

Corporate Governance

Information on the current status of compliance by CPD SA with the principles set out in the Code of Best Practice for WSE Listed Companies 2021

According to the current status of compliance with the Best Practices, the Company does not apply 8 principles: 1.4., 1.4.1., 1.4.2., 1.6., 2.1., 2.2., 2.7., 2.11.6.

1. INFORMATION POLICY AND INVESTOR RELATIONS

In the interest of all market participants and itself, a listed company takes care of proper communication with stakeholders, pursuing a transparent and reliable information policy.

1.1. The Company conducts efficient communication with capital market participants, reliably informing about matters concerning it. For this purpose, the Company uses a variety of tools and forms of communication, primarily the corporate website, on which it posts all information material to investors.

Principle is applied

1.2. The Company enables familiarisation with its financial results contained in the periodic report in the shortest possible time after the end of the reporting period, and if this is not possible for justified reasons, it publishes at least preliminary estimated financial results as soon as possible.

Principle is applied

1.3. In its business strategy, the Company also addresses ESG topics, in particular covering:

1.3.1. Environmental issues, including metrics and risks related to climate change and sustainable development;

Principle is applied

1.3.2. Social and employee matters, relating to, among others, undertaken and planned activities aimed at ensuring gender equality, adequate working conditions, respect for workers' rights, dialogue with local communities, and customer relations.

Principle is applied

1.4. In order to ensure proper communication with stakeholders, with respect to the adopted business strategy, the Company publishes on its website information about the strategy's assumptions, measurable goals — especially long-term goals — planned activities, and progress in their implementation, defined by means of financial and non-financial indicators. Information on the ESG strategy should, among other things:

Principle is not applied

Company's Comment – *The Company currently does not have a formally adopted business strategy, measurable goals — especially long-term goals — planned activities or progress in their implementation, defined by means of financial and non-financial indicators. The Management Board is considering the preparation of such a document for presentation to the Supervisory Board.*

1.4.1. Explain how climate-related issues are taken into account in the decision-making processes of the Company and the entities of its group, identifying the resulting risks;

Principle is not applied

Company's Comment – *The Company currently does not have a formally adopted business strategy, measurable goals — especially long-term goals — planned activities or progress in their implementation, defined by means of financial and non-financial indicators, and therefore does not publicly present the information referred to in principle 1.4.1.*

1.4.2. Present the value of the pay equity ratio for its employees, calculated as the percentage difference between the average monthly remuneration (including bonuses, awards and other supplements) of women and men for the last year, and present information on actions taken to eliminate any inequalities in this respect, along with the presentation of related risks and the time horizon within which pay equality is planned to be achieved.

Principle is not applied

Company's Comment – *The Company currently does not have a formally adopted business strategy, measurable goals — especially long-term goals — planned activities or progress in their implementation, defined by means of financial and non-financial indicators, and therefore does not publicly present the information referred to in principle 1.4.2.*

1.5. At least once a year, the Company discloses expenditure incurred by it and its group on supporting culture, sport, charitable institutions, media, social organisations, trade unions, etc. If in the year covered by the report the Company or its group incurred expenditure for such purposes, the information includes a summary of such expenditure.

Principle is applied

1.6. In the case of a company included in the WIG20, mWIG40 or sWIG80 index — once per quarter, and in the case of other companies — no less than once a year, the Company organises a meeting for investors, inviting in particular shareholders, analysts, industry experts and media representatives. During the meeting, the Management Board of the Company 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 organised meetings, the Management Board publicly provides answers and explanations to questions asked.

Principle is not applied

Company's Comment – *The Company currently does not have a formally adopted business strategy, and therefore it is not possible to present it to investors. The Company's shareholders may participate in the General Meetings of the Company and ask the Management Board questions about the Company's and its group's financial results, as well as the most important events affecting the Company's and its group's operations, achieved results and future prospects. The Management Board plans to organise investor meetings after the adoption of the Company's strategy document.*

1.7. If an investor submits a request for information about the Company, the Company responds immediately, but no later than within 14 days.

Principle is applied

2. MANAGEMENT BOARD AND SUPERVISORY BOARD

In order to achieve the highest standards in the performance of their duties by the Management Board and Supervisory Board, and to discharge those duties effectively, only persons with appropriate competencies, skills and experience are appointed to the Management Board and Supervisory Board.

Members of the Management Board act in the interest of the Company and are responsible for its operations. The Management Board is responsible in particular for leadership of the Company, engagement in setting its strategic goals and their implementation, as well as ensuring the Company's effectiveness and security.

Members of the Supervisory Board, in the scope of their function and duties on the Supervisory Board, are guided in their conduct — including in decision-making — by independence of their own opinions and judgements, acting in the interest of the Company.

The Supervisory Board works in a culture of debate, analysing the Company's situation against the industry and market background on the basis of materials provided to it by the Management Board and the Company's internal systems and functions, as well as information obtained from outside the Company, using the results of the work of its committees. The Supervisory Board in particular reviews the Company's strategy and verifies the Management Board's work in terms of achieving established strategic objectives, and monitors results achieved by the Company.

2.1. The Company should have a diversity policy for the Management Board and Supervisory Board, adopted by the Supervisory Board or the General Meeting, respectively. The diversity policy defines goals and criteria for diversity in areas such as gender, education, specialised knowledge, age and professional experience, and specifies the timeline and method of monitoring the achievement of these goals. With respect to gender diversification, the condition for ensuring diversity of the Company's bodies is the participation of the minority in a given body at a level of not less than 30%.

Principle is not applied

Company's Comment – *The Company does not have a document on diversity policy adopted by the Supervisory Board or the General Meeting; however, a 50/50 gender parity is maintained within the Management Board. A diversity policy for the Management Board and Supervisory Board will be developed shortly and proposed for adoption by the relevant bodies of the Company.*

2.2. Persons making decisions on the selection of members of the Management Board or Supervisory Board should ensure the versatility of these bodies by selecting persons who ensure diversity, enabling among other things the achievement of the target minimum minority participation rate set at no less than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1.

Principle is not applied

Company's Comment – *In the Company, the main criteria for selecting members of the Management Board or Supervisory Board are education, knowledge and experience, competence and versatility of the candidate to perform a given function. Persons making decisions on the selection of members of the Management Board or Supervisory Board are guided primarily by the above criteria. The current composition of the Supervisory Board ensures diversity in terms of education, specialised knowledge and professional experience, while the current composition of the Management Board ensures diversity in terms of gender, education, specialised knowledge and professional experience.*

2.3. At least two members of the Supervisory Board meet the independence criteria referred to in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and do not have any actual and material connections with a shareholder holding at least 5% of the total number of votes in the Company.

Principle is applied

2.4. Votes of the Supervisory Board and Management Board are open, unless otherwise required by law.

Principle is applied

2.5. Members of the Supervisory Board and Management Board who vote against a resolution may enter a dissenting opinion into the minutes.

Principle is applied

2.6. Serving on the Management Board constitutes the main area of professional activity of a Management Board member. A Management Board member should not undertake additional professional activity if the time devoted to such activity prevents him/her from properly performing duties at the Company.

Principle is applied

2.7. Serving by members of the Company's Management Board in bodies of entities outside the Company's group requires the consent of the Supervisory Board.

Principle is not applied

Company's Comment – *In order to fulfil this principle, it will be necessary to introduce appropriate provisions into the Company's internal regulations, which is currently under analysis.*

2.8. Members of the Supervisory Board should be able to devote the necessary amount of time to performing their duties.

Principle is applied

2.9. The Chairman of the Supervisory Board should not combine his/her function with heading the audit committee operating within the board.

Principle is applied

2.10. The Company, adequately to its size and financial situation, allocates administrative and financial resources necessary to ensure the efficient functioning of the Supervisory Board.

Principle is applied

2.11. In addition to activities resulting from legal provisions, once a year the Supervisory Board prepares and submits to the Annual General Meeting for approval an annual report. The report referred to above contains at least:

2.11.1. Information on the composition of the board and its committees, indicating which board members meet the independence criteria set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, and which of them do not have any actual and material connections with a shareholder holding at least 5% of the total number of votes in the Company, as well as information about the composition of the Supervisory Board in the context of its diversity;

Principle is applied

2.11.2. A summary of the activities of the board and its committees;

Principle is applied

2.11.3. An assessment of the Company's situation on a consolidated basis, including an assessment of the internal control systems, risk management, compliance, and internal audit functions, together with information on the actions taken by the Supervisory Board to carry out this assessment; the assessment covers all material control mechanisms, in particular those relating to reporting and operational activities;

Principle is applied

2.11.4. An assessment of the Company's compliance with corporate governance principles and the manner of fulfilling reporting obligations regarding their application as specified in the Stock Exchange Rules and regulations on current and periodic information transmitted by issuers of securities, along with information on the actions taken by the Supervisory Board to carry out this assessment;

Principle is applied

2.11.5. An assessment of the reasonableness of expenditure referred to in principle 1.5;

Principle is applied

2.11.6. Information on the degree of implementation of the diversity policy in relation to the Management Board and Supervisory Board, including the implementation of the goals referred to in principle 2.1.

Principle is not applied

Company's Comment – *Due to the fact that the Company has not adopted documents entitled "Diversity Policy" in respect of the Management Board and Supervisory Board, this principle has not yet been implemented. The Management Board will develop drafts of the above-mentioned regulations in the near future and, after their adoption by the relevant bodies of the Company, it will be possible to implement this principle.*

3. INTERNAL SYSTEMS AND FUNCTIONS

Efficiently functioning internal systems and functions are an indispensable tool for supervising the Company. The systems cover the Company and all areas of activity of its group that have a material impact on the Company's situation.

3.1. A listed company maintains effective systems of: internal control, risk management and compliance oversight, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of its activities, for the functioning of which the Management Board is responsible.

Principle is applied

3.2. The Company identifies in its structure units responsible for the tasks of individual systems or functions, unless this is not justified due to the size of the company or the nature of its activities.

Not applicable

Company's Comment – *The Company does not identify in its structure units responsible for the tasks of individual systems or functions, as this is not justified given the size of CPD SA.*

3.3. A company included in the WIG20, mWIG40 or sWIG80 index appoints an internal auditor heading the internal audit function, acting in accordance with generally recognised international standards of professional internal audit practice. In other companies where an internal auditor meeting the above requirements has not been appointed, the audit committee (or the

Supervisory Board, if it performs the functions of the audit committee) assesses annually whether there is a need to appoint such a person.

Principle is applied

3.4. The remuneration of persons responsible for risk management and compliance, and of the head of internal audit, should be dependent on the achievement of assigned tasks, and not on the short-term results of the Company.

Principle is applied

3.5. Persons responsible for risk management and compliance report directly to the President or another member of the Management Board.

Principle is applied

3.6. The head of internal audit reports organisationally to the President of the Management Board, and functionally to the Chairman of the Audit Committee or the Chairman of the Supervisory Board, if the board performs the function of the audit committee.

Principle is applied

3.7. Principles 3.4–3.6 also apply in the case of entities within the Company's group of material importance to its activities, if persons have been designated in them to perform these tasks.

Not applicable

Company's Comment – *The principle does not apply to the Company, as no persons have been designated in the entities of the Company's group 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 being separated in the Company, the Management Board — presents to the Supervisory Board an assessment of the effectiveness of the functioning of the systems and functions referred to in principle 3.1., together with the relevant report.

Principle is applied

3.9. The Supervisory Board monitors the effectiveness of the systems and functions referred to in principle 3.1., based on, among other things, periodic reports submitted directly to it by persons responsible for those functions and the Management Board, and also conducts an annual assessment of the effectiveness of the functioning 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.; however, this does not release the Supervisory Board from conducting an annual assessment of the effectiveness of the functioning of those systems and functions.

Principle is applied

3.10. At least once every five years, in a company included in the WIG20, mWIG40 or sWIG80 index, a review of the internal audit function is carried out by an independent auditor selected with the participation of the audit committee.

Not applicable

Company's Comment – *The principle does not apply to the Company, as it is not included in the above-mentioned indices.*

4. GENERAL MEETINGS AND RELATIONS WITH SHAREHOLDERS

The Management Board and Supervisory Board of a listed company should encourage shareholders to engage in the affairs of the Company, expressed primarily through active participation — in person or through a proxy — in the General Meeting.

The General Meeting should deliberate with respect for the rights of all shareholders and should aim to ensure that resolutions adopted do not violate the legitimate interests of individual shareholder groups. Shareholders participating in the General Meeting exercise their rights in a manner that does not breach good customs. Participants of the General Meeting should arrive prepared.

4.1. The Company should enable shareholders to participate in the General Meeting using electronic communication means (e-Meeting), if this is justified by the expectations reported to the Company by shareholders, provided that it is able to ensure the technical infrastructure necessary for holding such a General Meeting.

Principle is applied

4.2. The Company establishes the place and date, as well as the format of the General Meeting, in a manner enabling the participation in the proceedings of as large a number of shareholders as possible. To this end, the Company also makes every effort to ensure that the cancellation of the General Meeting, the change of date or adjournment of proceedings occurs only in justified cases and does not prevent or restrict shareholders from exercising their right to participate in the General Meeting.

Principle is applied

4.3. The Company ensures a publicly accessible real-time transmission of General Meeting proceedings.

Principle is applied

4.4. Media representatives are enabled to attend General Meetings.

Principle is applied

4.5. Upon the Management Board receiving information about the convening of a General Meeting pursuant to Article 399 §§ 2–4 of the Commercial Companies Code, the Management Board immediately takes the actions it is obliged to take in connection with the organisation and holding of the General Meeting. The principle also applies in the case of convening the General Meeting on the basis of an authorisation granted by the registration court pursuant to Article 400 § 3 of the Commercial Companies Code.

Principle is applied

4.6. In order to facilitate the voting by shareholders participating in the General Meeting on resolutions with due knowledge, draft resolutions of the General Meeting concerning matters and decisions other than of a procedural nature should contain justification, unless it results from the documentation presented to the General Meeting. Where a matter is included in the agenda of the General Meeting at the request of a shareholder or shareholders, the Management Board requests the submission of justification for the proposed resolution, unless it has already been submitted by the shareholder(s).

Principle is applied

4.7. The Supervisory Board reviews draft resolutions submitted by the Management Board to the agenda of the General Meeting.

Principle is applied

4.8. Draft resolutions of the General Meeting for matters included in the agenda of the General Meeting should be submitted by shareholders no later than 3 days before the General Meeting.

Principle is applied

4.9. Where the subject of the General Meeting proceedings is the appointment of members to the Supervisory Board or the appointment of the Supervisory Board for a new term:

4.9.1. Candidatures for board members should be submitted within a timeframe enabling shareholders present at the General Meeting to make a decision with due knowledge, but no later than 3 days before the General Meeting; candidatures, together with a full set of materials relating to them, should be immediately published on the Company's website;

Principle is applied

4.9.2. A candidate for a member of the Supervisory Board makes declarations regarding the fulfilment of the requirements for members of the audit committee as set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, as well as regarding the existence of actual and material connections between the candidate and a shareholder holding at least 5% of the total number of votes in the Company.

Principle is applied

4.10. The exercise of shareholders' rights and the manner of exercising such rights may not lead to obstruction of the proper functioning of the Company's bodies.

Principle is applied

4.11. Members of the Management Board and Supervisory Board participate in the proceedings of the General Meeting — at the venue of the proceedings or via means of bilateral real-time electronic communication — in a composition enabling them to comment on matters being the subject of the General Meeting proceedings and to provide substantive answers to questions asked during the General Meeting. The Management Board presents to the participants of the Annual General Meeting the Company's financial results and other material information, including non-financial information, contained in the financial statements subject to approval by the General Meeting. The Management Board discusses significant events relating to the past financial year, compares the presented data with previous years, and indicates the degree of implementation of plans for the past year.

Principle is applied

4.12. A resolution of the General Meeting on the issuance of shares with pre-emption rights should specify the issue price or the mechanism for its determination, or oblige the body authorised to do so to establish the price before the pre-emption date, within a timeframe enabling an investment decision to be made.

Principle is applied

4.13. A resolution on a new issue of shares with the exclusion of pre-emption rights, which at the same time grants the right of priority to subscribe for shares of the new issue to selected shareholders or other entities, may be adopted if at least the following conditions are met: a) the Company has a rational, economically justified need to urgently raise capital, or the share issuance is related to rational, economically justified transactions, such as merger with or acquisition of another company, or shares are to be subscribed under a management incentive programme adopted by the Company; b) the persons to whom the right of priority will be granted are identified according to objective general criteria; c) the subscription price of the shares will be in a rational relationship with the current market quotations of the Company's shares, or will be determined as a result of a market bookbuilding process.

Principle is applied

4.14. The Company should aim to distribute profit through dividend payment. Retaining all profit in the Company is permissible if any of the following conditions is met:

a) the amount of profit is minimal and consequently the dividend would be insignificant in relation to the share value;

- b) the Company reports uncovered losses from previous years and the profit is designated for their reduction;
- c) the Company justifies that allocating profit to investments will bring measurable benefits to shareholders;
- d) the Company has not generated cash enabling dividend payment;
- e) dividend payment would significantly increase the risk of breaching covenants arising from the Company's binding credit agreements or bond issuance conditions;
- f) retaining profit in the Company is in line with the recommendation of the institution supervising the Company by virtue of the specific type of business it conducts.

Principle is applied

5. CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS

For the purposes of this chapter, a related party is a related party within the meaning of international accounting standards adopted under 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 transparent procedures for managing conflicts of interest and entering into transactions with related parties in conditions where a conflict of interest may arise. The procedures should provide for methods of identifying such situations, disclosing them, and the course of action in the event of their occurrence.

A member of the Management Board or Supervisory Board should avoid undertaking professional or non-professional activities that could lead to conflicts of interest or negatively affect his/her reputation as a member of the Company's body, and in the event of a conflict of interest arising, should immediately disclose it.

5.1. A member of the Management Board or Supervisory Board informs the Management Board or Supervisory Board respectively of an existing conflict of interest or the possibility of its occurrence, and does not participate in the consideration of the matter in which a conflict of interest may arise with respect to him/her.

Principle is applied

5.2. If 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 interest of the Company, he/she should request that his/her dissenting opinion on the matter be entered into the minutes of the Management Board or Supervisory Board meeting.

Principle is applied

5.3. No shareholder should be privileged in relation to other shareholders with respect to related-party transactions. This also applies to transactions of the Company's shareholders entered into with entities belonging to its group.

Principle is applied

5.4. The Company may acquire its own shares (buy-back) only in a manner that respects the rights of all shareholders.

Principle is applied

5.5. Where a transaction between the Company and a related party requires the consent of the Supervisory Board, before adopting a resolution on granting consent, the board assesses whether it is necessary to first obtain the opinion of an external entity that will carry out a valuation of the transaction and an analysis of its economic effects.

Principle is applied

5.6. If the conclusion of a transaction with a related party requires the consent of the General Meeting, the Supervisory Board prepares an opinion on the justification for entering into such a transaction. In such a case, the board assesses the necessity of first obtaining the opinion of an external entity referred to in principle 5.5.

Principle is applied

5.7. Where the decision to enter into a material transaction with a related party is made by the General Meeting, the Company ensures that all shareholders have access to the information necessary to assess the impact of the transaction on the Company's interest prior to such decision being made, including presenting the Supervisory Board's opinion referred to in principle 5.6.

Principle is applied

6. REMUNERATION

The Company and its group ensure the stability of the management team, including through transparent, fair, consistent and non-discriminatory remuneration principles, manifested among other things in pay equality between women and men. The remuneration policy adopted in the Company for members of the Company's bodies and its key managers specifies in particular the form, structure, method of determining and paying remuneration.

6.1. The remuneration of members of the Management Board and Supervisory Board and key managers should be sufficient to attract, retain and motivate persons with the competencies necessary for the proper management and supervision of the Company. The level of remuneration should be adequate to the tasks and duties performed by individual persons and the related responsibility.

Principle is applied

6.2. Incentive programmes should be constructed so as to, among other things, make the level of remuneration of Management Board members and key managers dependent on the actual, long-term performance of the Company in terms of financial and non-financial results, and on long-term value creation for shareholders and sustainable development, as well as the stability of the Company's operations.

Principle is applied

6.3. If one of the incentive programmes in the Company is a management options programme, the exercise of the options programme should be contingent on the beneficiaries meeting, over a period of at least 3 years, pre-determined, realistic and appropriate financial and non-financial goals for the Company and sustainable development, and the established price for the acquisition of shares by the beneficiaries or the settlement of options should not deviate from the value of the shares at the time the programme was adopted.

Principle is applied

6.4. The Supervisory Board performs its tasks on a continuous basis, therefore the remuneration of board members may not be dependent on the number of meetings held. The remuneration of committee members, in particular the audit committee, should reflect the additional work involved in working on those committees.

Principle is applied

6.5. The level of remuneration of Supervisory Board members should not be dependent on the short-term results of the Company.

Principle is applied