

The IPOPEMA Securities Group

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in 2020**

Warsaw, March 29th 2021

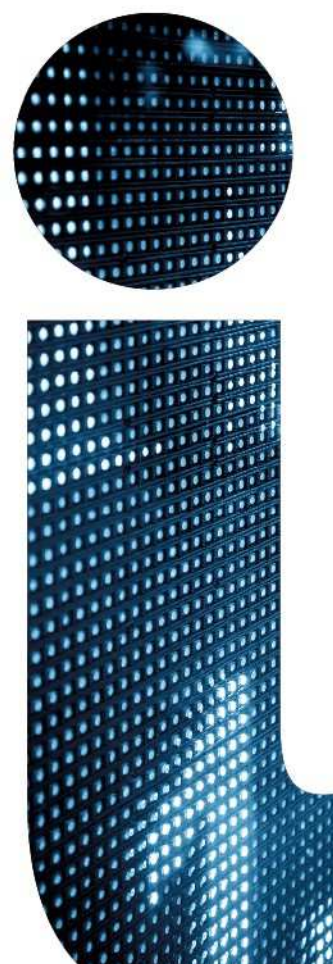


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Introduction

This Directors' Report was prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, and in accordance with International Financial Reporting Standards ("IFRS") and the Polish Accounting Act.

1. General information

The principal business of the IPOPEMA Securities Group ("IPOPEMA Group") includes provision of brokerage, equity research and investment banking services, distribution of investment products, provision of investment advisory services to a broad base of retail clients (through the parent IPOPEMA Securities S.A. – the "Company"), creation and management of closed-end and open-end investment funds and securitisation funds, and provision of asset management services (through the subsidiary IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. – "IPOPEMA TFI" or the "Management Company"), as well as provision of business and IT consultancy services (through the subsidiary IPOPEMA Business Consulting Sp. z o.o.). IPOPEMA also offers advisory services related to corporate financial restructuring and finance raising for infrastructure projects, which are provided through IPOPEMA Financial Advisory Sp. z o.o. Sp.k.

IPOPEMA's operating history dates back to 2003, when Dom Inwestycyjny IPOPEMA S.A. was established to provide transaction and capital markets advisory services. In pursuance of its strategy to provide comprehensive investment banking services, in 2005 DI IPOPEMA established a subsidiary, Dom Maklerski IPOPEMA S.A., which focused on the provision of public offering services. In 2006, DI IPOPEMA's business was transferred to DM IPOPEMA, whose name was changed to IPOPEMA Securities S.A. In 2006, the range of services offered by IPOPEMA was expanded to include brokerage services on the secondary market of the Warsaw Stock Exchange and – in subsequent years – on foreign markets. The Group continued its growth, with IPOPEMA TFI added in 2007, IPOPEMA Business Consulting in 2008, IPOPEMA Asset Management in 2011 (with the latter merged with IPOPEMA TFI in November 2015), and IPOPEMA Financial Advisory in 2016.

As part of its brokerage business, IPOPEMA Securities provides comprehensive securities trading services for institutional clients, chiefly on the Warsaw Stock Exchange ("WSE"), but also on other global stock exchanges. Since 2010, the Company provides debt instruments trading services. The Company's partners and clients include established and well known international financial institutions, as well as most of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage business of IPOPEMA Securities is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

The Company's investment banking services include comprehensive assistance in the preparation and execution of transactions on the equity capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). The Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes.

In February 2016, the Company expanded its offering of brokerage services and investment products, including active investment advisory services, to include services suitable for a broader base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents. Currently, there are ten entities acting in that capacity.

IPOPEMA also specialises in comprehensive financial restructuring and fund raising for infrastructure projects, the services provided through IPOPEMA Financial Advisory, a dedicated subsidiary.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (for high-net-worth individuals and corporate clients) and open-end investment funds (for a broad base of retail investors), as well as the management of non-standard securitisation closed-end investment funds. IPOPEMA TFI also provides discretionary portfolio management services (asset management) involving personalised investment strategies, to institutional clients.

IPOPEMA Business Consulting provides corporate strategy and business advisory services, as well as IT advisory services.

2. Financial highlights and overview of the Group's financial condition

Consolidated financial highlights (PLN '000)	2020	2019
Total revenue, including	257,992	139,992
<i>Brokerage and related services</i>	57,260	36,379
<i>Investment fund and asset management</i>	172,675	74,432
<i>Advisory services</i>	28,057	29,181
Total operating expenses	218,504	134,699
Profit on core activities	39,488	5,293
Operating profit	37,561	6,413
Net profit for period	30,201	3,534

Consolidated financial highlights (PLN '000)	1q20*	2q20*	3q20*	4q20*	2020
Total revenue, including	49,045	56,696	66,038	86,213	257,992
<i>Brokerage and related services</i>	9,581	11,840	14,261	21,578	57,260
<i>Investment fund and asset management</i>	33,078	39,039	45,281	55,277	172,675
<i>Advisory services</i>	6,386	5,817	6,496	9,358	28,057
Total operating expenses	46,891	50,824	58,994	61,795	218,504
Profit on core activities	2,154	5,872	7,044	24,418	39,488
Net profit for period	-164	4,924	5,255	20,186	30,201

*Unaudited

Revenue

In 2020, strong revenue growth was recorded in the brokerage services and investment fund management segments (with a slight decline in revenue in the advisory services segment), which translated into a year-on-year increase in the IPOPEMA Group's consolidated revenue in 2020 of 84.3% (to PLN 257,992 thousand vs PLN 139,992 thousand in 2019).

Revenue from brokerage services (PLN 57,260 thousand; 22.2% of consolidated revenue) was 57.4% higher than a year earlier (PLN 36,379 thousand), driven by increased revenue across the brokerage business of IPOPEMA Securities. Revenue from securities trading rose by 47.6% year on year (to PLN 33,107 thousand from PLN 22,430 thousand), revenue from investment banking services amounted to PLN 21,184 thousand (up by 81.4%, compared with PLN 11,678 thousand the year before), and other revenue (mainly retail revenue) was PLN 2,969 thousand (relative to PLN 2,271 thousand in 2019). The increase in revenue from brokerage services was largely attributable to increased activity in bond trading and on foreign markets, as well as the execution of several transactions jointly with the investment banking segment. On the other hand, the Company recorded a lower volume of trades executed on the WSE, leading to a decline in its market share (2.56% vs 4.41% a year earlier), mainly in favour of brokerage offices specialising in services for retail customers. The increase in investment banking revenue was attributable to the Company's successfully advising on several transactions despite the coronavirus pandemic, standing out as one of the most active brokerage houses in that area. The increase in other revenue was driven mainly by consistent scale-up of the Company's retail business.

In 2020, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 172,675 thousand (66.9% of consolidated revenue), more than a twofold rise on the year before (PLN 74,432 thousand). The increase in IPOPEMA TFI's revenue reflected a significantly expanded scale of its operations and strong management performance, which translated into a much higher amount of success fees charged, partly attributable

to funds taken over for management by IPOPEMA TFI in late 2019 and early 2020 after the Polish Financial Supervision Authority had revoked the licences of the former fund management companies. In addition to fees for the management of securitisation funds, which account for a significant portion of IPOPEMA TFI's revenue, the share of revenue from the management of capital market funds, up from PLN 1.5bn at the end of 2019 to PLN 2.1bn at the end of 2020, continued on an upward trend. Taking into account also the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company in terms of assets. As at the end of December 2020, total assets under its management amounted to PLN 57.1bn (compared with PLN 59.6bn at the end of 2019).

IPOPEMA Business Consulting (the advisory services segment) posted PLN 28,057 thousand in revenue for 2020 (10.9% of consolidated revenue), down 3.9% year on year (2019: PLN 29,181 thousand).

Costs and expenses

The IPOPEMA Group's total expenses in 2020 increased by 62.2% year on year, to PLN 218,504 thousand (PLN 134,699 thousand in 2019).

In 2020, operating expenses in the brokerage services segment totalled PLN 44,240 thousand, having increased by 24.3% year on year (2019: PLN 35,586 thousand), chiefly on higher costs of services, salaries and wages (which were largely variable).

Higher costs of operations in the investment fund and portfolio management segment (PLN 148,297 thousand vs PLN 70,674 thousand in 2019) were primarily driven by costs related to the management of an increased number of funds, mainly securitisation funds, and an increase in costs of services and salaries and wages.

In the advisory services segment, operating expenses in 2020 were down 8.7% year on year (to PLN 25,967 thousand from PLN 28,439 thousand).

Financial results

Operating profit delivered by all segments translated into consolidated operating profit of PLN 39,488 thousand (vs a PLN 5,293 thousand profit a year earlier). Likewise, net profit earned by all segments translated into a consolidated net profit of PLN 30,201 thousand, a marked year-on-year improvement in the Group's financial condition compared with a PLN 3,534 thousand profit recorded the year before.

As IPOPEMA Securities' equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, respectively, the profit attributable to owners of the parent was PLN 29,677 thousand, while the profit attributable to non-controlling interests was PLN 524 thousand.

In the brokerage services segment, the 57.4% growth in revenue translated in 2020 into an operating profit of PLN 13,020 thousand (compared with PLN 793 thousand in 2019) and a net profit of PLN 9,752 thousand (vs a PLN 333 thousand net loss in 2019).

On a separate basis, i.e. net of intragroup sales and other consolidation eliminations, IPOPEMA Securities reported a net profit of PLN 11,326 thousand in 2020 (vs a net profit of PLN 213 thousand in 2019).

More than a twofold increase in revenue from the management of investment funds and portfolios, accompanied by a 109.8% increase in operating expenses, resulted in a material improvement of the segment's financial result in 2020, with operating profit at PLN 24,378 thousand (vs PLN 3,758 thousand a year earlier) and net profit at PLN 19,567 thousand (vs PLN 3,286 thousand in 2019).

Despite a 3.9% decrease in revenue of the advisory services segment, the tightly controlled operating expenses (down 8.7%) led to an increase in the segment's profit figures, to PLN 2,090 thousand (vs PLN 742 thousand in 2019) in the case of operating profit, and PLN 882 thousand (vs PLN 581 thousand in 2019) in the case of net profit.

Statement of financial position

The key items of the IPOPEMA Group's consolidated statement of financial position are cash, short-term receivables and short-term payables, which as at December 31st 2020 accounted for 53.2%, 41.4% and 72.9%, respectively, of total assets and equity and liabilities. The largest item of the statement of financial position was cash of PLN 313,202 thousand, of which PLN 261,281 thousand were clients' funds. The second largest item were short-term receivables and current liabilities, resulting predominantly from day-to-day brokerage activities in connection with executed buy and sell transactions in securities, not yet cleared by the KDWP. In the case of buy

transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises liabilities towards the parties to such market transactions (brokerage offices and brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises receivables from the parties to such market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

As at December 31st 2020, the Company's return on assets (calculated in accordance with Art. 110w of the Act on Trading in Financial Instruments) was 2.29% on a separate basis and 5.13% on a consolidated basis (vs 0.10% and 1.30%, respectively, as at December 31st 2019).

As at the end of 2020, equity (PLN 113,960 thousand including non-controlling interests) accounted for 19.3% of total equity and liabilities. The amount of outstanding interest-bearing debt under a short-term working capital facility contracted by IPOPEMA Securities to finance settlement of stock-exchange transactions was PLN 16,651 thousand as at December 31st 2020 (2.8% of total equity and liabilities).

Management of financial resources

IPOPEMA Securities S.A. and the other Group companies meet their liabilities as they fall due. As the amount of payables under brokerage transactions is offset by the amount of receivables under such transactions, and taking into account the amount of cash held by the Company, the Company has not identified an increased liquidity risk.

Explanation of differences between financial results and published profit guidance

The Company does not publish profit guidance.

Material off-balance sheet items

As at December 31st 2020, the main off-balance-sheet item was a forward contract (with a nominal amount of PLN 6,679 thousand) hedging the currency risk of an EUR 1.5m security deposit used to secure clearing of transactions on foreign exchanges. In addition, a bank guarantee received in connection with office space lease is also classified into this category. For detailed information on the off-balance-sheet items, see Note 42 to the financial statements of IPOPEMA Securities.

Capital expenditure

The total amount of capital expenditure on property, plant and equipment and intangible assets incurred by the IPOPEMA Group in 2020 was PLN 2,482 thousand, including largely expenditure on IT infrastructure and development of IT systems. As at the date of these financial statements, the Group did not plan any material investments that would require financing other than internal funds of the Group companies.

3. Material events and factors with a bearing on financial result

Equity market and investment banking

Despite the continuing economic uncertainty due to the COVID-19 pandemic, in 2020 the WSE saw markedly higher investor activity, with the total turnover for the period up 55.3%, largely on the back of increased retail trading. As a result, IPOPEMA Securities recorded a lower share in total market trading volumes (2.56% vs 4.44% a year earlier, losing to brokerage offices specialising in services for retail customers), but its increased bond trading activities combined with increased activity on foreign markets, as well as several transactions executed jointly with the

investment banking segment, translated into 47.6% year-on-year growth in revenue from securities trading to PLN 33,107 thousand (2019: PLN 22,430 thousand).

Despite the fact that in the three months ended March 31st 2020 equity market transactions was the IPOPEMA Group's business area most affected by the coronavirus epidemic (following suspension of a number of transactions in the pipeline), the following quarters saw a definite rebound, with the Company advising on several transactions, as one of the most active brokerage houses in that area. In 2020, investment banking revenue came in at PLN 21,184 thousand, up 81.4% year on year (2019: PLN 11,678 thousand).

As a result of the above factors, the brokerage services segment reported an operating profit of PLN 13,020 thousand (vs PLN 793 thousand a year earlier) and net profit of PLN 9,752 thousand (vs a net loss of PLN 333 thousand the year before). On a separate basis, i.e. net of intragroup sales and other consolidation eliminations, IPOPEMA Securities reported a net profit of PLN 11,326 thousand in 2020 (vs a net profit of PLN 213 thousand in 2019).

IPOPEMA TFI

The main contributor to the more than twofold increase in revenue of the investment fund management segment were success fees for the management of funds, including securitisation funds, and capital market funds, which rose significantly in 2020 (to PLN 2.1bn as at the end of 2020 vs PLN 1.5bn a year earlier).

The increase in IPOPEMA TFI's revenue was a consequence of an expanded scale of its operations, partly as a result of its having taken over for management in 2019/2020 of several dozen funds previously managed by other companies, which had their licences revoked by the Polish Financial Supervision Authority. Given the number of funds taken over and the fact that some of them needed to be deeply restructured and remodelled, this was a very demanding project, the positive effects of which were reflected in IPOPEMA TFI's financial performance for 2020.

Also, IPOPEMA TFI remains Poland's largest fund management company in terms of assets. As at the end of December 2020, total assets under its management amounted to PLN 57.1bn (compared with PLN 59.6bn at the end of December 2019), including assets held in private equity funds. Despite a significant increase in operating expenses (by 109.8%, mainly due to higher costs of management of an increased number of funds and higher costs of services and salaries and wages), the segment posted a profit on core activities of PLN 24,378 thousand and a net profit of PLN 19,567 thousand (vs PLN 3,758 thousand and PLN 3,286 thousand, respectively, in 2019).

IPOPEMA Business Consulting

With some of IPOPEMA Business Consulting customers also affected by uncertainty around the coronavirus pandemic, in 2020 the segment saw a decline of 3.9% in revenue year on year. However, the effective control of operating expenses (which were reduced by 8.7%) helped improve the segment's profit figures – with operating profit at PLN 2,090 thousand and net profit at PLN 882 thousand (compared with PLN 742 thousand and PLN 581 thousand, respectively, the year before).

4. Factors which may affect results in 2021

Effect of SARS-CoV-2 epidemic on the IPOPEMA Group's business

The ongoing coronavirus epidemic (in particular its second wave) is expected to be the factor that can potentially continue to exert the strongest adverse impact on the economy and the condition of the financial markets, and consequently on the IPOPEMA Group's business, in 2021. In the months following the critical period at the onset of the pandemic in 2020, the COVID-19-related restrictions were gradually eased and the economy reopened, with financial aid programmes launched to support businesses and entrepreneurs most affected by the situation. However, the third wave of the pandemic sweeping the globe, including Poland, in the months immediately preceding the issue of this report and potential restrictions imposed to contain it may lead to further negative consequences, whose scale and duration are difficult to foresee.

The unprecedented nature as well as the scale and complexity of the crisis, with no clearly adverse impact so far on the performance of the Group's segments, make it equally difficult to estimate the impact of the epidemic on the

operations of the Group's segments in the months ahead. Although IPOPEMA is seeking to be a beneficiary of recovery seen in certain areas and sectors of the economy, which was already partly reflected in its revenue and earnings in 2020, it is nevertheless difficult to predict, given the still unprecedented nature of the current situation, how the general economic climate will evolve in the coming months of 2021 and how it will affect the IPOPEMA Group's operations.

As regards the secondary market, after a sharp downward revaluation of equities in the first half of March 2020, the main index of the Warsaw Stock Exchange has consistently recovered (since a temporary decline in stock prices in late October followed by a strong rebound in November, the index has remained largely flat relative to highs recorded in early 2020). In the entire year 2020, the WSE saw higher investor activity than in the previous year, with the value of trading on the equity market up 55.3%. Despite these positive developments, it is hard to predict how the situation on the WSE will evolve in the remaining months of this year.

Following the equity market's strong performance in early 2020, the sentiment among both investors and companies temporarily deteriorated in the wake of the COVID-19 outbreak, in particular in late March and early April 2020. The next month's brought a renewed wave of optimism and strong recovery (driven e.g. by Allegro's record-high public offering), which continued into the first quarter of this year (a large offering of HUUUGE shares – whose sole arranger on the Polish market was IPOPEMA Securities – and plans to return to the market with Canal +'s public offering). Nevertheless, IPOPEMA Securities is still seeking to execute transactions for entities in sectors that are relatively unlikely to be adversely affected by the economic slowdown, and the Group sees potential for involvement in financial restructuring projects (with the demand coming from entities most exposed to the economic fallout of the pandemic).

After a relatively good performance in early 2020 (February was the fifth consecutive month with net subscriptions), the investment funds segment of the Group's business experienced a sharp but short-lived increase in investor anxiety – following record-high redemptions in excess of PLN 20bn in March 2020 (the segment's worst month ever) and further redemptions of PLN 2.6bn in April 2020, over the next ten months the funds recorded net subscriptions (with January and February of 2021 as record-breaking months in this respect). Nevertheless, the continuing high uncertainty about how the general situation will develop (especially in view of the unfolding third wave of the pandemic) makes it difficult to predict the behaviour of investors in the coming months and the impact of the market situation on the funds actively managed by IPOPEMA TFI and thus on its revenue from their management. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on the prevailing economic climate and stock market sentiment.

In the advisory segment, IPOPEMA Business Consulting continues execution of its ongoing projects, but in 2021 it may see a further decline in demand for its services as a result of difficulties likely to be faced by companies.

5. Business of IPOPEMA Securities and the IPOPEMA Securities Group

5.1 Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Securities Group

Key markets of the IPOPEMA Securities Group

With respect to its services of intermediation in securities trading, the key market of IPOPEMA Securities is the Warsaw Stock Exchange, although the Company derives a growing share of revenue from transactions executed on foreign markets, where – in addition to the Warsaw Stock Exchange – it is also active.

In investment banking, the Company offers services to both domestic and foreign clients, handling equity transactions and providing advisory services on the Polish market (its key market) and abroad.

The Company's retail business is concentrated on the Polish market.

IPOPEMA TFI operates on the investment fund market, managing both closed-end investment funds as well as open-end investment funds, which are targeted at a wide group of retail clients. In the area of securities portfolio management services, IPOPEMA TFI focuses on the Polish market.

IPOPEMA Business Consulting operates primarily on the Polish business and IT consultancy/advisory market, focusing on advisory services relating to strategy, operational management and IT management.

Key clients

The Company provides brokerage services to both high-profile international financial institutions and other intermediaries (including branches of major investment banks). IPOPEMA Securities' domestic clients include most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset management companies and insurers.

The investment banking services of IPOPEMA Securities are used by a wide variety of clients, including companies already listed on the WSE, for whom IPOPEMA Securities prepares secondary offerings or provides advice on M&A transactions. The Company also arranges tender offers for shares of WSE listed companies. The Company prepares and executes public offerings for private companies, provides M&A, capital raising, debt financing and general financial advisory services, including financial restructuring. In addition, the Company arranges exits for major shareholders of public companies (both private individuals and legal persons), effected through sale of shares on the WSE or through private placements.

In the retail business, the target market is a broad base of retail investors, for whom IPOPEMA Securities maintains brokerage accounts.

IPOPEMA TFI's offering of closed-end investment funds is addressed primarily to high-net-worth individuals and institutional clients, in particular major shareholders of companies listed on the WSE or large private enterprises, as well as multinational corporations (chiefly operating in the property and financial segments). The company is also consistently expanding its business in the area of open-ended investment funds targeted at a wide group of retail investors, where IPOPEMA TFI cooperates with third-party distributors. IPOPEMA TFI's asset management clients primarily include investment funds, non-profit organisations and high-net-worth individuals.

IPOPEMA Business Consulting concentrates on services to corporate clients from the following sectors: industrial, energy, consumer goods, trade and distribution, IT and telecommunications.

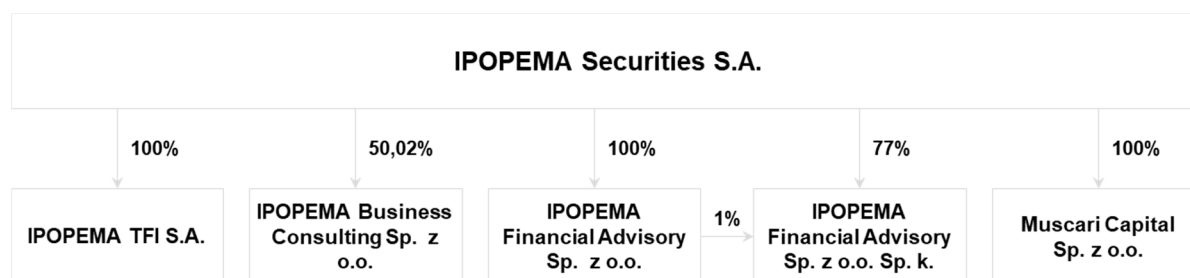
In 2020, the Group had a number of clients, with only one client accounting for more than 10% of the IPOPEMA Group's consolidated revenue.

Key suppliers

The Company works with several providers of services (including banking services, clearing services for brokerage activities, office space lease, or IT services), however, none of them has a position which would give it advantage over the Company, including by making the Company dependent on the services of a single provider or imposing on the Company disadvantageous terms of trade. The most significant item of service costs were transaction costs (payable to stock exchanges and clearing houses), which in 2020 accounted for 3.5% of consolidated operating expenses.

5.2 Organisational structure of the IPOPEMA Securities Group

As at December 31st 2020, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (the Parent) and its subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o. Sp. k. and Muscari Capital Sp. z o.o. (whose shares were acquired by the Company in 2020). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while IPOPEMA Financial Advisory Sp. z o.o. and Muscari Capital were excluded from consolidation based on the immateriality of their financial data.



5.3 Development prospects and strategy of the IPOPEMA Securities Group

While to date IPOPEMA Securities Group's operations were focused on services to institutional clients and high-net-worth individuals who are looking for active advice on asset management or who are major shareholders of business entities (including public companies), the Group is gradually expanding its offering to retail investors – with respect to both investment funds (IPOPEMA TFI) and brokerage services (IPOPEMA Securities). With the comprehensive range of services and substantial synergies within the Group, the Company and its subsidiaries will build and tighten their relations with clients by offering them a variety of products for each stage of business development.

In the brokerage services segment, the Company – in addition to handling transactions on the WSE – provides its clients with access to trading on global exchanges. An important factor in establishing the Company's presence is maintenance of its research coverage, which already includes several dozen companies. In the investment banking business, the Company intends to consolidate its position as one of the most active brokerage offices in the area of services related to capital market transactions, with diversified revenue sources.

The Company is also strategically looking to expand its offering of brokerage services (investment advisory services) and investment products targeting a broad base of retail clients – both directly and through partners acting as investment firm agents.

In the portfolio and investment fund management segment (activities of IPOPEMA TFI), the objective continues to be further strengthening of the leading position on the market of investment fund companies offering closed-end funds (despite unfavourable regulatory and tax changes in this segment), as well as further growth in assets under management in a consistently growing range of funds targeted at retail investors.

IPOPEMA Business Consulting intends to further consolidate its position on the advisory services market by acquiring new clients (domestic and foreign) and establishing relations with global players on the consultancy and IT markets to implement joint projects.

The Group's strategy also provides for expansion of the financial restructuring and infrastructure finance advisory business, which in 2017 was transferred from IPOPEMA Securities to a dedicated subsidiary. IPOPEMA Financial Advisory

5.4 Related-party transactions

In 2020, the Company did not enter into any material related-party transactions. For details of related party-transactions, see Note 23 to the full-year consolidated financial statements.

5.5 Important corporate events in 2020 and in 2021 before the date of issue of the report

Acquisition of fund management business by IPOPEMA TFI

In January 2020, IPOPEMA TFI completed the acquisition of 30 funds (including seven capital market funds) previously managed by Lartiq TFI, as reported by the Company in Current Reports No. 14/2019 and 1/2020, respectively).

Change in the composition of the Supervisory Board

On January 23rd 2020, Mr Zbigniew Mrowiec tendered his resignation as member of the Supervisory Board, and was replaced by Ms Ewa Radkowska-Świętoń, as per appointment by the Extraordinary General Meeting.

On December 16th 2020, Michał Dobak resigned from his position of member of the Supervisory Board with effect from the nearest General Meeting of the Company.

Amendment to the Company's Articles of Association - Resolution establishing a conditional share capital

On January 23rd 2020, the Extraordinary General Meeting resolved to amend the Company's Articles of Association to reflect its newly established conditional share capital of up to PLN 299,378.30 through a new issue of up to 2,993,783 shares at an issue price of PLN 1.50 per share. The shares may be issued by December 31st 2029 at the latest to enable the Company to implement its incentive scheme, which may cover key employees of the IPOPEMA Securities Group, as well as other key persons for the delivery of its strategy. For detailed information on the resolutions passed by the Extraordinary General Meeting, see Current Report No. 4/2020 of January 23rd 2020.

5.6 Research and development

The Company and the IPOPEMA Securities Group are not involved in any R&D activities.

5.7 Changes in significant management policies

In 2020, the Company and its subsidiaries did not change any significant management policies.

6. Share capital and shareholding structure of IPOPEMA Securities S.A.

6.1 Change in the share capital of IPOPEMA Securities S.A.

In 2020, there were no changes in the Company's share capital.

6.2 Change in the share capital of other Group companies

In 2020, there were no changes in the share capital of the other companies of the IPOPEMA Group.

6.3 Shareholding structure of IPOPEMA Securities S.A.

As at December 31st 2020, the shareholding structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
OFE PZU Złota Jesień*	2,993,684	9.99%
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
IPOPEMA 10 FIZAN ²	2,851,420	9.52%
Value FIZ*	2,750,933	9.18%
Katarzyna Lewandowska	2,136,749	7.13%
Swiss Capital S.A.	1,539,039	5.14%
Jarosław Wikaliński ³	1,499,900	5.01%
Shareholders holding over 5% of the share capital – total	16,762,514	55.99%

* Based on notifications received by the Company from the shareholders.

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

³ Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,798 voting rights, or 9.98% of total voting rights at the General Meeting.

As a result of changes in the holdings of shares reported by the Company in current reports (Current Report No. 2/2021 of January 29th 2021 and Current Report No. 4/2021 of February 5th 2021), the Company's shareholders holding 5% or more of the total number of shares and voting rights at its General Meeting as at the date of this report were as follows:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
OFE PZU Złota Jesień*	2,993,684	9.99%
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
IPOPEMA 10 FIZAN ²	2,851,420	9.52%
Value FIZ*	2,750,933	9.18%
QUERCUS Funds ^{3*}	2,256,200	7.54%
Katarzyna Lewandowska	2,136,749	7.13%
Jarosław Wikaliński ⁴	1,499,900	5.01%
Shareholders holding over 5% of the share capital – total	17,479,675	58.38%

* Based on notifications received by the Company from the shareholders.

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

³ QUERCUS Parasolowy SFIO and QUERCUS Multistrategy FIZ.

⁴ Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,789 voting rights, or 9.98% of total voting rights at the General Meeting.

The Company did not enter into any agreements which could result in future issues of shares, leading to changes in the proportion of shares held by the Company's existing shareholders.

6.4 Share buy-back

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not purchase any of its own shares.

6.5 Employee share option plans

In 2020, the Company did not operate any employee stock programme.

7. Management and supervisory personnel

Remuneration of members of management and supervisory personnel

The table below presents remuneration of the Company's Management and Supervisory Board members (both paid and payable or potentially payable) and additional benefits (including healthcare benefits, to the extent they are financed by the Company) at the IPOPEMA Securities Group:

(PLN '000)	Total remuneration at the Group		Including in subsidiaries	
	2020	2019	2020	2019
Management Board	4,911	1,955	1,937	564
Jacek Lewandowski	868	543	309	141
Mirosław Borys	1,013	444	309	141
Mariusz Piskorski	1,414	444	660	141
Stanisław Waczkowski	1,616	524	659	141
Supervisory Board	170	155	4	56
Jacek Jonak	40	25	-	-
Janusz Diemko	32	20	-	-
Michał Dobak	32	20	-	-
Bogdan Kryca	30	14	-	-
Ewa Radkowska-Świętoń	28	-	-	-
Zbigniew Mrowiec	8	34	4	26
Piotr Szczepiórkowski	-	42	-	30

Changes in the number of shares held by members of management and supervisory personnel

As at December 31st 2020 and the date of this report, the management and supervisory personnel listed below held, directly or indirectly through their subsidiaries or related parties (including dedicated funds), shares in IPOPEMA Securities S.A. The holdings of those persons did not differ from those disclosed in the quarterly report for the nine months ended September 30th 2020.

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board ¹	3,330,079	11.12%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.49%
Mariusz Piskorski – Vice President of the Management Board	915,000	3.05%
Mirosław Borys – Vice President of the Management Board	696,428	2.32%
Total	8,084,362	27.00%

¹ As disclosed in the table in Section 6.3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Apart from the Company shares specified above, members of the Company's management and supervisory personnel did not hold (directly or indirectly) any shares in subsidiaries of IPOPEMA Securities.

Agreements concluded with members of management and supervisory personnel

In 2008, the Company entered into agreements with two Management Board members (Mirosław Borys and Mariusz Piskorski), under which each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

8. Litigation and administrative proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ('GPW'), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of this report, several hearings were held, with some of the witnesses heard. Given the complex factual and legal circumstances, it is not possible at this point to predict the date of conclusion of the proceedings and the outcome of the proceedings.

9. Credit facility agreements, sureties, guarantees and other agreements

Credit facility agreements

IPOPEMA Securities is a party to agreements made on July 22nd 2009 with Alior Bank, providing for two working-capital overdraft facilities (bearing interest at variable rates based on 1M WIBOR plus bank margin in PLN) which are used for payment of liabilities to the Central Securities Depository of Poland in connection with the brokerage business conducted by the Company. The agreements are extended every year, and were also extended in 2020. Their current expiry date is November 15th 2021.

Agreements concluded in the ordinary course of business

During 2020, IPOPEMA Securities concluded more than a dozen agreements for the provision of brokerage services with institutional clients and several hundred brokerage agreements with retail clients, as well as more than a dozen agreements for the provision of investment banking and advisory services. In 2020, IPOPEMA TFI created several closed-end investment funds, and IPOPEMA Business Consulting signed several dozen agreements for the provision of advisory services.

Loans, guarantees and sureties

In 2020, the Company did not receive or provide any sureties or loans (except for loans to Group companies, employees and associates). The guarantees provided to the Company are described in Note 42 to the financial statements of IPOPEMA Securities.

Shareholder agreements

The Management Board of IPOPEMA Securities S.A. is not aware of any agreements between the Company's shareholders.

10. Risk factors and threats

The most important and dominant factor with a direct impact on the activities of almost all businesses is the global coronavirus pandemic. Given its scale and the pace of spreading, the pandemic triggered volatility and concerns

about the state of the economy, both on a global scale and locally, which have not been seen for years. While we have not yet seen a global economic crisis, it is difficult to accurately predict how the pandemic will evolve in the near future and how it will affect the economic landscape. Given the unprecedented nature of the pandemic, the Company continues to identify it as potentially the largest risk to the economic situation, including situation on the Polish financial market, and thus as a threat to the Group's operations and future financial condition. For a more detailed assessment of the impact of the coronavirus pandemic on the Group's business and risks, see Section 4 of this Directors' Report.

Notwithstanding the above dominant risk pertaining to the coronavirus pandemic, the existing risk factors specific to the business of the IPOPEMA Group and its individual companies have remained unchanged and may have an adverse effect on the business, financial condition, results or development prospects of the Company and the IPOPEMA Group. Those of the risk factors which in the opinion of the Management Board are the most significant ones are presented below, as well as in Note 13a to the financial statements of IPOPEMA Securities and Note 29 to the consolidated financial statements of the IPOPEMA Securities Group.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland. An economic slowdown adversely affects global stock markets and the CEE stock markets where the Company operates. Any downturn on the capital market affects the Company's revenue through lower trading volumes on stock exchanges and challenging conditions for public offerings of securities.

With respect to IPOPEMA TFI, such adverse market conditions discourage investment in listed securities (mainly equities) and thereby affect revenue from active management services. In past years, this had a limited effect on the performance of IPOPEMA TFI, as it focused on creating closed-end private equity funds. However, as the company is expanding its active asset management services, a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes). Likewise, in the asset management business, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

Risk related to competition in the markets on which IPOPEMA Securities and other Group companies operate

IPOPEMA Securities is exposed to strong competition across all its markets, both from well-established Polish brokerage houses and foreign financial institutions, which are increasingly active in the CEE region, including Poland (operating both as foreign-based brokerage houses and through their local offices). The intensifying competition may result in further loss of the Company's market share and in higher pressure on prices, which may have an adverse effect on the Company's financial performance.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and against new market entrants. IPOPEMA TFI is the largest investment fund management company in terms of total assets under management, and one of the market leaders in creating closed-end investment funds. Moreover, IPOPEMA TFI continues to expand its offering and consolidate its position on the market of actively managed funds. IPOPEMA Business Consulting is consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future performance of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The IPOPEMA Securities Group's business and development prospects largely depend on the expertise, experience and qualifications of the management personnel. Their work for the Group has been a key factor behind its success to date. Hence, if any members of the Group's management or other key personnel decide to leave, this may have an adverse effect on the operations and financial condition of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the Group companies must retain highly qualified staff. The nature of the Group's business requires that part of IPOPEMA Securities' and IPOPEMA TFI's employees, in addition to having relevant experience, meet formal requirements to be able to provide brokerage or investment advisory services. Besides, to ensure continued development of the Group, it is necessary to hire new employees with relevant expertise and experience. Given the strong competition and limited availability of qualified professionals that guarantee the required level of service, with a view to ensuring stability of the key staff, the Company's Management Board seeks to apply appropriate incentives to motivate employees to link their future with the Group. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the Group companies in the future.

Risk related to clearing of stock-exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the clearing date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, for the purpose of the transaction clearing the Company must use its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies seeking introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that some of the projects commenced by the Company may be postponed or the clients may decide to abandon execution of the transaction (in particular when faced with adverse market conditions). As success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to IPOPEMA Securities' retail business

In 2016, the Company started offering brokerage services and investment products to a wider retail audience. These activities are carried out largely through distributors cooperating with the Company as investment firm's agents, with the distributor network continually expanded. The retail business depends heavily on the general economic climate and stock market sentiment, which makes it difficult to conclusively assess how such operations will develop in the coming periods and, consequently, to assess their impact on the Company's performance.

Activities of IPOPEMA TFI

Given the strong competition on the market of investment funds as well as the dependence of individual funds' performance on the economic situation (in particular the situation on the capital markets) and correctness of investment decisions made by the IPOPEMA TFI fund managers, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) and the clients may lose confidence in the fund managers, which may eventually lead to some clients discontinuing their relationship with the funds managed by IPOPEMA TFI or make attracting new clients more difficult. In view of the above and the fact that in some funds a part of IPOPEMA TFI's remuneration depends on its investment performance and delivery of returns above the benchmark, the risk of the manager failing to meet the set targets and clients' decisions to discontinue using the services offered by IPOPEMA TFI may result in the Management Company not being able to achieve the planned volume of revenues.

The rate of IPOPEMA TFI's business growth depends to a certain extent on whether the company is able to secure relevant administrative approvals, as well as the direction of possible changes in the legal environment relevant to the business of investment funds and taxation of investment funds and unit holders.

As regards asset management, IPOPEMA TFI's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA TFI's managers will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have an adverse effect on IPOPEMA TFI's performance.

Risk related to the level of equity and financial requirements of IPOPEMA Securities and the Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount available under the credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should also be noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements, including the separate and consolidated capital adequacy requirements, which to a large extent depend on the scope and scale of brokerage activities. Equity is maintained at a level which ensures adequate surplus over the capital requirements referred to above. However, it cannot be ruled out that as a result of change in the scope or scale of operations, a significant loss or changes in the regulatory and legal framework equity will need to be increased. Such need to increase the equity may also extend to IPOPEMA TFI, which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

Risk related to activities of the payment bank

In order to be able to start and conduct operations on the WSE, the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on payment bank services with a bank which is a member of the CSDP. The Company's payment bank is currently Alior Bank S.A. If the agreement on payment bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding a successor payment bank could even pose a risk that the Company might have to temporarily suspend its brokerage business until a new agreement is signed.

A similar risk also applies to Austria's Raiffeisen Bank International, which provides the Company with clearing services in relation to transactions executed on foreign stock exchanges.

Risk related to the IT and telecommunications systems

A particularly significant aspect of the Company's activities is the need to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's confidence in the long term. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. Despite the measures taken by the Company, there can be no assurance that a risk in this area would not materialise, leading to a risk of claims against or penalties, including fines, imposed on the Company (or other Group companies).

Risk related to mistakes and errors of IPOPEMA Securities' employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present depends primarily on the degree of client confidence in the Group companies and their employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in the course of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Group's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market. Moreover, as the Company develops its operations consisting in offering investment products to a broad retail audience, there is also a growing risk of potential claims against the Company, particularly if products purchased by an investor generate a loss – both as a result of potential failure by the Company and for reasons beyond its control (i.e. attributable to the issuer or manager of a given instrument).

In line with the applicable laws, a company authorised to conduct brokerage activities is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure. Nevertheless, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses and loss of reputation.

Risk associated with claims against IPOPEMA TFI

As discussed in Note 8, a legal action has been brought against IPOPEMA TFI by a holder of units in a fund managed by the company. The claimant demands payment of PLN 20.5m due to the loss incurred by the claimant on investment in units of the fund managed by the company. IPOPEMA TFI considers the actions to be groundless and has taken legal steps to have it dismissed by submitting a response to the statement of claim to the court and participating in further procedural steps (several hearings were held by the date of this report, during which some of the witnesses were heard). However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings, the probability of the outcome cannot be reliably determined.

Legal and regulatory risk

The Company, as a brokerage house, and its subsidiary, as an investment fund company, carry out their activities under a licence granted by the Polish Financial Supervision Authority, operating on a highly complex market and in a changing regulatory landscape affecting many areas of their business. This leads to an increased risk of non-compliance with legal requirements and potential violations of laws, regulations or administrative provisions governing the operations of the Group companies, IPOPEMA Securities and IPOPEMA TFI in particular. As a

consequence, regulatory authorities (including the Polish Financial Supervision Authority) may impose sanctions such as fines or, in extreme cases, revoke the licence to conduct a particular type of activity.

Frequent legal changes, the overall quality of legislation, as well as imposition of new obligations affect not only the IPOPEMA Group's business, but also the conduct of business activities and business management in general. These factors increase the risk of non-compliance or incorrect compliance with certain regulations, Aggravating the risk of fines and penalties for business entities. The number and maximum amounts of such fines and penalties, enforced under various legal acts, are also on the rise, particularly in view of ambiguities in many regulations.

Notwithstanding the above formal aspect, further changes in law and new regulations may affect various areas of the IPOPEMA Group's operations and its profitability, forcing it to incur additional costs or negatively impacting its revenue.

11. Auditor of the financial statements

For information on the remuneration of the qualified auditor, see Note 33 to the full-year consolidated financial statements of IPOPEMA Securities.

12. Statement of compliance with corporate governance standards

Corporate governance code applicable to the Company

IPOPEMA Securities complies with the corporate governance principles set by the WSE in the document 'Code of Best Practice for WSE Listed Companies 2016', adopted by Resolution of the WSE Supervisory Board of October 13th 2015.

In addition, as a brokerage house regulated by the Polish Financial Supervision Authority, the Company is also required to apply the guidelines set out in the 'Principles of Corporate Governance for Supervised Institutions' issued by the PFSA Office on July 22nd 2014.

Relevant statements of compliance are available on the Company's website (Investor Relations/Corporate Governance section).

Corporate governance rules which the Issuer does not comply with, including the extent of and reasons for such non-compliance

In 2020, the Company complied with the recommendations set forth in the Best Practices, with the following exceptions:

- I.Z.1.20. – rule regarding the audio or video recording of general meetings:
Given the little interest in General Meetings, they are not recorded in any audio or video formats. Nevertheless, in 2020, the Company made it possible for shareholders to participate remotely in General Meetings.
- IV.R.2. – recommendation regarding participation of shareholders in general meetings using means of electronic communication:
Given the complexity involved in ensuring access to general meetings, identifying shareholders and their proxies, and ensuring appropriate bilateral communication, the Company decided not to comply with this recommendation, as it had done in previous years.
- VI.Z.4. – rule regarding reporting on the remuneration policy in the directors' report:

As a brokerage house, the Company is obliged to publish annual capital adequacy reports. Such reports contain a detailed description of the Company's remuneration policy (including quantitative data), largely covering the information referred to in rule VI.Z.4 of the Best Practices.

As regards information on the remuneration paid to individual members of the Management and Supervisory Boards, it was concluded that the scope of disclosures made both in the full-year report and in the capital adequacy report is sufficient and complies with the applicable regulations.

As regards the set of PFSA Guidelines, the Company decided not to apply the guideline analogous to the recommendation set out in Section IV. R.2 of the Code of Best Practice for the exercise of voting rights at the General Meeting using electronic means of communication.

Key features of the risk control and management system used in the preparation of financial statements

The risk control and management system used by the Company in the process of preparation of financial statements (both separate and consolidated) aims to ensure that the financial statements are reliable, complete and compliant with applicable regulations – both with respect to their contents and timely publication. The system meeting the above criteria is based on the following items:

- Applied rules for circulation and approval of documents, which facilitate prompt and complete recognition of all accounting data;
- Proper flow of information to be registered in accounting records between designated persons from appropriate organisational units and persons engaged in the preparation of financial statements;
- Use of appropriate software and IT systems to facilitate internal reporting and financial information processing;
- Adoption of proper criteria for selection and evaluation of employees engaged in the reporting process, possessing the competences, knowledge and experience relevant to the functions and tasks they are charged with;
- Ensuring cooperation between the Company's auditor, its Supervisory Board and Audit Committee to ensure exchange of information related to the financial statements (especially at the audit plan preparation stage, and at its final stage, but before the audit process is complete);
- Division of tasks and responsibilities related to the preparation of financial statements between various internal units to facilitate independent assessment and cross-verification of the documentation prepared, taking into account the cooperation that is necessary for the process (i.e. allocation of accounting and financial controlling tasks, engaging the Management Board at an early stage of the report preparation, ongoing cooperation with the Company's auditor);
- Ensuring proper communication and information flow between Group companies with respect to the timing and form of information.

Considering the above, the Management Board believes that the risk control and management system employed by the Company in the preparation of financial statements fulfils the aims defined above and is adequate given the structure of the Company and the Group.

Major holdings of shares in the Company

For a list of shareholders holding over 5% of shares in IPOPEMA Securities S.A., see Section 6.3 of this report.

Holders of any securities conferring special control rights

There are no securities of IPOPEMA Securities S.A. conferring special control rights.

Restrictions on voting rights

There are no restrictions on the voting rights attached to IPOPEMA Securities S.A. shares.

Restrictions on transfer of ownership rights to the Company's securities

As at the date of approval of the financial statements, there are no restrictions on transferability of the securities issued by the Company.

Rules governing appointment and removal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to issue or buy back shares

Pursuant to the Articles of Association, the Management Board is composed of two to five members, including the President, who are appointed for a three-year term and removed from office by the Supervisory Board. The Management Board acts in accordance with the Rules of Procedure for the Management Board, adopted by the Supervisory Board.

On January 23rd 2020, the Extraordinary General Meeting of the Company passed Resolution No. 5 on conditional share capital increase through the issue of shares – not later than by December 31st 2029 - to enable the Company to implement the incentive scheme. Under the same resolution, the Management Board was authorised to take all legal and factual steps to implement the resolution.

Resolutions passed by the General Meeting, including Resolution No. 5, setting out the detailed terms parameters and conditions of the issue of shares, including powers of the Management Board and the Supervisory Board, were published by the Company in Current Report No. 4/2020 of January 23rd 2020 (available on the Company's website in the Investor Relations/Current Reports section).

Rules governing amendments to the Company's Articles of Association

The rules governing amendments to the Company's Articles of Association provided in the Articles of Association do not differ from those set forth in the Polish Commercial Companies Code.

Manner of operation and basic powers of the General Meeting, shareholders' rights and the procedure for their exercise

As the Company did not introduce rules of procedure for the General Meeting, the manner of operation of the General Meeting of IPOPEMA Securities, its basic powers as well as the shareholders' rights and the procedure for their exercise are as defined in the Polish Commercial Companies Code, the 'Code of Best Practice for WSE Listed Companies' applied by the Company, and 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority.

Composition and activities of the Company's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

The powers and manner of operation of the Company's Management Board and Supervisory Board are defined in the Rules of Procedure for the Management Board adopted by the Supervisory Board and the Rules of Procedure for the Supervisory Board adopted by the General Meeting. The documents are available on the Company's website (Investor Relations/Corporate Governance section).

The Company also complies with the 'Code of Best Practice for WSE Listed Companies' and the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority, including the guidelines and recommendations on management and supervisory bodies.

An Audit Committee operates at the Company, as described in the next section below.

The composition of the IPOPEMA Securities Management Board did not change in 2020 or in 2021 by the date of this report and is as follows:

First name and surname	Position	Appointment date ¹
Jacek Lewandowski	President of the Management Board	June 25th 2020
Mirosław Borys	Vice President of the Management Board	June 25th 2020
Mariusz Piskorski	Vice President of the Management Board	June 25th 2020
Stanisław Waczkowski	Vice President of the Management Board	June 25th 2020

¹Date of appointment for the current term of office.

The table below presents the composition of the IPOPEMA Securities Supervisory Board as at the date of this report.

First name and surname	Position	Appointment date ¹
Jacek Jonak	Chairman of the Supervisory Board	June 25th 2020
Janusz Diemko	Secretary of the Supervisory Board	June 25th 2020
Michał Dobak	Member of the Supervisory Board	June 25th 2020
Bogdan Kryca	Member of the Supervisory Board	June 25th 2020
Ewa Radkowska-Świętoń	Member of the Supervisory Board	June 25th 2020

¹Date of appointment for the current term of office.

The composition of the Supervisory Board changed in 2020 – on January 23rd 2020, Zbigniew Mrowiec ceased to serve as member of the Supervisory Board following his resignation, and Ewa Radkowska-Świętoń was appointed in his place.

On December 16th 2020, Michał Dobak resigned from his position of member of the Supervisory Board of IPOPEMA Securities, with effect as of the nearest General Meeting, which was announced by the Company in Current Report No. 17/2020.

As at the date of these financial statements, two members of the Supervisory Board, i.e. Michał Dobak and Ewa Radkowska-Świętoń met the independence criteria set out in the Company's Articles of Association and Annex II to the Commission Recommendation of February 15th 2005 (2005/162/WE). The other members ceased to meet one of the independence criteria, i.e. the criterion concerning duration of their mandate on the Company's Supervisory Board.

Information on holdings of Company shares by the management and supervisory personnel is presented in Section 7 of this report.

Audit Committee

- To comply with the requirements of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (the "Act on Statutory Auditors") and given that IPOPEMA Securities S.A. meets the criteria for being considered a public-interest entity within the meaning of the Act on Statutory Auditors, on September 7th 2017 an Audit Committee of IPOPEMA Securities S.A. was established, which currently includes Michał Dobak (Chairman), and Jacek Jonak and Ewa Radkowska-Świętoń (members). Pursuant to the Act on Statutory Auditors, the Audit Committee is appointed from among the Supervisory Board members.
- As required by the Act on Statutory Auditors, two members of the Audit Committee, including its Chairman, meet the independence criteria.
- Persons with knowledge and skills in accounting or auditing of financial statements include: Michał Dobak and Ewa-Radkowska Świętoń.
- All members of the Audit Committee have the knowledge and skills relevant for the sector in which IPOPEMA Securities S.A. operates given their professional experience and – in the case of Michał Dobak and Jacek Jonak – also many years of membership in the Company's Supervisory Board.
- The audit firm which audited the Company's financial statements did not provide any non-audit services to the Company.
- The key provisions of the Company's policy and procedure for selecting an audit firm and the policy for the provision of additional services by an audit firm, its affiliates or a member of its network are as follows:
 - an auditor is selected by the Supervisory Board based on the Audit Committee's recommendation;

- in the case of selection of a new audit firm and not just an extension of the agreement with the existing audit firm, the Audit Committee recommends at least two candidates with the Committee's preferred choice indicated;
 - an audit firm and lead auditor may audit the Company's financial statements for no more than five consecutive years;
 - the first agreement with an audit firm is concluded for no more than two years;
 - the audit firm performing the audit (or its affiliates or network member) does not provide the Company or its related entities, directly or indirectly, with any prohibited non-audit services or services that are not a financial audit;
 - the audit firm may provide services which are not prohibited services (as specified in Art. 136.2 of the Act on Statutory Auditors) only to the extent such services are not related to the Company's tax policy, following an assessment by the Audit Committee of threats and independence safeguards in accordance with the Act on Statutory Auditors.
- The recommendation on audit firm selection met the conditions defined in the Company's relevant policy and procedure.
 - In 2020, the Audit Committee held 6 (six) meetings.

Warsaw, March 29th 2021

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice President of the
Management Board

Stanisław Waczkowski
Vice President of the
Management Board

Mirosław Borys
Vice President of the
Management Board