



**REPORT OF  
THE SUPERVISORY BOARD  
OF THE WARSAW STOCK EXCHANGE  
FOR 2021**

Warsaw, May 2022

## Table of contents

<b>I. INTRODUCTION</b> .....	4
<b>II. REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD AS AN AUTHORITY OF THE COMPANY IN 2021</b> .....	5
1) Term of office, composition of the Supervisory Board and changes to the composition of the Supervisory Board in 2021.....	5
2) Activity of the Supervisory Board in 2021.....	6
3) Issues discussed by the Supervisory Board in 2021.....	7
a) Strategy .....	7
b) ICT security including the trading system.....	7
c) Amendments to the Exchange Rules and other regulatory changes.....	8
d) Financial control, compliance, internal audit and risk management at GPW .....	9
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.....	10
f) Corporate matters concerning members of the GPW Management Board.....	10
g) Other areas of work of the Exchange Supervisory Board .....	11
4) Committees of the Supervisory Board .....	11
5) Compliance of Members of the Supervisory Board with the independence criteria	13
7) Self-assessment of the Supervisory Board .....	14
<b>III. ASSESSMENT OF THE SITUATION OF THE WARSAW STOCK EXCHANGE IN 2021 INCLUDING:</b> .....	16
Summary of GPW’s separate results.....	17
Sales revenue.....	17
Operating expenses.....	17
Other income and expenses .....	19
Financial income and expenses.....	19
Separate statement of financial position .....	19
Separate statement of cash flows .....	20
Selected separate financial indicators .....	21
2) Assessment of the internal control system and the risk management system of GPW .....	21
a) Risk management system.....	21
b) Compliance management system .....	23
c) Internal control system .....	25
d) Internal audit function .....	25
f) GPW Group’s internal systems.....	26
3) Assessment of 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.....	27
4) Assessment of compliance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority .....	28
5) Assessment of the GPW Group’s sponsoring, charity and other similar activities ..	28
6) Assessment of the functioning of the remuneration policy in GPW .....	36

a)	Remuneration policy of the supervisory body .....	36
b)	Remuneration policy of the management body .....	37
c)	Remuneration policy of the key personnel.....	38
<b>IV.</b>	<b>ASSESSMENT OF THE FINANCIAL STANDING OF THE GPW GROUP.....</b>	<b>39</b>
	Assessment of the financial standing of the GPW Group .....	39
	Structure and composition of the Group.....	39
	Summary of GPW Group results, impact of the SARS-COV-2 pandemic on Group results .....	40
	Sales revenue – summary.....	40
	Operating expenses.....	41
	Other income, other expenses, gains on reversal of impairment/(losses) on impairment of receivables .....	42
	Financial income and expenses.....	42
	Share of profit of entities measured by the equity method.....	42
	Consolidated statement of financial position.....	43
	Consolidated statement of cash flows .....	44
<b>V.</b>	<b>CONCLUSIONS.....</b>	<b>46</b>

## 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 2021 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 Best Practice for GPW Listed Companies 2021;
- ◆ 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 2021;
- ◆ the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2021;
- ◆ the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2021

was published on 17 March 2022 together with the annual report of the Warsaw Stock Exchange for 2021.

On 19 May 2022, the Exchange Supervisory Board reviewed the motion of the Exchange Management Board concerning distribution of the Company's profit for the financial year 2021 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 2021

### 1) Term of office, composition of the Supervisory Board and changes to the composition of the Supervisory Board in 2021

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 2021 was as follows:

From 1 January 2021 to 16 March 2021

Full name	Function
Dominik Kaczmarek	Chairman
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

From 16 March 2021 to 21 June 2021

Full name	Function
Dominik Kaczmarek	Chairman
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

Leszek Skiba	Member, independent member of the Supervisory Board
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Adam Szyszka	Member, independent member of the Supervisory Board
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From 21 June 2021 to 31 December 2021

Full name	Function
Dominik Kaczmarski	Chairman
Izabela Flakiewicz	Deputy Chairman (as of 1 July 2021)
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
Leszek Skiba	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 met the independence criteria set out in § 14(1) of the Exchange Articles of Association as at 31 December 2021.

The composition of the Exchange Supervisory Board changed in 2021 as follows:

On 16 March 2021, the Extraordinary General Meeting of the Warsaw Stock Exchange appointed Leszek Skiba to the Exchange Supervisory Board. On 21 June 2021, the Annual General Meeting of the Warsaw Stock Exchange dismissed Jakub Modrzejewski from the Exchange Supervisory Board and appointed Izabela Flakiewicz to the Exchange Supervisory Board.

## 2) Activity of the Supervisory Board in 2021

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, the Best Practice for GPW Listed Companies 2016, the Best Practice for GPW Listed Companies 2021, 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 2021 was documented in minutes of meetings.

In 2021, the Exchange Supervisory Board held seven meetings on the following dates:

- ◆ 10 March 2021
- ◆ 29 March 2021
- ◆ 18 May 2021
- ◆ 1 July 2021
- ◆ 7 September 2021
- ◆ 27 October 2021
- ◆ 14 December 2021

The Supervisory Board took decisions at meetings, by way of resolutions adopted in the circular procedure, and in Committees of the Supervisory Board. In 2021, the Exchange Supervisory Board adopted 76 resolutions, including 9 resolutions adopted using means of direct remote communication.

### 3) Issues discussed by the Supervisory Board in 2021

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 2021, 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 2021.

#### 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 approved two new strategic initiatives: the Polish Digital Logistics Operator and Telemetry Operator. The Exchange Supervisory Board monitored the status of the Exchange's non-organic growth initiatives. The Exchange Supervisory Board issued a positive opinion on the conclusion of a Term Sheet to establish Central Post-trade Solutions.

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 2021, the Exchange Supervisory Board approved amendments of the Exchange Rules including:

- ◆ changes to the existing model of disclosure obligations imposed on listed companies in connection with their compliance with corporate governance rules, adopted by the Exchange Supervisory Board pursuant to § 29.1 of the Exchange Rules,
- ◆ incorporation into the Rules of the principles arising from the Best Practice to the extent that they concern the Exchange Supervisory Board. In addition, the provision concerning the secret ballot of the Exchange Supervisory Board when electing the Executive Committee was removed, and an editorial change was made concerning the statements made by the Exchange Supervisory Board,
- ◆ enabling trading participants to cancel transactions concluded in the Market Maker System ("SAR") in instruments whose price depends on the prices of underlying instruments,
- ◆ adjustment of the Exchange Rules to GPW's planned expansion of its product offer and commencement of trading on the regulated market in exchange-traded derivative rights and structured bank securities, introduction of improvements in the procedure of admission of financial instruments to exchange trading in the stock exchange regulations,
- ◆ clarification, streamlining and adaptation of the provisions of the Exchange Rules concerning the admission and introduction of financial instruments to exchange trading and the suspension or exclusion of such instruments from trading to the applicable regulations and operating practice on the regulated market,
- ◆ adjustment of the Exchange Rules to GPW's planned expansion of its product offer and launch of trading in ETC and ETN instruments on the regulated market.

The Exchange Supervisory Board regularly monitored measures taken by the Management Board to align the Company with new regulatory requirements including Regulation of the Minister of Finance, Funds and Regional Policy of 24 November 2020 on the requirements applicable to the members of the management board and the supervisory board of a company operating a regulated market and the terms and conditions for maintaining and improving their knowledge and competence and the amendment of 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:

- ◆ *Best Practice for GPW-Listed Companies 2021,*
- ◆ *updated Warsaw Stock Exchange Risk Management Strategy,*
- ◆ *Rules for proprietary transactions made by members of the Exchange Management Board and for investing in Financial Instruments,*
- ◆ *Rules for proprietary transactions made by members of the Exchange Supervisory Board and for investing in Financial Instruments,*
- ◆ *Training Policy for Members of the Exchange Management Board and Members of the Exchange Supervisory Board,*



- ◆ updated *Diversity Policy for Members of the Warsaw Stock Exchange Management Board*,
- ◆ updated *Procedure for Reporting Infringements*.

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, and the Rules of the Exchange Management Board.

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

In March 2021, the Exchange Supervisory Board approved the Financial Plan of the Warsaw Stock Exchange Group for 2021. The Exchange Supervisory Board approved the Sponsoring Plan for 2021.

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 2021 by the Company and the Group.

The Exchange Supervisory Board reviewed the Separate Financial Statements of the 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, the Report of the Management Board on the activity of the Warsaw Stock Exchange Group in 2020 containing the Report of the Management Board on the activity of the Warsaw Stock Exchange in 2020, 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 2020 and approved the report of the Exchange Supervisory Board for 2020 including:

- ◆ a report on the activity of the Exchange Supervisory Board as an authority of the Company in 2020;
- ◆ assessment of the situation of the Company in 2020 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 2020 and issued an opinion on the annual report on GPW's sponsoring activity in 2020.

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 2020 which summarised the activity of the Compliance and Risk Department in 2020 in connection with the management of the compliance, risk, business continuity and critical infrastructure system;
- ◆ 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 annual internal audit plan;
- ◆ approved the Procedure for Reporting Infringements;
- ◆ reviewed reports from internal audits carried out by the Internal Audit Department.

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 2020 with regard to sponsoring, charity and other similar activities;
- ◆ assessment of the functioning of the remuneration policy in the Company in 2020 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 2020;
- ◆ review of compliance of the Exchange and issuers listed on GPW in 2020 with the Best Practice for GPW Listed Companies 2016.

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

The Exchange Supervisory Board made no other decisions in 2021 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 2021, the Exchange Supervisory Board discussed corporate matters relating to:

- ◆ assessment of the performance of management objectives by the Exchange Management Board in 2020 and the award of variable remuneration to the Members of the Exchange Management Board for 2020;
- ◆ setting the maximum limit of variable remuneration for 2021 and the management objectives

for the Exchange Management Board in 2021;

- ◆ approval of the 2022 training budget for Members of 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 advisory service agreements;
- ◆ issuance of opinions on draft resolutions of the General Meeting;
- ◆ amendment of the Best Practice for GPW Listed Companies 2016 and adoption of the Best Practice for GPW Listed Companies 2021.

The Exchange Supervisory Board discussed with the GPW Management Board the Company's position in relation to the 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 2021 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 2021 was as follows:

Audit Committee	
Adam Szyszka	Chairman independent member of the Supervisory Board
Filip Paszke	Member independent member of the Supervisory Board
Leszek Skiba	Member independent member of the Supervisory Board

**Regulation and Corporate Governance Committee**

Izabela Flakiewicz	Chairman Deputy Chairman of the Supervisory Board
Michał Bałabanow	Member Secretary to the Supervisory Board independent member of the Supervisory Board
Dominik Kaczmarski	Member Chairman of the Supervisory Board
Filip Paszke	Member independent member of the Supervisory Board

**Strategy Committee**

Leszek Skiba	Chairman independent member of the Supervisory Board
Michał Bałabanow	Member Secretary to the Supervisory Board independent member of the Supervisory Board
Dominik Kaczmarski	Member Chairman of the Supervisory Board
Izabela Flakiewicz	Member Deputy Chairman of the Supervisory Board
Adam Szyszka	Member independent member of the Supervisory Board

**Remuneration and Nomination Committee**

Janusz Krawczyk	Chairman independent member of the Supervisory Board
Dominik Kaczmarski	Member Chairman of the Supervisory Board
Filip Paszke	Member 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 met 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. All Members of the Audit Committee 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 2021 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, in December 2020, the Supervisory Board confirmed that the Exchange Supervisory Board was not aware of any circumstances which could adversely affect the compliance of the Supervisory Board members with the independence criteria. Due to the adoption in July 2021 of the Best Practice for GPW-Listed Companies 2021, which does not contain the principle in question, the Exchange Supervisory Board did not make the assessment in question in 2021.

Pursuant to section 2.3. of the Best Practice for GPW-Listed Companies 2021, at least two members of the Supervisory Board meet the independence criteria laid down in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and have no real and significant links with a shareholder holding at least 5% of the total number of votes in the company.

According to 14(1) of the Exchange Articles of Association, 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.

Five members of the Exchange Supervisory Board (Michał Bałabanow, Janusz Krawczyk, Filip Paszke, Leszek Skiba, Adam Szyszka) meet the independence criteria and have no real and significant links with a shareholder holding at least 5% of the total number of votes in the Exchange.

## 6) Information on the degree of implementation of the diversity policy for the management board and the supervisory board.

In accordance with principles 2.11.1 and 2.11.6 of the Best Practice for GPW-Listed Companies 2021, the annual report of the Supervisory Board includes information on the composition of the Supervisory Board in the context of its diversity and information on the degree of implementation of the diversity policy for the Management Board and the Supervisory Board.

Diversity and openness are values integral to the business operations of the Exchange. The Exchange considers Diversity as one of the attributes of its organisational culture, enabling it to achieve its strategic objectives in a changing market environment. By pursuing a diversity strategy, the Exchange strengthens innovation and versatility arising from balanced which that shape the organisation.

In 2021, bearing in mind the current wording of the Best Practice for GPW-Listed Companies:

- ✓ The Exchange Supervisory Board approved the updated *Diversity Policy for Members of the Warsaw Stock Exchange Management Board*,

- ✓ The Exchange Supervisory Board issued a positive opinion on the draft *Diversity Policy for Members of Bodies appointed by the General Meeting of the Warsaw Stock Exchange*.

The objective of those documents is to ensure high quality of the performance of the Exchange's functions by selecting competent persons to serve as Members of the Exchange Management Board and the Exchange Supervisory Board, in the first place by applying objective substantive criteria and taking into account the benefits of diversity. The regulations also set out the principles for selecting members of the Exchange Supervisory Board and the Exchange Management Board with a view to achieving gender balance, including a minimum gender quota of 30%.

The current implementation status of the above principle is shown in the table below.

GPW body	Diversity score
<b>Management Board</b>	
women	1
men	3
<b>Supervisory Board</b>	
women	1
men	6

The establishment of these policies fulfils the obligation set out in Article 25a(11)(3) of the Act of 29 July 2005 on Trading in Financial Instruments (consolidated text: Journal of Laws of 2005, No. 183, item 1538, as amended) and ensures compliance with the requirements under section 5.7 of the ESMA Guidelines published by the Financial Supervision Authority on 19 December 2017 (19/12/2017 ESMA70-154-271 EN), as well as the requirements under section 2.1 in conjunction with section 2.2 of the Best Practice for GPW-Listed Companies 2021 (Best Practice 2021).

## 7) Self-assessment of the Supervisory Board

In the opinion of the Exchange Supervisory Board, it performed its obligations in 2021 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 2021 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, the Best Practice for GPW Listed Companies 2021 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 2021 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 2021 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

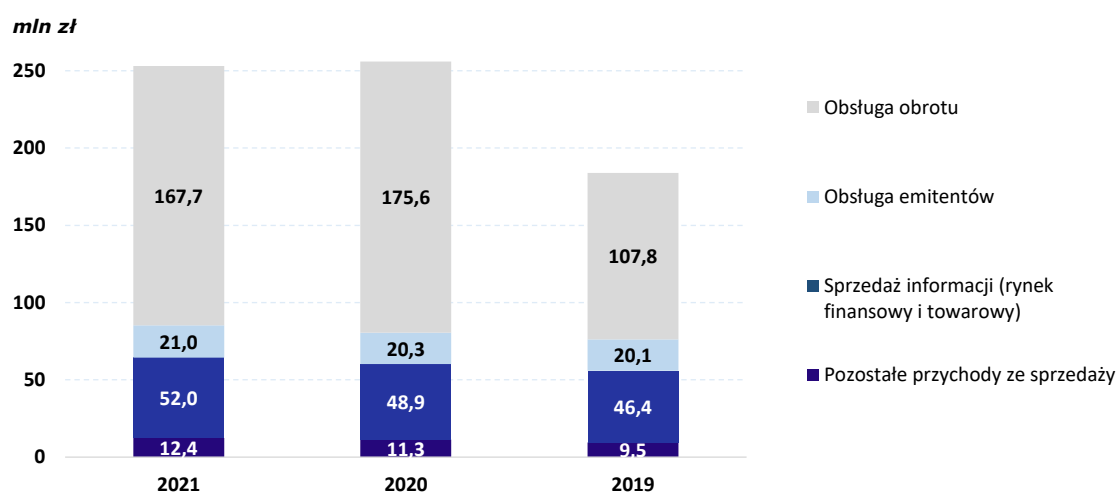
### Summary of GPW's separate results

GPW generated historically high separate net profit in 2021 at PLN 174.4 million (+PLN 4.9 million i.e. +2.9% YoY) as its operating profit decreased from PLN 116.1 million in 2020 to PLN 95.5 million in 2021 (-PLN 20.5 million i.e. -17.7% YoY) while its positive net financial income increased (+PLN 19.5 million i.e. +25.6% YoY). EBITDA reached PLN 118.8 million (-PLN 20.5 million i.e. -14.7% YoY).

### Sales revenue

GPW's sales revenue in 2021 stood at PLN 253.0 million (-PLN 3.0 million i.e. -1.2% YoY).

Figure: Structure and value of separate sales revenue

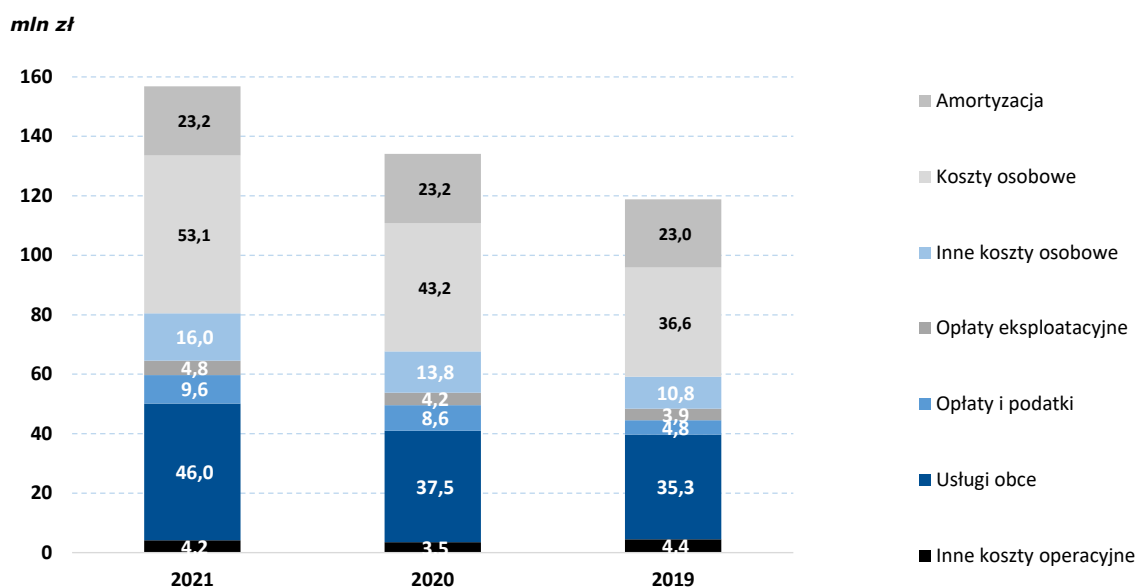


GPW's main revenue stream in 2021, similar to previous years, was the **trading revenue on the financial market**, which generated 66.3% of the total sales revenue and stood at PLN 167.7 million (-PLN 7.9 million i.e. -4.5% YoY). The trading revenue on the financial market decreased owing to a year-on-year decrease in turnover in shares and derivatives on the GPW Main Market.

### Operating expenses

GPW's operating expenses in 2021 stood at PLN 156.8 million (+PLN 22.7 million i.e. +16.9% YoY). Employee costs and external service charges increased in particular.

Figure: Structure and value of separate operating expenses



**Depreciation charges** were stable year on year and stood at PLN 23.2 million, including depreciation of plant, property and equipment at PLN 10.0 million, amortisation of intangible assets at PLN 10.4 million, and lease-related depreciation at PLN 2.8 million.

**Salaries and other employee costs** stood at PLN 69.1 million (+PLN 12.0 million i.e. +21.1% YoY). The headcount was 270 FTEs as at 31 December 2021 vs. 251 FTEs in 2020. The increase was required to secure human resources necessary in the implementation of strategic and development projects and the implementation of the Strategy which provides for the Company's business expansion and dynamic growth in new business segments.

**Maintenance fees** stood at PLN 4.8 million (+PLN 0.5 million i.e. +12.4% YoY) and included mainly maintenance fees of Centrum Giełdowe.

**Fees and charges** stood at PLN 9.6 million (+PLN 1.0 million i.e. +12.0% YoY) including mainly the fee due to PFSA which is beyond the Company's control. The capital market supervision fee in 2021 stood at PLN 8.0 million (+PLN 0.6 million i.e. +8.4% YoY).

External service charges stood at PLN 46.0 million (+PLN 8.4 million i.e. +22.4% YoY). An increase was mainly reported mainly in IT costs (+PLN 1.8 million i.e. +11.2% YoY), advisory costs (+PLN 3.3 million i.e. +125.4% YoY). In 2021, GPW paid higher costs of advisory in connection with strategic and development projects and tax advisory. Higher promotion, education, and market development costs (+PLN 2.5 million i.e. +57.2% YoY) were mainly due to multiple promotional activities and campaigns, which were absent in 2020 due to the lockdown.

**Other operating expenses** stood at PLN 4.2 million (+PLN 0.7 million i.e. +20.9% YoY). The increase was driven by an increase of the cost of material and energy consumption and an increase of the cost of electricity and heat consumption.

### Other income and expenses

**Other income** decreased to PLN 1.6 million (-PLN 0.9 million i.e. -35.8%) due to a correction of input VAT in 2020 as well as higher income on grants in 2020.

**Other expenses** decreased to PLN 3.3 million (-PLN 5.1 million i.e. -60.5% YoY) due to a one-off event reported in 2020: discontinued investment in a system and impairment of assets charged to other expenses at PLN 4.2 million. The decrease of other expenses was also driven by lower donations paid (-PLN 1.0 million i.e. -32.0% YoY).

### Financial income and expenses

**Financial income** stood at PLN 102.9 million (+PLN 17.2 million i.e. +20.1% YoY). The increase was driven by a higher dividend paid by related parties. GPW received PLN 101.8 million dividend in 2021 (+PLN 21.0 million i.e. +26.0% YoY) including PLN 94.7 million from TGE, PLN 6.6 million from KDPW, and PLN 0.4 million from Centrum Giełdowe. Financial income was also driven by a lower interest income on financial assets measured at amortised cost.

**Financial expenses** stood at PLN 7.3 million (-PLN 2.3 million i.e. -23.8% YoY). The decrease of financial expenses was mainly driven by a lower interest cost on bonds in issue (-PLN 1.1 million i.e. -15.9% YoY) as well as impairment of a loan granted to PAR recognised in 2020 (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 2021 stood at PLN 952.0 million (+78.1 million i.e. +8.9% YoY). The increase was a direct result of GPW's strong results in 2021, which boosted cash and cash equivalents as well as equity.

**Non-current assets** as at 31 December 2021 stood at PLN 443.0 million (+PLN 8.5 million i.e. +2.0% YoY), representing 46.5% of total assets (vs. 49.7% in 2020).

**Current assets** as at 31 December 2021 stood at PLN 509.0 million (+PLN 69.5 million i.e. +15.8% YoY) representing 53.5% of total assets (vs. 50.3% in 2020). The significant increase of current assets was driven by an increase of cash and cash equivalents to PLN 169.5 million (+PLN 30.6 million i.e. +22.0% YoY). Current assets included a loan granted to TGE, which stood at PLN 91.1 million as at 31 December 2021.

**Non-current liabilities** of GPW as at 31 December 2021 stood at PLN 38.1 million (-PLN 243.3 million i.e. -86.5% YoY) representing 4.0% of total equity and liabilities (vs. 32.2% in 2020). The decrease in non-current liabilities was driven by the reclassification of bond liabilities to current liabilities due to their approaching maturity. Non-current liabilities were also driven by an increase in accruals (+PLN 8.8 million i.e. +117.4%) related to grants received.

**Current liabilities** of the Company as at 31 December 2021 stood at PLN 302.5 million (+PLN 251.7 million i.e. +495.2% YoY) representing 31.8% of total equity and liabilities (vs. 5.8% in 2020). Current liabilities were mainly driven by the reclassification of bond liabilities due to their approaching

maturity, as well as an increase of employee benefits payable (+PLN 7.1 million i.e. +48.2%).

### Separate statement of cash flows

The Company generated **positive cash flows from operating activities** in 2021 at PLN 119.5 million, stable year on year, driven by a higher income tax paid (+PLN 4.7 million i.e. +18.8% YoY) and higher net other cash flows from operating activities.

The **cash flows from investing activities** were positive at PLN 21.9 million in 2021 (-PLN 53.5 million i.e. -70.9% 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 2021 (-PLN 46.5 million).

The Company received PLN 101.8 million dividend from related parties in 2021 and invested PLN 4.0 million in a share capital increase of GPW Tech (PLN 2.0 million), GPWB (PLN 2.0 million) and BS (PLN 0.01 million).

Cash flows related to investments in plant, property and equipment stood at PLN 9.3 million and investments in intangible assets at PLN 23.2 million.

The **cash flows from financing activities** were negative at PLN 110.7 million in 2021 (-PLN 6.3 million i.e. -6.0% YoY) due to a dividend paid to the shareholders at PLN 105.2 million. In addition to equity, GPW is financed with bonds (interest paid PLN 5.5 million in 2021, -25.3% YoY), leases (PLN 5.8 million fees in 2021), and grants received (net balance PLN 5.7 million in 2021 including PLN 2.3 million in the New Trading Platform project, PLN 0.5 million in the GPW Data project, PLN 1.6 million in the Private Market project, and PLN 1.2 million in the Telemetry project).

## Selected separate financial indicators

Table: Selected separate financial indicators

	As at/Period ended 31 December		
	2021	2020	2019
<b>Debt and financing</b>			
Net debt / EBITDA (12 months)	(0.5)	(0.3)	0.5
Debt to equity	41.8%	48.0%	56.1%
<b>Liquidity</b>			
Current liquidity	1.7	8.6	9.0
Bond interest coverage ratio	20.4	20.1	11.2
<b>Profitability</b>			
EBITDA margin	46.9%	54.4%	46.7%
Operating profit margin	37.8%	45.3%	34.2%
Net profit margin	68.9%	66.2%	63.2%
Cost / income	62.0%	52.4%	64.6%
ROE	30.3%	33.4%	23.9%
ROA	19.1%	20.3%	14.7%

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 sharply year on year due to an increase of current assets. Liabilities under bonds in issue were presented as current as at 31 December 2021 due to their approaching maturity. The coverage ratio of interest on bonds in issue remained stable year on year.

Operating profit margin and EBITDA margin decreased as a result of lower profits in 2021 compared to 2020.

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

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

In summary, the Warsaw Stock Exchange was a profitable company in 2021, it reported relatively high profitability ratios, and its liquidity position in 2021 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 appropriately measured, reported and controlled, and that they do not represent a threat to GPW's stability and business continuity.

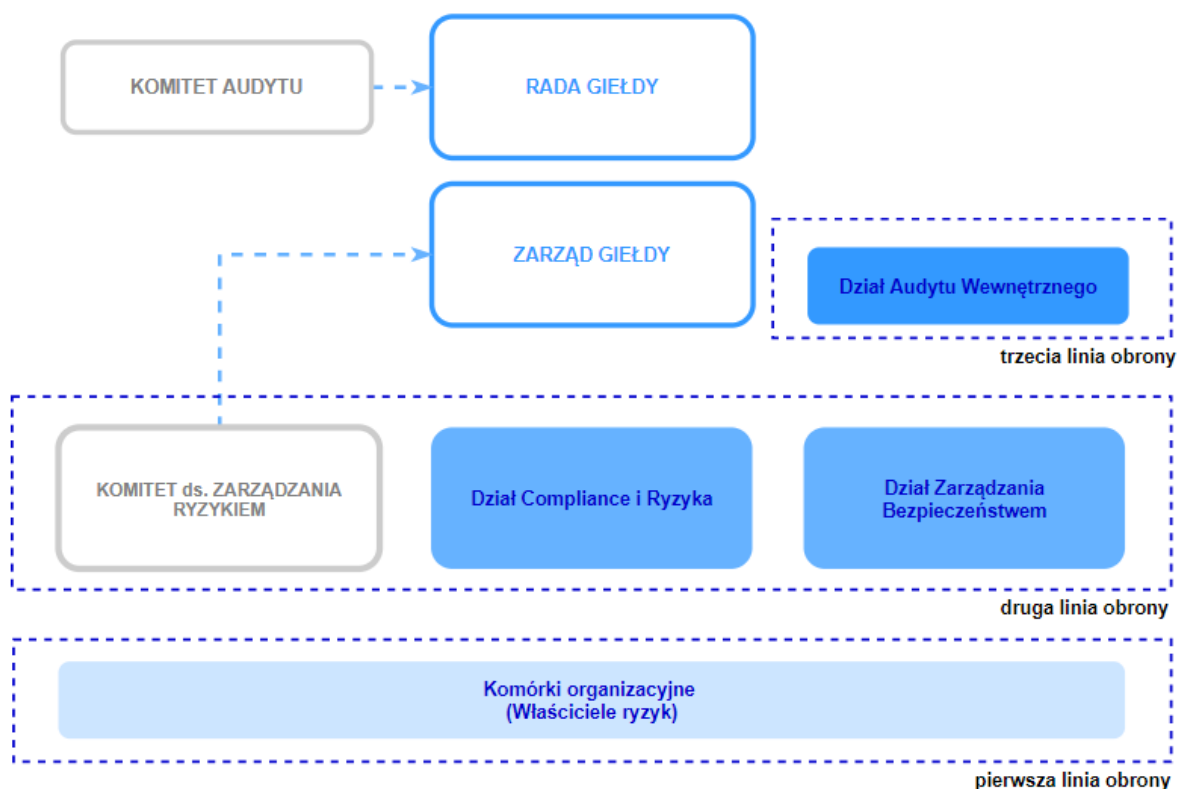
According to the Warsaw Stock Exchange Risk Management Strategy, in view of the nature and of its activity, the Company is exposed to the following risks:

- ◆ financial risks:
  - credit risk,
  - liquidity risk,
  - market risk,
- ◆ non-financial risks:
  - business risk including,
  - operational risk,
  - compliance risk,
  - reputation risk.

In GPW, risk management roles and responsibilities are organised based on a model of three lines of defence:

- a. The first line of defence involves the day-to-day management of risks in GPW's operations by organisational units which, within their areas of responsibility, take risks into account when making any decisions within the limits of the risk appetite defined for GPW.
- b. The second line of defence provides the framework for risk management in GPW and ensures that the risk management processes implemented by the first line of defence are appropriately designed and operate as intended. The responsibilities of the second line of defence also include monitoring the first line of defence to the extent of risk management and overseeing risk exposures. The function of the second line of defence in developing risk management system solutions is independent of the function of the first line of defence.
- c. The role of the third line of defence is performed by the Internal Audit Department, which performs an independent assessment of risk management actions performed by the first and second lines of defence.

GPW's risk management organisation



- ◆ The Audit Department independently audits the risk management system. The audits verify the effectiveness of the implemented risk management system and the adequacy and effectiveness of the control mechanisms in place.
- ◆ The Compliance and Risk Department:
  - monitors and coordinates risk management activities on the basis of information provided by Risk Owners, in particular to the extent of operational risk, in accordance with the rules adopted by GPW;
  - monitors and assesses risks of non-compliance of GPW's business with the law, guidelines of the supervisory bodies, internal regulations and standards.
- ◆ The Security Management Department performs functions involving ICT and information security management and coordination of physical security management in GPW.
- ◆ The Risk Owner is responsible for actions related to the implementation of the risk management process within the assigned area of responsibility.

The organisation of the risk management system includes the Exchange Supervisory Board, which is supported by the Audit Committee, and the Exchange Management Board, which is supported by the Risk Management Committee.

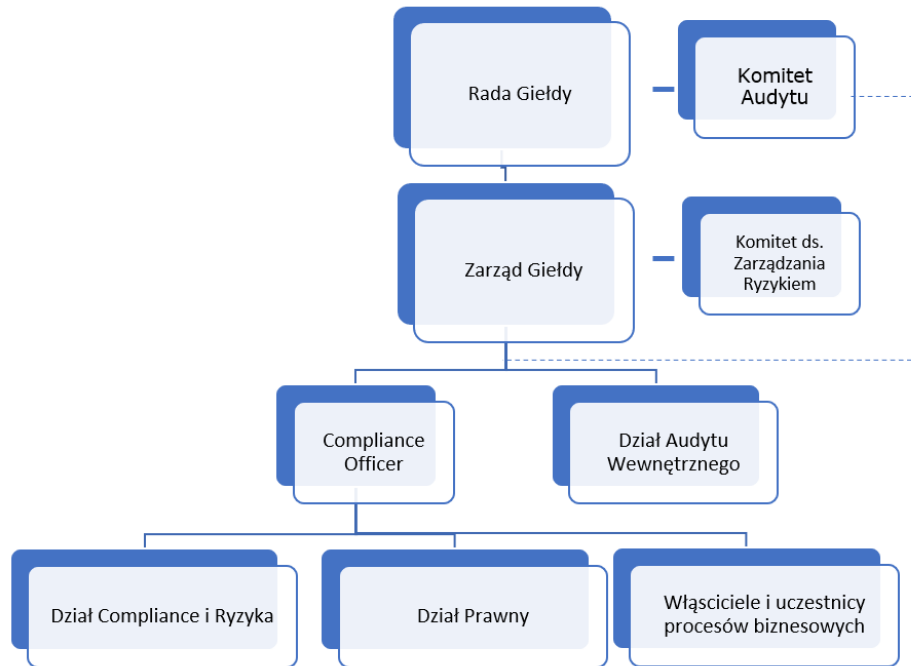
#### b) Compliance management system

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 has adequate and effective arrangements in place to manage conflicts of interest. GPW's conflict of interest management rules aim to prevent conflicts of interest, identify and monitor conflicts of interest, and manage conflicts of interest if they arise to ensure that GPW operates in a sound, transparent and professional manner in accordance with the principles of fair trading 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 & 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 Exchange Management Board or the Director of the Internal Audit Department with the approval of the supervising Member of the Exchange 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 tasks as well as reports on the status of implementation of issued recommendations.

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 2021, the Exchange Supervisory Board regularly monitored the effectiveness of the internal control, compliance, risk management, and internal audit systems of the Exchange. The Exchange Supervisory Board received the annual report on internal audit activities and the report of the Compliance and Risk Department on the management of the compliance, risk, business continuity, and critical infrastructure systems. The Exchange Supervisory Board also received periodic reports concerning the above-mentioned areas, and discussed them at meetings, without the participation of Exchange Management Board Members, with persons responsible for the operation of the above-mentioned systems and internal audit.

In the opinion of the Exchange Supervisory Board, GPW's internal control and risk management systems operate adequately.

#### f) GPW Group's internal systems

The Exchange Supervisory Board requested the subsidiaries to prepare information concerning their internal systems for risk management, compliance management, internal control, and internal audit. Based on the documents submitted by the supervisory boards of the subsidiaries, it has been concluded that those GPW Group companies whose business activity requires such information and whose size and structure allow for such information (Towarowa Giełda Energii S.A., Izba Rozliczeniowa Giełd Towarowych S.A., BondSpot S.A. GPW Benchmark S.A.) have established separate, adequate and effective systems for internal control, risk management, compliance management, and internal audit.

### 3) Assessment of 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 2016, 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 Company complied with the corporate governance principles laid down in the Best Practice for GPW-Listed Companies (Best Practice 2016) from 1 January 2016 to 30 June 2021.

In connection with Resolution No. 13/1834/2021 of the Exchange Supervisory Board of 29 March 2021, new corporate governance rules for companies listed on the GPW Main Market were adopted: the Best Practice for GPW-Listed Companies 2021 (Best Practice 2021). The new rules entered into force on 1 July 2021. Accordingly, as of July 1, 2021, the Company has complied with the principles contained in the Best Practice 2021. The document is available on the Company's website in the listed companies corporate governance section (<https://www.gpw.pl/dobre-praktyki2021>) and in the Investor Relations section. GPW has also submitted the above-mentioned report in the EBI system. From 1 July 2021 until 31 December 2021, GPW complied with the principles contained in the Best Practice 2021 except for principles 1.3.1., 1.4.1., 2.1., and 2.2.

On 17 March 2022, 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 2021 and the Consolidated Annual Report of the GPW Group for 2021 including the Report of the Management Board on the activity of the Parent Entity and the Warsaw Stock Exchange Group in 2021 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 2021 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 fulfils 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 issued by the Polish Financial Supervision Authority (KNF) 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 2021. The Warsaw Stock Exchange complied with the Rules of Corporate Governance for Supervised Institutions in 2021 with the exception of:

- ◆ three rules which were waived (§ 10(2), § 12(1), § 28(4) – 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 the GPW Group's sponsoring, charity and other similar activities

GPW's sponsoring and charity activities are implemented in accordance with the Company's internal regulations. These include the Warsaw Stock Exchange Sponsoring Policy Rules adopted on 12 February 2018; 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 2021.

Sponsorship expenses stood at PLN 587.38 thousand gross in 2021, including mainly support for events dedicated to the capital market. Sponsorship covered events such as the 21<sup>st</sup> IDM Conference in Bukowina Tatrzańska organised by the Chamber of Brokerage Houses (IDM), which in 2021 was held under the title "Capital market to support investment and economic growth in times of slowdown". The IDM Conference is an annual two-day meeting of the leading representatives of the capital market: investors, listed companies, brokerage houses, banks, government bodies, securities exchanges and clearing institutions, business and local government organisations. During 11 panels, the participants discussed, among others, the strategy for the capital market in Poland, promoting sustainable development, increasing the share of savings in the economy and the efficiency of intermediary institutions, as well as the stability of the regulatory and supervisory environment, increasing market liquidity, effective administrative procedures, the impact of domestic investment funds on the development of the Polish economy, new regulatory requirements for issuers, the use of competitive new technologies, and strengthening trust in the market. As part of its sponsorship activities, GPW supported the Polish Association of Listed Companies (SEG) in organising two congresses: the 12<sup>th</sup> Investor Relations Congress (online), where a GPW representative discussed the implementation of the Best Practice 2021, and the 9<sup>th</sup> Congress of CFOs of Listed Companies, which discussed trends affecting the work of CFOs in listed companies, including the challenges of sustainability reporting and digitalisation. GPW co-financed training sessions organised by the Financial Markets Association ACI Poland on financial instruments, risk management and legal aspects of financial markets, including: Foreign currency mortgage portfolio conversion using the example of Hungary, IR Benchmark Reform and Programming in "R" - The use of "R" in the daily work of a banking employee for simulation, analysis and forecasting of the financial market and valuation of instruments. The trainings were prepared and delivered in collaboration with Polish and foreign experts.

GPW was an Organising Partner of the WallStreet25 online conference. Dedicated to individual investors, the event featured 81 lectures and debates and brought together nearly 12 thousand participants.

GPW sponsored industry conferences including investor events; Wood's Winter Wonderland EME Conference 2021 hosted by Wood&Co; The Finest CEElection Investor Conference 2021, hosted by Erste Securities Polska, where GPW-listed companies meet institutional investors. Other events included the Bulls & Bears Awards hosted annually by Gremi Media where Gazeta Giełdy i Inwestorów Parkiet annually awards leading companies, managers and institutions; and the Golden Portfolio event for top managers.

GPW in collaboration with the GPW Foundation produced an episode of the "Great Test of the Polish Television" devoted to earning returns. The project was financed with a donation from GPW to the GPW Foundation, GPW sponsorship funds, and to a lesser extent, funds offered by the project partner PKO Bank Polski. The programme in the "Great Test" series is a television show which combines educational and entertainment content in the form of a quiz show. Programme participants and viewers in front of TV sets answered 36 questions divided into 6 rounds. The questions are accompanied by stories, trivia and artistic performances. Popular artists, athletes and journalists take the test in duos in the studio and via instant messaging. Viewers solved the test online at <http://wielkitest.tvp.pl> and in an application on their smartphones. The Great Test of the Polish

Television was one of the activities accompanying the celebrations of the 30<sup>th</sup> anniversary of GPW. The episode titled "Great Test about Earning Returns" was a part of the GPW's 30<sup>th</sup> anniversary celebrations. The "Great Test about Earning Returns" was broadcast on 17 November 2021 and is still available on VOD.TVP. The mass media, and especially public television which broadcast the project, is undoubtedly one of the best channels for reaching out to potential as well as existing stock market investors.

GPW's donations in 2021 stood at PLN 2,131.1 thousand including PLN 1,520.0 thousand for the GPW Foundation for its statutory activity according to the donation plan. The funds were used for the implementation of educational projects addressed to school and university students, teachers of economic subjects, potential stock exchange investors, and for the current activity of the GPW Foundation. The amount of PLN 550.0 thousand was donated by GPW as part of the cooperation of GPW and the GPW Foundation in the Great Test of the Polish Television project. As part of the programme "30 Good Deeds of GPW on the 30<sup>th</sup> anniversary of GPW", GPW donated 100 Black Eye MacTronic rechargeable torches to the Nadbużański Border Guard Division and 41 gift cards (worth PLN 150) to pupils in care and educational institutions in Kleniewo, Ruszków, Gostynin, and Strzałki.

In 2021, GPW donated the amount of EUR 13.8 thousand to the European Foundation for Those in Need for its statutory objectives, as well as PLN 20.0 thousand to the Care and Education Centre in Franciszków – a donation for the purchase of equipment for living quarters and renovation materials.

GPW made a donation to Polish National Foundation in the amount of PLN 1,500 thousand (booked in the costs of 2021).

In 2021, Towarowa Giełda Energii was a partner of many events and conferences on the national and regional level, which were crucial from the point of view of the energy sector and the development of TGE's offer. The cooperation was based not only on sponsoring activities, but also on unpaid expert support as TGE experts appeared as special guests. The most important initiatives included the POWERPOL Energy and Heat Congress, the EuroPOWER Energy Conference, the European Economic Congress, the DISE Energy Congress, the GAZTERM Conference, the Energy Fair, the Scientific Conference "Energy Security – Pillars and Development Prospects", the Renewable Energy AREOPAG, and the Green Energy Congress. TGE representatives actively participated in presentations at the Energy Community "SEEGAS" initiative and the Energy Central and South Trading Eastern Europe (ETCSEE).

Like in previous years, in 2021 TGE was also involved in projects addressed to the academic community, such as the Energy Academy organised by the L.A. Paga Foundation, the Energy Week of the Warsaw School of Economics Student Research Club, and the Go4Poland programme implemented by the GPW Foundation.

In December 2021, TGE employees made donations and individual contributions to the Homes for Single Mothers with Children Foundation as part of a charity initiative.

#### [Promotional and educational activities in 2021](#)

The 9<sup>th</sup> meeting of the Financial Market Women's Club took place on 18 February 2021 with the

participation of Noorhan Al-Zan, CFA, FCII, Manager, Treasury Department, Ahli United Bank and Piotr Mazurkiewicz, Managing Partner, HRK/IRC Global Executive Search Partners. The meeting presented the findings of the CFA Society Poland report "Women's participation in corporate bodies and the performance of companies".

The Warsaw Passive Investment conference took place on 2-4 March 2021. Passive funds available in Poland were presented at the event. The participants discussed how to build a passive portfolio on GPW and how global trends affect the local market.

On 8 March 2021, GPW was one of over 100 stock exchanges around the world to take part in the "Ring the Bell for Gender Equality" event. On the occasion of the International Women's Day, at 9 a.m. sharp, the bell of the Warsaw Stock Exchange was rung to draw attention to the problem of inequality between women and men on the labour market and in society. The event in Poland was organised by UN Global Compact Network Poland and the Warsaw Stock Exchange. The theme of the 2021 edition was "Women in leadership: Achieving an equal future in a COVID-19 world". The global initiators of the event were the United Nations Global Compact, UN Women, the Sustainable Stock Exchanges Initiative, the International Finance Corporation, the World Federation of Exchanges, and Women in ETFs.

GPW once again supported the Listed Company of the Year Ranking, one of the oldest and most prestigious rankings in the capital market hosted by Puls Biznesu. The 22<sup>nd</sup> survey covered 119 exchange analysts, investment advisors and managers representing brokers, insurers, pension funds and investment funds, who rated companies participating in the indices WIG20, mWIG40 and sWIG80. In the ranking, listed companies get important feedback about how they are perceived by professional market participants.

The year 2021 marked the 30<sup>th</sup> anniversary of the Warsaw Stock Exchange. The celebrations began on 16 April 2021, three decades after the inaugural trading session. The jubilee session was opened by the President of the Republic of Poland Andrzej Duda, Honorary Patron of the 30<sup>th</sup> anniversary of GPW. The ceremony was attended by representatives of public authorities, listed companies, and institutions involved in the development of the Polish capital market.

A unique idea to celebrate the 30<sup>th</sup> anniversary was the release of an album by the Warsaw Stock Exchange entitled "All Time Highs". It contains 16 tracks from films and series featuring the stock exchange and finance (including Capital City, The Big Short, The Wolf of Wall Street, Arbitrage, Greed). All tracks were re-recorded and some of them were additionally rearranged by the most outstanding Polish arrangers, such as Krzesimir Dębski, Filip Wojciechowski, and Marcin Piekut. Going even further, GPW organised special concerts where the pieces were performed by outstanding artists connected with Opera Light, the music producer of the "All Time Highs" album. The premiere concert took place on 7 October 2021 during the Second Three Seas Stock Exchanges Conference.

On 7-8 October 2021, GPW organised the Second Three Seas Stock Exchanges Conference in Warsaw. It was the highlight of GPW's 30<sup>th</sup> anniversary celebrations. The first day was dedicated to the development of GPW. The debate on "Thirty Years of GPW's Experience for the Development of Central and Eastern European Capital Markets" featured Alexander Saveliev, European Bank for Reconstruction and Development; Nikoloz Gagua, National Bank of Georgia; and Davit Nahapetyan,

Central Bank of Armenia. The areas of cooperation of the Three Seas Stock Exchanges include exchange of experience in technology, a topic presented by Witold Wiliński, President of GPW Tech.

The second day of the conference was dedicated to debates on the cooperation among the Three Seas Stock Exchanges (GPW is a co-originator and chair of the initiative). A discussion moderated by Marek Dietl, President of the GPW Management Board, included CEOs of the Bratislava, Budapest, Bucharest, Ljubljana, Prague, Sofia, Vienna and Zagreb stock exchanges. Paweł Nierada, First Vice President, Bank Gospodarstwa Krajowego (BGK), outlined the framework of the Three Seas Fund of which BGK is the initiator, co-founder and principal investor. The closing panel of the Conference was attended by representatives of companies participating in the CEEplus index from Romania, Slovenia and Croatia as well as Robert Kubin, CEO of TFI PZU.

In another initiative as part of the 30<sup>th</sup> anniversary celebrations, GPW prepared two exhibitions: a stationary one and a mobile one. The stationary exhibition brought together exhibits and multimedia materials related to the history of the Warsaw Stock Exchange. On display were, among others, GPW's first stock exchange bell, statuettes presented to companies newly listed on the stock exchange, the prospectus of the Warsaw Stock Exchange, and diskettes with orders from brokerage houses from the first years of GPW's operation. The exhibition also presented materials which the stock exchange community takes with a pinch of salt, such as stock exchange cartoons and satirical drawings. An information kiosk with multimedia materials was available at the exhibition, providing an accessible way to learn about the three-decade history of Pekao's brokerage house. The exhibition, whose partner is Bank Pekao S.A., is open free of charge in the lobby of Centrum Giełdowe, 4 Książęca Street, Warsaw. The history of the Exchange can also be explored through mobile exhibitions which travel around Poland and show, among other things, the historical premises of GPW, the beginnings of the capital market in post-war Poland, and the meaning of the stock exchange symbols. The exhibition comprises 20 display boards in Polish and English. Additionally, the exhibition includes 10 display boards commemorating the 30<sup>th</sup> anniversary of Pekao S.A.'s brokerage house. The boards tell the history of the brokerage house, present the most important awards it has won over the years, and display historical photographs of stockbrokers.

On 19 October 2021, GPW co-organised the 15<sup>th</sup> Jubilee Investment Funds Forum which discussed challenges and problems of the industry, socially responsible investing (ESG) and green investment, geopolitics and technological transition in asset management.

GPW was the Gala Partner of the 7<sup>th</sup> edition of the "Polish Compass - Yearbook of financial institutions and listed companies", a summary of the state of the economy and a review of financial and insurance institutions as well as GPW-listed companies and firms registered with the Polish Financial Supervision Authority. It is a landmark and a roadmap of plans of the government, economic ministries, and financial institutions. Every year, the Polish Compass features publications prepared by market participants and people directly involved in creating Poland's economic policy, as well as economists, analysts, and economic journalists. Prepared by the economic team of FratRIA Media Group, journalists of Gazeta Bankowa and the wGospodarce.pl portal, the Yearbook is a unique publication based on articles written by special authors: market participants and creators of Polish economic policy. Thanks to them, the authors of the "Polish Compass", the readers have a chance to discover a cross-sectional, genuine analysis of the economic situation and forecasts, created by



market participants who identify the threats and opportunities of current strategies to warn against the traps of the future.

GPW collaborated with Ringier Axel Springer Polska in the following projects: Sustainable Development – Now or Never; Family Business Forum – a series of meetings in various regions of Poland dedicated to the condition and development opportunities of family businesses; and the 6<sup>th</sup> edition of the Congress of Polish Capital supporting the exchange of experience of owners and managers of large Polish enterprises.

In co-operation with Pracownia Badawcza PBS, GPW was a partner of the National Survey of Individual Investors 2021 conducted in July-October 2021. The presentation of the report with the participation of a GPW representative took place on 22 December 2021.

GPW attaches special importance to promotion and education in the financial community as well as communication focused on the financial market. This is why GPW in partnership with CFA Society Poland hosts expert events (conferences) and educational events (competitions including the CFA Ethics Challenge).

The Exchange was the organiser and co-organiser of multiple online events (conferences and webinars) including:

- › Trigon Green Tech Conference – investor event,
- › GPW Innovation Day – 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> edition – event dedicated to investors and innovative listed companies,
- › How to invest on the exchange? – event dedicated to existing and potential investors,
- › 19<sup>th</sup> edition of the Online School Exchange Game organised in collaboration with the GPW Foundation,
- › Workshop: ESG Reporting Guidelines – event dedicated to issuers,
- › Effective whistleblowing system – compliance challenges – an event presenting GPW's draft new recommendations on the implementation and operation of internal whistleblowing channels and whistleblower protection,
- › Business in the Genes, 3<sup>rd</sup> edition – a biotechnology and medtech industry event,
- › Gaming on the Exchange – 7<sup>th</sup> edition, gamedev experts talk about the gaming industry
- › ESG Warsaw – a conference for companies on key ESG trends,
- › ABC of Investing in collaboration with the Finvest Group.

As part of its activity in the area of education, promotion and information on the functioning of the capital market, GPW co-operated with many organisations, associations, chambers of commerce and institutions, among others in the organisation of events and conferences. GPW was a partner of such events as Congress 590, ING Bank N.V (Turbo challenge), Global Compact, ICAN Institute, Impact Foundation, Do Your Own Thing for Culture Foundation (Polish Days in Armenia), Master of Business Administration Alumni Association, FXMAG (implementation of an educational cycle).

The Exchange Supervisory Board issues a positive opinion on the sponsoring and charity activities of GPW in 2021.

Towarowa Giełda Energii has for more than 20 years offered educational initiatives for market participants, TGE members, the media and academics. The initiatives promote TGE as a transparent energy trading venue which determines reference prices. They also raise awareness about the benefits of trading on the exchange. One of TGE's key priorities is an ongoing dialogue with the market, carried out among others through advisory bodies to the TGE Management Board, which include the Market Council and the Agricultural Market Council, as well as activities addressed to market participants, such as conferences (the Trading Forum, TGE Update) and workshops for public institutions.

#### Education and partnership

As in previous years, Towarowa Giełda Energii continued its educational activities by actively participating in external projects such as the Energy Academy organised by the L.A. Paga Foundation and the Go4Poland programme implemented by the GPW Foundation.

Last year also saw continued support for key industry events and conferences. In 2021, TGE was a partner of such events as the POWERPOL Power and Heat Congress, the EuroPOWER Power Conference, the European Economic Congress, the DISE Energy Congress, the GAZTERM Conference, the Energy Fair, the Scientific Conference "Energy Security - Pillars and Development Prospects" and the AREOPAG Renewable Energy event. TGE representatives actively participated in presentations at the SEEGAS initiative and the General Assembly of the Association of Futures Markets (AFM).

#### Training and examinations for TGE Broker candidates

In 2021, TGE delivered six training rounds (in Polish and/or English) for TGE Broker candidates closed with examinations for 57 participants. Due to restrictions imposed during the pandemic, TGE offered training by means of remote communication.

As a result of the training programmes, 54 TGE Broker certificates were issued in 2021 authorising the holders to represent an Exchange Member or OTF Member in transactions on the Exchange Commodity Market, the Organised Trading Platform, and the Financial Instrument Market operated by TGE.

#### Training platform of the Agricultural Market

As part of the Agricultural Market, TGE organised two training courses in 2021 addressed to participants in this market segment:

- › in May, for samplers applying to become experts in the field of sampling of cereal grains, pulse seeds and their products, and oil plant seeds;
- › in June, for employees of quality control laboratories at grain collection centres and mills.

#### Workshops for public institutions

Online trainings for public institutions were delivered in 2021, including workshops for the Energy Forum in April and workshops for the Ministry of Climate and Environment in November, where TGE presented aspects related to the operation and offer of TGE.

#### Competition and media workshop

In 2021, for the seventh time, TGE organised the "Platinum Megawatts" Media Competition to promote high quality journalism governed by the principles of ethics and objectivity, reporting complex issues of the energy sector in an accessible way. In organising the event, TGE cooperated with companies such as TAURON Polska Energia S.A., Polskie Sieci Elektroenergetyczne S.A., GAZ-SYSTEM S.A., PGE Polska Grupa Energetyczna S.A., Respect Energy S.A. and Izba Rozliczeniowa Giełd Towarowych S.A. The competition was held under the honorary patronage of the Minister of State Assets, the Minister of Climate and Environment, and the President of the Energy Regulatory Office. The award ceremony took place on 29 June 2021, and a workshop for journalists on distributed energy, i.e., modern solutions for the RES sector arranged in collaboration with TAURON Polska Energia S.A. took place on 30 November. The workshop agenda included presentations and a visit to a hydroelectric power plant in Wrocław.

#### Information meetings for TGE members

Two editions of TGE Update were held as part of the conference with market participants in 2021. The event is held to share information with TGE members. TGE organised the 13<sup>th</sup> Trading Forum on 1-3 September 2021. Participants attended two panels: "RES sector in the electricity market" and "Implementation of financial instruments in the electricity market", as well as a panel which discussed the most important operational issues for traders. The Exchange Gala 2020 was held during the 2021 Trading Forum. The Platinum Megawatt awards went to the most active companies and traders on the stock exchange.

#### Dialogue with market participants

As regards the dialogue with market participants, its key channels include the Market Council, an advisory body to the TGE Management Board with regard to the development of the product offer and the best solutions for entities operating on the exchange. The Council is composed of the representatives of eleven industry associations including: Gas Transmission Operator Gaz-System S.A., Chamber of Brokerage Houses, Chamber of Industrial Energy and Energy Recipients, Gas Industry Economic Chamber, Polish Association of Professional Heat and Power Plants, Association of Energy Trading, Polish Economic Society of Power Plants, Renewable Energy Association, Polish Wind Energy Association, Association of Private Employers of the Energy Industry (Lewiatan), EFET, as well as the representatives of TGE and IRGiT.

In 2021, the Council worked on the basis of a jointly developed and approved "Framework Action Programme for 2021", and almost all of its items were implemented. The list was not exhaustive and ad-hoc issues were also discussed at the request of Council Members.

Importantly, an Agricultural Market Council was established in 2021, bringing together representatives of the agricultural and food industry to provide opinions and advice to the TGE Management Board on matters concerning the development of the Agricultural Market, including the Authorised Warehouse System. The Agricultural Market Council comprises representatives of the most important industry organisations related with the agricultural sector, scientific institutes, the public administration and the GPW Group: the Professor Waław Dąbrowski Institute of Biotechnology of the Agricultural and Food Industry, the Institute of Agricultural and Food Economics, the Chamber of Commerce of Grain and Feed Processors, the National Federation of Cereal Producers, the Lubuszenie Producers Group, the National Association of Rape and Protein Plant Producers, the Polish

Association of Grain and Milling Industry Employers, the Polish Association of Oil Producers, the Ministry of Agriculture and Rural Development, the National Centre of Agricultural Support, and the GPW Group.

#### Development of the exchange market and promotion of TGE

In 2021, TGE signed a number of MoUs aimed at developing the gas market in the region and launching a biomethane and hydrogen market in Poland. By signing the cross-sectoral agreements, TGE sent a clear signal of its readiness to support activities aimed at the development of the energy industry and TGE's business offer.

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

Pursuant to § 28 of the Rules of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority, 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 ("Act") 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 by 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 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 semi-annual 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 10% 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.

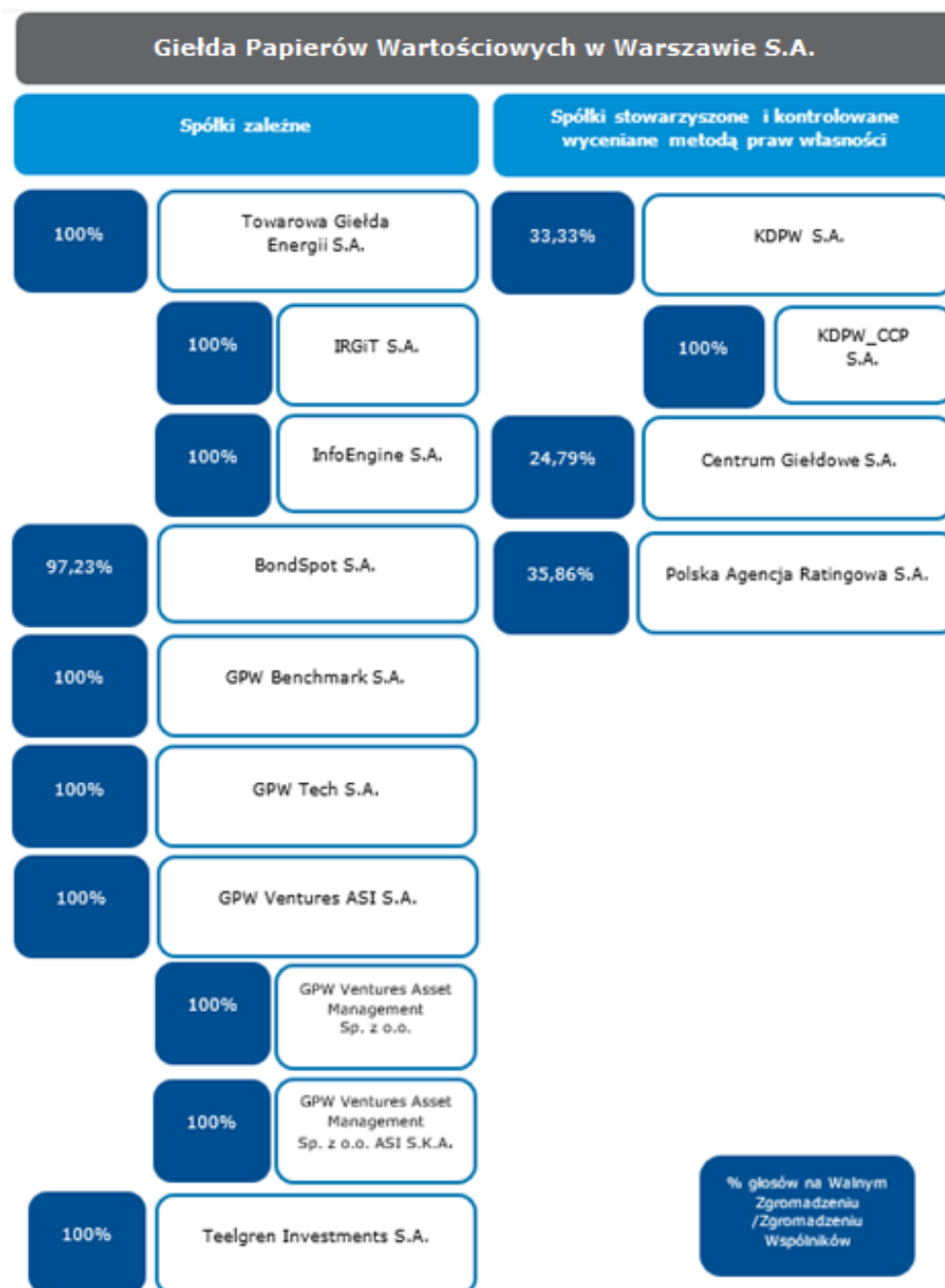
## IV. ASSESSMENT OF THE FINANCIAL STANDING OF THE GPW GROUP

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

Structure and composition of the Group

As at 31 December 2021, the Warsaw Stock Exchange Group comprised the parent entity and nine subsidiaries (10 subsidiaries as at the date of publication of the 2021 annual report).

Figure: 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 GPW Group results, impact of the SARS-COV-2 pandemic on Group results

The GPW Group generated a consolidated net profit of PLN 161.3 million in 2021 (+PLN 9.0 million i.e. +5.9% YoY) driven by an increase of sales revenue from PLN 404.0 million in 2020 to PLN 407.6 million in 2021 (+PLN 3.6 million i.e. +0.9 YoY). The operating profit stood at PLN 179.9 million (-PLN 9.4 million i.e. -5.0% YoY). EBITDA stood at PLN 215.2 million (-PLN 10.4 million i.e. -4.6% YoY). The increase of operating expenses in 2021 was largely driven by the implementation of strategic and development projects.

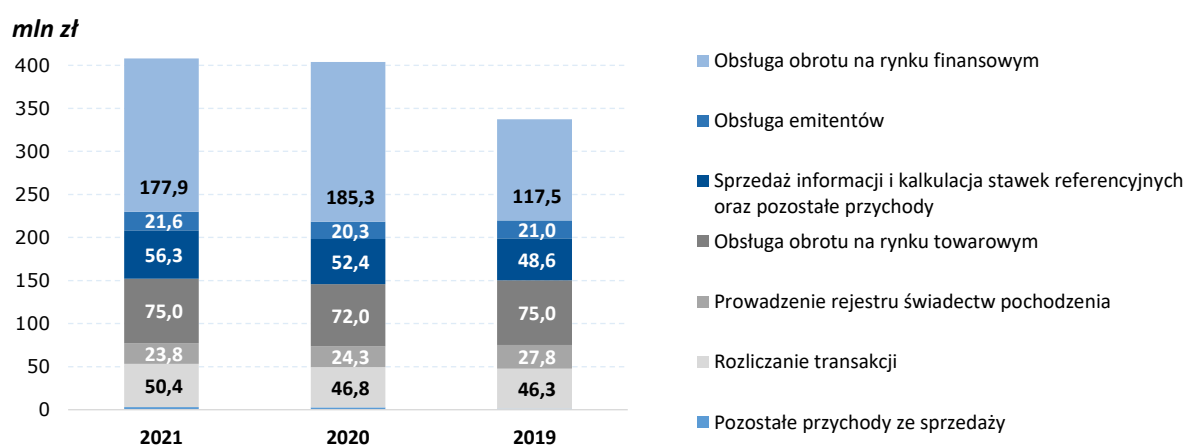
In addition, the following one-off (or cyclical) events had an impact on the GPW Group's results in 2021:

- › update of IRGiT's VAT provisions,
- › COVID-19 pandemic,
- › announcement of a Phantom Share Programme for employees in Q2 2021.

### Sales revenue – summary

The GPW Group's sales revenue was record-high at PLN 407.6 million in 2021 (+PLN 3.6 million i.e. +0.9% 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



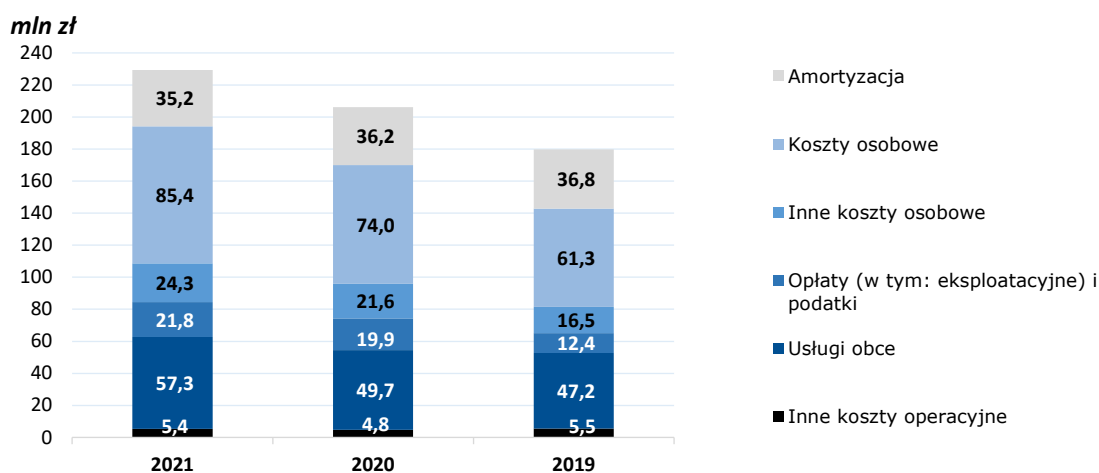
The biggest revenue streams in 2021 included trading on the financial market (43.6%), trading on the commodity market (18.3%), and information services (13.8%). The share of those revenue streams in 2020 was 45.9%, 17.9% and 13.0%, respectively.



## Operating expenses

Operating expenses in 2021 stood at PLN 229.4 million (+PLN 23.2 million i.e. +11.3% YoY). In particular, employee costs and external service charges increased substantially.

Figure: Structure and value of consolidated operating expenses



**Depreciation charges** in 2021 were stable year on year and stood at PLN 35.2 million (-PLN 1.0 million i.e. -2.7% YoY), including depreciation of property, plant and equipment at PLN 12.7 million, amortisation of intangible assets at PLN 17.8 million, and lease-related depreciation at PLN 5.4 million.

**Salaries and other employee costs** of the Group in 2021 stood at PLN 109.6 million (+PLN 14.0 million i.e. +14.6% YoY) among others due to an increase of GPW's costs by +PLN 12.0 million, IRGiT's costs by +PLN 1.0 million, and TGE's costs by +PLN 0.6 million.

The increase of salaries in the Group was driven by a gradual increase in the headcount caused by an additional workload related to the implementation of strategic and development projects. The Group's remuneration system continued to be consolidated in 2021; combined with expected 2021 results, it led to higher salaries and additional provisions against annual and discretionary bonuses at PLN 18.3 million (+PLN 2.9 million i.e. +19.0% YoY). The increase in supplementary salary costs was driven by short-term contracts concerning projects under implementation.

Due to GPW's active development projects, some salaries are capitalised and will be recognised as depreciation charges under expenses after the projects are rolled out. Capitalisation of salaries and other employee costs in 2021 stood at PLN 10.5 million.

**Maintenance fees** stood at PLN 4.8 million (+PLN 0.5 million i.e. +11.8% YoY) and included mainly maintenance fees of Centrum Giełdowe.

**Fees and charges** stood at PLN 17.0 million (+PLN 1.4 million i.e. +9.2% YoY) including the capital market supervision fee for 2021 at PLN 14.5 million (+PLN 0.6 million i.e. +4.6% YoY). The amount of capital market supervision fees is subject to much volatility YoY and remains beyond the Group's control.

External service charges stood at PLN 57.3 million (+PLN 7.6 million i.e. +15.3% YoY). The year-on-year increase was due to the following changes in different cost categories:

- › IT costs – an increase of +PLN 3.3 million (+12.0% YoY) due to a higher cost of IT hardware maintenance and software modifications;
- › promotion, education, market development – an increase of +PLN 2.5 million (+57.2% YoY) mainly due to multiple promotional activities and campaigns, which were absent in 2020 due to the lockdown;
- › advisory – an increase of +PLN 3.1 million (+66.6% YoY) due to GPW's higher costs of advisory in strategic and development projects.

**Other operating expenses** stood at PLN 5.4 million (+PLN 0.7 million i.e. +13.7% YoY).

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

**Other income** of the Group stood at PLN 3.0 million in 2021 (-PLN 1.2 million i.e. -28.6% YoY). The lower other income was mainly driven by a lower income on grants received and recognised over time (-PLN 2.7 million i.e. -78.9%). Other income also included revenue from reimbursement of expenses on the international energy market at PLN 1.6 million in aggregate.

**Other expenses** stood at PLN 3.0 million (-PLN 8.7 million i.e. -74.2% YoY) and included mainly donations paid, losses on the sale of property, plant and equipment. The decrease in other expenses was driven by a high base of 2020 which included impairment of the asset involving payments with the UTP system vendor at PLN 4.2 million and impairment of BondSpot at PLN 3.5 million.

As at the balance-sheet date, the **loss on impairment of receivables** stood at PLN 1.7 million (+PLN 2.7 million i.e. +283.8% YoY) and concerned GPW (gains at PLN 1.1 million) and TGE (losses at PLN 0.3 million).

#### Financial income and expenses

**Financial income** of the Group stood at PLN 1.0 million (-PLN 5.2 million i.e. -83.8% 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 low interest rates.

**Financial expenses** of the Group amounted to PLN 11.6 million (-PLN 9.7 million i.e. -45.5% YoY) including mainly interest cost on series C, D, and E bonds in issue at PLN 5.8 million (-PLN 1.1 million i.e. -15.9% YoY). The year-on-year decrease of the Group's financial expenses in 2021 was mainly due to provisions against tax payable (PLN 1.9 million in 2021 vs. PLN 11.4 million in 2020).

#### Share of profit of entities measured by the equity method

The Group's share of profit of entities measured by the equity method in 2021 stood at PLN 24.4 million (+PLN 8.6 million i.e. +54.8% YoY). The increase of the share of profit of entities measured

by the equity method in 2021 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 2021 stood at PLN 24.1 million (vs. PLN 15.3 million in 2020) owing to higher profits generated by the KDPW Group. Its higher net profit was driven by an increase in revenue of the KDPW Group (+PLN 30.6 million i.e. +17.5% YoY) including fees from the operation of the securities depository by PLN 18.3 million and one-time fees and clearing fees by PLN 9.7 million combined with a lower growth rate of operating expenses (+PLN 5.9 million i.e. +4.9% YoY).

The share of profit of Centrum Gieldowe in 2021 was PLN 0.3 million (PLN 0.4 million i.e. -37.3% YoY).

### 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 2021 and as at 31 December 2020. As at 31 December 2021, 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 408.5 million (-PLN 206.5 million i.e. -33.6% 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 105.2 million, and increased by +PLN 45.2 million (i.e. +3.3%) year on year owing to good financial results.

Non-current assets as at 31 December 2021 stood at PLN 603.6 million (+PLN 11.5 million i.e. +1.9% YoY) representing 42.8% of total assets as at 31 December 2021 vs. 43.4% as at 31 December 2020.

**Current assets** as at 31 December 2021 stood at PLN 807.1 million (+PLN 33.8 million i.e. +4.4% YoY) and represented 57.2% of total assets as at 31 December 2021 vs. 56.6% as at 31 December 2020.

**Equity** as at 31 December 2021 stood at PLN 967.9 million (+PLN 49.7 million i.e. +5.4% YoY) representing 68.6% of the Group's total equity and liabilities as at 31 December 2021 vs. 67.2% as at 31 December 2020.

**Non-current liabilities** as at 31 December 2021 stood at PLN 44.2 million (-PLN 244.7 million i.e. -84.7% YoY) representing 3.1% of the Group's total equity and liabilities as at 31 December 2021 vs. 21.2% as at 31 December 2020. The decrease in non-current liabilities was due to the reclassification of liabilities under bond issue which were presented as current as at 31 December 2021 in view of their approaching maturity. Non-current liabilities were also driven by an increase of non-current deferred income from grants.

**Current liabilities** as at 31 December 2021 stood at PLN 398.6 million (+PLN 240.2 million i.e. +151.7% YoY) representing 28.3% of total equity and liabilities as at 31 December 2021 vs. 11.6% as at 31 December 2020. The increase in current liabilities was mainly driven by the reclassification of liabilities under bond issue from non-current to current.

## Consolidated statement of cash flows

The Group generated positive **cash flows from operating activities** at PLN 53.1 million (-PLN 178.3 million i.e. -77.1% YoY) driven by an increase of the net profit (+PLN 9.0 million i.e. +5.9% YoY), an increase of VAT refund receivables (+PLN 114.3 million YoY) and an increase of income tax paid (+PLN 3.7 million i.e. +11.4% YoY).

The **cash flows from investing activities** were negative at -PLN 3.7 million (-PLN 8.6 million YoY). The decrease in the cash flows was mainly due to a lower surplus of new investments in bank deposits, bonds, and certificates (+PLN 245.2 million i.e. +27.1% YoY) exceeding maturing investments (+PLN 240.5 million i.e. +25.7% YoY). The cash flows from investing activities were also driven by higher capital expenditure for property, plant and equipment (+PLN 1.3 million YoY) and intangible assets (+PLN 8.2 million YoY).

The **cash flows from financing activities** were negative at -PLN 110.9 million (-PLN 9.9 million i.e. -9.8% YoY) mainly including (similar to 2020) the dividend paid by GPW at PLN 105.2 million (+PLN 4.5 million i.e. +4.5% YoY) and interest paid on GPW's bonds at PLN 5.5 million.

## Selected consolidated financial indicators

	As at/Period ended 31 December		
	2021	2020	2019
<b>Debt and financing</b>			
Net debt / EBITDA (12 months)	(1.0)	(1.6)	(1.3)
Debt to equity	26.4%	28.4%	30.7%
<b>Liquidity</b>			
Current liquidity	2.0	4.9	6.5
Bond interest coverage ratio	36.9	32.6	25.4
<b>Profitability</b>			
EBITDA margin	52.8%	55.8%	57.7%
Operating profit margin	44.1%	46.9%	46.8%
Net profit margin	39.6%	37.7%	35.7%
Cost / income	56.3%	51.0%	53.3%
ROE	17.1%	17.1%	13.6%
ROA	11.6%	11.6%	9.3%

Net debt to EBITDA was negative because liquid assets were much greater than interest-bearing liabilities. Negative net debt to EBITDA decreased year on year owing to a decrease 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.

The current liquidity ratio decreased year on year due to a significant increase in current liabilities combined with a lower growth rate in current assets; however, it still remains at a high level. The interest coverage ratio for the bond issue shows that in 2021, as in previous years, EBITDA exceeds the cost of bonds many times over.

Operating profit margin and EBITDA margin decreased as a result of higher operating expenses.

The net profit margin increased moderately. In contrast, the cost/income ratio increased by 5.3 percentage points compared to 2020 due to a higher proportional increase in expenses than in revenues.

ROE and ROA remained stable year on year.

In summary, the Warsaw Stock Exchange Group was profitable in 2021, it reported relatively high profitability ratios, and its liquidity position in 2021 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 2021, the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2021; the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2021, and the Exchange Supervisory Board's assessment of the motion of the Exchange Management Board concerning distribution of the profit of 2021, 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 2021;
- approve the Separate Financial Statements of the Warsaw Stock Exchange for the year ended 31 December 2021;
- approve the Consolidated Financial Statements of the Warsaw Stock Exchange Group for the year ended 31 December 2021;
- pass a resolution distributing the profit of 2021 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 2021.

Dominik Kaczmarek

Chairman of the Supervisory Board