



BEST PRACTICE OF WSE LISTED COMPANIES 2021



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Introduction



“Best Practice of WSE Listed Companies 2021” (“DPSN2021”, “Best Practice”) is a new edition of the set of corporate governance principles that issuers of shares listed on the WSE Main Market have been subject to since 2002 under the Stock Exchange Regulations. Similarly to the previous versions of the Best Practice, developed by the experts comprising the Corporate Governance Committee, DPSN2021 takes into account the current legal status and the latest trends in *corporate governance*, as well as responds to the postulates of market participants interested in increasingly better corporate governance in listed companies.

Compared to the “Best Practice of WSE Listed Companies 2016”, the current editorial has been shortened and simplified. The accessible and concise language and clear structure of DPSN2021 are intended to make it easier for issuers and investors to interpret the principles correctly, facilitating the widest application and formulating the best possible explanations. Additional support in this regard is provided by guidance on the application of the Good Practice, edited and updated by the Corporate Governance Committee based on questions raised and practical issues arising on an ongoing basis. The guidance prepared in the Q&A format will help understand the intentions of the authors of the Best Practice in formulating specific principles and will indicate to issuers and investors what conditions must be met to deem a given principle applicable.

Each chapter of the Best Practice begins with a general indication of the objective that a listed company should pursue through the application of the principles contained in that chapter. The principles contained in the Good Practice are subject to a comply or explain formula. The disclosure obligations of listed companies with respect to the application of corporate governance principles are set out in the Stock Exchange Regulations. Each company publishes up-to-date information on the application of individual principles, in a manner determined by the WSE Management Board. If any of the principles are not applied by the company, the company should explain the circumstances and reasons in the published information. The explanations should be sufficiently comprehensive to explain in a factual manner the reasons for not applying a given principle and to make it possible to assess the company's approach to applying the principles of the Best Practice and maintaining a high level of corporate governance. Notwithstanding the above, an incidental breach of the principle, despite a previously made declaration of continued application of the principle, gives rise to an obligation on the part of the company to immediately report the fact.

With a view to protecting their image and reputation, as well as the best interests of the company and its shareholders, listed companies should strive to apply the principles of corporate governance contained in the Best Practice in a manner that is proportionate and appropriate to individual needs, as measured primarily by the size of the company and the type and scale of its operations.

The company, represented by its management board but also acting through its other bodies, is itself responsible for the application of the corporate governance principles contained in the Good Practice and for the quality of its published explanations. Each company body acts within its area of competence when taking decisions on the adoption for application of the principles contained in the Good Practice. Some principles will require the preparation of internal regulations or the amendment of existing corporate documents, certain decisions or new solutions. Since individual principles also apply to the supervisory board and its members, or to the general meeting of shareholders, or directly to the shareholders, all company bodies are expected to take measures, both on a practical and declaratory level, to enable the application of the principles of the Best Practice to the widest possible extent by all addressees of these principles, taking into account the principles of proportionality and adequacy.

Following the recommendations of the European Commission, within the framework of its powers, the Stock Exchange checks how companies comply with their obligations concerning corporate governance principles, paying particular attention to the quality of the explanations published on the basis of the comply or explain principle. Listed issuers should co-operate with the Stock Exchange in this regard by providing, upon request, information enabling verification of both the explanations themselves and the state of application of the principles of the Best Practice. Companies' dedication to the best possible quality of corporate governance will contribute to enhancing their reputation and maintaining good relations with stakeholders.




1. Information policy, communication with investors



In the interests of all market participants and in its own interests, a listed company ensures proper communication with its stakeholders by pursuing a transparent and reliable information policy.

- 1.1 The company conducts efficient communication with capital market participants, providing reliable information on matters concerning the company. To this end, the company uses a variety of tools and forms of communication, including, in particular, a corporate website on which it posts all information relevant to investors.
- 1.2 The company makes the financial results included in the interim report available for inspection as soon as possible after the end of the reporting period or, where that is not possible for justified reasons, publishes at least a preliminary estimated financial result as soon as possible.
- 1.3 The company also includes ESG topics in its business strategy, in particular covering:
 - 1.3.1 environmental issues, including metrics and risks associated with climate change and sustainability issues;
 - 1.3.2 social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations.
- 1.4 In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia:
 - 1.4.1 explain how climate change considerations are integrated into the decision-making processes of the company and its group entities, highlighting the resulting risks;
 - 1.4.2 present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.
- 1.5 The company discloses, at least annually, the expenditure incurred by it and its group in supporting culture, sport, charitable institutions, the media, social organisations, trade unions, etc. Where the company or its group has incurred expenditure for such purposes in the year under review, the disclosure includes a breakdown of such expenditure.
- 1.6 In the case of a company included in the WIG20, mWIG40 or sWIG80 index, the company holds an investors' meeting once a quarter and in the case of other companies at least once a year, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the company's management presents and comments on the adopted strategy and its implementation, the financial results of the company and its group, as well as the most important events affecting the company's and its group's operations, achieved results and future prospects. During the meetings organised, the company's management publicly provides answers and explanations to the questions asked.
- 1.7 Where an investor requests information on the company, the company responds promptly, but no later than within 14 days.



2. Management board and supervisory board



In order to achieve the highest standards in the performance of the company's management and supervisory boards and to discharge their duties effectively, only persons with appropriate competence, skills and experience are appointed to the management and supervisory boards.

Management board members act in the interests of the company and are responsible for its activities. In particular, it is the responsibility of the management board to provide leadership to the company, to be involved in setting and achieving its strategic objectives and to ensure the company's efficiency and safety.

Supervisory board members, in the performance of their duties and in the exercise of their responsibilities within the supervisory board, conduct themselves and their decisions independently and in the interests of the company.

The supervisory board works in a culture of debate, analysing the company's position against the industry and the market on the basis of material provided to it by the company's management and internal systems and functions, as well as sourced from outside the company, using the results of its committees. The supervisory board in particular gives its opinion on the company's strategy and verifies the work of the management board in achieving the set strategic objectives and monitors the company's performance.

- 2.1 The company should have a diversity policy for the management board and the supervisory board, adopted by the supervisory board or the general meeting respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%.
- 2.2 The persons deciding on the election of the members of the company's management or supervisory board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, inter alia, to achieve the target ratio of a minimum minority shareholding set at not less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.
- 2.3 At least two members of the supervisory board meet the independence criteria listed 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.
- 2.4 Voting by the supervisory board and management board is public, unless otherwise provided by law.
- 2.5 Supervisory and management board members voting against the resolution may enter a dissenting opinion in the minutes.
- 2.6 Serving on a company's management board is the management board member's main area of professional activity. Management board members should not undertake additional professional activity if the time devoted to such activity prevents them from diligently performing their duties in the company.
- 2.7 The exercise of functions by members of the company's management board in the bodies of entities outside the company's group requires the consent of the supervisory board.
- 2.8 Supervisory board members should be able to devote the necessary time to perform their duties.
- 2.9 The chairman of the supervisory board should not combine his or her function with the chairmanship of the audit committee within the board.



2.10 The company, in accordance with its size and financial situation, delegates the administrative and financial resources necessary to ensure the efficient functioning of the supervisory board.

2.11 In addition to its activities under the law, once a year the supervisory board draws up an annual report and submit it to the ordinary general meeting for approval. The report referred to above includes at least:

- 2.11.1 information on the composition of the supervisory board and its committees, with an indication of which supervisory board members meet the independence criteria set out in the Act of 11 May 2017 on auditors, audit firms and public supervision, and which of them have no real and significant links with a shareholder holding at least 5% of the total number of votes in the company, as well as information on the composition of the supervisory board in the context of its diversity;
- 2.11.2 summary of the activities of the council and its committees;
- 2.11.3 an assessment of the company's situation on a consolidated basis, including an evaluation of the internal control systems, risk management, compliance and the internal audit function, together with information on the steps that the supervisory board has taken to perform this assessment; this assessment includes all significant control mechanisms, including in particular reporting and operational activities;
- 2.11.4 an assessment of the application by the company of the corporate governance principles and the manner of fulfilling information obligations concerning their application, as defined in the Stock Exchange Regulations and regulations concerning current and periodical information provided by issuers of securities, together with information on actions taken by the supervisory board in order to perform this evaluation;
- 2.11.5 an assessment of the validity of the expenditure referred to in principle 1.5;
- 2.11.6 information on the extent to which the diversity policy is implemented in relation to the management board and the supervisory board, including the achievement of the objectives referred to in principle 2.1.

3. Systems and internal functions





Efficiently functioning systems and internal functions are an indispensable tool for overseeing the company. The systems cover the company and all areas of its group which have a significant impact on the company's situation.

- 3.1 A listed company maintains effective internal control, risk management and compliance systems and an effective internal audit function appropriate to the size of the company and the nature and scale of its business, which is the responsibility of the management board.
- 3.2 A company identifies within its structure the units responsible for the tasks of particular systems or functions, unless this is not justified by the size of the company or the nature of its activities.
- 3.3 A company included in the WIG20, mWIG40 or sWIG80 index appoints an internal auditor heading the internal audit function, who acts in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the supervisory board if it performs the functions of an audit committee) annually assesses whether there is a need to appoint such a person.
- 3.4 Remuneration of risk managers, compliance officers and the head of internal audit should be based on the fulfilment of assigned tasks and not on short-term company performance.
- 3.5 Those responsible for risk management and compliance report directly to the president or another member of the management board.
- 3.6 The head of internal audit reports organisationally to the chairman of the management board and functionally to the chairman of the audit committee, or to the chairman of the supervisory board if the board acts as the audit committee.
- 3.7 Principles 3.4 – 3.6 also apply to entities within the company's group that are material to the company's business, if they have designated persons to perform these tasks.
- 3.8 At least once a year, the person responsible for internal audit, or in the absence of such a function in the company, the company's management board, provides the supervisory board with an assessment of the effective functioning of the systems and functions referred to in principle 3.1, together with an appropriate report.
- 3.9 The supervisory board monitors the effectiveness of the systems and functions referred to in principle 3.1 based, inter alia, on reports periodically provided to it directly by the persons responsible for those functions and by the company's management, and makes an annual assessment of the effectiveness of those systems and functions in accordance with principle 2.11.3. Where the company has an audit committee, it monitors the effectiveness of the systems and functions referred to in principle 3.1, but this does not exempt the board from making an annual assessment of the effectiveness of those systems and functions.
- 3.10 At least every five years, a company included in the WIG20, mWIG40 or sWIG80 index has its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.

4. General meeting and relations with shareholders





The management board of a listed company and its supervisory board should encourage shareholder engagement with the company, expressed primarily through active participation in the general meeting, either in person or by proxy.

The general meeting should respect the rights of all shareholders and ensure that resolutions adopted do not violate the legitimate interests of particular groups of shareholders.

Shareholders participating in the general meeting exercise their rights in a manner which does not violate good morals. Participants in the general meeting should come prepared for the general meeting.

- 4.1 The company should enable shareholders to participate in a general meeting using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting.
- 4.2 The company determines the place and date as well as the form of the general meeting in such a way as to enable the largest possible number of shareholders to attend. To this end, the company also endeavours to ensure that the cancellation of the general meeting, rescheduling or adjournment of the meeting takes place only in justified cases and that it does not prevent or restrict shareholders from exercising their right to participate in the general meeting.
- 4.3 The company provides a publicly available real-time broadcast of the general meeting.
- 4.4 Representatives of the media are allowed to be present at general meetings.
- 4.5 In the event that the management board is informed that a general meeting has been convened pursuant to Article 399 § 2 – 4 of the Commercial Companies Code, the management board immediately performs the actions it is obliged to perform in connection with the organisation and conduct of the general meeting. The principle also applies when a general meeting is convened on the basis of an authorisation issued by the registration court pursuant to Article 400 § 3 of the Commercial Companies Code.
- 4.6 In order to make it easier for shareholders participating in the general meeting to vote on resolutions with due knowledge, draft resolutions of the general meeting concerning issues and resolutions other than those of a procedural nature should contain a justification, unless this can be deduced from the documentation presented to the general meeting. Where an item is put on the agenda of a general meeting at the request of a shareholder or shareholders, the management board requests a statement of the reasons for the proposed resolution, if not already provided by the shareholder or shareholders.
- 4.7 The supervisory board gives its opinion on draft resolutions submitted by the management board to the agenda of the general meeting.
- 4.8 Draft resolutions of the general meeting on items on the agenda of the general meeting should be tabled by shareholders at least 3 days before the general meeting.
- 4.9 Where the subject of the general meeting is to be an appointment to the supervisory board or the appointment of a new supervisory board:
 - 4.9.1 nominations for supervisory board members should be made in sufficient time to enable the shareholders attending the general meeting to take a decision with due deliberation, but no later than 3 days before the general meeting; the nominations, together with a set of materials concerning them, should be published on the company's website without delay;



- 4.9.2 a candidate for a supervisory board member submits declarations with regard to meeting the requirements for members of the audit committee set out in the Act of 11 May 2017 on auditors, audit firms and public supervision, as well as with regard to the existence of the candidate's real and significant links with a shareholder holding at least 5% of the total number of votes in the company.
- 4.10 The exercise of shareholders' rights and the manner in which they exercise those rights may not lead to obstruction of the correct operation of the company's bodies.
- 4.11 Members of the management board and the supervisory board attend the general meeting, either at the meeting place or by means of real-time bilateral electronic communication, and are able to express themselves on the items on the agenda of the general meeting and to answer substantively to questions put to the general meeting. The management board presents to the participants of the annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board discusses significant events relating to the past financial year, compares the data presented with previous years and indicates the extent to which the plans of the past year have been implemented.
- 4.12 A resolution of the general meeting on an issue of shares with pre-emptive rights should specify the issue price or the mechanism for determining it, or oblige the competent authority to determine it before the date of pre-emptive rights, in time for an investment decision.
- 4.13 A resolution on a new issue of shares with exclusion of pre-emptive rights, which at the same time grants the pre-emptive right to subscribe for the new issue shares to selected shareholders or other entities, may be adopted if at least the following conditions are met:
- a) the company has a reasonable, economically justifiable need to raise capital urgently, or the share issue is connected with reasonable, economically justifiable transactions, such as, inter alia, a merger with or acquisition of another company, or the shares are to be subscribed under an incentive scheme adopted by the company;
 - b) the persons to whom the right of preference will be given will be identified according to objective general criteria;
 - c) the share subscription price is reasonably related to the current price of the shares in that company or is determined as a result of a market-based book-building process.
- 4.14 The company should aim to distribute profits by paying dividends. It is possible to leave all profits with the company if any of the following reasons apply:
- a) the amount of this profit is minimal and consequently the dividend would be insignificant in relation to the value of the shares;
 - b) the company recognises uncovered losses from previous years and the profit is allocated to reducing them;
 - c) the company will justify that the allocation of the profit to investment will bring tangible benefits to the shareholders;
 - d) the company has not generated cash to pay dividends;
 - e) payment of dividends would significantly increase the risk of breaching covenants arising from loan agreements or bond issue conditions binding the company;
 - f) leaving the profit with the company is in line with the recommendation of the institution supervising the company by virtue of carrying out a particular activity.

5. Conflicts of interest and related party transactions





For the purposes of this Chapter, a related party is a party within the meaning of international accounting standards adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The company and its group should have clear procedures for managing conflicts of interest and for entering into transactions with related parties in circumstances where conflicts of interest may arise. Procedures should include how to identify such situations, how to disclose them and how to deal with them when they occur.

A member of the management board or supervisory board should avoid engaging in professional or non-professional activities which may give rise to a conflict of interest or adversely affect his or her reputation as a member of the company body, and should disclose such conflict of interest immediately if it arises.

- 5.1 A member of the management board or supervisory board informs the management board or supervisory board, as appropriate, of any conflict of interest which arises or may arise and not take part in the consideration of any matter in respect of him or her may have a conflict of interest.
- 5.2 Where a member of the management board or supervisory board considers that a decision of the management board or supervisory board, respectively, is contrary to the interests of the company, it should request that his or her dissenting opinion thereon be entered in the minutes of the meeting of the management board or supervisory board.
- 5.3 No shareholder should be privileged over other shareholders with regard to related party transactions. This also applies to transactions of the company's shareholders with entities belonging to its group.
- 5.4 The company may only purchase its own shares (buy-back) in a manner that respects the rights of all shareholders.
- 5.5 If a company's transaction with a related party requires the supervisory board's approval, the supervisory board assesses, before adopting a resolution on approval, whether it is necessary to first consult an external entity that will carry out a valuation of the transaction and an analysis of its economic effects.
- 5.6 If the conclusion of a transaction with a related party requires the approval of the general meeting, the supervisory board draws up an opinion on the advisability of concluding such a transaction. In such a case, the supervisory board assesses the need for prior consultation with an external body as referred to in principle 5.5.
- 5.7 Where a decision on the conclusion by the company of a significant transaction with a related party is taken by the general meeting, the company, before such decision is taken, ensures that all shareholders have access to the information necessary to assess the impact of the transaction on the company's interest, including the opinion of the supervisory board referred to in principle 5.6.

6. Wages and salaries





The company and its group are committed to the stability of its executives, including through transparent, fair, consistent and non-discriminatory principles on their remuneration, manifested, inter alia, by equal pay for men and women.

The remuneration policy adopted by the company for members of the company's bodies and its key managers sets out, in particular, the form, structure, method of determining and paying remuneration.

- 6.1 Remuneration of management and supervisory board members and key managers should be sufficient to attract, retain and motivate individuals with the necessary competences to properly manage and supervise the company. Remuneration should be commensurate with the tasks and duties performed by the individual and the associated responsibilities.
- 6.2 Incentive schemes should be designed in a way that, inter alia, makes the level of remuneration of members of the company's management board and key managers conditional on an actual long-term situation of the company in terms of financial and non-financial performance and long-term growth of shareholder value and sustainability, as well as the stability of the company's operations.
- 6.3 If one of the company's incentive programmes is a managerial options programme, then the realisation of the options programme should be conditional on the fulfilment by the entitled persons, within a period of at least three years, of pre-determined, realistic and appropriate financial and non-financial and sustainable development objectives for the company, and the price set for the acquisition of shares by the entitled persons or the settlement of the options may not differ from the value of the shares at the time of the adoption of the programme.
- 6.4 The supervisory board carries out its tasks on a continuous basis, and therefore the remuneration of board members cannot depend on the number of meetings held. Remuneration of members of committees, in particular the audit committee, should take into account the additional workload related to the work in those committees.
- 6.5 Supervisory board members should not be remunerated on the basis of the short-term performance of the company.