



**REPORT OF  
THE SUPERVISORY BOARD  
OF THE WARSAW STOCK EXCHANGE  
FOR 2020**

Warsaw, May 2021

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## I. INTRODUCTION

*Dear Sir or Madam,*

We present this report of the Supervisory Board of the Warsaw Stock Exchange ("Exchange Supervisory Board", "Supervisory Board") for 2020 and the reports of the Committees of the Supervisory Board.

This report of the Exchange Supervisory Board fulfils the obligations of the supervisory body under:

- ◆ the Commercial Companies Code;
- ◆ the Best Practice for GPW Listed Companies 2016;
- ◆ the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority.

The report of the Supervisory Board on the assessment of:

- ◆ the Report of the Management Board on the Activity of the Parent Entity and the Warsaw Stock Exchange Group in 2020;
- ◆ the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2020;
- ◆ the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2020

was published on 11 March 2021 together with the annual report of the Warsaw Stock Exchange for 2020.

On 18 May 2021, the Exchange Supervisory Board reviewed the motion of the Exchange Management Board concerning distribution of the Company's profit for the financial year 2020 and approved the report on the evaluation of the motion.

## II. REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD AS AN AUTHORITY OF THE COMPANY IN 2020

### 1) Term of office, composition of the Supervisory Board and changes to the composition of the Supervisory Board in 2020

The current joint three-year term of office of the Supervisory Board of the Warsaw Stock Exchange started on 23 June 2020.

The composition of the Exchange Supervisory Board in 2020 was as follows:

From 1 January 2020 to 22 June 2020

Full name	Function
Jakub Modrzejewski	Chairman, independent member of the Supervisory Board
Janusz Krawczyk	Deputy Chairman, independent member of the Supervisory Board
Piotr Prażmo	Secretary, independent member of the Supervisory Board
Bogusław Bartczak	Member, independent member of the Supervisory Board
Krzysztof Jajuga	Member, independent member of the Supervisory Board
Filip Paszke	Member, independent member of the Supervisory Board
Eugeniusz Szumiejko	Member, independent member of the Supervisory Board

From 23 June 2020 to 5 July 2020

Full name	Function
Dominik Kaczmarek	Member of the Supervisory Board
Jakub Modrzejewski	Member, independent member of the Supervisory Board
Michał Bałabanow	Member, independent member of the Supervisory Board
Janusz Krawczyk	Member, independent member of the Supervisory Board

Filip Paszke	Member, independent member of the Supervisory Board
Eugeniusz Szumiejko	Member, independent member of the Supervisory Board
Adam Szyszka	Member, independent member of the Supervisory Board

From 6 July 2020 to 31 December 2020

Full name	Function
Dominik Kaczmarek	Chairman of the Supervisory Board
Jakub Modrzejewski	Deputy Chairman, independent member of the Supervisory Board
Michał Bałabanow	Secretary, independent member of the Supervisory Board
Janusz Krawczyk	Member, independent member of the Supervisory Board
Filip Paszke	Member, independent member of the Supervisory Board
Adam Szyszka	Member, independent member of the Supervisory Board

According to § 14(1) of the Articles of Association of the Exchange, at least two members of the Exchange Supervisory Board should meet the independence criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules. According to presented declarations, five Members of the Exchange Supervisory Board meet the independence criteria set out in § 14(1) of the Exchange Articles of Association as at 31 December 2020.

The composition of the Exchange Supervisory Board changed in 2020 as follows:

On 22 June 2020, following the expiration of the term of office of the Exchange Supervisory Board, the Annual General Meeting of the Warsaw Stock Exchange elected the following members of the Exchange Supervisory Board for the next term of office starting on 23 June 2020: Michał Bałabanow, Dominik Kaczmarek, Janusz Krawczyk, Jakub Modrzejewski, Filip Paszke, Adam Szyszka, and Eugeniusz Szumiejko.

Michał Bałabanow is a Member of the Exchange Supervisory Board nominated according to § 13 of the Exchange Articles of Association by shareholders who are Exchange Members. Filip Paszke is a member of the Exchange Supervisory Board nominated by Minority Shareholders.

In connection with the election of the Exchange Supervisory Board for the next term of office, on 6 July 2020, the Exchange Supervisory Board elected Dominik Kaczmarek as Chairman of the Exchange Supervisory Board, Jakub Modrzejewski as Deputy Chairman of the Exchange Supervisory Board, and Michał Bałabanow as Secretary to the Exchange Supervisory Board. The Exchange Supervisory Board appointed members of the Committees of the Exchange Supervisory Board on the

same date. The Exchange Supervisory Board appointed a Member of the Exchange Supervisory Board responsible for reports of infringements affecting Members of the Exchange Management Board.

On 6 July 2020, the Exchange Supervisory Board was notified of the death of Member of the Exchange Supervisory Board Eugeniusz Szumiejko. As a result, the Exchange Supervisory Board was comprised of six members as of that date. The composition of the Exchange Supervisory Board met the criterion of minimum composition of the Supervisory Board of a public company laid down in Article 385(1) of the Commercial Companies Code and § 13(2) of the GPW Articles of Association, and the Exchange Supervisory Board was capable of taking all actions under the law and the Articles of Association.

## 2) Activity of the Supervisory Board in 2020

The activity of the Exchange Supervisory Board is based, among others, on the Commercial Companies Code, the Company's Articles of Association, the Rules of the Exchange Supervisory Board, as well as the Best Practice for GPW Listed Companies 2016 and the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority.

The Exchange Supervisory Board exercised supervision over the activity of the Exchange in accordance with its obligations and powers. The activity of the Exchange Supervisory Board in 2020 was documented in minutes of meetings.

In 2020, the Exchange Supervisory Board held nine meetings on the following dates:

- ◆ 28 January 2020
- ◆ 9 March 2020
- ◆ 27 April 2020 continued on 14 May 2020
- ◆ 17 June 2020
- ◆ 6 July 2020
- ◆ 2 September 2020
- ◆ 20 October 2020
- ◆ 26 November 2020
- ◆ 21 December 2020

The Supervisory Board took decisions at meetings, by way of resolutions adopted in the circular procedure, and in Committees of the Supervisory Board. In 2020, the Exchange Supervisory Board adopted 83 resolutions, including 17 resolutions adopted using means of direct remote communication.

## 3) Issues discussed by the Supervisory Board in 2020

The Exchange Supervisory Board discussed issues falling within the remit of the Exchange Supervisory Board and the approved work plan of the Supervisory Board for 2020, as well as additional issues relating to the current situation and activity of the Company. Similar to previous years, the Exchange Supervisory Board reviewed strategic issues as well as matters of supervision over on-going activities of the Company in 2020.

#### a) [Strategy](#)

The Exchange Supervisory Board regularly monitored the status of initiatives and strategic projects of the GPW Group under the Strategy #GPW2022, including the implementation of the project developing a proprietary trading system of the Exchange. The Exchange Supervisory Board monitored the status of the Exchange's non-organic growth initiatives.

The Exchange Supervisory Board analysed the current business position of the Exchange and monitored the markets operated by the Exchange, as well as potential further optimisation of the operating expenses of the GPW Group and its investment plans.

#### b) [ICT security including the trading system](#)

The Exchange Supervisory Board monitored the operation of the Exchange's IT systems including GPW's trading system in the context of ensuring the necessary performance, effectiveness and safety of trading. The Exchange Supervisory Board reviewed regular reports of the Management Board concerning IT and ICT environment security.

#### c) [Amendments to the Exchange Rules and other regulatory changes](#)

In 2020, the Exchange Supervisory Board approved amendments of the Exchange Rules including:

- ◆ provisions restricting the list of debt instruments subject to the admission and introduction procedure in the ATS and the regulated market operated by BondSpot to Treasury bonds issued by the State Treasury and centralising trading in corporate bonds on the regulated market and the ATS operated by GPW;
- ◆ harmonisation of the definition of ETF units under the Exchange Rules with Regulation (EU) 2016/1011 of the European Parliament and of the Council (BMR);
- ◆ alignment of the Rules (general part and regulations governing exchange fees) with the planned expansion of GPW's product offer and opening of trade on the regulated market in bank securities (issued under the Banking Law).

The Exchange Supervisory Board regularly monitored measures taken by the Management Board to align the Company with new regulatory requirements including the Act of 13 October 2019 on Anti-money Laundering and Combatting the Financing of Terrorism. The Exchange Supervisory Board analysed regular reviews of GPW's internal regulations.

The Exchange Supervisory Board approved and/or issued opinions on the following regulations:

- ◆ Rules of Participation in the General Meeting of the Warsaw Stock Exchange by Means of Electronic Communication;
- ◆ Rules of the General Meeting of the Warsaw Stock Exchange (as a part of opinions issued on matters tabled to the General Meeting);
- ◆ Procedure for Periodic Assessment of Significant Transactions with Related Parties,
- ◆ Audit Firm Selection Policy and Procedure,
- ◆ Rules of Proprietary Transactions and Financial Instrument Investments by Members of the Exchange Management Board,
- ◆ Rules of Proprietary Transactions and Financial Instrument Investments by Members of the



Exchange Supervisory Board,

- ◆ Procedure for Reporting Infringements;
- ◆ Warsaw Stock Exchange Internal Audit Rules;
- ◆ Warsaw Stock Exchange Sponsoring Rules.

The Exchange Supervisory Board approved the new wording of the Rules of the Exchange Supervisory Board, the Rules of the Audit Committee, the Rules of the Remuneration and Nomination Committee, the Rules of the Strategy Committee, the Rules of the Regulation and Corporate Governance Committee, and the Rules of the Exchange Management Board.

#### d) [Financial control, compliance, internal audit and risk management at GPW](#)

In June 2020, the Exchange Supervisory Board approved the Financial Plan of the Warsaw Stock Exchange Group for 2020. The Exchange Supervisory Board approved the Sponsoring Plan for 2020 as well as an increase of the donation budget for 2020 and special donations in support of institutions and bodies combatting the spread of the COVID-19 pandemic.

The Exchange Supervisory Board analysed the financial results of the Exchange and the GPW Group and regularly monitored the implementation of the financial plan in 2020 by the Company and the Group. The Exchange Supervisory Board analysed and discussed with the Management Board and the auditor provisions against a potential VAT payable in the subsidiary Izba Rozliczeniowa Gield Towarowych S.A.

The Exchange Supervisory Board reviewed the Separate Financial Statements of the Exchange for the year ended 31 December 2019, the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2019, the Report of the Management Board on the activity of the Warsaw Stock Exchange Group in 2019 containing the Report of the Management Board on the activity of the Warsaw Stock Exchange in 2019, against the books, documents, and facts. The Exchange Supervisory Board evaluated the motion of the Management Board concerning distribution of the profit for the financial year 2019 and approved the report of the Exchange Supervisory Board for 2019 including:

- ◆ a report on the activity of the Exchange Supervisory Board as an authority of the Company in 2019;
- ◆ assessment of the situation of the Company in 2019 including: assessment of the financial standing of the Company; assessment of the internal control system and the risk management system of the Company; assessment of the Company's compliance with disclosure requirements concerning compliance with the corporate governance principles defined in the Exchange Rules and regulations concerning current and periodic reports published by issuers of securities; assessment of compliance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority; assessment of the Company's sponsoring, charity and other similar activities; assessment of the functioning of the Company's remuneration policy;
- ◆ assessment of the financial standing of the GPW Group.

The Exchange Supervisory Board approved the Management Board Report on representation expenses, expenses for legal services, marketing services, public relations and social communication services, and management advisory services in 2019 and issued an opinion on the annual report on GPW's sponsoring activity in 2019.

In September 2020, the Exchange Supervisory Board appointed KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. as the auditor to audit and review separate and consolidated financial statements for 2021-2023.

The Exchange Supervisory Board carried out a periodic review of the internal audit, control and compliance system and the implementation status of audit recommendations. The Exchange Supervisory Board oversaw GPW's risk management system. In this regard, the Exchange Supervisory Board among others:

- ◆ approved the annual Report on the functioning of the Compliance and Risk Department in the period from 1 January to 31 December 2019 which summarised the activity of the Compliance and Risk Department in 2019 in connection with the management of the compliance, risk, business continuity and critical infrastructure system;
- ◆ reviewed the Self-assessment of compliance with Article 48 of Directive 2014/65/EU referred to in Article 2 of Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues;
- ◆ monitored the effectiveness of the internal control system of the Exchange, including financial reporting, including among others review and opinions on the extent of implementation of recommendations of internal auditors, external auditors and inspections of supervisory authorities and recommendations issued following the financial audit;
- ◆ approved the Warsaw Stock Exchange Internal Audit Rules;
- ◆ approved the annual internal audit plan;
- ◆ discussed a report on an external assessment of the Exchange's internal audit (under the IIA standards) and monitored the implementation of recommendations following the assessment;
- ◆ approved the Procedure for Reporting Infringements;
- ◆ reviewed reports from internal audits carried out by the Internal Audit Department;
- ◆ reviewed the Self-assessment of the effectiveness of the internal control system, risk management, compliance and internal audit function in the Warsaw Stock Exchange Group drafted by the Management Board on request of the Exchange Supervisory Board.

The Exchange Supervisory Board monitored risk management and business continuity measures taken in GPW.

e) [Compliance with the guidelines of the Best Practice for GPW Listed Companies 2016 and the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority](#)

Concerning compliance with the Best Practice for GPW Listed Companies 2016 and the Principles of Corporate Governance for Supervised Institutions, the Exchange Supervisory Board performed:

- ◆ assessment of the rationality of the policy conducted by the Company in 2019 with regard to sponsoring, charity and other similar activities;
- ◆ assessment of the functioning of the remuneration policy in the Company in 2019 and presentation of the assessment to the General Meeting;
- ◆ assessment of the Company's compliance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority in 2019;
- ◆ review of compliance of the Exchange and issuers listed on GPW in 2019 with the Best Practice for GPW Listed Companies 2016.

f) [Corporate matters concerning members of the GPW Management Board](#)

Following the resignation of Vice-President of the Management Board Jacek Fotek from his function as member of the Exchange Management Board effective as of 30 April 2020, the Exchange Supervisory Board decided on 9 March 2020 to open and carry out a selection procedure for the position of Member of the Exchange Management Board and CFO. The announcement of the procedure was published on the Company's website. The procedure was closed without an appointment.

The Exchange Supervisory Board made no other decisions in 2020 regarding changes to the composition of the Exchange Management Board, suspension of Members of the Exchange Management Board, or delegating Members of the Exchange Supervisory Board to perform functions of Members of the Exchange Management Board.

In 2020, the Exchange Supervisory Board discussed corporate matters relating to:

- ◆ settlement of discretionary bonuses for Members of the Management Board under the previous incentive scheme;
- ◆ assessment of the performance of management objectives by the Exchange Management Board in 2019 and the award of variable remuneration to the Members of the Exchange Management Board for 2019;
- ◆ approval for Members of the Exchange Management Board to sit on authorities of other entities;
- ◆ concluding an annex to the management contract with a Member of the Exchange Management Board on behalf of the Company;
- ◆ setting the maximum limit of variable remuneration for 2020 and the management objectives for the Exchange Management Board in 2020;
- ◆ approval of the 2021 trading budget for Members of the Exchange Management Board;
- ◆ approval of an organisational chart defining the internal division of responsibilities in the Exchange Management Board.

#### g) Other areas of work of the Exchange Supervisory Board

In addition to the foregoing, the Exchange Supervisory Board discussed current matters related with the functioning of the Exchange and the markets operated by the Exchange tabled, as required, by Members of the Exchange Supervisory Board and the Exchange Management Board including:

- ◆ monitoring and assessment of third-party advisory services commissioned by the Management Board, including public relations and social communication services, legal services, marketing services and management consulting services in the context of their business case and cost efficiency;
- ◆ review of the Management Board's reports on material actions and decisions in the GPW Group;
- ◆ approval of donation agreements and other similar agreements;
- ◆ issuance of opinions on draft resolutions of the General Meeting;
- ◆ issuance of opinions on draft Rules of the General Meeting;
- ◆ approval of the consolidated text of the Exchange's Articles of Association;
- ◆ appointment of a third-party advisor to the Exchange Supervisory Board;
- ◆ amendment of the Best Practice for GPW Listed Companies 2016.

The Exchange Supervisory Board discussed with the GPW Management Board the Company's position in relation to the pandemic. The Exchange Supervisory Board adopted decisions concerning special donations in support of institutions and bodies combatting the spread of the COVID-19 pandemic.

#### 4) Committees of the Supervisory Board

In addition to attending meetings of the Exchange Supervisory Board, Members of the Exchange Supervisory Board also worked in 2020 within four Committees appointed by the Exchange Supervisory Board:

- ◆ Audit Committee,
- ◆ Regulation and Corporate Governance Committee,
- ◆ Strategy Committee,
- ◆ Remuneration and Nomination Committee.

The composition of the Committees of the Exchange Supervisory Board as at 31 December 2020 was as follows:

<b>Audit Committee</b>	
Adam Szyszka	Chairman independent member of the Supervisory Board
Jakub Modrzejewski	Member Deputy Chairman of the Supervisory Board independent member of the Supervisory Board
Filip Paszke	Member independent member of the Supervisory Board
<b>Regulation and Corporate Governance Committee</b>	

	Chairman
Jakub Modrzejewski	Deputy Chairman of the Supervisory Board independent member of the Supervisory Board
	Member
Michał Bałabanow	Secretary to the Supervisory Board independent member of the Supervisory Board
	Member
Dominik Kaczmarski	Chairman of the Supervisory Board
<b>Strategy Committee</b>	
	Chairman
Filip Paszke	independent member of the Supervisory Board
	Member
Michał Bałabanow	Secretary to the Supervisory Board independent member of the Supervisory Board
	Member
Dominik Kaczmarski	Chairman of the Supervisory Board
	Member
Adam Szyszka	independent member of the Supervisory Board
<b>Remuneration and Nomination Committee</b>	
	Chairman
Janusz Krawczyk	independent member of the Supervisory Board
	Member
Dominik Kaczmarski	Chairman of the Supervisory Board
	Member
Jakub Modrzejewski	Deputy Chairman of the Supervisory Board independent member of the Supervisory Board
	Member
Filip Paszke	independent member of the Supervisory Board

The composition of the Audit Committee met the criteria defined in Article 129(3) of the Act on Auditors, Audit Firms and Public Supervision of 11 May 2017. According to submitted declarations, all members of the Audit Committee meet the independence criteria defined in § 14(1) of the Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A., i.e., the criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules. Two Members of the Audit Committee, Filip Paszke and Adam Szyszka, have declared that they have the knowledge and skills in accounting and financial audit or in the sector of the Exchange in view of their long-term practice on the financial market.

The detailed responsibilities and the rules of appointment and operation of the committees are laid down in the Articles of Association, the Rules of the Exchange Supervisory Board, and the Rules of the Committees. The reports on the activity of the Committees of the Exchange Supervisory Board for 2020 are attached hereto.

## 5) Compliance of Members of the Supervisory Board with the independence criteria

In accordance with II.Z.6 of the Best Practice for GPW Listed Companies 2016, the Supervisory Board of a public company ascertains the occurrence of any relations and circumstances which could affect the compliance of a member of the Supervisory Board with the independence criteria.

Considering the foregoing, the Supervisory Board reviewed the independence declarations submitted in 2020 by Members of the Exchange Supervisory Board and concluded that the Exchange Supervisory Board was not aware of any circumstances which could adversely affect the compliance of Michał Bałabanow, Janusz Krawczyk, Jakub Modrzejewski, Filip Paszke, and Adam Szyszka with the independence criteria as Members of the Exchange Supervisory Board.

## 6) Self-assessment of the Supervisory Board

In the opinion of the Exchange Supervisory Board, it performed its obligations in 2020 with due diligence, exercised continuous supervision over the activity of the Exchange, performed its functions with a view to appropriate and secure operation of the Exchange and used independent objective judgment. The Exchange Supervisory Board discussed at its meetings such issues raised by the Exchange Management Board which were relevant or necessary for the on-going efficient operation of the Company and its markets and for the pursuit of the strategic goals of the Company and its Group.

In the opinion of the Exchange Supervisory Board, the proceedings and the composition of the Exchange Supervisory Board in 2020 complied with the applicable law including the requirements for public companies, the Company's Articles of Association, the Company's internal regulations, the Best Practice for GPW Listed Companies 2016 and the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority.

Members of the Exchange Supervisory Board represented the necessary level of professional experience and preparation while the composition and competences of the Exchange Supervisory Board ensured comprehensive review and issuance of opinions on matters discussed by the Exchange Supervisory Board including issues and matters of operation of the Exchange as a company and as an important part of Poland's financial market infrastructure and market organiser.

The number and duration of meetings and access to resources were sufficient for the Exchange Supervisory Board to fulfil all of its obligations. All Members of the Exchange Supervisory Board actively participated in meetings of the Exchange Supervisory Board and its Committees and duly performed their responsibilities with engagement.

In the opinion of the Exchange Supervisory Board, it performed its duties properly in 2020 and supported the Exchange Management Board in the implementation of tasks and strategic goals in line with its competences under the legislation and the Articles of Association. In the opinion of the Exchange Supervisory Board, its activity can be considered to be effective and consistent with the best practice of corporate governance.

### **III. ASSESSMENT OF THE SITUATION OF THE WARSAW STOCK EXCHANGE IN 2020 INCLUDING:**

- 1) Assessment of the financial standing of GPW;
- 2) Assessment of the internal control system and the risk management system of GPW;
- 3) Assessment of GPW's compliance with disclosure requirements concerning compliance with the corporate governance principles defined in the Exchange Rules and regulations concerning current and periodic reports published by issuers of securities;
- 4) Assessment of compliance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority;
- 5) Assessment of GPW's sponsoring, charity and other similar activities;
- 6) Assessment of the functioning of GPW's remuneration policy.

## 1) Assessment of the financial standing of GPW

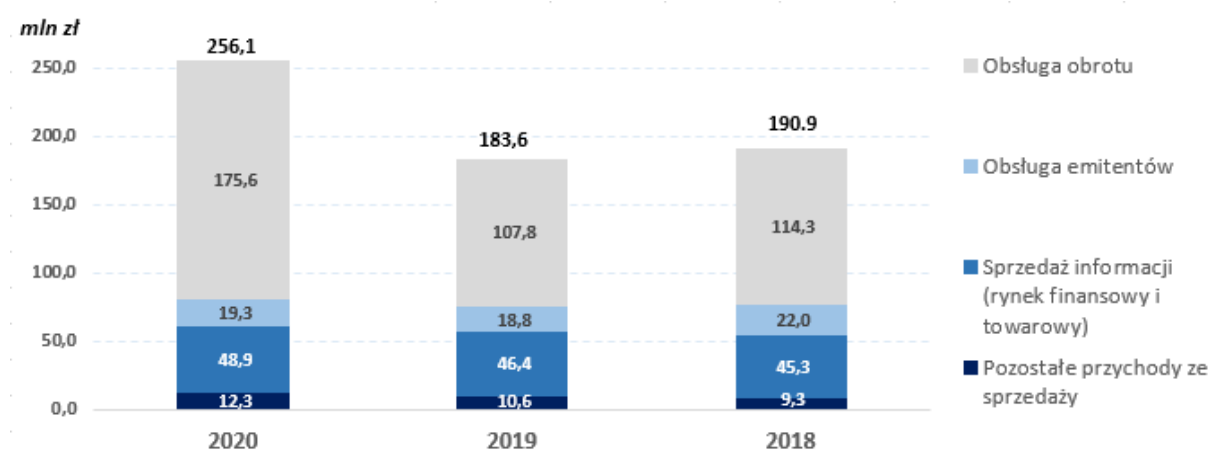
### Summary of separate results of GPW

GPW generated historically high separate net profit in 2020 at PLN 168.7 million (+PLN 53.6 million i.e. +46.5% YoY) due to spectacular increase of sales revenue from PLN 183.6 million in 2019 to PLN 256.1 million in 2020 (+PLN 72.5 million i.e. +39.5% YoY) driven by a unique market situation caused by the pandemic. EBITDA reached PLN 138.7 million (+PLN 53.8 million i.e. +63.3% YoY).

### Sales revenue

GPW's sales revenue in 2020 stood at PLN 256.1 million (+PLN 72.5 million i.e. +39.5% YoY).

Figure: Structure and value of separate sales revenue



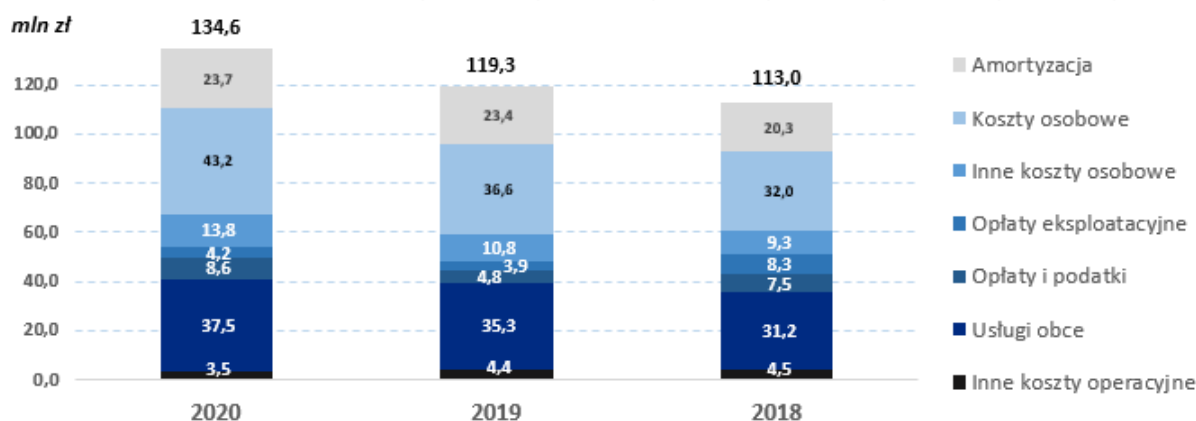
GPW's main revenue stream in 2020, similar to previous years, was the trading revenue on the financial market, which generated 68.5% of the total sales revenue and stood at PLN 175.6 million (+PLN 67.7 million i.e. +62.8% YoY). The trading revenue on the financial market increased owing to a strong growth of turnover in shares and derivatives on the GPW Main Market.

### Operating expenses

GPW's operating expenses in 2020 stood at PLN 134.6 million (+PLN 15.3 million i.e. +12.8% YoY). Employee costs and fees due to PFSA increased in particular.



Figure: Structure and value of separate operating expenses



**Depreciation charges** were stable year on year and stood at PLN 23.7 million (+PLN 0.3 million i.e. +1.2% YoY), including depreciation of plant, property and equipment at PLN 10.5 million, amortisation of intangible assets at PLN 10.3 million, and lease-related depreciation at PLN 3.0 million.

**Salaries and other employee costs** stood at PLN 57.0 million (+PLN 9.6 million i.e. +20.3% YoY). The headcount was 251 FTEs as at 31 December 2020 vs. 223 FTEs in 2019. The increase was required to secure human resources necessary in the implementation of the Strategy which provides for the Company's business expansion and dynamic growth in new business segments. Another driver was a provision set up against employee bonuses linked to the very good financial results.

**Maintenance fees** (presented as rent and other maintenance fees until the end of 2018 and the implementation of IFRS 16) stood at PLN 4.2 million (+PLN 0.3 million i.e. +8.7% YoY) and included mainly maintenance fees of Centrum Giełdowe.

**Fees and charges** stood at PLN 8.6 million (+PLN 3.8 million i.e. +78.5% YoY) including mainly the fee due to PFSA which is beyond the Company's Control. The capital market supervision fee in 2020 stood at PLN 7.4 million (+PLN 3.8 million i.e. +105.8% YoY).

**External service charges** stood at PLN 37.5 million (+PLN 2.3 million i.e. +6.4% YoY). An increase was mainly reported in IT costs (+PLN 1.8 million i.e. +12.4% YoY) and the cost of information services purchased from Group members (+PLN 1.4 million i.e. +25.6% YoY). As GPW distributes market information provided by other Group members, the cost of services purchased from GPW Benchmark, TGE and BondSpot impacts GPW's revenue from information services.

**Other operating expenses** stood at PLN 3.5 million (-PLN 1.0 million i.e. -21.7% YoY). The decrease was driven by a major reduction of the cost of business travel (-PLN 0.7 million i.e. -90.2% YoY) and conference participation (-PLN 0.2 million i.e. -71.8% YoY).

#### Other expenses

**Other expenses** increased to PLN 8.0 million (+PLN 4.7 million i.e. +141.9% YoY) due to a one-off event: discontinued investment in the Optiq system which was charged to other expenses.

### Financial income and expenses

**Financial income** stood at PLN 85.7 million (+PLN 9.5 million i.e. +12.4% YoY). The increase was driven by a higher dividend paid by related parties. GPW received PLN 80.8 million dividend in 2020 (+PLN 9.8 million i.e. +13.8% YoY) including PLN 75.1 million from TGE, PLN 5.2 million from KDPW, and PLN 0.5 million from Centrum Giełdowe.

**Financial expenses** stood at PLN 9.5 million (-PLN 1.4 million i.e. -12.6% YoY) due to one-off events: impairment of the investment in Polska Agencja Ratingowa (PAR) (PLN 0.6 million in 2020 vs. PLN 2.2 million in 2019), impairment of a loan granted to PAR (PLN 0.5 million), and impairment of shares acquired by the Company in a debt conversion (of a GPW client).

### Separate statement of financial position

The Company's **total assets** as at 31 December 2020 stood at PLN 870.6 million (+77.9 million i.e. +9.8% YoY). The increase was a direct result of GPW's strong financials in 2020, which boosted cash and cash equivalents as well as equity.

**Non-current assets** as at 31 December 2020 stood at PLN 431.1 million (-PLN 4.2 million i.e. -1.0% YoY), representing 55% of total assets (vs. 50% in 2019).

**Current assets** as at 31 December 2020 stood at PLN 439.5 million (+PLN 82.1 million i.e. +23.0% YoY) representing 45% of total assets (vs. 50% in 2019). The significant increase of non-current assets was driven by an increase of cash and cash equivalents to PLN 138.9 million (+PLN 90.9 million i.e. +189.5% YoY).

**Non-current liabilities** of the Company as at 31 December 2020 stood at PLN 274.0 million (-PLN 1.3 million i.e. -0.5% YoY) representing 31.5% of total equity and liabilities (vs. 34.7% in 2019).

**Current liabilities** of the Company as at 31 December 2020 stood at PLN 48.9 million (+PLN 11.3 million i.e. +29.9% YoY) representing 5.6% of total equity and liabilities (vs. 4.8% in 2019).

### Separate statement of cash flows

The Company generated positive **cash flows from operating activities** in 2020 at PLN 119.4 million (+PLN 52.6 million i.e. +78.6% YoY) due to a higher profit and a lower income tax paid.

The **cash flows from investing activities** were positive at PLN 75.4 million in 2020 (-PLN 29.1 million i.e. -27.8% YoY). They were driven mainly by the net balance of opened and terminated bank deposits (and other instruments measured at amortised cost) with maturities over three months. The net balance was positive in 2020 (+PLN 16.5 million).

The Company received PLN 80.8 million dividend from related parties in 2020 and invested PLN 1.3 million in a share capital increase of GPW Tech (PLN 0.7 million) and PAR (PLN 0.6 million), as well as PLN 0.5 million in a loan granted to PAR.

Cash flows related to investments in plant, property and equipment stood at PLN 10.7 million and investments in intangible assets at PLN 15.2 million.

The cash flows from **financing activities** were negative at PLN 104.4 million in 2020 (+PLN 40.7 million i.e. +28.0% YoY) due to a dividend paid to the shareholders at PLN 100.7 million. In addition

to equity, GPW is financed with bonds (interest paid PLN 7.3 million per year), leases (PLN 5.7 million fees in 2020), and grants received (net balance PLN 9.8 million including PLN 8.0 million in the New Trading Platform project, PLN 1.5 million in the GPW Data project, and PLN 0.3 million in the Private Market project).

#### Selected separate financial indicators

Table: Selected separate financial indicators

	Dane na dzień/ za rok zakończony 31 grudnia		
	2020 r.	2019 r.	2018 r.
<b>Wskaźniki zadłużenia oraz finansowania Spółki</b>			
Dług netto/ EBITDA	(0,9)	0,5	(0,1)
Wskaźnik zadłużenia kapitału własnego	47,9%	55,7%	49,4%
<b>Wskaźniki płynności</b>			
Wskaźnik bieżącej płynności finansowej	9,0	9,5	15,1
Wskaźnik pokrycia kosztów odsetek z tyt. emisji obligacji	20,0	11,7	13,1
<b>Wskaźniki rentowności</b>			
Rentowność EBITDA	54,2%	46,3%	49,9%
Rentowność operacyjna	44,9%	33,5%	39,3%
Rentowność netto	65,9%	62,7%	79,6%
Cost / income	52,6%	65,0%	59,2%
ROE	32,8%	23,5%	32,4%
ROA	20,3%	14,6%	19,9%

*Metodologia obliczania wskaźników znajduje się w słowniku na końcu rozdziału.*

Net debt was the lowest in three years and was negative because liquid assets were much greater than interest-bearing liabilities. Net debt decreased year on year owing to an increase of liquid assets while interest-bearing liabilities remained stable. Debt to equity decreased due to an increase of equity combined with stable interest-bearing liabilities.

Current liquidity decreased modestly year on year due to an increase of current assets combined with a lower growth rate of current liabilities. The coverage ratio of interest on bonds in issue increased strongly due to an increase of net profit by 46.5% year on year.

EBITDA, operating profit and net profit margins improved year on year thanks to a higher net profit.

The cost/income ratio decreased markedly year on year due to a lower growth rate of operating expenses than the sales revenue.

ROE and ROA improved year on year as a result of a bigger increase of net profit than equity or assets.

In summary, the Warsaw Stock Exchange was a profitable company in 2020, it reported relatively high profitability ratios, and its liquidity position in 2020 was safe.

## 2) Assessment of the internal control system and the risk management system of GPW

GPW has in place a risk management system, a compliance system, an internal control system, and an audit function, which all support the decision-making process and contribute to the efficiency, effectiveness and security of GPW's activity.

### a) Risk management system

GPW's risk management system is designed to ensure that all material risks inherent in GPW's activity are adequately measured, reported and controlled, and that they do not represent a threat to the Company's stability and business continuity.

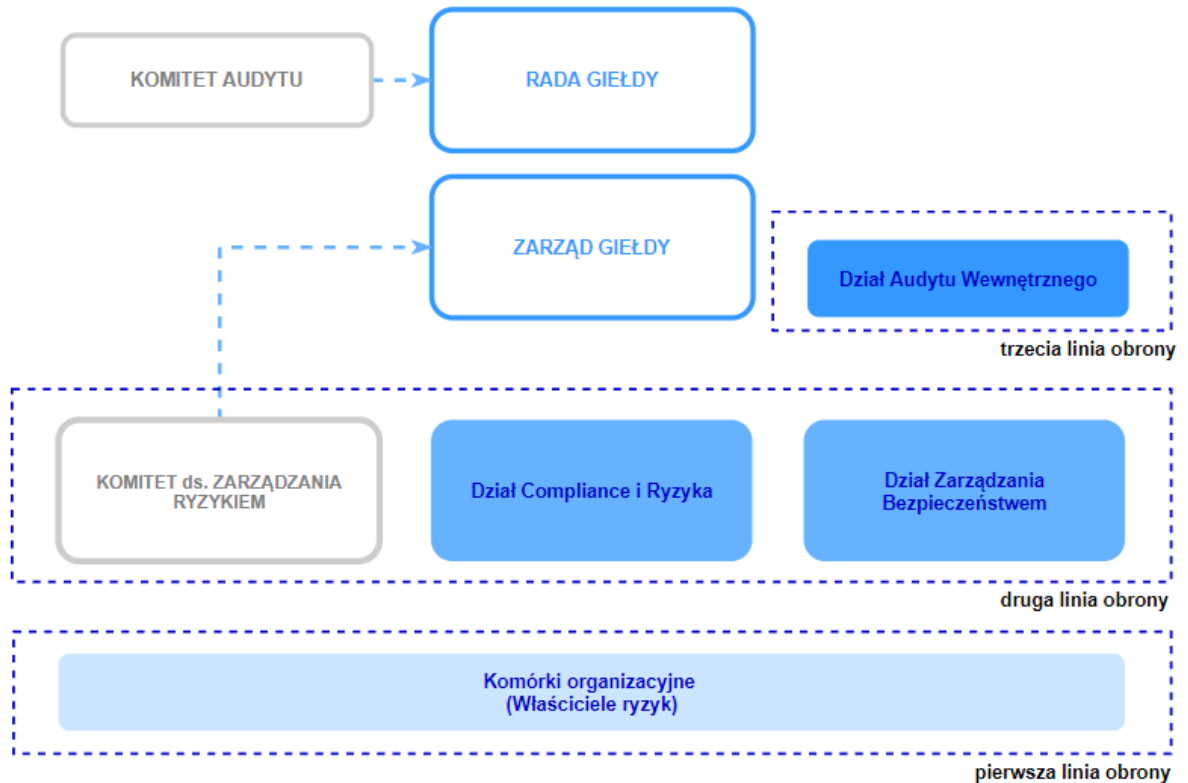
According to GPW's Risk Management Strategy, the Company's business is exposed to the following risks:

- ◆ financial risks:
  - credit risk,
  - liquidity risk,
  - market risk;
- ◆ non-financial risks:
  - business risk including:
    - strategic risk,
    - economic environment risk,
    - competition risk,
    - project risk;
  - operational risk,
  - compliance risk,
  - reputation risk.

Risk management roles and responsibilities in GPW are organised on the basis of three lines of defence:

- a. The first line of defence includes on-going risk management in GPW's business by organisational units which integrate risks within their areas of responsibility when making decisions within the limits of the risk appetite defined for GPW.
- b. The second line of defence provides GPW's risk management framework and ensures that the risk management processes executed by the first line of defence are properly designed and operate according to their purpose. The second line of defence is also responsible for monitoring of risk management by the first line of defence and for overseeing risk exposure. The function of the second line of defence which designs risk management system solutions is independent from the function of the first line of defence.
- c. The third line of defence is the Internal Audit Department which performs independent assessment of the risk management activity of the first and the second line of defence.

GPW's risk management organisation



- ◆ The Audit Department carries out independent audits of the risk management system. Its audits review the effectiveness of the existing risk management system and the adequacy and effectiveness of implemented controls.
- ◆ The Compliance and Risk Department uses information provided by risk owners to monitor and co-ordinate risk management activities, including in particular operational risk, according to GPW's framework.
- ◆ The Security Management Department is responsible for the management of ICT security and information security and co-ordinates the management of physical security in GPW.
- ◆ Risk owners are responsible for execution of the risk management process within the allocated area of responsibility

The risk management organisation includes the Exchange Supervisory Board supported by the Audit Committee and the Exchange Management Board supported by the Risk Management Committee.

The risk management process is continuously assessed and developed in order to align it with the changing conditions and GPW's business profile.

**b) Compliance management system**

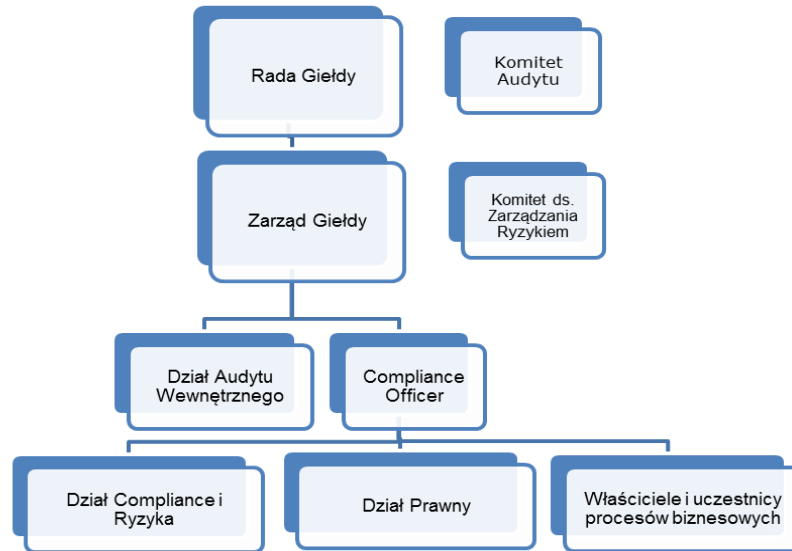
The objective of compliance management in GPW is to ensure compliance of GPW with laws, internal regulations and accepted standards, in particular:

- ◆ to prevent engagement of GPW in illegal activity;

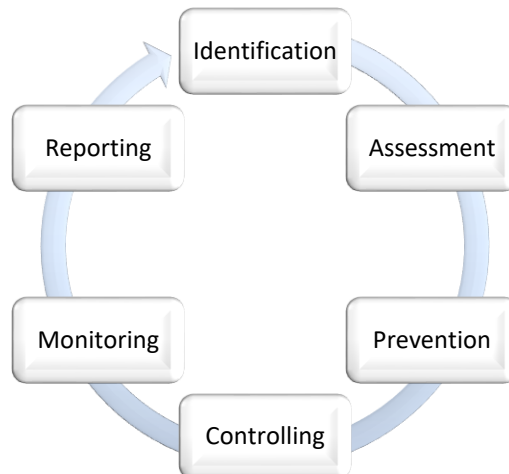
- ◆ to improve the quality of internal regulations by identifying gaps and non-compliances;
- ◆ to build employee awareness of compliance risk and its importance for the Exchange.

GPW's compliance management system is a set of processes, organisational solutions and documented rules necessary to ensure compliance of GPW with laws, regulations, accepted ethical standards and codes of conduct, and to manage compliance risk.

**GPW's compliance management structure**



Management of GPW's compliance with laws, regulations, accepted standards and codes of conduct includes the following elements:



The compliance management system includes adequate and effective solutions preventing conflicts of interest. GPW's conflict of interest management framework is designed to prevent, identify, monitor, and manage conflict of interests in order to ensure that the activities of GPW are fair, transparent and professional, and comply with the rules of fair business and corporate governance.

### c) [Internal control system](#)

GPW's internal control system is a set of solutions and measures (controls) executed in response to identified risks in order to ensure that tasks are executed in an effective and secure manner in compliance with regulations.

The internal control system comprises:

- ◆ institutional controls performed by the Internal Audit Department, responsible for systematic and structured, independent and objective assessment of risk management, control and corporate governance processes;
- ◆ functional controls performed as part of supervision over reporting organisational units by all employees in managerial positions;
- ◆ control actions performed by all employees as part of their duties;
- ◆ controls performed by the Compliance and Risk Department, responsible for evaluating the effectiveness and compliance of organisational units with laws and internal regulations.

### d) [Internal audit function](#)

The Internal Audit Department is the internal audit function. The Internal Audit Department performs its tasks by means of assurance audits (planned and ad-hoc) and advisory activities. Assurance audits include assessment of the adequacy and effectiveness of implemented control mechanisms, evaluation of compliance of operations with internal regulations, as well as evaluation of the effectiveness of the internal control system. Assurance audits are performed according to:

- ◆ an audit plan prepared on the basis of risk analysis and risk assessment, evaluated by the Audit Committee and approved by the Exchange Supervisory Board;
- ◆ orders issued by the Audit Committee, the Exchange Supervisory Board, the Exchange Management Board, the supervising Member of the GPW Management Board or the Director of the Internal Audit Department with the approval of the supervising Member of the GPW Management Board.

Advisory activities are performed in response to specific needs by way of participation in the work of committees and project groups, issuing opinions on draft internal regulations and organisational solutions, including mainly assessment of the adequacy of designed control mechanisms.

The activity of GPW's internal audit unit is supervised by the Audit Committee within the Exchange Supervisory Board. The Exchange Supervisory Board approves audit plans following the opinion of the Audit Committee and receives periodic reports on the performance of internal audit engagements as well as reports on the status of implementation of issued recommendations. In 2020, the Exchange Supervisory Board monitored the implementation of recommendations issued as a result of an external assessment of internal audit at the Exchange carried out to evaluate compliance of the internal audit activity with the IIA Standards.

As a result of the performance of tasks of the Internal Audit Department, the Exchange Management Board and the Exchange Supervisory Board receive reports on the effectiveness of GPW's internal

control system and the effectiveness of implemented corrective actions, as well as compliance of GPW's operations with internal regulations.

In 2020, the Exchange Supervisory Board monitored the effectiveness of the Exchange's internal control, compliance, risk management, and internal audit system. The Exchange Supervisory Board received an annual report on the internal audit activity and a report of the Compliance and Risk Department in connection with the management of the compliance, risk, business continuity and critical infrastructure system. The Exchange Supervisory Board received regular updates concerning those areas and discussed them at meetings, in the absence of Exchange Management Board Members, with persons responsible for those systems and for internal audit. The Management Board acting on request of the Exchange Supervisory Board drafted and presented to the Exchange Supervisory Board a self-assessment of the effectiveness of the internal control system, risk management, compliance and internal audit function in the Warsaw Stock Exchange Group.

In the opinion of the Exchange Supervisory Board, GPW's internal control system and risk management system function properly.



### 3) Assessment of the GPW's compliance with disclosure requirements concerning application of corporate governance rules defined in the Exchange Rules and regulations concerning current and periodic information submitted by the issuers of securities

On 4 January 2016, acting pursuant to detailed principle I.Z.1.13 of the Best Practice for GPW-Listed Companies ("Best Practice"), the Warsaw Stock Exchange published a report on GPW's compliance with the Best Practice for GPW-Listed Companies 2016: Report on the status of the Company's compliance with the recommendations and principles of the Best Practice for GPW-Listed Companies 2016. According to § 29(3) of the Exchange Rules, GPW also submitted the report in the EBI system. The report describes the status of GPW's compliance with the Best Practice, including GPW's non-compliance with detailed principle VI.Z.2., and provides comments on selected detailed principles and recommendations followed by GPW. The status of compliance with the principles has not changed since then. The report is available on the website [www.gpw.pl/lad-korporacyjny](http://www.gpw.pl/lad-korporacyjny).

On 11 March 2021, acting pursuant to § 70 and § 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent, GPW published its Separate Annual Report for 2020 and the Consolidated Annual Report of the GPW Group for 2020 including the Report of the Management Board on the activity of the Parent Entity and the Warsaw Stock Exchange Group in 2020 containing a Statement of compliance with corporate government principles which provides the information required under the aforementioned regulations. The reports contain an assessment of the Exchange Supervisory Board concerning the reports against the books, documents and facts, as well as a statement of the Exchange Supervisory Board concerning the functioning of the Audit Committee. The documents are available on the website [www.gpw.pl](http://www.gpw.pl).

The Internal Audit Department and the Compliance and Risk Department acting on request of the Exchange Supervisory Board carried out an assessment of the Exchange's compliance in 2020 with the disclosure requirements in compliance with the corporate governance principles, as defined in the Exchange Rules and regulations governing current and periodical information provided by issuers of securities. The assessment of compliance with those requirements was positive.

In the opinion of the Exchange Supervisory Board, the Company properly fulfilled in 2020 the disclosure requirements in compliance with the corporate governance principles, as defined in the Exchange Rules and regulations governing current and periodical information provided by issuers of securities.

In the opinion of the Exchange Supervisory Board, the explanations published by GPW concerning the scope of the Company's compliance with the corporate governance principles provide a transparent, precise and exhaustive presentation of how the Company functions for shareholders, investors and other interested parties.

#### 4) Assessment of compliance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority

GPW is subject to the Rules of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority (KNF) on 22 July 2014, which represent a set of principles governing external and internal relations of supervised institutions. The document is available on the website of the Polish Financial Supervision Authority ([www.knf.gov.pl](http://www.knf.gov.pl)) and on the corporate website of GPW together with a statement of the Supervisory Board and the Management Board of the Warsaw Stock Exchange of 16 December 2014 concerning compliance with the Rules of Corporate Governance for Supervised Institutions and a resolution of GPW's Ordinary General Meeting of 25 June 2015 adopting the Rules of Corporate Governance ([www.gpw.pl/lad\\_korporacyjny](http://www.gpw.pl/lad_korporacyjny)).

According to § 27 of the Rules of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority, the Exchange Supervisory Board reviewed compliance of the Warsaw Stock Exchange with the Rules in 2020. The Warsaw Stock Exchange complied with the Rules of Corporate Governance for Supervised Institutions in 2020 with the exception of:

- ◆ three rules waived (§ 10(2), § 12(1), § 28(4)) under the Resolution of the Annual General Meeting of 25 June 2015 approving the Corporate Governance Rules,
- ◆ seven rules which do not apply to GPW's activity, listed in Section 9 "Exercising rights to assets purchased at clients' risk" (§ 53 to § 57). GPW manages no assets of clients.

The statement of the Exchange Supervisory Board concerning assessment of compliance with the Rules was published on the corporate website of GPW ([www.gpw.pl/lad-korporacyjny](http://www.gpw.pl/lad-korporacyjny)).

#### 5) Assessment of GPW's sponsoring, charity and other similar activities

Pursuant to I.R.2 of the Best Practice for GPW-Listed Companies 2016, the policy of sponsoring and charity activities is defined in the Company's internal regulations. The terms and condition of the sponsoring policy are defined in the Warsaw Stock Exchange Sponsoring Policy Rules adopted on 12 February 2018 while the charity activities policy is defined in a Donation Procedure implemented on 26 April 2018. The Company's sponsoring expenses and donations followed the applicable procedures in 2020.

Sponsorship expenses stood at PLN 435.9 thousand gross in 2020, including mainly support for events dedicated to the capital market. Sponsorship covered the conference organised by the Chamber of Brokerage Houses (IDM) in Bukowina Tatrzańska under the motto "Development needs capital: The capital market for infrastructure and innovation". As a part of its sponsorship initiatives, GPW supported the 18<sup>th</sup> Local Government Capital and Finance Forum organised by Międzykomunalna Spółka Akcyjna "MUNICIPIUM", the biggest professional event for local governments in Poland which brings together local government managers and leaders of the biggest cities, districts and regions. GPW was also engaged in Euromoney Trading Limited publications. Following the cancellation of the Trading CEE event, GPW engaged in promotion activities targeting

institutional investors and participated in the publication of "Thought Leadership".

GPW was an Organising Partner of the WallStreet24 online conference hosted by the Association of Individual Investors (SII). Dedicated to individual investors, the event featured 46 lectures and debates and brought together nearly 11 thousand participants.

In partnership with the Association of Individual Investors (SII), GPW was a strategic partner of the National Individual Investor Survey 2020 and a Partner of an ebook on five principles of safe investment *5 zasad bezpiecznego inwestowania*.

GPW sponsored industry conferences including Wood's Winter Wonderland EME Conference 2020 hosted by Wood&Co, the Bulls & Bears Awards hosted annually by Gazeta Giełdy i Inwestorów Parkiet where leading companies, managers and institutions are awarded, and the Golden Portfolio event for top managers.

GPW partnered with and supported the historical show *1920. Wdzięczni Bohaterom* on the centenary of the Battle of Warsaw held at the PGE Narodowy national stadium on 15 August 2020. GPW sponsored the 16<sup>th</sup> edition of the National Press Photo Awards - Grand Press Photo 2020 hosted by the Press magazine and the Grand Press Foundation.

As a part of its efforts in education, promotion and information concerning the capital market, GPW worked with many organisations, associations, chambers of commerce, and institutions hosting events and conferences.

On 10-11 January 2020, the Exchange was the Strategic Partner of the Finance & Investment Forum hosted by the Association of Individual Investors (SII). The Finance & Investment Forum is an open free-of-charge event for beginners who want to invest their savings as well as seasoned active investors.

On 26 February, GPW hosted a meeting of representatives of the agricultural industry with KOWR and the Ministry of Agriculture to present the newly opened food and agricultural commodity market under the umbrella of the Food Platform project. The Food Platform offers solutions which open the capital market to the Polish agricultural industry. The Food Platform will boost further growth of Poland's food and agricultural industry and make it more competitive globally.

The Financial Education and Entrepreneurship Congress held at the Warsaw Copernicus Science Centre on 10 March 2020 brought together more than 250 representatives of public institutions, local governments, schools and universities, non-governmental organisations, the financial industry and the media.

GPW once again supported the Listed Company of the Year Ranking, one of the oldest and most prestigious rankings on the capital market hosted by Puls Biznesu. Every year, winners are named by 100 exchange analysts, investment advisors and managers who represent brokers, insurers, pension funds and investment funds. Listed companies get important feedback about how they are perceived by professional market participants.

GPW attaches special importance to promotion and education in the financial community as well as communication focused on the financial market. GPW in partnership with CFA Society Poland hosts expert events, including ESG Warsaw 2020, and educational events, including the CFA Ethics Challenge and the Research Challenge.

In 2020, the Exchange hosted and co-hosted many online events (conferences and webinars) including:

- ◆ New financial reporting requirements – a conference dedicated to new standards and a presentation of the market offer of software supporting the preparation of XBRL reports;
- ◆ Communication of public companies with the capital market: best market practice of investor relations;
- ◆ GPW Innovation Day – 4<sup>th</sup> edition, an investor event showcasing innovative public companies;
- ◆ Capital for growth - #IPO, a webinar dedicated to IPOs on the Warsaw Stock Exchange
- ◆ 19<sup>th</sup> edition of the Online School Exchange Game delivered in co-operation with the GPW Foundation;
- ◆ Training: Equity story or storytelling in practice, dedicated to issuers;
- ◆ Automation of compliance management systems – practical case studies: a conference dedicated to GPW Tech GRC, a presentation of the state-of-the-art Governance, Risk & Compliance tool for the management of the risk of non-compliance with regulations and internal procedures;
- ◆ Gaming on the Exchange – 5<sup>th</sup> edition, gamedev experts talk about the gaming industry;
- ◆ Webinar: Integrated report as a tool of integrated organisation management (in partnership with CSRinfo and SAPERE);
- ◆ GPW Innovation Day, 5<sup>th</sup> edition, an investor event showcasing innovative public companies;
- ◆ Łukasiewicz Debut – the first meeting of Łukasiewicz engineers and researchers with companies listed on GPW, promotion of listed companies – partners of the Łukasiewicz Research Network.

GPW was a partner of events hosted among others by Bank ING N.V.; MIT Sloan Management Review Polska; Chamber of Fund and Asset Managers IZFiA; Foundation for Financial Advisory Standards - EFPA Polska.

GPW's donations in 2020 stood at PLN 3,134.7 thousand. GPW donated PLN 1 million towards the fight with the COVID pandemic. The donation paid for SARS-CoV-2 testing equipment acquired by the District Sanitary Stations in Siedlce and Radom. GPW donated its profit from trading in Allegro shares on the first day of trading (12 October 2020) amounting to PLN 680 thousand. The donation went to 13 medical centres across Poland including the University Clinical Centre of the Medical University, the Ujastek Medical Centre in Kraków, the Children's Memorial Health Institute in Warsaw, SP ZOZ Słupca, the Regional Hospital in Poznań, and SP ZOZ Siedlce. The donation paid for nearly 3 thousand barrier tents and several photocatalytic air purifiers.

In 2020, GPW donated PLN 1,350.1 thousand for the statutory activity of the GPW Foundation. The donation paid for educational projects addressed to school and university students, teachers of economics, potential exchange investors, as well as the Foundation's current activities.

GPW donated PLN 100 thousand to the Warsaw School of Economics and PLN 1,274 to Caritas Polska. GPW donated PLN 1.5 million to the Polish National Foundation (recognised in the costs of 2016).

The Exchange Supervisory Board issues a positive opinion on the sponsoring and charity activities of GPW in 2020.

## 6) Assessment of the functioning of the remuneration policy in GPW

Pursuant to § 28 of the Rules of Corporate Governance for Supervised Institutions, the Warsaw Exchange as a supervised institution should have a transparent policy of remuneration of members of the management body and the supervisory body, as well as key personnel.

Pursuant to Article 90d(1) of the Act of 29 July 2005 on Public Offering, Conditions of Introduction of Financial Instruments to an Organised Trading System, and Public Companies, the Annual General Meeting of the Warsaw Stock Exchange in its Resolution No. 31 of 22 June 2020 approved the Remuneration Policy for Members of the Management Board and the Supervisory Board of the Warsaw Stock Exchange.

### a) Remuneration policy of the supervisory body

According to the Act of 9 June 2016 concerning the rules of determining remuneration of persons managing certain companies and Resolution No. 37 of the Annual General Meeting of 17 June 2019 concerning the rules of determining remuneration of Members of the Supervisory Board of the Warsaw Stock Exchange, the monthly remuneration of Members of the Supervisory Board is equal to 1.5 times the basis of calculation referred to in Article 1(3)(11) of the Act.

In addition:

- ◆ the monthly remuneration of the Chairman of the Exchange Supervisory Board is increased by 10%;
- ◆ the monthly remuneration of the Deputy Chairman of the Exchange Supervisory Board is increased by 9%;
- ◆ the monthly remuneration of the Secretary to the Exchange Supervisory Board is increased by 8%;
- ◆ the monthly remuneration of the Chairmen of the Committees of the Exchange Supervisory Board is increased by 9%.

The remuneration for more than one function is not additive.

Members of the Exchange Supervisory Board are eligible for reimbursement of expenses related to their functions on the Exchange Supervisory Board and the cost of training necessary for Members of the Exchange Supervisory Board to improve their qualifications as necessary to duly perform their functions, on terms defined in the training policy established by the Exchange in accordance with the ESMA Guidelines on the management body of market operators and data reporting services providers (ESMA70-154-271).

The rules of remuneration of Exchange Supervisory Board Members are public. The relevant Resolution of the General Meeting has been published in a current report and is available on the GPW corporate website. The total annual remuneration of each Exchange Supervisory Board Member is published annually in the Management Board's report on the activity of GPW in the financial year.

## b) Remuneration policy of the management body

According to the Articles of Association, the General Meeting defines the general terms of remuneration of the Members of the Exchange Management Board, and the Exchange Supervisory Board defines the terms of employment and remuneration of the Members of the Exchange Management Board according to a resolution of the General Meeting.

The rules of determining the terms of remuneration of Exchange Management Board Members were adopted in Resolution No. 3 of the Extraordinary General Meeting of 30 November 2016 concerning the rules of determining remuneration of Members of the Management Board of the Warsaw Stock Exchange. The terms of remuneration under the Resolution derived from Article 2 (1) of the Act of 9 June 2016 concerning the rules of determining the remuneration of managers of certain companies. The Resolution was amended by Resolution No. 42 of the Annual General Meeting of 19 June 2017. Both Resolutions (the Resolution of 30 November 2016 and the Resolution of 19 June 2017) were revoked in Resolution No. 36 of the Annual General Meeting of 17 June 2019 concerning the rules of determining remuneration of Members of the Management Board of the Warsaw Stock Exchange.

The remuneration system for the Exchange Management Board is comprised of a basic salary (fixed remuneration) and a variable part which constitutes supplementary remuneration (variable remuneration). The current remuneration system was implemented in the Company as of March 2017.

The monthly fixed remuneration of each Member of the Company's Management Board falls within the range from 4 to 8 times the basis of calculation referred to in Article 1(3)(11) of the Act.

The variable remuneration depends on the degree of attainment of the management objectives and cannot exceed 100% of the fixed remuneration in the previous financial year. Management objectives include growth of the Company's value and achievement of economic and financial targets. The Exchange Supervisory Board sets specific management objectives and defines the weight of each objective as well as objective and measurable criteria (indicators) of their attainment. Furthermore, the variable remuneration also depends on: (1) the determination and application of the terms of remuneration of members of managing and supervisory bodies in line with the Act of 9 June 2016 concerning the rules of determining the remuneration of managers of certain companies; and (2) compliance with the obligations defined in Articles 17-20, Article 22 and Article 23 of the Act of 16 December 2016 on the terms of management of state assets - in the Company's subsidiaries within the meaning of Article 4(3) of the Competition and Consumer Protection Act of 16 February 2007.

Members of the Management Board are eligible to receive additional cash and non-cash benefits including:

- ◆ medical services to the extent and on the terms defined in the rules of remuneration of Exchange employees applicable to Exchange employees in management positions;
- ◆ participation in the Company's Employee Pension Scheme on the terms of the Work Agreement between the Exchange and the Exchange Employee Trade Union;
- ◆ insurance:
  - liability insurance of members of corporate bodies (D&O),
  - life and health insurance, insurance of lost remuneration due to inability to work as a result of an illness or accident;

- ◆ technical equipment and resources of the Exchange, e.g., company car;
- ◆ training and co-financing of education improving the professional qualifications adequate to the function of Management Board Member necessary for Members of the Management Board to improve their qualifications as necessary to duly perform their functions, on the terms defined in the training policy established by the Exchange in accordance with the ESMA Guidelines on the management body of market operators and data reporting services providers.

The previous remuneration system for Members of the Exchange Management Board was a long-term incentive scheme. It was comprised of a fixed part (basic salary), a variable part (incentive scheme: annual discretionary bonuses), as well as fringe benefits defined by the Exchange Supervisory Board.

The variable part of the remuneration, known as the annual discretionary bonus, could be awarded on the following conditions:

- ◆ a net profit is reported by the Company in the financial year for which the discretionary bonus is to be awarded;
- ◆ employment continues at the 30<sup>th</sup> day after the publication of the consolidated financial statements of the Warsaw Stock Exchange Group; and
- ◆ a vote of discharge of duties is granted to the Members of the Management Board for the last bonus year.

The amount of bonuses for Members of the Management Board depended on semi-annual appraisal by the Supervisory Board against the obligations and results of the Company, as well as verification of the results of actions taken by the Members of the Management Board in previous bonus years.

The Supervisory Board performed an annual appraisal which could decide about the award and the amount of the discretionary bonus to the Member of the Management Board. The maximum annual discretionary bonus was equal to a percentage of the annual basic salary. The awarded discretionary bonus was paid as follows:

- ◆ 30% of the awarded bonus paid on a one-off basis;
- ◆ 30% in phantom shares, where the period of time between the allotment and the payment was 1 year;
- ◆ 40% of the awarded bonus was allocated to the Bonus Bank and settled in equal parts in the next three years subject to positive assessment by the Supervisory Board of the results of actions taken in the bonus period.

The full payment of discretionary bonuses for the Exchange Management Board under the previous remuneration system will be settled by the end of 2020.

The Company has no equity-based incentive or bonus scheme other than described above (there are no schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants or stock options).

The remuneration policy of GPW Management Board Members and the amount of annual remuneration paid to each Member of the Management Board are public and disclosed annually in the Management Board's reports on the activity of GPW in the financial year.

c) [Remuneration policy of the key personnel](#)

GPW's key personnel participate in the appraisal system as do all employees under the Company's Bonus Rules. Targets set for each calendar year in the appraisal form are consistent with the job description and critical processes and are monitored on a quarterly basis. The Company's key personnel are remunerated according to the Remuneration Rules. Job positions are allocated to pay grades in individual employment agreements. The remuneration of the key personnel is at least 15% higher than the median of the position's pay grade.

In the opinion of the Exchange Supervisory Board, the remuneration policy pursued by the Warsaw Stock Exchange is consistent with the aforementioned detailed principles. It is pursued in a transparent manner and contributes to the implementation of the business strategy, long-term interest and stability of the Warsaw Stock Exchange and the Warsaw Stock Exchange Group.



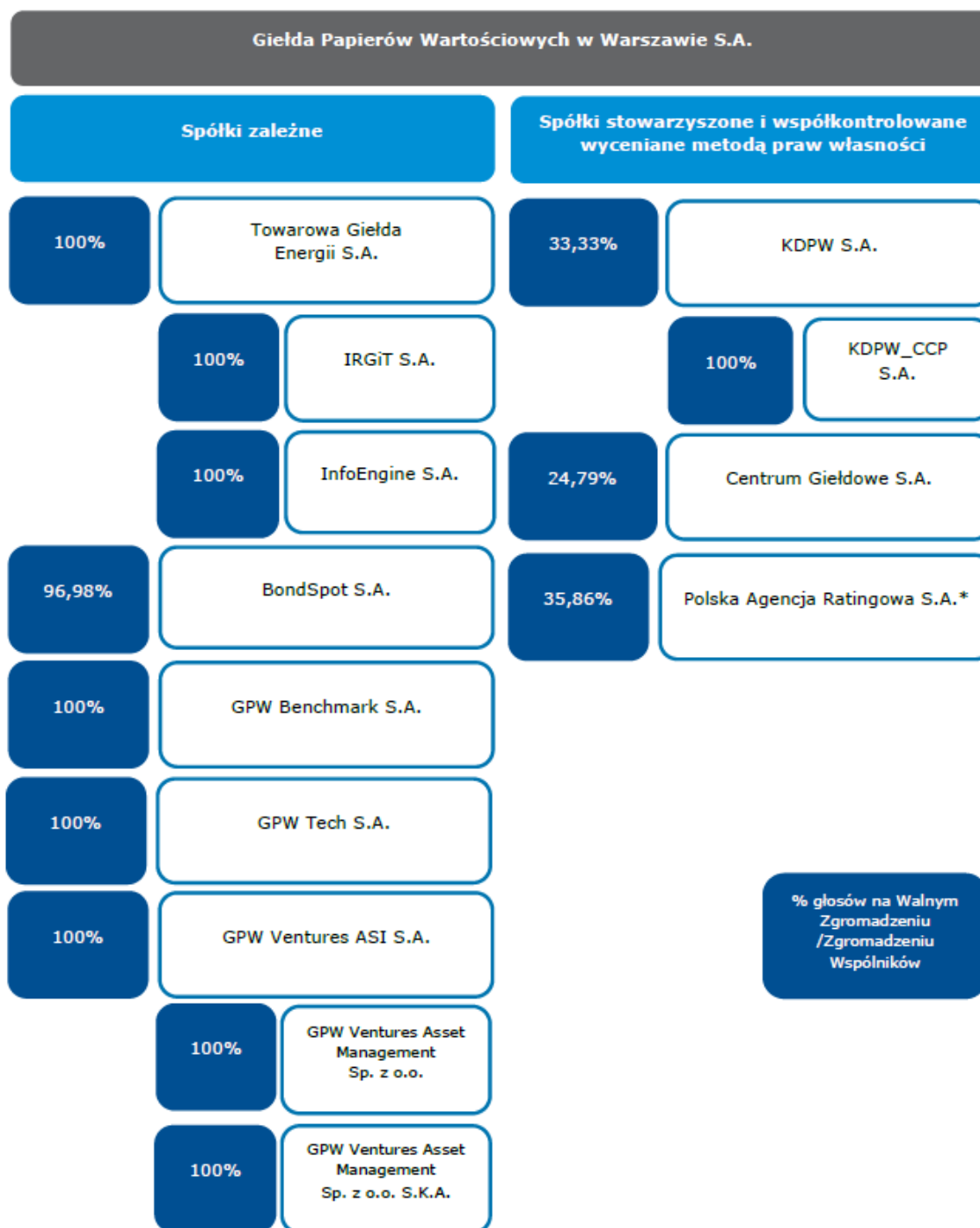
## IV. ASSESSMENT OF THE FINANCIAL STANDING OF THE GPW GROUP

### Assessment of the financial standing of the GPW Group

Structure and composition of the Group

As at 31 December 2020, the Warsaw Stock Exchange Group comprised the parent entity and eight subsidiaries (nine subsidiaries as at the date of publication of the 2020 annual report).

Chart: GPW Group, associates and joint ventures as at the date of publication of the report



\*Polska Agencja Ratingowa S.A. is a joint venture

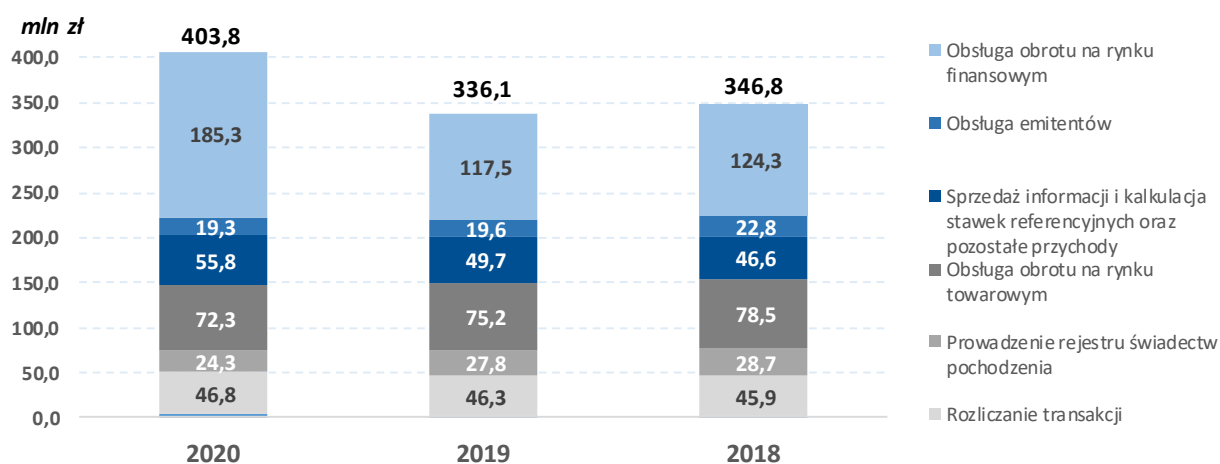
### Summary of results of the GPW Group; impact of the SARS-COV-2 pandemic on the Group's results

The GPW Group generated a consolidated net profit of PLN 151.4 million in 2020 (+PLN 32.1 million i.e. +26.9% YoY) driven by an increase of sales revenue from PLN 336.1 million in 2019 to PLN 403.8 million in 2020 (+PLN 67.7 million i.e. +20.1 YoY). The operating profit stood at PLN 188.3 million (+PLN 32.0 million i.e. +20.5% YoY). EBITDA stood at PLN 224.6 million (+PLN 31.4 million i.e. +16.3% YoY). The increase of revenue was largely impacted by the SARS-CoV-2 pandemic which caused the volume of turnover on the capital market to increase. The results in 2020 were also driven by a lower growth rate of expenses compared to revenues.

#### Sales revenue – summary

The GPW Group's sales revenue was record-high at PLN 403.8 million in 2020 (+PLN 67.7 million i.e. +20.1% YoY) driven by increased activity of investors on the capital market due to uncertainty following the outbreak of the SARS-CoV-2 pandemic. The other revenue streams remained stable year on year.

Figure: Structure and value of consolidated sales revenue

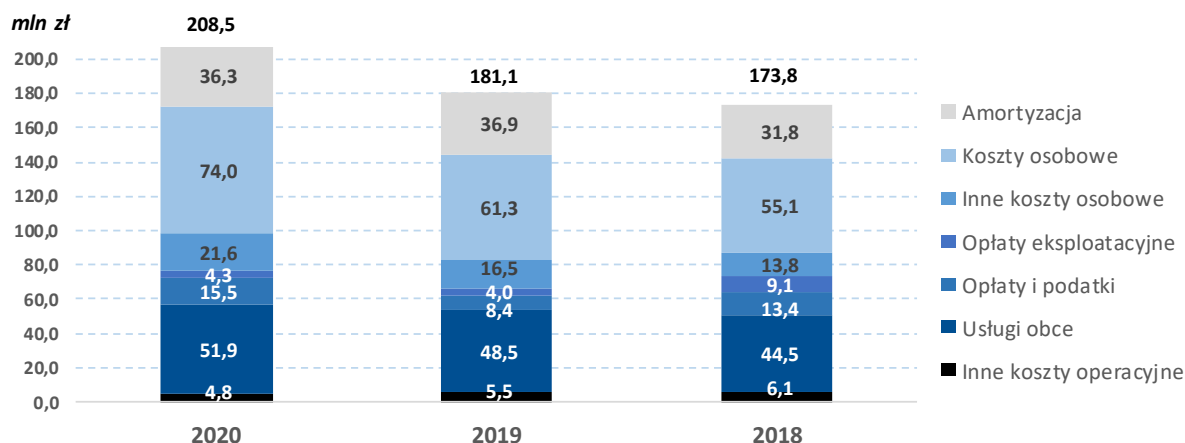


The biggest revenue streams in 2020 included trading on the financial market (45.9%), trading on the commodity market (17.9%), and information services (13.8%). The share of those revenue streams in 2019 was 35.0%, 22.4% and 14.8%, respectively.

#### Operating expenses

Operating expenses in 2020 stood at PLN 208.5 million (+PLN 27.4 million i.e. +15.1% YoY). In particular, employee costs, fees due to PFSA, and external service charges increased substantially.

Figure: Structure and value of consolidated operating expenses



**Depreciation charges** in 2020 were stable year on year and stood at PLN 36.3 million (-PLN 0.6 million i.e. -1.6% YoY), including depreciation of property, plant and equipment at PLN 14.1 million, amortisation of intangible assets at PLN 16.8 million, and lease-related depreciation at PLN 5.4 million.

**Salaries and other employee costs** of the Group in 2020 stood at PLN 95.6 million (+PLN 17.8 million i.e. +22.9% YoY) among others due to an increase of GPW's costs by PLN 9.6 million, TGE's costs by PLN 4.0 million, IRGiT's costs by PLN 1.4 million, and GPW Benchmark's costs by PLN 1.7 million.

The increase of GPW's salaries was due to gradual increase of the headcount in view of a bigger workload involved in the implementation of initiatives under the Group's Strategy.

**Maintenance fees** (presented as rent and other maintenance fees until the end of 2018 and the implementation of IFRS 16) stood at PLN 4.3 million (+PLN 0.4 million i.e. +9.2% YoY) and included mainly maintenance fees of Centrum Giełdowe.

**Fees and charges** stood at PLN 15.5 million (+PLN 7.1 million i.e. +84.4% YoY) including the capital market supervision fee for 2020 at PLN 13.9 million (+PLN 7.1 million i.e. +105.5% YoY) paid by GPW (+PLN 3.8 million i.e. +105.8% YoY), TGE (+PLN 2.0 million i.e. +116.5% YoY), and IRGiT (+PLN 1.3 million i.e. +90.9% YoY). The amount of capital market supervision fees is subject to much volatility from year to year and remains beyond the Group's control.

**External service charges** stood at PLN 51.9 million (+PLN 3.4 million i.e. +7.1% YoY). The year-on-year increase was due to the following changes in different cost categories:

- IT infrastructure maintenance – an increase of PLN 3.9 million (+21.9% YoY) due to an increase of expenses for the maintenance of IT hardware and software guarantee services;
- maintenance of buildings and office equipment – an increase of PLN 0.3 million (+9.6% YoY) due to an increase of the cost of building security and cleaning;
- international energy market services – an increase of PLN 2.2 million (+176.6% YoY) due to TGE's participation in European energy market integration, further development work including the intra-day market XBiD and the day-ahead market. Some of the costs are re invoiced to other participants of the international market. Re invoiced costs are recognised in other sales revenue (PLN 1.5 million in 2020 vs. PLN 0.7 million in 2019);

- › promotion, education, market development – a decrease of PLN 1.0 million (-18.8% YoY) mainly in the absence of costs of annual events in 2020 in view of the COVID-19 pandemic;
- › advisory – a decrease of PLN 2.7 million (-36.8% YoY) due to a high base: high costs of advisory in strategic projects in 2019;
- › costs of information services – an increase of PLN 0.9 million (+33.3% YoY) due to the implementation of GPW's Analytical Coverage Support Programme.

**Other operating expenses** stood at PLN 4.8 million (-PLN 0.8 million i.e. -13.9% YoY).

Other income, other expenses, gains on reversal of impairment/(losses) on impairment of receivables

**Other income** of the Group stood at PLN 5.7 million (-PLN 0.9 million i.e. -14.0% YoY) including mainly grants received at PLN 3.5 million and TGE's revenue from participation in international markets (PLN 1.4 million).

**Other expenses** stood at PLN 11.7 million (+PLN 8.3 million i.e. +249.5% YoY) and included mainly donations paid, losses on the sale of property, plant and equipment, and impairment of other current assets. Other current assets at PLN 4,222 thousand as at 31 December 2020 were related to payments with the UTP vendor. Impairment of the goodwill of BondSpot at PLN 3.5 million was recognised in 2020. The cost of donations in 2020 was PLN 3.2 million (+PLN 0.5 million i.e. +17.1% YoY), including donations towards fight with the COVID-19 pandemic.

As at the balance-sheet date, the loss on impairment of receivables stood at PLN 1.0 million (-PLN 1.0 million i.e. -50.0% YoY) and concerned GPW (gains at PLN 0.1 million), TGE (losses at PLN 0.6 million), and IRGiT (losses at PLN 0.4 million).

Financial income and expenses

**Financial income** of the Group stood at PLN 6.2 million (-PLN 2.7 million i.e. -30.8% YoY) and included mainly interest on bank deposits and financial instruments (corporate bonds, certificates of deposit, banks deposits, loans granted). The decrease of financial income from interest was due to decisions of the National Bank of Poland imposing interest rate cuts.

**Financial expenses** of the Group amounted to PLN 21.2 million (-PLN 5.5 million i.e. -20.5% YoY) including mainly interest cost on series C, D, and E bonds in issue at PLN 6.9 million (-PLN 0.7 million i.e. -9.6% YoY). The year-on-year decrease of the Group's financial expenses in 2020 was mainly due to net provisions against tax payable (PLN 11.4 million in 2020 vs. PLN 15.5 million in 2019).

Share of profit of entities measured by the equity method

The Group's **share of profit of entities measured by the equity method** in 2020 stood at PLN 15.7 million (+PLN 4.5 million i.e. +39.8% YoY). The increase of the share of profit of entities measured by the equity method in 2020 was driven mainly by an increase of the KDPW Group's profit year on year.

The GPW Group's share of profit of the KDPW Group in 2020 stood at PLN 15.3 million (vs. PLN 11.4 million in 2019) owing to an increase in its revenue (+PLN 33.1 million i.e. +23.8% YoY) among

others from clearing by PLN 13.7 million and settlement by PLN 10.8 million, combined with a lower growth rate of operating expenses (+PLN 13.9 million i.e. 13.1% YoY).

The share of profit of Centrum Giełdowe in 2020 was PLN 0.4 million (-PLN 0.1 million i.e. -6.6% YoY).

The Group's profit for 2019 included the profit of Polska Agencja Ratingowa for the period from 1 January 2019 to 30 September 2019 when the investment in PAR was fully written off. The profits of PAR are no longer included in the Group's profits as of 30 September 2019.

#### Consolidated statement of financial position

The structure of the Group's statement of financial position is very stable: equity was the predominant source of the Group's financing while current assets had a predominant share in total assets as at 31 December 2020 and as at 31 December 2019. As at 31 December 2020, the company's net working capital, understood as the surplus of current assets over current liabilities or the surplus of non-current capital over non-current assets, was positive at PLN 617.0 million (+PLN 46.0 million i.e. +8.1% YoY), which reflects the Group's safe financial position.

The **total assets** of the Group stood at PLN 1.4 billion despite a dividend payment of PLN 100.7 million, and increased by PLN 105.4 million (8.4%) year on year owing to good financial results.

**Non-current assets** as at 31 December 2020 stood at PLN 588.8 million (-PLN 1.3 million i.e. -0.2% YoY) representing 43% of total assets as at 31 December 2020 vs. 47% as at 31 December 2019.

**Current assets** as at 31 December 2020 stood at PLN 773.4 million (+PLN 106.7 million i.e. +16.0% YoY) and represented 57% of total assets as at 31 December 2020 vs. 53% as at 31 December 2019.

**Equity** as at 31 December 2020 stood at PLN 924.2 million (+PLN 50.7 million i.e. +5.8% YoY) representing 68% of the Group's total equity and liabilities as at 31 December 2020 vs. 69% as at 31 December 2019.

**Non-current liabilities** as at 31 December 2020 stood at PLN 281.6 million (-PLN 1.9 million i.e. -0.7% YoY) representing 21% of the Group's total equity and liabilities as at 31 December 2020 vs. 23% as at 31 December 2019. The non-current liabilities mainly included liabilities under bond issues as well as deferred income.

**Current liabilities** as at 31 December 2020 stood at PLN 156.4 million (+56.6 million i.e. +56.7% YoY) representing 11% of total equity and liabilities as at 31 December 2020 vs. 8% as at 31 December 2019. The increase of current liabilities was mainly due to an increase of provisions against VAT payable at IRGiT to PLN 26.8 million (+PLN 11.4 million i.e. +73.5% YoY) and current VAT payments to PLN 54.8 million (+29.3 million i.e. +114.9% YoY).

#### Consolidated statement of cash flows

The Group generated positive **cash flows from operating activities** at PLN 231.4 million (+PLN 40.3 million i.e. +21.1% YoY) driven by an increase of the net profit (+PLN 29.8 million i.e. +25.0% YoY) and a decrease of income tax paid (-PLN 9.1 million i.e. -21.7% YoY).

The **cash flows from investing activities** were positive at PLN 4.9 million (-PLN 39.5 million i.e. -88.9% YoY). The decrease in the cash flows was mainly due to new investments in bank deposits, bonds, and certificates (+PLN 123.8 million i.e. +15.9% YoY) exceeding maturing investments (+PLN 107.9 million i.e. +13.0% YoY).

The **cash flows from financing activities** were negative at PLN 100.9 million (+PLN 41.7 million i.e. +29.2% YoY) mainly including the dividend paid by GPW at PLN 100.7 million (-PLN 32.7 million i.e. -24.5% YoY) and interest paid on GPW's bonds at PLN 7.3 million.

#### Selected consolidated financial indicators

	Dane na dzień/ za rok zakończony 31 grudnia		
	2020 r.	2019 r.	2018 r.
<b>Wskaźniki zadłużenia oraz finansowania Grupy</b>			
Dług netto / EBITDA (za 12 miesięcy)	(1,6)	(1,3)	(1,2)
Wskaźnik zadłużenia kapitału własnego	28,4%	30,6%	27,7%
<b>Wskaźniki płynności</b>			
Wskaźnik bieżącej płynności finansowej	4,9	6,7	10,5
Wskaźnik pokrycia kosztów odsetek z tyt. emisji obligacji	32,4	26,6	27,7
<b>Wskaźniki rentowności</b>			
Rentowność EBITDA	55,7%	57,5%	59,4%
Rentowność operacyjna	46,1%	46,5%	48,7%
Rentowność netto	36,4%	35,5%	42,3%
Cost / income	52,4%	53,9%	52,3%
ROE	14,6%	13,6%	21,8%
ROA	11,1%	9,6%	15,5%

Net debt to EBITDA was negative as liquid assets were much greater than interest-bearing liabilities. An increase of liquid assets combined with stable interest-bearing liabilities caused a year-on-year reduction of net debt to EBITDA. Debt to equity decreased modestly due to an increase of equity combined with stable interest-bearing liabilities.

Current liquidity decreased year on year due to a strong increase of current liabilities combined with a lower growth of current assets. However, current liquidity remained high. The coverage ratio of interest expenses on the bond issue shows that EBITDA was many times greater than the expenses in 2020, similar to previous years.

EBITDA margin and operating profit margin decreased modestly as sales revenue increased in a greater proportion than did the profits.

Net profit margin and the cost/income ratio remained stable.

ROE increased modestly year on year as the net profit grew faster than equity. ROA remained stable year on year.

In summary, the Warsaw Stock Exchange Group was profitable in 2020, it reported relatively high profitability ratios, and its liquidity position in 2020 was safe.

## V. CONCLUSIONS

Considering the foregoing and the report of the Exchange Supervisory Board on the assessment of the Report of the Management Board on the Activity of the Parent Entity and the Warsaw Stock Exchange Group in 2020, the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2020; the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2020, and the Exchange Supervisory Board's assessment of the motion of the Exchange Management Board concerning distribution of the profit of 2020, the Exchange Supervisory Board moves that the Annual General Meeting:

- approve the Report of the Management Board on the Activity of the Parent Entity and the Warsaw Stock Exchange Group in 2020;
- approve the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2020;
- approve the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2020;
- pass a resolution distributing the profit of 2020 according to the motion of the Management Board;
- grant a vote of discharge of duties to all Members of the Exchange Management Board in office in 2020.

Chairman of the Supervisory Board

Dominik Kaczmarski

## Appendix 1

Warsaw, 16 February 2021

**Report on the Activity of the Audit Committee  
of the Exchange Supervisory Board in 2020**

The Audit Committee of the Exchange Supervisory Board is a standing committee of the Exchange Supervisory Board appointed under the Exchange Articles of Association and the Rules of the Exchange Supervisory Board.

The Audit Committee performs functions set out in the legislation including the Act on Auditors, Audit Firms and Public Supervision, Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, 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, and the Good practice for public-interest entities concerning the appointment, composition and functioning of audit committees. The Committee provides expert advice to the Exchange Supervisory Board within the powers of the Committee defined in the Rules of the Committee, as well as all other functions entrusted to the Committee by the Exchange Supervisory Board.

In 2020, the Audit Committee was comprised of the following members:

From 1 January 2020 to 22 June 2020

Full name	Function
<b>Piotr Prażmo</b>	Chairman of the Committee Secretary to the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Krzysztof Jajuga</b>	Member of the Committee independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board

From 6 July 2020 to 31 December 2020

Full name	Function
<b>Adam Szyszka</b>	Chairman of the Committee (from 21 July 2020) independent Member of the Exchange Supervisory Board
<b>Jakub Modrzejewski</b>	Member of the Committee Deputy Chairman of the Exchange Supervisory Board



	independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board

The changes in the composition of the Audit Committee in 2020 resulted from changes in the composition of the Exchange Supervisory Board decided by the Annual General Meeting of the Warsaw Stock Exchange on 22 June 2020 after the expiry of the mandate of the Exchange Supervisory Board and from the decision of the Exchange Supervisory Board of 6 July 2020 appointing Members of the Exchange Supervisory Board to the Audit Committee.

The composition of the Audit Committee meets the criteria defined in Article 129(3) of the Act on Auditors, Audit Firms and Public Supervision of 11 May 2017. According to submitted declarations, all members of the Audit Committee meet the independence criteria defined in § 14(1) of the Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A., i.e., the criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules. Two Members of the Audit Committee, Filip Paszke and Adam Szyszka, have declared that they have the knowledge and skills in accounting and financial audit or in the sector of the Exchange in view of their long-term practice on the financial market.

The Audit Committee worked at meetings according to the work plan of the Audit Committee for 2020. Seventeen meetings of the Committee were held in 2020 on the following dates: 20 January 2020 (joint meeting with the Strategy Committee), 12 February 2020, 27 February 2020, 4 March 2020, 9 March 2020, 1 April 2020 (adjourned and continued on 3 April 2020), 24 April 2020 (adjourned and continued on 27 April 2020 and 14 May 2020), 8 June 2020 (adjourned and continued on 17 June 2020), 21 July 2020, 28 July 2020 (adjourned and continued on 29 July 2020), 3 August 2020, 18 August 2020, 2 September 2020, 16 October 2020, 2 November 2020, 26 November 2020 and 21 December 2020. The Members of the Committee performed their functions also by expressing their opinions, providing the Exchange Supervisory Board with recommendations in votes by means of direct remote communication, and on-going exchange of opinions and views. The number of Members of the Audit Committee participating in meetings in 2020 was sufficient to ensure appropriate proceedings at all meetings of the Committee. All Members of the Audit Committee actively participated in meetings of the Committee in 2020 with a high degree of engagement necessary to properly perform their functions. Other members of the Exchange Supervisory Board also participated in the work of the Committee.

Acting within its powers, in 2020, the Audit Committee took among others the following actions:

I. With respect to accounting and reporting, the Audit Committee:

- drafted recommendations for the Exchange Supervisory Board on approval of the Financial Plan of the GPW Group for 2020;
- analysed the financial results of the GPW Group on an on-going basis and monitored the performance of the financial plan by the Company and the GPW Group in 2020;

- reviewed and discussed in detail, with the participation of the Management Board and the auditor, provisions set up against potential VAT payable of the subsidiary Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT);
- reviewed and drafted recommendations for the Exchange Supervisory Board on the assessment of:
  - the separate financial statements of the Warsaw Stock Exchange for the year ended 31 December 2019, the consolidated financial statements of the Warsaw Stock Exchange Group for the year ended 31 December 2019, the report of the Management Board on the activity of the GPW Group in 2019 including a report of the Management Board on the activity of GPW in 2019, against the books, documents and facts;
  - the motion of the Management Board concerning the distribution of the net profit for the year 2019;
- drafted recommendations for the Exchange Supervisory Board concerning declarations under the Regulation of the Minister of Finance of 29 March 2018 *concerning current and periodic reports published by issuers of securities and the terms and conditions of considering information required under the legislation of a non-Member State to be equivalent*, relating to the publication of the annual report;
- drafted recommendations for the Exchange Supervisory Board on the approval of an assessment of the situation of the Company in 2019 including:
  - assessment of the financial situation of GPW S.A.;
  - assessment of the financial situation of the GPW Group;
  - assessment of the internal control system and the management system of risks significant to the Company;
  - assessment of GPW's sponsorship and charity activities and other similar activities;
- drafted recommendations for the Exchange Supervisory Board on the approval of the annual report on GPW's sponsorship activities in 2019;
- drafted recommendations for the Exchange Supervisory Board on the approval of the sponsorship plan for 2020;
- drafted recommendations for the Exchange Supervisory Board on the approval of the Management Board report on representation expenses, costs of legal services, marketing services, public relations services, social communication services, and management advisory services in 2019;
- discussed the financial statements of the subsidiaries for 2019;
- reviewed transactions referred to in Article 90j(1)(1) of the Act on Public Offering and the Conditions of Introduction of Financial Instruments to an Organised Trading System and on Public Companies in accordance with the *Procedure for regular assessment of significant transactions with related parties* approved by the Exchange Supervisory Board;
- approved the updated *Audit Firm Selection Policy and Procedure*;

- approved and presented to the Exchange Supervisory Board a report on the audit firm selection procedure and recommended that the Exchange Supervisory Board select an audit firm to audit the financial statements for 2021-2023;
- discussed the assumptions of the GPW Group Financial Plan for 2021;
- discussed the GPW sponsorship plan and donations budget for 2021;
- analysed reports of the Management Board concerning:
  - significant events after the balance-sheet date;
  - the status of tax accounts of IRGiT, TGE and InfoEngine;
  - the position of BondSpot S.A.;
  - electronic reporting under the European single reporting format.

The Audit Committee met with the audit firm in connection with the audit of the financial statements of the Company and the Group for 2019, to discuss the results and findings of the audit of the financial statements of the members of the GPW Group, and provisions set up against potential VAT payable of IRGiT.

The key auditors took part in those meetings.

II. With respect to internal audit, the internal and external audit system, the Audit Committee:

- reviewed and drafted recommendations for the Exchange Supervisory Board on:
  - approval of the *Annual internal audit plan for the reporting period 2019/2020*;
  - approval of the *Warsaw Stock Exchange Internal Audit Rules*;
- issued a positive opinion for the *Annual report of the GPW Internal Audit Department for the reporting period 2018/2019*;
- analysed and issued a positive opinion for the *Annual report of the GPW Internal Audit Department for the reporting period 2019/2020*;
- discussed the budget and the resource plan of the Internal Audit Department for 2021;
- discussed in detail a report on an external assessment of the Exchange's internal audit (under the IIA standards) and monitored the implementation of recommendations following the assessment;
- reviewed selected reports from internal audits carried out by the Internal Audit Department;
- held regular meetings with the head of the Internal Audit Department;
- presented its opinions concerning changes in the position of Internal Audit Department Director;
- monitored on an ongoing basis the effectiveness of the internal control system of the Exchange among others by reviewing and issuing opinions on the extent of implementation of recommendations of internal auditors, external auditors and external inspectors.

III. With respect to compliance and risk management, the Audit Committee:

- reviewed and approved the Report on the functioning of the Compliance and Risk Function in the period from 1 January to 31 December 2019 which summarised the activity of the Compliance and Risk Department in 2019 in connection with the management of the compliance, risk, business continuity and critical infrastructure system;
- reviewed the Self-assessment of compliance with Article 48 of Directive 2014/65/EU referred to in Article 2 of Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying organisational requirements of trading venues;
- drafted recommendations for the Exchange Supervisory Board on the approval of the *Whistleblowing Procedure*;
- accepted a report on the implementation of the Exchange non-acceptable risk handling plan;
- accepted a report on the implementation by the Exchange of the Act of 13 October 2019 on Anti-Money Laundering and Combatting the Financing of Terrorism;
- reviewed a report on the Assessment of the Warsaw Stock Exchange Anti-Money Laundering and Combatting the Financing of Terrorism Risk;
- reviewed a Report of the Compliance and Risk Department on the Warsaw Stock Exchange risk and business continuity management;
- reviewed the Self-assessment of the effectiveness of the internal control system, risk management, compliance and internal audit function in the Warsaw Stock Exchange Group drafted by the Management Board on request of the Exchange Supervisory Board;
- reviewed information concerning key relations with the Polish Financial Supervision Authority and disputes to which the Exchange is a party.

IV. With respect to ICT security and IT management, the Audit Committee:

- reviewed regular reports from the Management Board on IT and ICT security.

V. With respect to the functioning of the Audit Committee, the Audit Committee:

- approved the *Report of the Audit Committee for 2019*, which was then approved by the Exchange Supervisory Board;
- discussed the *Good practice for public-interest entities concerning the appointment, composition and functioning of audit committees* issued by the Polish Financial Supervision Authority;
- appointed the Chairman of the Audit Committee;
- approved the work plan of the Audit Committee for 2021;

- reviewed the Rules of the Audit Committee and recommended that the Exchange Supervisory Board approve amendments to the Rules;
- reviewed the independence of the Members of the Audit Committee.

The Audit Committee reviewed findings and recommendations of an external audit commissioned by the Exchange Supervisory Board and actively monitored the implementation of the recommendations; accepted a report of the GPW Foundation on the spending of the budget of the “PPK: Life-long Investing” programme (“*PPK - inwestowanie przez całe życie*”); reviewed reports on the spending of cash and use of donations in kind contributed in support of institutions and units combatting the spread of the infectious disease COVID-19.

The Audit Committee performed its obligations under the law in full; the conclusions and recommendations of the Audit Committee were presented to the Exchange Supervisory Board on an on-going basis at meetings.

Professor Adam Szyszka

Chairman of the Committee

**Report on the Activity of the Regulation and Corporate Governance Committee  
of the Exchange Supervisory Board in 2020**

The Regulation and Corporate Governance Committee of the Exchange Supervisory Board is a standing committee of the Exchange Supervisory Board appointed under the Exchange Articles of Association and the Rules of the Exchange Supervisory Board. The Committee provides expert advice to the Exchange Supervisory Board within the powers of the Committee defined in the Rules of the Committee, as well as all other functions entrusted to the Committee by the Exchange Supervisory Board.

In 2020, the Regulation and Corporate Governance Committee was comprised of the following members:

From 1 January 2020 to 22 June 2020

Full name	Function
	Chairman of the Committee
<b>Jakub Modrzejewski</b>	Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board
<b>Piotr Prażmo</b>	Member of the Committee Secretary to the Exchange Supervisory Board independent Member of the Exchange Supervisory Board

From 6 July 2020 to 31 December 2020

Full name	Function
<b>Jakub Modrzejewski</b>	Chairman of the Committee (from 2 September 2020) Deputy Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Michał Bałabanow</b>	Member of the Committee Secretary to the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Dominik Kaczmarski</b>	Member of the Committee Chairman of the Exchange Supervisory Board

According to submitted declarations, two members of the Regulation and Corporate Governance Committee (Jakub Modrzejewski and Michał Bałabanow) meet the independence criteria defined in §

14(1) of the Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A., i.e., the criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules.

The changes in the composition of the Regulation and Corporate Governance Committee in 2020 resulted from changes in the composition of the Exchange Supervisory Board decided by the Annual General Meeting of the Warsaw Stock Exchange on 22 June 2020 after the expiry of the mandate of the Exchange Supervisory Board and the decision of the Exchange Supervisory Board of 6 July 2020 appointing Members of the Exchange Supervisory Board to the Committee.

The Regulation and Corporate Governance Committee worked at meetings (seven meetings were held in 2020). The members of the Committee performed their duties also by providing the Exchange Supervisory Board with recommendations in votes held by means of direct remote communication and through on-going exchange of opinions and views. The number of Members of the Regulation and Corporate Governance Committee participating in Committee meetings in 2020 was sufficient to ensure appropriate proceedings at all meetings of the Committee. All Members of the Regulation and Corporate Governance Committee actively participated in meetings of the Committee in 2020 with a high degree of engagement necessary to properly perform their functions. Other members of the Exchange Supervisory Board also participated in the work of the Committee.

Acting within its powers, in 2020, the Regulation and Corporate Governance Committee covered among others the following issues:

- approval of the report on the activity of the Regulation and Corporate Governance Committee in 2019;
- analysis of compliance of issuers, including GPW, with the “Code of Best Practice for GPW-Listed Companies 2016” in 2019;
- election of the Chairman of the Regulation and Corporate Governance Committee;
- amendment of the “Best Practice for GPW-Listed Companies 2016”;
- status of implementation of the GPW Group Code;
- optimisation of GPW regulations in order to shorten the period of time from the allotment of shares in a public offering to the first day of trading of such shares;
- status of NewConnect;
- Regulation of the Minister of Finance, Funds and Regional Policy of 24 November 2020 concerning requirements applicable to members of the management board and of the supervisory board of a company operating a regulated market and the terms and conditions of maintaining and improving their knowledge and competences.

The Committee discussed and issued recommendations to the Exchange Supervisory Board concerning:

- an opinion on the procedure of periodic assessment referred to in Article 90j(2) of the Act of 29 July 2005 on Public Offering, the Conditions of Introducing Financial Instruments to an Organised Trading System, and Public Companies;
- assessment of GPW’s compliance with the PFSA Principles of Corporate Governance for Supervised Institutions in 2019;

- assessment of GPW’s compliance with corporate governance disclosure requirements laid down in the Exchange Rules and the regulations concerning current and periodic reports published by issuers of securities, and assessment of compliance with the PFSA Principles of Corporate Governance for Supervised Institutions;
- approval of the amended “Rules of proprietary transactions of Members of the Exchange Management Board and investments in financial instruments” and “Rules of proprietary transactions of Members of the Exchange Supervisory Board and investments in financial instruments”;
- opinion on the draft resolution of the Annual General Meeting of the Exchange approving the Rules of the General Meeting of the Exchange;
- approval of the “Rules of participation in the General Meeting of the Warsaw Stock Exchange by means of electronic communication”;
- opinion on the “Rules of the General Meeting of the Warsaw Stock Exchange”;
- amendment of the Exchange Rules;
- approval of the consolidated text of the Exchange Articles of Association;
- amendment of the Rules of the Exchange Supervisory Board;
- approval of the Whistleblowing Procedure.

The Committee reviewed status reports on reviews of GPW’s internal regulations and the implementation of the Act of 1 March 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism.

The Committee performed an annual review of the Rules of the Regulation and Corporate Governance Committee and recommended that the Exchange Supervisory Board approve amendments to the Rules.

The Regulation and Corporate Governance Committee performed its obligations in full; its findings were presented to the Exchange Supervisory Board on an on-going basis at meetings.

Jakub Modrzejewski

Chairman of the Committee



**Report on the Activity of the Strategy Committee  
of the Exchange Supervisory Board in 2020**

The Strategy Committee of the Exchange Supervisory Board is a standing committee of the Exchange Supervisory Board appointed under the Exchange Articles of Association and the Rules of the Exchange Supervisory Board. The Committee provides expert advice to the Exchange Supervisory Board within the powers of the Committee defined in the Rules of the Committee, as well as all other functions entrusted to the Committee by the Exchange Supervisory Board.

In 2020, the Strategy Committee was comprised of the following members:

From 1 January 2020 to 27 April 2020

Full name	Function
<b>Bogusław Bartczak</b>	Chairman of the Committee independent Member of the Exchange Supervisory Board
<b>Krzysztof Jajuga</b>	Member of the Committee independent Member of the Exchange Supervisory Board
<b>Jakub Modrzejewski</b>	Member of the Committee Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board

From 27 April 2020 to 22 June 2020

Full name	Function
<b>Bogusław Bartczak</b>	Chairman of the Committee independent Member of the Exchange Supervisory Board
<b>Krzysztof Jajuga</b>	Member of the Committee independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board

From 6 July 2020 to 31 December 2020

<b>Full name</b>	<b>Function</b>
<b>Filip Paszke</b>	Chairman of the Committee (from 2 September 2020) independent Member of the Exchange Supervisory Board
<b>Michał Bałabanow</b>	Member of the Committee Secretary to the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Dominik Kaczmarek</b>	Member of the Committee Chairman of the Exchange Supervisory Board
<b>Adam Szyszka</b>	Member of the Committee independent Member of the Exchange Supervisory Board

According to submitted declarations, three members of the Strategy Committee (Filip Paszke, Michał Bałabanow and Adam Szyszka) meet the independence criteria defined in § 14(1) of the Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A., i.e., the criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules.

The changes in the composition of the Strategy Committee in 2020 resulted from the resignation of Jakub Modrzejewski from the Strategy Committee, presented on 27 November 2020, changes in the composition of the Exchange Supervisory Board decided by the Annual General Meeting of the Warsaw Stock Exchange on 22 June 2020 after the expiry of the mandate of the Exchange Supervisory Board, from the decision of the Exchange Supervisory Board of 6 July 2020 appointing Members of the Exchange Supervisory Board to the Committee.

The Strategy Committee of the Exchange Supervisory Board worked at meetings (seven meetings were held in 200, including one joint meeting with the Audit Committee) and through on-going exchange of opinions and views. The number of Members of the Strategy Committee participating in Committee meetings in 2020 was sufficient to ensure appropriate proceedings at all meetings of the Committee. All Members of the Strategy Committee actively participated in meetings of the Committee in 2020 with a high degree of engagement necessary to properly perform their functions. Other members of the Exchange Supervisory Board also participated in the work of the Committee.

In 2020, the Strategy Committee regularly reviewed the status of implementation of the GPW Group Strategy including potential implementation of new strategic initiatives.

Acting within its powers, the Strategy Committee covered among others the following issues:

- approval of the report of the Strategy Committee for 2019;
- assumptions of the GPW Group Financial Plan for 2021 in the context of the implementation of strategic initiatives and projects;
- monitoring the implementation status of the GPW Group's strategic initiatives and projects including in particular the proprietary trading system development project;

- monitoring the status of the Exchange’s non-organic growth initiatives including in particular the Corporate Venture Capital Fund project, the acquisition of majority interest in the Armenia Securities Exchange, and other M&A projects;
- review of the current business position of the Exchange and the position of BondSpot in the context of the ongoing project aiming to simplify the debt market.

The Committee reviewed the Rules of the Strategy Committee and recommended that the Exchange Supervisory Board approve amendments to the Rules.

The Strategy Committee performed its obligations in full; its conclusions and recommendations were presented to the Exchange Supervisory Board on an on-going basis at meetings.

Filip Paszke

Chairman of the Committee

**Report on the Activity of the Remuneration and Nomination Committee  
of the Exchange Supervisory Board in 2020**

The Remuneration and Nomination Committee of the Exchange Supervisory Board is a standing committee of the Exchange Supervisory Board appointed under the Exchange Articles of Association and the Rules of the Exchange Supervisory Board. The Committee performs functions set out in the Act of 29 July 2005 on Trading in Financial Instruments and provides expert advice to the Exchange Supervisory Board within the powers of the Committee defined in the Rules of the Committee, as well as all other functions entrusted to the Committee by the Exchange Supervisory Board.

In 2020, the Remuneration and Nomination Committee was comprised of the following members:

From 1 January 2020 to 22 June 2020

Full name	Function
<b>Janusz Krawczyk</b>	Chairman of the Committee Deputy Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Bogusław Bartczak</b>	Member of the Committee independent Member of the Exchange Supervisory Board
<b>Jakub Modrzejewski</b>	Member of the Committee Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Piotr Prażmo</b>	Member of the Committee Secretary to the Exchange Supervisory Board independent Member of the Exchange Supervisory Board

From 6 July 2020 to 31 December 2020 r

Full name	Function
<b>Janusz Krawczyk</b>	Chairman of the Committee independent Member of the Exchange Supervisory Board
<b>Dominik Kaczmarcki</b>	Member of the Committee Chairman of the Exchange Supervisory Board
<b>Jakub Modrzejewski</b>	Member of the Committee Deputy Chairman of the Exchange Supervisory Board independent Member of the Exchange Supervisory Board
<b>Filip Paszke</b>	Member of the Committee independent Member of the Exchange Supervisory Board

According to submitted declarations, three members of the Remuneration and Nomination Committee (Janusz Krawczyk, Jakub Modrzejewski, Filip Paszke) meet the independence criteria defined in § 14(1) of the Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A., i.e., the criteria defined for members of audit committees in regulations governing audit firms and auditors and in the corporate governance rules issued under the Exchange Rules.

The changes in the composition of the Remuneration and Nomination Committee in 2020 resulted from changes in the composition of the Exchange Supervisory Board decided by the Annual General Meeting of the Warsaw Stock Exchange on 22 June 2020 after the expiry of the mandate of the Exchange Supervisory Board and the decision of the Exchange Supervisory Board of 6 July 2020 appointing Members of the Exchange Supervisory Board to the Committee.

The Remuneration and Nomination Committee of the Exchange Supervisory Board worked at meetings (eight meetings were held in 2020). The members of the Committee performed their duties also by providing the Exchange Supervisory Board with recommendations in votes held by means of direct remote communication and through on-going exchange of opinions and views. The number of Members of the Remuneration and Nomination Committee participating in Committee meetings in 2020 was sufficient to ensure appropriate proceedings at all meetings of the Committee. All Members of the Remuneration and Nomination Committee actively participated in meetings of the Committee in 2020 with a high degree of engagement necessary to properly perform their functions. Other members of the Exchange Supervisory Board also participated in the work of the Committee.

Acting within its powers, in 2020, the Remuneration and Nomination Committee covered among others the following issues:

- approval of the report on the activity of the Remuneration and Nomination Committee in 2019;
- periodic assessment of the structure, size, composition, knowledge, competences and experience of the Exchange Management Board;
- periodic review of the policy of the Exchange Management Board for the selection and appointment of managers;
- the Company's remuneration system;
- election of the Chairman of the Remuneration and Nomination Committee;
- monitoring of training of Members of the Exchange Management Board and the Exchange Supervisory Board in 2020;
- discussion of the final report on the scheduled assurance audit "Implementation of GPW's Employment Policy";
- discussion of proposed targets for the Exchange Management Board for 2021.

drafting of recommendations to the Exchange Supervisory Board concerning:

- approval for a Member of the Exchange Management Board to sit on the authorities of another entity;
- approval of the assessment of the situation of the Company in 2019 to the extent of the GPW remuneration policy;
- cap on variable remuneration for 2020 and the management targets for the Management Board Members for 2020;

- opinion on the “Remuneration Policy for Members of the Management Board and the Supervisory Board of the Warsaw Stock Exchange”;
- opening, executing, and closing a selection process for Member of the Exchange Management Board and CFO;
- settlement of discretionary bonuses for Members of the Management Board under the incentive system in place in the previous years; assessment of the performance of management targets by the Exchange Management Board in 2019 and decisions granting variable remuneration to Members of the Exchange Management Board for 2019;
- defining the training budget for Members of the Exchange Management Board and the Exchange Supervisory Board for 2021;
- approval of motions of the GPW Management Board concerning internal division of responsibilities on the Exchange Management Board.

The Committee performed an annual review of the Rules of the Remuneration and Nomination Committee and recommended that the Exchange Supervisory Board approve amendments to the Rules.

The Committee held meetings with the Warsaw Stock Exchange managers.

The Remuneration and Nomination Committee performed its obligations in full; its conclusions were presented to the Exchange Supervisory Board on an on-going basis at meetings.

Janusz Krawczyk

Chairman of the Committee