

CD Projekt Spółka Akcyjna

A statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021

According to the current status of compliance with the Best Practice, the Company does not apply 17 detailed principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.11.5., 2.11.6., 3.1., 3.3., 3.4., 3.6., 3.7., 3.10., 4.8., 4.9.1.

1. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

- 1.1.** Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.
The principle is applied.
Comments of the Company: *The Company strives to provide investors with fair access to reliable information concerning its ongoing business activities, in the form of current and periodic reports, along with periodic communication activities targeting individual investors, brokerage analysts and investment fund managers. The Company's online presence is an important component of its policy of maintaining active communication with stakeholders. Materials published on the corporate website are available in two languages - Polish and English - to ensure convenient access to information for both domestic and foreign investors. The Company provides access to information i.a. through its corporate website, continual communication via e-mail and phone, social media profiles, tele- and videoconferences with representatives of domestic and foreign investment funds, journalists and market analysts, live chat sessions for individual analysts (accompanying periodic earnings reports) where matters such as the Group's financial performance and plans surrounding upcoming releases are discussed, as well as televised remarks by the CFO outlining the Group's earnings and major achievements in each reporting period. The Company website also enables interested parties to subscribe to its IR newsletter which provides regular updates on key business events related to the activity profile of the CD PROJEKT Group.*
- 1.2.** Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.
The principle is applied.
Comments of the Company: *The Company strives to publish its financial results, in the form of periodic reports as soon as practicable following the close of each reporting period, having obtained reliable information concerning licensing royalties receivable for the given reporting period. Should compelling reasons prevent the Company from following its regular reporting schedule, the Company shall strive to publish earnings estimates.*
- 1.3.** Companies integrate ESG factors in their business strategy, including in particular:
- 1.3.1.** environmental factors, including measures and risks relating to climate change and sustainable development;
The principle is not applied.
Comments of the Company: *The Company's business strategy does not directly address environmental aspects, including indicators and risks related to climate change and sustainable development. Nevertheless, the Company engages in investments which benefit the environment and mitigate the environmental impact of its activities. Member companies of the CD PROJEKT Group whose activities have the most significant impact on the natural environment carry out environmental audits. In parallel, acknowledging the growing focus of stakeholders on the mutual interrelations between the Company's and the CD PROJEKT Group's activities, and the natural environment, including climate change, the Management Board of the Company has taken steps to deploy an integrated environment management system at the CD PROJEKT Group, and to apply for environmental certification. This activity will subsequently be facilitated by appropriate internal policies specifying, among others, the Group's environmental goals. Reducing the Company's environmental footprint by pursuing environmentally-friendly initiatives is among the Company's priorities for the coming years insofar as non-financial activities are concerned.*
- 1.3.2.** social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is not applied.

Comments of the Company: The Company's business strategy partly covers social and employment-related factors. Tolerance and support for diversity are among the cornerstones of the Company's philosophy. All decisions related to collaboration, employment, promotions or performance evaluation are based on objective criteria, i.e. the relevant skills, qualifications and results achieved by the employee. The Company's business strategy foresees a transformation which includes, among others, changes in team management policies, emphasizing the need to ensure a safe and comfortable work environment and provide team members with personal and career development opportunities. The Company's business strategy also envisions a change in the way the Company communicates with end users of its products - i.e. the gaming community. Active management of social issues, particularly as relates to team members, is among the Company's priorities for the coming years insofar as non-financial activities are concerned.

- 1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The principle is not applied.

Comments of the Company: The Company has not adopted formal solutions in the framework of its ESG strategy. Nevertheless, the Company acknowledges the importance of environmental issues, including the mutual interrelations between its activities and the climate; social issues related to the need to provide equivalent remuneration for men and women; as well as corporate governance. All these factors are accounted for in the Company's daily business activities. Since 2019 the Company has been publishing selected non-financial ESG indicators by including the corresponding disclosures in its Management Board reports on the CD PROJEKT Group's activities for the given financial year. In parallel, acknowledging the growing importance of non-financial aspects for CD PROJEKT stakeholders, the Company has taken steps to prepare itself and the CD PROJEKT Group for full disclosure of non-financial information. In this context, the Company aims, among others, to carry out surveys among key stakeholder groups concerning the expected ESG indicators which should be included in non-financial reports published by the CD PROJEKT Group.

- 1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is not applied.

Comments of the Company: The Company has not adopted formal solutions in the framework of its ESG strategy. Nevertheless, the Company acknowledges the importance of environmental issues, including the mutual interrelations between its activities and the climate; social issues related to the need to provide equivalent remuneration for men and women; as well as corporate governance. All these factors are accounted for in the Company's daily business activities. Since 2019 the Company has been publishing selected non-financial ESG indicators by including the corresponding disclosures in its Management Board reports on the CD PROJEKT Group's activities for the given financial year. In parallel, acknowledging the growing importance of non-financial aspects for CD PROJEKT stakeholders, the Company has taken steps to prepare itself and the CD PROJEKT Group for full disclosure of non-financial information. In this context, the Company aims, among others, to carry out surveys among key stakeholder groups concerning the expected ESG indicators which should be included in non-financial reports published by the CD PROJEKT Group.

- 1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

The principle is not applied.

Comments of the Company: The Company has not adopted formal solutions in the framework of its ESG strategy. Nevertheless, the Company acknowledges the importance of environmental issues, including the mutual interrelations between its activities and the climate; social issues related to the need to provide equivalent remuneration for men and women; as well as corporate governance. All these factors are accounted for in the Company's daily business activities. Since 2019 the Company has been publishing selected non-financial ESG indicators by including the corresponding disclosures in its Management Board reports on the CD PROJEKT Group's activities for the given financial year. In parallel, acknowledging the growing importance of non-financial aspects for CD PROJEKT stakeholders, the Company has taken steps to prepare itself and the CD PROJEKT Group for full disclosure of non-financial information. In this context, the Company aims, among others, to carry out surveys among key stakeholder groups concerning the expected ESG indicators which should be included in non-financial reports published by the CD PROJEKT Group.

- 1.5. Companies disclose at least on an annual basis the amounts expended by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

The principle is applied.

Comments of the Company: The Company takes part in selected non-profit activities. Such goals and activities are endorsed by the Company in the framework of grassroots initiatives, acknowledging current needs and the alignment of the given activity with the Company's corporate culture and internal regulations. The Management Board report on CD PROJEKT Group activities provides information of charities which have received financial support from the Company, including the amount contributed by the Company to each such charity.

- 1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

The principle is applied.

Comments of the Company: As part of its active communication with shareholders, market analysts, trade experts and media representatives, the Company - in association with its quarterly, semiannual and annual earnings releases - organizes tele- and videoconferences and live chat sessions where members of the Management Board answer questions concerning the financial results of the Company's Group, its adopted strategy and plans related to the Company's upcoming releases.

- 1.7. If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.

The principle is applied.

Comments of the Company: *The Company makes every effort to ensure that IR-related information published on its website and in social media remains clear to investors. In parallel, the Company engages in direct dialogue with investors at meetings, conferences and videocalls, and strives to reply to questions submitted by e-mail and phone, while at the same time protecting its trade secrets and observing the applicable legal regulations.*

2. MANAGEMENT BOARD, SUPERVISORY BOARD

To ensure top standards of the responsibilities and effective performance of the management board and the supervisory board of a company, only persons with the adequate competences, skills and experience are appointed to the management board and the supervisory board.

Management Board members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

Supervisory board members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the company.

The supervisory board functions in the spirit of debate and analyses the position of the company in the context of the sector and the market on the basis of information provided by the management board of the company and via the company's internal systems and functions and obtained from external sources, using the output of its committees. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

- 2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

Comments of the Company: *The Company has not adopted formal diversity regulations related to the Management Board and the Supervisory Board in the spirit of the above principle; however, the Management Board has adopted a resolution instituting a formal Diversity Policy in the framework of the Company. According to this policy, with regard to members of the Management Board, the Supervisory Board and all other team members, including key managers, diversity based on non-discrimination principles is maintained. Appointments to the Company's managerial bodies and to other top positions are based on suitable professional qualifications, experience, knowledge and education. In the Company's opinion, other factors, including gender, are not relevant in this scope. Diversity is among the Company's long-term goals, enshrined in its organizational culture. Statistical indicators of diversity with regard to gender and age are provided in annual Management Board reports. The Management Board of the Company consists solely of men, while the Supervisory Board includes one woman who is also the Chairwoman of the Supervisory Board.*

- 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

Comments of the Company: *In line with existing practices at the Company, appointment of Management Board and Supervisory Board members has been based on factors which include professional experience, knowledge and education. Compliance with the presented policy depends on the diversity of available candidates and the outcome of votes held by the Supervisory Board or the General Meeting. As of the submission date of this declaration, the Company cannot guarantee that members of the Supervisory Board or shareholders taking part in future General Meetings will cast their votes in such a way as to adopt resolutions consistent with the above policy.*

- 2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

Comments of the Company: *Members of the Company's Supervisory Board submit declarations of independence, including the lack of any actual and material relations with any shareholder who holds at least 5% of the total vote in the Company, as mandated by Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), as well as Art. 129 section 13 of the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision. According to the submitted declarations,*

three members of the Company's Supervisory Board meet independence criteria as expressed in the above policy.

- 2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.
The principle is applied.
Comments of the Company: According to the Company's internal regulations, the Supervisory Board votes on resolutions in open ballots. A secret ballot may be instituted upon request of a Supervisory Board member, as well as in specific matters listed in the Commercial Companies Code. As for the Management Board, it holds open ballots as a rule, unless the chairperson calls a secret ballot upon request of at least one Management Board member. Thus far, both the Supervisory Board and the Management Board of the Company have consistently voted in open ballots.
- 2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.
The principle is applied.
Comments of the Company: Both with regard to members of the Supervisory Board and the Management Board, those who vote against a resolution have the right to have their dissent recorded in the minutes. Information on dissents filed by individual members of the Supervisory Board is included in annual Supervisory Board reports upon request of the dissenting Supervisory Board member.
- 2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.
The principle is applied.
Comments of the Company: Members of the Management Board of the Company act in a manner which ensures appropriate discharge of their duties. Involvement in the Company's Management Board represents the main area of professional activity of each Board member.
- 2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.
The principle is applied.
Comments of the Company: The Company has not adopted formal regulations regarding involvement of its Management Board members in corporate bodies of entities not belonging to the Company's Group, or mandatory Supervisory Board approval thereof, in the spirit of the above principle. Nevertheless, according to the Management Board Regulations in force at the Company, no member of the Management Board may engage in competition with the Company or belong to a competing company, whether as a partner in a civil law partnership, a member of any organ of a limited company, or a member of any competing legal entity, except as explicitly approved by the Supervisory Board. This restriction also applies to Management Board members who hold at least 10% of shares or stock of a competing company, or are empowered to appoint at least one member of the management board of a competing company.
- 2.8. Supervisory board members should be able to devote the time necessary to perform their duties.
The principle is applied.
Comments of the Company: Members of the Supervisory Board devote sufficient time to performance of their duties to ensure that these duties are properly discharged, subject to current circumstances and requirements. In discharging its duties the Supervisory Board may avail itself of remote communication tools, and adopt resolutions by circulation, facilitating efficient ongoing supervision of Company matters.
- 2.9. The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.
The principle is applied.
Comments of the Company: Chairmanship of the Audit Committee is a distinct position, held by an independent member of the Supervisory Board who possesses the necessary qualifications and is not also the Chairperson of the Supervisory Board.
- 2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.
The principle is applied.
Comments of the Company: The Company strives to provide the Supervisory Board with appropriate administrative, technical and organizational resources. To this end, the Company has enabled the Supervisory Board to make use of Company offices and equipment insofar as is necessary for the Supervisory Board to perform its duties, and provides the necessary financial resources in cases where the Supervisory Board decides to seek external expertise in order to render an impartial assessment.
- 2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:
- 2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;
The principle is applied.
Comments of the Company: The Supervisory Board prepares an annual report on its activities during the given financial year and submits it to the General Meeting. The report describes the composition of the Supervisory Board and its committees, indicating which members of the Supervisory Board meet independence criteria, which the Company assumes to include the lack of actual and material relations with any shareholder who holds at least 5% of the total vote in the Company.
- 2.11.2. summary of the activity of the supervisory board and its committees;
The principle is applied.
Comments of the Company: The Supervisory Board report details the work of the Supervisory Board throughout the reporting period, including tasks assigned to the Audit Committee.
- 2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal

control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;

The principle is applied.

Comments of the Company: *The Supervisory Board performs an assessment of the condition of the Company, including its internal control systems, risk management, compliance and internal audit, based on materials and information provided by the Management Board.*

- 2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;

The principle is applied.

Comments of the Company: *The Supervisory Board performs an assessment of the discharge of disclosure obligations concerning corporate governance practices, including key risks applicable to the CD PROJEKT Group, based on analysis of financial statements published by the Company and the Group for the preceding financial year, as well as additional materials and information provided by the Management Board.*

- 2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

The principle is not applied.

Comments of the Company: *Thus far, the Supervisory Board has not performed an assessment of the expenses referred to in principle 1.5. The Company declares that in the future these expenses will be subject to Supervisory Board assessment.*

- 2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

The principle is not applied.

Comments of the Company: *The Company has not adopted formal diversity regulations related to the Management Board and the Supervisory Board in the spirit of principle 2.1; hence, reports submitted by the Supervisory Board do not contain information regarding the degree to which the diversity policy is implemented with respect to members of the Management Board and the Supervisory Board, including in the context of their goals.*

3. INTERNAL SYSTEMS AND FUNCTIONS

Efficient internal systems and functions are an indispensable tool of exercising supervision over a company.

The systems cover the company and all areas of activity of its group which have a significant impact on the position of the company.

- 3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.

The principle is not applied.

Comments of the Company: *Internal control processes at the Company are implemented in the framework of its existing organizational structure, including in the course of activities carried out by the finance and accounting departments, and involve, among others, bookkeeping based on internal systems deployed at the Company; analysis and validation of the generated results, including in the context of internal projections and expectations; ongoing monitoring of expenditures and contracts concluded by the Company, as well as assessment of the economic viability of anticipated projects. Certain internal control processes are carried out by legal departments, and – where development of videogames is concerned – by the Studio's development team. The Company has not instituted a formalized risk management and compliance management system. Risks are identified on an ongoing basis, through analysis of external and internal factors which may cause irregularities in the Company's operating activities. Identification and monitoring of such risks is the responsibility of the Management Board, together with other top managers and designated specialists in each activity segment of the Company. Significant risks affecting the Company's operations are described in annual Management Board reports. Legal and tax departments continuously monitor the activities of the CD PROJEKT Group in the scope of regulatory compliance, by tracking changes in the legal environment in which the Group operates and discharging formal and fiscal obligations incumbent upon the Company. The Company's organizational framework also encompasses a range of formal procedures which aim to ensure systematic control of key managerial and organizational processes within each department. No distinct organizational unit charged with performing internal audits has been established at the Company; however, the Company is in the process of reviewing its existing practices in the scope of the presented principle, and intends to introduce suitable changes in relation to certain internal systems.*

- 3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.

The principle is applied.

Comments of the Company: *Maintaining the internal control system is the responsibility of the Management Board of the Company, managerial staff and other employees whose tasks involve accounting, financial and operational supervision. Responsibility for appropriate preparation of financial statements rests with the head accountant and the Company Vice President. Identification and monitoring of risks is the responsibility of top managers and specialists responsible for coordinating*

processes in each of the Group's activity segment. Oversight of legal compliance is the responsibility of organizational units which deal with ownership supervision, i.e. legal and tax teams, charged with monitoring changes in the Group's legal environment and discharging formal obligations incumbent upon the Company. Given the specific nature of the Company's business activities, no internal audit team has been established as a distinct organizational unit.

- 3.3.** Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.
The principle is not applied.
Comments of the Company: Given the scale and specific nature of the Company's activities, no internal audit function has been disaggregated within the Company's organizational structure. In the future, the Supervisory Board intends to perform an assessment of whether it might be advisable to establish an organizational unit for this purpose.
- 3.4.** The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.
The principle is not applied.
Comments of the Company: Remuneration of persons responsible for risk and compliance management, and oversight of internal audit, is fixed and based on existing market practices. An incentive scheme is also in force at the Company, enabling all employees to partake in the Company's earnings through annual bonuses (subjects to the relevant internal terms and conditions).
- 3.5.** Persons responsible for risk and compliance management report directly to the president or other member of the management board.
The principle is applied.
Comments of the Company: Key persons responsible for risk and compliance management report directly to selected members of the Company Management Board.
- 3.6.** The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.
The principle is not applied.
Comments of the Company: Given the scale and specific nature of the Company's activities, internal audit has not been disaggregated in the Company's structure as a distinct organizational unit.
- 3.7.** Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.
The principle is not applied.
Comments of the Company: A simplified organizational structure is in place at the Company's subsidiaries, adapted to the size of each such entity. Within this structure, internal audit, risk management and compliance have not been disaggregated as distinct organizational units.
- 3.8.** The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.
The principle is applied.
Comments of the Company: The Management Board submits to the Supervisory Board its annual assessment of the efficiency of internal systems, including internal control, risk and compliance management, and internal audit. This assessment is provided in the form of a report.
- 3.9.** The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.
The principle is applied.
Comments of the Company: The Supervisory Board performs an annual assessment of the efficiency of internal systems and functions by issuing an activity report for each financial year, together with an overview of work performed by the Supervisory Board and a concise assessment of the Company's condition, including the performance of its internal control and significant risk management systems. This report is submitted to the General Meeting.
- 3.10.** Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.
The principle is not applied.
Comments of the Company: Given the lack of a distinct internal audit unit, the Company has not subjected its internal audit function to a review by an independent auditor.

4. GENERAL MEETING, SHAREHOLDER RELATIONS

The management board and the supervisory board of listed companies should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting, either in person or through a proxy.

The general meeting should proceed by respecting the rights of all shareholders and ensuring that passed resolutions do not infringe on legitimate interests of different groups of shareholders.

Shareholders who participate in a general meeting exercise their rights in accordance with the rules of good conduct. Participants of a general meeting should come prepared to the general meeting.

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is applied.

Comments of the Company: The Company provides its shareholders with the ability to participate in General Meetings remotely and exercise their voting rights using electronic communication tools. Moreover, the Company publishes Guides to General Meetings of Shareholders, which include a description of formal requirements associated with participation in and exercise of voting rights at each General Meeting, draft resolutions covered by the meeting agenda, as well as Management Board recommendations related to voting on selected resolutions. General Meeting materials, including video recordings thereof, are available on the Company's corporate website.

4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

The principle is applied.

Comments of the Company: When convening a General Meeting the Company strives to select a suitable date and venue so as to enable the greatest possible number of shareholders to participate, and remain in compliance with best practices in this regard. To this end, the Management Board organizes General Meeting at the Company's headquarters, permitting shareholders to participate personally or through a proxy. Furthermore, shareholders may participate in General Meeting using electronic communication tools. Information concerning the convocation of a General Meeting, including its date, venue, and commencement time, is provided on the Company's corporate website ahead of time in order to enable shareholders to plan their participation. The Company declares that should a General Meeting be canceled, rescheduled or adjourned, the corresponding changes in schedule will in no way serve to hinder the shareholders' right to participate in the General Meeting.

4.3. Companies provide a public real-life broadcast of the general meeting.

The principle is applied.

Comments of the Company: The Company provides webcasts of its General Meetings on its corporate website using a live data streaming platform.

4.4. Presence of representatives of the media is allowed at general meetings.

The principle is applied.

Comments of the Company: The Company admits media representatives who express interest in participating in its General Meetings. Each request for participation in General Meetings filed by a media representative is approved.

4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 - 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

The principle is applied.

Comments of the Company: Given that exercise of rights afforded by Art. 399 § 2 - 4 as well as Art. 400 § 3 of the Commercial Companies Code requires Management Board cooperation, the Company declares that should the Management Board receive information of a General Meeting be convened pursuant to Art. 399 § 2 - 4 as well as Art. 400 § 3 of the Commercial Companies Code, it will move without delay to facilitate the organization of such a General Meeting.

4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.

The principle is applied.

Comments of the Company: The Company publishes justification for the proposed resolutions on its corporate website. Should a shareholder demand that a specific matter be put on the General Meeting agenda, the Management Board declares that it will ask the shareholder to provide a corresponding justification for the proposed resolution.

4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.

The principle is applied.

Comments of the Company: The Supervisory Board issues opinions on all draft resolutions in matters covered by the General Meeting agenda as adopted by the Management Board in the form of a resolution and submitted - together with any other relevant documentation - to the General Meeting.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

The principle is not applied.

Comments of the Company: With regard to submission of draft resolutions to the General Meeting in matters put on the meeting agenda, the Company applies the provisions of Art. 401 § 5 of the Commercial Companies Code, whereby any shareholder may, during the course of the General Meeting, submit draft resolutions in matters put on the meeting agenda. The presented policy does not apply directly to the Company, and its observance is dependent on difficult-to-predict shareholder actions regarding the intent to submit draft resolutions to the General Meeting in a manner consistent with this policy. Nevertheless, the Company declares that it will undertake suitable action at the earliest available opportunity, and will

appropriately communicate to its shareholder the intent to apply the presented policy.

- 4.9.** If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:
- 4.9.1.** candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;
The principle is not applied.
Comments of the Company: This policy does not apply to the Company directly; its observance is dependent on shareholders' actions related to proposed appointments to the Supervisory Board - which are outside of the Company's control. The Company will undertake the required actions and communicate to shareholders its intent to apply the presented policy. According to the Company Articles, the General Meeting elects Supervisory Board members for a new term of office. Information regarding candidates for members of the Supervisory Board, along with their resumes, is published by the Company on its corporate website in advance. In parallel, the Company publicly discloses the candidates' intent to seek election to the Supervisory Board. This is done in the form of a current report.
- 4.9.2.** candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.
The principle is applied.
Comments of the Company: Each member of the Supervisory Board submits a declaration concerning fulfilment of the requirements applicable to members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, along with any actual and material relations with any shareholder who holds at least 5% of the total vote in the Company.
- 4.10.** Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.
The principle is applied.
Comments of the Company: The Company acknowledges that shareholders' ability to exercise their rights is a crucial component of ownership, and takes action to ensure that its communication with shareholders serves to safeguard proper exercise of their rights. Thus far, the Company has not encountered a situation where exercise of shareholders' rights would obstruct the operations of Company's governing bodies; however, the Company declares that should such a situation materialize, it will provide the appropriate information to stakeholders.
- 4.11.** Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.
The principle is applied.
Comments of the Company: Members of the Company's Management Board and Supervisory Board participate in General Meetings regardless of the manner in which such meetings are convened, insofar as is necessary to address shareholders' questions. In particular, General Meetings are attended by the President of the Board, the Vice President and CFO, and the Chairperson of the Supervisory Board. During the General Meeting, all questions raised by shareholders and addressed to Company representatives are duly replied to by members of the Company's governing bodies. Discussion of earnings, implementation of plans and significant events occurring in the past year, as well as the contents of reports and statements submitted to the General Meeting for approval, is dependent on specific motions submitted by General Meeting participants.
- 4.12.** Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.
The principle is applied.
Comments of the Company: The Company has not submitted to the General Meeting a resolution concerning issue of shares with subscription rights; however, it declares that should such shares be issued, the corresponding General Meeting resolution will specify their issue price or the mechanism of setting the price, and that furthermore the Company shall apply the presented policy in the future.
- 4.13.** Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:
- a)** the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
 - b)** the persons granted the pre-emptive right are to be selected according to objective general criteria;
 - c)** the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.
- The principle is applied.
Comments of the Company: In the Company's to-date activities, resolutions concerning issue of shares with exclusion of subscription rights have been adopted in the framework of the Company's incentive programs. The resulting issue of shares with exclusion of subscription rights and pre-emptive rights assigned to selected shareholders, adopted by way of General Meeting resolutions, was, in the Company's opinion, in the best interest of the Company and consistent with the provisions of its incentive programs. The goals of the incentive program in force at the Company were regarded as aligned with the interests and assumptions made by shareholders, and their primary objective was to facilitate long-term growth of the value of the Company. In the Company's opinion, the issue price of shares issued with exclusion of subscription rights did not constitute a violation of rights held by existing shareholders of the Company who did not participate in the take-up of such shares.

- 4.14.** Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:
- a)** the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
 - b)** the company reports uncovered losses from previous years and the earnings are used to reduce such losses;
 - c)** the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
 - d)** the company generates insufficient cash flows to pay out dividends;
 - e)** a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
 - f)** retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

The principle is applied.

Comments of the Company: *Given the specific nature of its activities, the Company has not adopted a fixed dividend policy. Each decision regarding allocation of earnings for the given financial year is preceded by analysis of the Company's financial resources, along with publishing and investment plans. Prior to the General Meeting date, the Management Board publicly discloses, in the form of a current report, its recommendations concerning the allocation of earnings for the given financial year, which it submits to the General Meeting, along with a suitable justification, subject to a review by the Supervisory Board. The final decision regarding the allocation of profit and payment of a dividend rests with the Ordinary General Meeting of the Company.*

5. CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

For the purpose of this section, 'related party' is defined within the meaning of the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies and their groups should have in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify and disclose such cases and the course of action in the event that they occur.

Members of the management board and members of the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

- 5.1.** Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.

The principle is applied.

Comments of the Company: *According to the Management Board Regulations, Management Board members should notify the Supervisory Board whenever a conflict of interest has arisen or may arise in conjunction with the discharge of their duties. In addition, each member of the Supervisory Board should notify the board of circumstances when the adoption or non-adoption of a specific resolution would trigger a conflict of interest related to that person's membership of the Supervisory Board, and to recuse themselves from further discussions and voting on the resolution. Thus far, the Company has not encountered circumstances where a conflict of interest would arise with respect to a Management Board or Supervisory Board member; nevertheless, the Company commits to applying due diligence in implementing this policy in the future.*

- 5.2.** Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.

The principle is applied.

Comments of the Company: *According to the Management Board Regulations and the Supervisory Board Regulations in force at the company, members of the Management Board and of the Supervisory Board are entitled to file dissenting opinions, which are then recorded in the corresponding minutes. Thus far, the Company has not encountered circumstances where a member of the Management Board or the Supervisory Board would determine that a given Management Board or Supervisory Board decision contradicts the Company's interest; however, the Company declares that should such a situation arise, the corresponding dissent will be duly recorded in the minutes.*

- 5.3.** No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.

The principle is applied.

Comments of the Company: *Company regulations which govern related party transactions aim to ensure that Company interest is appropriately safeguarded, and that full transparency is maintained with regard to such transactions. Consequently, the Company declares that all significant transactions with related parties are aligned with the interest of the Company or its Group, and carried out in accordance with the adopted Regulations.*

- 5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.
The principle is applied.
Comments of the Company: *To-date activities related to buy-back of Company shares were carried out in a such a way as to respect the rights of shareholders, and did not assign undue privilege to specific shareholders. The Management Board of the Company adopts resolutions specifying the conditions and means of buying back shares, whereas the permission to carry out such buy-back is issued by the General Meeting. Information regarding share buy-back programs is published on the Company's corporate website and disclosed in the form of current reports.*
- 5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.
The principle is applied.
Comments of the Company: *Prior to concluding any significant transaction with a related party, the Management Board of the Company applies to the Supervisory Board for permission to carry out the given transaction. Having received information from the Management Board, the Supervisory Board then votes on a resolution concerning approval of the transaction, acknowledging the condition of the related party as well as protection of legitimate interests of the Company and shareholders who are not affiliated with the Company, including minority shareholders. In justifiable cases, the Supervisory Board may seek external advice in this regard.*
- 5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.
The principle is applied.
Comments of the Company: *In line with the statement concerning principle 5.5, significant transactions concluded by the Company with related parties must be approved by the Supervisory Board and may, in justifiable cases, be subject to assessment by an external entity. In cases where the given transaction requires General Meeting approval under the applicable law, the Company commits to applying this policy.*
- 5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.
The principle is applied.
Comments of the Company: *In line with the statement concerning principles 5.5 and 5.6, significant transactions concluded by the Company with related parties must be approved by the Supervisory Board and may, in justifiable cases, be subject to assessment by an external entity. In cases where decisions regarding the conclusion of a significant transaction with a related party require General Meeting approval under the applicable law, the Company commits to applying this policy.*

6. REMUNERATION

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and non-discriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

- 6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
The principle is applied.
Comments of the Company: *Remuneration offered by the Company in the framework of its comprehensive remuneration and incentive schemes regarding members of the Supervisory Board and the Management Board, as well as other top managers, is sufficient to attract, retain and incentivize individuals who possess the necessary skills for proper management and supervision of the Company. The level of such remuneration is also adequate to the tasks and responsibilities delegated to individuals and their resulting accountability. In line with the applicable laws, the Company has adopted a formal Remuneration Policy for members of its Management Board and Supervisory Board.*
- 6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.
The principle is applied.
Comments of the Company: *In adopting incentive schemes, the Company aims to create optimal conditions for an increase in the Company's and its Group's earnings, and promoting long-term growth of Company value, by forging long-term bonds between individuals eligible for participation in the incentive program and the Group itself, as well as with its goals. Vesting of the incentive program is contingent upon meeting a market goal, defined as a specific change in the price of Company stock on the Warsaw Stock Exchange against the backdrop of the corresponding changes in the WIG index, as well as earnings goals, defined as the total consolidated net earnings defined for periods ranging from 3 to 6 years.*
- 6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock

option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

The principle is applied.

Comments of the Company: *The Company's incentive program, which vests through assignment of stock options, is based on ambitious goals - declared upfront - which require a manyfold increase in the Group's consolidated net profit compared to preceding years, as well as above-average increase in the Company's stock price, outperforming the market. Exercise of entitlements granted under the incentive program is also conditioned upon meeting a loyalty criterion, along with - potentially - additional criteria determined by the Management Board, or by the Supervisory Board where Management Board members are concerned. The program is based on goals defined for 4-, 5- and 6-year periods. Should the Company post exceptionally strong earnings, the incentive program may vest earlier, but not before 3 years have elapsed. As a rule, the program envisions exercise of entitlements through take-up of shares at a price equivalent to their corresponding market price on the date on which entitlements were originally assigned. Alternatively, the program also includes the option to extend to entitled parties an offer to purchase fewer shares than their corresponding quantity of entitlements, with the purchase price adjusted in such a way as to ensure that the take-up of fewer shares at nominal value would produce an equivalent economic effect.*

- 6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is applied.

Comments of the Company: *Members of the Supervisory Board receive remuneration in association with discharging their duties as members of the Supervisory Board and, additionally, in association with their involvement in the Audit Committee. Remuneration of Supervisory Board members is fixed and paid in cash. Members of the Supervisory Board do not receive any remuneration contingent upon the number of meetings held, or on additional criteria such as the level of earnings posted by the Company.*

- 6.5. The level of remuneration of supervisory board members should not depend on the company's short-term results.

The principle is applied.

Comments of the Company: *Members of the Supervisory Board are eligible to receive fixed monthly remuneration strictly on the basis of, and in amounts specified in, the relevant General Meeting resolution. Their total remuneration is commensurate with their assigned areas of responsibility and duties, and proportional to the length of their tenure. Members of the Supervisory Board do not receive any remuneration dependent on the level of earnings posted by the Company.*