporting process, the Audit Committee analyzed the financial statements of XTPL S.A. for the financial year 2019 in terms of substance and form. As a result, the Committee recommended to the Supervisory Board a positive assessment of the financial statements of XTPL S.A. for 2019 as being consistent with the books of account, evidence and facts.

The Audit Committee also got acquainted with the Management Board's information on the protection of the Company's know-how and intellectual property.

The Audit Committee analysed and assessed internal control system functioning in the Company. The Audit Committee recommended the Company's Management Board to create a separate internal control function in the Company in 2021, considering at least one of two models: a separate position (part-time role possible) or outsourcing.

In the financial year 2020, the Audit Committee held its first meeting on 27 March 2020, during which it transacted *inter alia* the following business:

- 1) Passed a resolution on adoption of the report on the activities of the XTPL Audit Committee for the period from 01/01/2019 to 31/12/2019.
- 2) Adopted a calendar of meetings and the overall work program of the Audit Committee for 2020.
- 3) Discussed the current status of the financial reporting process.

- 4) Learned about the method of implementing legal changes relating to related party transactions.
- 5) Obligated the Management Board to analyze human resources in the legal, financial and accounting departments.
- 6) Presented information on monitoring of the internal control system.
- 7) Discussed the proposed plan of activities of the internal audit function at the Company.
- 8) Discussed the monitoring of risk management processes and assessed effectiveness of risk management at the Company.

The next meeting of the Audit Committee took place on 23 April 2020, during which the following business was transacted:

- 1) Summarized cooperation to-date with the auditor in relation to the audit of financial statements.
- 2) Discussed the standalone and consolidated financial statements of XTPL S.A. for the financial year of 2019.
- 3) Discussed the Management Board's report on the activities of XTPL S.A. and discussed the work of the Management Board of XTPL S.A. in the financial year 2019.
- 4) Discussed the additional report presented to the Audit Committee.
- 5) Adopted a resolution on the "Information for the Supervisory Board of XTPL S.A. about audit results, and explaining how the audit has contributed to the reliability of financial reporting, and what role the Audit Committee has played in the audit process.
- 6) Adopted a resolution on presentation to the Supervisory Board of XTPL S.A. of a recommendation regarding assessment of the standalone and consolidated financial statements of XTPL S.A. for the financial year 2019.
- 7) Adopted a resolution on presentation to the Supervisory Board of XTPL S.A. of a recommendation regarding assessment of the Management Board's report on the activities of XTPL S.A. for 2019.

The next meeting of the Audit Committee took place on 25 September 2020, during which the following business was transacted:

- 1) The Management Board presented selected information relating to the financial statements for the first half of 2020 and the main points contained in the independent auditor's report on the review of the interim condensed consolidated and standalone financial statements.
- 2) The Audit Committee member discussed the conversation with the statutory auditor.
- 3) Discussed the H1 2020 report and points from review of the condensed consolidated and standalone financial statements.
- 4) The Management Board presented information on internal audit at the Company.

The fourth meeting of the Audit Committee took place on 25 November 2020, during which the following business was transacted:

- 1) The Management Board presented selected information on financial statements for the third quarter of 2020.
- 2) Discussed financial statements for the third quarter of 2020.
- 3) Discussed the monitoring of risk management processes.
- 4) Assessed the effectiveness of risk management at the Company.
- 5) Held a discussion on the monitoring, evaluation and guidance on internal control.
- 6) Held a discussion on the audit of intellectual property protection.

c) Assessment of the Audit Committee's work

The Audit Committee is of the opinion that all its members have demonstrated due care in the performance of their duties, using their knowledge and experience in the process. In the analyzed period, the Audit Committee fulfilled all the obligations arising from applicable laws and internal regulations.

5. Assessment of the position of XTPL S.A., taking into account assessment of the internal control, risk management and compliance systems and the internal audit function.

Having familiarized itself with the Company's development plans, the Supervisory Board assesses the Company's position as appropriate in the light of the current stage of development, noting that in 2021, the Company will face two major challenges that have a significant impact on implementation of its long-term business plans, namely: execution of next commercial contracts and securing stable financing.

In addition, the Supervisory Board believes that taking into account the current stage of development and size of the company, the Management Board has taken sufficient measures to ensure an appropriate level of security, including proper internal control.

In the area of risk management, the Supervisory Board assesses that the risks presented by the Management Board (alongside the methods of mitigating and preventing risks) constituted an appropriate approach at the current stage of the Company's development.

Taking into account the Company's internal regulations (including the information circulation policy, the policy on preventing conflicts of interest, the remuneration policy and whistleblowing rules. The Supervisory Board is of the opinion that in 2020 the Company had appropriate compliance and internal control systems in place. However, the Supervisory Board notes that as the Company's business will grow in size, the internal control systems will have to be upgraded and an internal audit unit will have to be established (outsourcing possible). The Supervisory Board issued appropriate recommendations to the Management Board in this regard.

In addition, the Supervisory Board notes that the Company has internal rules for the circulation of inside/sensitive information at XTPL S.A. The Supervisory Board has no objections regarding these rules.

Moreover, the Company has a remuneration policy for members of the management board and the supervisory board.

Furthermore, the Supervisory Board adopted rules for the prevention of conflicts of interest at XTPL S.A., and a procedure for assessing related party transactions.

In addition, the Supervisory Board became acquainted with the whistleblowing rules.

Due to the size of the Company, no separate internal audit unit was established in 2020. Internal audit tasks were divided and allocated to the persons involved in the process of documents circulation and approval. The Supervisory Board issued appropriate recommendations to the Management Board regarding the establishment of an internal audit unit.

Also, in 2020 the Company had a Legal Department and a Finance Department in place, which support internal control processes.

6. Assessment of performance by XTPL S.A. of the information obligations relating to the application of corporate governance principles and to current and financial reports

The Supervisory Board adopted the corporate governance principles described in the “Best Practice for GPW Listed Companies” (in the scope relating to the Supervisory Board).

In the financial year of 2020, XTPL S.A. was a public company listed on the regulated (parallel) market operated by the Warsaw Stock Exchange.

In the opinion of the Supervisory Board, in 2020 the Company complied with the rules set out in the Best Practice for GPW Listed Companies in the scope declared by the Company.

Further to this, XTPL S.A. provided current and financial information in the scope determined by relevant domestic laws (Finance Minister’s on current and financial reports).

The reports were issued through the ESPI system.

In the opinion of the Supervisory Board, in 2020 the Company complied with the legal provisions relating to current and financial information.

In addition, XTPL S.A. used the ESPI system to provide information specified in Article 70 of the Act on Public Offering, and other information (in particular that required under Article 17 and Article 19 MAR).

In the opinion of the Supervisory Board, in 2020 the Company complied with the Act on Public Offering and the MAR in relation to current and inside information.

The above assessment was based on current and financial reports published in the financial year of 2020 (including Q1, H1, Q3 2020 and 2019 reports).

7. Assessment of rationality of the sponsorship policy operated by the Company

Not applicable.

8. Current activities of the Supervisory Board

In 2020, the Supervisory Board of XTPL S.A. acted in accordance with the Articles of Association of XTPL S.A. and applicable laws – including, in particular, the Act of 15 September 2000 – Commercial Companies Code. When taking its decisions, the Supervisory Board was guided by the legitimate interest of XTPL S.A. and the interests of its shareholders. In 2020, members of the Supervisory Board were in constant contact with members of the Company’s Management Board, supervising and engaging in consultations on individual areas of the Company’s operations.

In 2020, the Supervisory Board of XTPL S.A. exercised constant supervision over XTPL S.A. in all areas of activity carried on by XTPL S.A. The activities described above included, inter alia, analysis and assessment of current financial results and the annual financial statements, analysis of information received from the Management Board regarding the activities of XTPL S.A. and meetings of the Supervisory Board and the Management Board to discuss the position of XTPL S.A. including implementation of information obligations imposed on XTPL S.A. as a public company in 2020.

9. Assessment of work of the Supervisory Board

In the opinion of the Supervisory Board of XTPL S.A., all its members have demonstrated due care in the performance of their duties, using their knowledge and experience in the process. The Supervisory Board of XTPL S.A. requests that discharge be granted to all its members for performance of their duties in 2020.

10. Result of assessment of the standalone financial statements of XTPL S.A. for 2020

The Supervisory Board of XTPL S.A. has established that the standalone financial statements for the financial year of 2020 meet the applicable legal requirements and does not raise reservations about their contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the standalone financial statements of XTPL S.A. for the financial year of 2020.

The Supervisory Board has established that the standalone financial statements:

- give a true and fair picture of the Company's assets and financial position as well as its financial result and cash flows, in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting policy;
- are in substance and form consistent with the laws applicable to the Company and the Company's Articles of Association;
- were duly prepared based on properly maintained books of account, in accordance with Chapter 2 of the Accounting Act of 29 September 1994.

11. Result of assessment of the consolidated financial statements of XTPL S.A. for 2020

The Supervisory Board of XTPL S.A. has established that the consolidated financial statements for the financial year of 2020 meet the applicable legal requirements and does not raise reservations about their contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the consolidated financial statements of XTPL S.A. for the financial year of 2020.

The Supervisory Board has established that the consolidated financial statements:

- give a true and fair picture of the Company's assets and financial position as well as its financial result and cash flows, in accordance with the applicable International Financial Reporting Standards approved by the European Union and the adopted accounting policy;
- are in substance and form consistent with the laws applicable to the Company and the Company's Articles of Association;
- were duly prepared based on properly maintained books of account, in accordance with Chapter 2 of the Accounting Act of 29 September 1994.

12. Result of assessment of the Management Board's report on XTPL S.A. and XTPL Group activities for 2020

The Supervisory Board of XTPL S.A. has established that the Management Board's report on XTPL S.A. and the XTPL Group activities for the financial year of 2020 meets the applicable legal requirements and does not raise reservations about its contents. The Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. approve the Management Board's report on XTPL S.A. and the XTPL Group activities for the financial year of 2020.

The Supervisory Board recommends to the Annual General Meeting of Shareholders of XTPL S.A. the grant of discharge to the Management Board Members of XTPL S.A. for performance of their duties in 2020.

13. Result of assessment of the Management Board's proposal regarding the covering of the loss for 2020

The Supervisory Board of XTPL S.A. has expressed its positive opinion about the proposal of the Management Board of XTPL S.A. to cover the net loss of XTPL S.A. for the financial year of 2020 in the amount of PLN 8,182 thousand (eight million one hundred and eighty-two) from the supplementary capital of XTPL S.A.

Considering the proposal as justified, the Supervisory Board recommends that the Annual General Meeting of Shareholders of XTPL S.A. adopt a resolution to cover the net loss of XTPL S.A. for the financial year from the supplementary capital of XTPL S.A.