

Annexe to Resolution no. 1
of the Supervisory Board of Ten Square Games S.A.
of 25 April 2022

**Report on the activities of the Supervisory Board
of Ten Square Games S.A. with its registered office
in Wrocław for the financial year 2021**

Wrocław, 25 April 2022



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Ten Square Games S.A., ul. Traugutta 45, 50-416 Wrocław, Poland
KRS No.: 0000704863 REGON: 021744780 NIP: 8982196752
District Court for Wrocław-Fabryczna in Wrocław, NCR 6th Commercial Division
Share capital: 730,178.30 PLN

1. Introduction

Acting pursuant to Article 382(1) of the Commercial Companies Code and section 14(1) of the Articles of Association of Ten Square Games S.A. (hereinafter referred to as: the Company) and the currently applicable provisions of the Best Practice for GPW Listed Companies 2021 (hereinafter referred to as: Best Practice 2021), the Supervisory Board of Ten Square Games S.A. (hereinafter: Supervisory Board) hereby submits for approval of the Company's Ordinary General Meeting of Shareholders the Report on the activities of the Supervisory Board in the financial year 2021 (hereinafter: Report), which includes:

- 1) information on the composition of the Supervisory Board and its committees that also indicates the members of the Supervisory Board who meet the independence criteria set out in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and stating which of them have no actual and material relations with any shareholder who holds at least 5% of the total vote in the Company, as well as information on the composition of the Supervisory Board in the context of diversity;
- 2) summary of the activities of the Supervisory Board and its committees;
- 3) the assessment of the Company's situation on a consolidated basis, including the assessment of internal control systems, risk management, compliance and the internal audit function, together with information on the actions taken by the Supervisory Board to perform this assessment;
- 4) evaluation of the manner in which the Company applies the principles of corporate governance and the manner of the Company's fulfilling the disclosure obligations set forth in the Warsaw Stock Exchange S.A. Rules (hereinafter: WSE Rules) and regulations on current and periodic information provided by issuers of securities, together with information on the actions taken by the Supervisory Board to make this assessment;
- 5) assessment of the eligibility of expenditure incurred by the Company and its Capital Group to support culture, sport, charitable institutions, media, social organisations, trade unions, etc.
- 6) information on the degree of the implementation of the diversity policy with respect to the Management Board and the Supervisory Board, including the achievement of the objectives referred to in Rule 2.1 of the Best Practice for GPW Listed Companies 2021.

2. Personal composition of the Supervisory Board

The Supervisory Board of Ten Square Games S.A. as of 31 December 2021 comprised:

1. Rafał Olesiński – Chairman of the Supervisory Board;
2. Wiktor Schmidt – Deputy Chairman of the Supervisory Board;
3. Marcin Biłos – Member of the Supervisory Board;
4. Tomasz Drożdżyński – Member of the Supervisory Board;
5. Maciej Marszałek – Member of the Supervisory Board;
6. Arkadiusz Pernal – Member of the Supervisory Board;
7. Kinga Stanisławska – Member of the Supervisory Board.

After the end of the Reporting Period, on 11 March 2022, Tomasz Drożdżyński stepped down as a Supervisory Board Member.

The composition of the Supervisory Board of Ten Square Games S.A. conforms to the requirements of the composition of a supervisory board of a public company.

At the same time, due to the fact that the Company does not have a formal written diversity policy with respect to the Supervisory Board (adopted by the General Meeting) and the selection of suitable candidates by the General Meeting for members of the Supervisory Board is carried out on a case-by-case basis based on the fulfilment of independence criteria, as well as criteria such as appropriate qualifications, specialist knowledge, in particular in the area of accounting or financial auditing, experience, knowledge of the industry, the current composition of the Supervisory Board does not ensure gender diversity at the level not lower than 30%.

3. Information on the fulfilment of independence criteria by the members of the Supervisory Board

In line with Rule II.Z.3. of the Best Practice for GPW Listed Companies 2021, in force until 30 June 2021 (hereinafter: Best Practice 2016), at least two members of the supervisory board should meet the independence criteria set out in the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), taking into account the Best Practice 2016.

In line with Rule 2.3 of the Best Practice 2021, in force until 1 July 2021, at least two members of the supervisory board



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should meet the independence criteria listed in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The Supervisory Board, having reviewed the declarations submitted by individual Members of the Supervisory Board on the fulfilment of the independence criteria and having assessed whether there are any relationships or circumstances that may affect the fulfilment of the independence criteria by a given Member of the Supervisory Board, concludes that

1. in the period from 1 January 2021 to 30 June 2021, the independence criteria within the meaning of Rule II.Z.3 of the Best Practice 2016:
 - were met by: Wiktor Schmidt, Marcin Biłos, Tomasz Drożdżyński, Maciej Marszałek and Kinga Stanisławska;
 - and were not met by: Rafał Olesiński and Arkadiusz Pernal
2. in the period from 1 January 2021 to 31 December 2021, the independence criteria within the meaning of Rule 2.3 of the Best Practice 2021:
 - were met by: Wiktor Schmidt, Marcin Biłos, Tomasz Drożdżyński, Maciej Marszałek and Kinga Stanisławska;
 - and were not met by: Rafał Olesiński and Arkadiusz Pernal

Until the day on which the Report was drafted, there were no changes in the extent of the fulfilment of independence criteria by members of the Supervisory Board who were members of the Supervisory Board on the date of drafting the Report.

4. Summary of the activities of the Supervisory Board

The Supervisory Board supervised the Company's activities in accordance with the relevant provisions of law, the Company's Articles of Association, the Regulations of the Supervisory Board and the recommendations and principles of corporate governance, including those resulting from the Best Practice for GPW Listed Companies implemented by the Company. Within the framework of the above supervision, the Supervisory Board adopted resolutions during meetings as well as outside meetings by means of direct remote communication.

The Management Board of the Company was invited to the meetings of the Supervisory Board. During meetings, the Supervisory Board considered matters arising from the provisions of the Commercial Companies Code, other generally applicable laws, the Company's Articles of Association, the Regulations of the Supervisory Board, as well as the needs resulting from the Company's day-to-day operations.

In 2021, the Supervisory Board of the Company held 9 meetings, one of which was held at the Company's registered office in Wrocław:

- 1) 17 March 2021 – the Supervisory Board discussed, among others, current issues from the various divisions of the Company, the draft financial statements and the draft report on the activities of the Management Board for the financial year 2020. The Supervisory Board discussed the obligation to produce a remuneration report. Moreover, the Supervisory Board passed a resolution to approve the establishment of the subsidiary Ten Square Romania Societate cu raspundere limitata, with its registered office in Bucharest, Romania;
- 2) 22 March 2021 – the Supervisory Board adopted the following resolutions: on authorising the Chairman of the Supervisory Board to make a statement on behalf of the Supervisory Board concerning the functioning and performance of the Audit Committee; on authorising the Chairman of the Supervisory Board to make a statement on behalf of the Supervisory Board concerning the evaluation of the annual financial statements and the annual report of the Company's Management Board. Moreover, the Supervisory Board adopted a resolution to authorise the Chairman of the Supervisory Board to make a statement on behalf of the Supervisory Board concerning the audit firm auditing the annual separate and consolidated financial statements for the financial year 2020, and on the consent to entering into and acquisition of participating interest in a limited partnership Sisu Ventures III Limited Partnership with its registered office in Delaware, USA;
- 3) 31 March 2021 – the Supervisory Board adopted a resolution on the establishment of management objectives for the President of the Company's Management Board for the financial year 2021;
- 4) 21 April 2021 – the Supervisory Board adopted resolutions on setting the Recurring EBIDTA for the Company's second incentive scheme and determining the list of participants in the incentive scheme. Moreover, the Supervisory Board adopted resolutions on the adoption of the Report on the activities of the Supervisory Board for the financial year 2020 and the Report on the remuneration of the Members of the Management Board and Supervisory Board for 2019 and 2020, as well as a resolution on the approval of entry into a contract for transaction advisory services;
- 5) 19 May 2021 – the Supervisory Board discussed current issues from the various divisions of the Company and



proposals of the Management Board: on the application submitted to the Company's Ordinary General Meeting of Shareholders to distribute the profit for 2020 and making a recommendation to the Company's Ordinary General Meeting of Shareholders, as well as on buying up own shares, the conditions for the buy-up and the creation of reserve capital for this purpose. The Supervisory Board adopted resolutions on evaluating and recommending to the Company's Ordinary General Meeting of Shareholders: the financial statements (separate and consolidated statements of the Capital Group), the report of the Management Board on the activities of the Company and the Capital Group, the Management Board's application to distribute the Company's profit for the financial year 2020, and on evaluating the Management Board's proposal to authorise the Management Board to purchase own shares in the name and on behalf of the Company and to create reserve capital. Moreover, the Supervisory Board adopted resolutions giving opinions on: matters to be discussed at the Company's Ordinary General Meeting of Shareholders and resolutions on granting discharge to Members of the Company's Management Board, as well as a resolution on authorising the Chairman of the Supervisory Board to conclude agreements with Members of the Company's Management Board on their participation in the incentive scheme;

- 6) 29 June 2021 – the Supervisory Board passed a resolution on the fulfilment of the Participation Criteria and Scheme 3 criteria and confirmed the number of shares allocated under Tranche III of the incentive scheme, as well as adopted a resolution on authorising the Chairman of the Supervisory Board to make offers to subscribe for shares on behalf of the Company, a resolution to ascertain the fulfilment of the management objectives by the Company's President of the Management Board and to determine the variable remuneration for 2020, and a resolution on the approval by the Supervisory Board of the Company's share purchase transaction;
- 7) 4 August 2021 – the Supervisory Board adopted resolutions on: the removal of Tomasz Drożdżyński from the composition of the Appointment and Remuneration Committee of the Supervisory Board of the Company, the appointment of Arkadiusz Pernal as a Member of the Appointment and Remuneration Committee of the Supervisory Board of the Company for the current term of office. Moreover, the Supervisory Board adopted resolutions regarding annexes to agreements entered into with persons serving on the Company's Management Board and at the same time tied to the Company by service provision agreements which do not include management activities in their scope;
- 8) 11 October 2021 – the Supervisory Board adopted a resolution on setting the Recurring EBIDTA for the Company's second incentive scheme, as well as several personal resolutions in connection with changes in the Company's Management Board (stepping down of Marcin Chruszczyński, appointment of Magdalena Jurewicz);
- 9) 17 November 2021 – the Supervisory Board discussed the Company's current operations and the Company's results for Q3 2021.

Minutes of the meetings were taken and are stored at the offices of the Company.

Meetings and votes of the Supervisory Board shall be held in a composition ensuring legal capacity, i.e. at least half of the Supervisory Board members shall participate in the meetings and/or votings.

Moreover, throughout the reporting period, all Supervisory Board Members were in regular contact with the Management Board, consulting on specific aspects of the Company's operations. The Supervisory Board served in an advisory capacity to the Management Board. The Management Board received decision-making support on its activities from the Supervisory Board, as well as the required approvals to carry out significant activities in accordance with the Company's Articles of Association.

The Supervisory Board assessed that there was no need for any committees on the Board other than the Audit Committee and the Appointment and Remuneration Committee during the reporting period from 1 January 2021 to 31 December 2021.

5. Audit Committee – composition and overview of its activities in 2021

The Company has an Audit Committee which performs auxiliary and advisory functions for the Supervisory Board.

During the reporting period, the Audit Committee consisted comprised:

- Chairman of the Committee – Marcin Biłos;
- Member of the Committee – Maciej Marszałek;
- Member of the Committee – Kinga Stanisławska.

In the reporting period, Marcin Biłos, Maciej Marszałek and Kinga Stanisławska met the independence criteria set out in Article 129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (consolidated text Journal of Laws of 2020, item 1415).

Knowledge and skills in relation to accounting or auditing of financial statements and in the industry in which the Company operates:

- Marcin Biłos – knowledge and skills acquired in connection with the professional title of statutory auditor and professional experience in Pricewaterhouse Coopers Sp. z o.o., Audit Department, Nasza Klasa Sp. z o.o. – financial controller, finance and operations director, board member; knowledge in both finance/accounting and new



- IT technologies (especially in the area of social games);
- Maciej Marszałek – knowledge and skills gained during many years of employment in the financial sector (Bank Millennium, Link4 and AXA Group) in marketing and Internet sales; he has knowledge of both finances and new IT technologies (especially in marketing and user acquisition);
- Kinga Stanisławska – knowledge and skills acquired when serving on company audit committees of publicly held and new technology companies; knowledge of new IT technologies.

The Audit Committee performs the activities provided for in the Audit Committee Regulations, in the resolutions of the Supervisory Board, in the Act on statutory auditors, audit firms and public supervision, in the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and in other regulations on the functioning of public companies.

In the financial year 2021, the Audit Committee held 3 sessions and a number of meetings and consultations. Meetings were held in such a way that resolutions could be adopted. Members of the Board, the Chief Financial Officer and other third parties attended meetings of the Audit Committee, where required to discuss matters of substance.

In the previous reporting period, the Audit Committee focused, in particular, on the implementation of legal requirements arising from the Act on statutory auditors, i.e. on activities related to the monitoring of the financial reporting process and the performance of auditing activities, including through the analysis of the Company's interim reports prior to publication, as well as meetings and ongoing communication, with the auditor, the Company's Chief Financial Officer and the employees of the Company's financial department.

The Company's Audit Committee analysed the consolidated and separate financial statements presented by the Management Board, together with the Management Board's report on the activities of Ten Square Games S.A. Capital Group, recommending that the Supervisory Board adopt a positive assessment of the above documents.

6. Appointment and Remuneration Committee – composition and summary of its activities in 2021

The Company has an Appointment and Remuneration Committee, which performs auxiliary and advisory functions in relation to the appointment and remuneration of Members of the Supervisory Board.

As at 31 December 2021, the Appointment and Remuneration Committee comprised:

- Chairman of the Committee – Rafał Olesiński;
- Member of the Committee – Maciej Marszałek;
- Member of the Committee – Arkadiusz Pernal.

The following changes in the composition of the Appointment and Remuneration Committee took place during the reporting period:

- on 4 August 2021, by Resolution no. 1 of the Supervisory Board, Tomasz Drożdżyński was removed from the Appointment and Remuneration Committee;
- on 4 August 2021, by Resolution no. 2 of the Supervisory Board, Arkadiusz Pernal was appointed to the Appointment and Remuneration Committee.

The responsibilities of the Appointment and Remuneration Committee are set out in the Regulations of the Appointment and Remuneration Committee approved by the Supervisory Board of the Company.

The Appointment and Remuneration Committee operates and passes resolutions as a body. The Committee meets as and when necessary.

During 2021, meetings and consultations of the Appointment and Remuneration Committee focused on changes to the Management Board, setting the remuneration arrangements for the Management Board Members in the context of the Company's dynamic growth, market challenges and ensuring the stability and motivation of the Company's managerial staff and key executives.

7. Self-assessment of the Supervisory Board

It should be emphasised that meetings of the Supervisory Board and its work (supported by the Management Board and relevant Company services) between meetings ensure the processing of data and analyses needed for decision-making. No disruptions have been recorded during the work of the Supervisory Board.



In 2021, the Members of the Supervisory Board remained in regular contact with the Company's Management Board, supervising and consulting the Management Board on specific areas of the Company's operations. In performing its supervisory and control activities, the Supervisory Board relied on written materials drafted by the Management Board of the Company as well as current information and explanations provided by the Members of the Management Board during the meetings of the Supervisory Board.

In 2021, the Supervisory Board exercised continuous supervision of the Company's activities in all areas of the Company's operations. The aforementioned activities included, among others: the analysis and assessment of the current financial results, the analysis of the information received from the Management Board concerning the Company's operations (including specific reports relating to operating activities) and meetings of the Supervisory Board and Management Board held with the purpose of discussing the Company's situation. The members of the Supervisory Board – as a whole – contributed diverse knowledge, judgement and experience for the proper performance of the body's tasks.

With its diverse competencies and experience, the Supervisory Board is a body that ensures constructive and efficient operation, in effect supporting the Management Board.

In the opinion of the Supervisory Board, in 2021 the supervisory and control activities of the Supervisory Board were performed on a permanent basis, based on and within the limits of the regulations and internal acts binding on this body and in accordance with the Best Practice for GPW Listed Companies. In the opinion of the Supervisory Board, all its Members have demonstrated due diligence in the performance of their duties, using their knowledge.

The Supervisory Board has maintained an independent view on the work of the Management Board and the Company's activities. It exercised constant supervision over the Company's activities in all areas of its operation and exercised financial control over the Company's activities in terms of expediency and rationality.

The Members of the Supervisory Board have demonstrated conscientiousness and integrity in their activities, using their expertise, professional experience and skills. Thanks to the extensive competencies and commitment of the Members of the Supervisory Board and its efficient organisation, the Supervisory Board effectively carried out its statutory tasks guided by the interests of the Company.

The Supervisory Board positively assesses its work in 2021 and requests that all its Members be granted a discharge of their duties in the 2021 financial year.

8. Assessment of the Company's situation on a consolidated basis for the financial year 2021

Based on the analysis of the Company's and the Capital Group's financial statements for 2021 and the Management Board's report on the operations of the Capital Group and the Company for 2021, as well as on the information received from the Management Board, the Supervisory Board assesses that the Company has met the targets set for 2021 both in terms of the development of the operating activities and the financial result.

The year 2021 was a year of continued strong growth for the Company. Following the success of mobile games in 2020, the Company, in order to increase its market position in the gamedev industry, took advantage of various commercial opportunities and developed the Company's existing game teams and entered the Chinese market with the Fishing Clash game. At the same time, the Company opened further new studios (Berlin and Bucharest) in 2021 and acquired 100% of the shares of the Italian company Rortos s.r.l., which, together with the other subsidiaries established in 2021, i.e. Ten Square Games Germany GmbH and Ten Square Games Romania S.r.l., became part of the Capital Group. The above-mentioned growth of the Group was accompanied in 2021 by an increase in the workforce (employees and associates) – from 320 people at the beginning of January 2021 to over 500 people at the end of that year.

Revenue of Ten Square Games S.A. Capital Group increased from PLN 578,194,656 in 2020 to PLN 634,045,040 in 2021. Consolidated gross profit decreased from PLN 170,945,301 in 2020 to PLN 161,981,769 in 2021. Net profit also declined from PLN 151,598,963 in 2020 to PLN 141,264,582 in 2021. As at the end of December 2021, the balance of cash and cash equivalents in the Capital Group Ten Square Games S.A. amounted to PLN 139,553,427, with no interest-bearing debt.

In the opinion of the Supervisory Board, this increase in yet another year of the pandemic, even with a decrease in the profit, lends credence to the Group's plans and strategy based on seeking and innovatively combining the most effective game models from the Free 2 Play segment with interesting thematic areas. The Group aims to fulfil its plan consisting in building a portfolio of products with a long life and high monetisation.

In the opinion of the Supervisory Board, the Capital Group's financial condition will allow it to continue the development of the existing product portfolio and the intensive work on new games using its own financing and in accordance with the assumed strategy. An additional impetus may come from experience and information gained in the process of analysing



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potential acquisition targets.

Furthermore, the Supervisory Board is of the opinion that the Company is managed properly and effectively. The Company's Management Board has consistently and orderly pursued its objectives, which has contributed to building the Company's value. The Supervisory Board positively evaluates the activities of the Company's Management Board in 2021.

There are no prerequisites that could pose a real threat to the continuation of the Company's operations. However, the operations of Ten Square Games S.A. Capital Group are subject to the influence of external and internal factors that may affect the Group's results. External factors include: USD and EUR exchange rates (a significant portion of revenue is generated in foreign currencies; therefore, the Group is exposed to the risk of sudden changes in exchange rates), emergence of products competitive to the Group's games, advertising market parameters, such as prices and supply of advertising displayed in the Group's games and prices of advertisements purchased by the Group, or changes in the policy of key distribution platforms, i.e. Google Play, Facebook and Apple affecting the scope and possibility of distributing the Group's products. A new and very important external factor is also the geopolitical situation and the war in Ukraine that began in February 2022. Ukraine is directly adjacent to Poland, where the Company's headquarters are located, and to Romania, where one of the game development studios is located. On 8 March 2022, the Company stopped making all of its games available in Russia and Belarus, which may impact the results generated in 2022 and beyond. Sales in these markets accounted for approximately 5.3% of total 2021 payments, and 99% of the receivables have already been paid to Ten Square Games S.A. Capital Group as at the date of issue of the Report. Nevertheless, as of the date of the Report, it is impossible to estimate the potential effects of the conflict in both economic and social fields, but they could be very serious both locally and globally. External factors coincide with basic risks for the Group, while internal factors also include the outflow of employees and associates, delays in game production or the risk of inaccurate estimates and trends on the basis of which the Management Board makes decisions concerning the development of the Capital Group's products.

The years 2020–2021 have shown that Ten Square Games S.A. Capital Group and the Company have coped in a volatile and uncertain environment. Careful consideration is given to the current situation, and efforts are made to minimise, as far as possible, their impact on the operations of the Ten Square Games S.A. Capital Group as events unfold.

9. Assessment of internal control systems, risk management, compliance and internal audit function

Essential information:

In 2021, the books of the Company and of the Polish subsidiaries comprising Ten Square Games S.A. Group were maintained by the Company's own internal accounting department. The account books of Ten Square Games Germany GmbH, Ten Square Games Romania S.r.l., Rortos S.r.l. and Reludo S.r.l. are maintained by local accounting offices. The Company's finance department reviews the reports generated by these accounting offices and clarifies concerns as necessary.

The separate financial data underlying the financial statements are derived from the accounting and financial system in which transactions are recorded in accordance with the Company's accounting policies based on International Accounting Standards. With regard to the consolidated statements, the data are derived from several accounting systems (in-house and from accounting firms) and are subsequently subject to consolidation adjustments by the Company.

The financial statements are drafted by the Management Board and submitted to the Supervisory Board with the aim of performing activities provided for in the relevant regulations, also to perform their assessment.

The annual and half-yearly financial statements (consolidated and separate) are subject to an independent audit/review by an auditor appointed by the Company's Supervisory Board. The results of the audit shall be submitted to the Supervisory Board, and the report on the audit of the annual report shall also be submitted to the General Meeting of Shareholders.

The financial statements of the foreign subsidiaries for 2021, i.e. Ten Square Games Germany GmbH, Ten Square Games Romania S.r.l., Rortos S.r.l. and Reludo S.r.l., are not subject to a separate audit in accordance with the relevant local regulations. Their approval shall be in accordance with the provisions in force in the country of the registered office of the relevant entity. The financial statements of the Polish subsidiaries are not required to be audited in accordance with the Accounting Act of 29 September 1994. These reports shall be submitted for approval to the Ordinary General Meeting of Shareholders of a relevant company.

For consolidation purposes, consolidation packages of subsidiaries with significant materiality for the consolidated figures are examined. Materiality is determined in accordance with the rules of the entity auditing the consolidated financial statements of Ten Square Games S.A. Capital Group. In 2021, the consolidation package of Rortos S.r.l. and Reludo S.r.l. was audited (collectively).

In carrying out its activities, the Company is exposed to various risks such as: legal, operational, and financial. Major risk



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factors include circumstances such as the geopolitical and macroeconomic situation in Europe (including, in particular, the current armed conflict in Ukraine), the currency risk, the risk of growth of competitive products, the risk of changes in the policies of the key distribution platforms, i.e. Google Play, Facebook and Apple, affecting the scope and ability to distribute the Group's products.

The Company's risk management consists of periodic identification and risk assessment and taking remedial action based on strategic and operational management. Risks are mitigated in particular by designing and implementing control mechanisms, taking measures to reduce the consequences of adverse events by implementing contingency plans and concluding appropriate insurance agreements. The minimisation of risks of a substantive nature is carried out through the analysis of results and control reports carried out by the Company's internal specialists at the various stages of preparing multiple analyses, reports and financial results. Moreover, verification of financial statements is carried out by an auditor elected by the Supervisory Board.

The bodies responsible for the appropriate conduct of the risk management process are:

- the Management Board, which is responsible for risk management at strategic and operational levels,
- the legal department, which is responsible for managing legal risks,
- the finance department, which is responsible for financial risk management,
- heads of individual departments, who are responsible for risk management in the area of supervised processes.

All other employees of the Company are obliged, within the scope of their competencies, to monitor the level of risk in the workplace, to inform their superiors about any events that may lead to negative consequences of the conducted activity and to the creation of potential new risks.

In the Company, supervision of the legality of the activities of the Company's various organisational units is exercised by the legal department and the finance department, supported by external law firms and external auditors. This system operates on the basis of the provisions of internal acts and general legal regulations. The tasks related to the supervision of the legality of activities are based on:

- the ongoing monitoring of legal regulations related to the Company's activities, the ongoing cooperation with the Management Board and the management in order to monitor changes in all areas of the Company's activities;
- regularly informing the Management Board and the management of identified changes in legislation;
- preparing draft amendments to internal regulations necessary for the effectiveness and appropriateness of the supervision exercised;
- monitoring compliance by employees and collaborators with the laws and internal regulations applicable in the Company;
- the supervision of access to confidential information and the trade secret;
- taking other actions, including those of an educational and control nature, aimed at ensuring that the Company duly fulfils its obligations imposed by law.

In 2021, the Company's internal auditor audited the Company's most critical areas using the outsourced model. A contract with an external body ensures the level of independence necessary for the effective performance of duties.

With regard to the head of the internal audit function and other persons responsible for carrying out their functions, the principles of independence laid down in generally accepted international standards for the professional practice of internal auditing shall apply. In order to achieve the level of independence necessary for the effective performance of internal audit duties, the auditor has unrestricted access to senior management and the Supervisory Board. The auditor's remuneration is dependent on the timeliness and quality of the tasks performed. Functionally, the audit is subject to the Supervisory Board, which is the initiator, approves the audit plan and receives the results of the external body's work.

Assessment of the Supervisory Board:

The above-described system of internal control and risk management in the Company ensures both timely and transparent disclosure of facts relating to significant elements of the Company's operations, which enables the Management Board and the Supervisory Board to obtain full knowledge of the Company's financial position, operating results, the state of the Company's assets and the effectiveness of management.

In monitoring the effectiveness of the internal control system, risk management system, compliance system, and the internal audit in the outsourced model, the Supervisory Board during the reporting period received, directly or through the



Audit Committee, information and reports from, respectively, the Company's Management Board, the statutory auditor, other external auditors and the Company's employees responsible for the respective systems and functions.

In the opinion of the Supervisory Board, the internal control, risk management and compliance systems in place at the Company, as well as the internal audit function in the outsource model, meet the relevant functional needs, are effective, efficient and adequate in relation to the size of the Company and the type and scale of its operations. In view of the above, the Supervisory Board gives a positive opinion on the internal control system, the risk management system, the compliance system and the internal audit function in the outsource model functioning in the Company and Ten Square Games S.A. Capital Group.

10. Assessment of the application by the Company of the principles of corporate governance and the manner of fulfilling disclosure obligations

From the moment the Company's shares were admitted to trading on the regulated market, the Company has been applying the principles of corporate governance as set out in the document entitled the Best Practice for GPW Listed Companies, with the inclusions described in the information on the Company's application of the principles contained in the Best Practice for GPW Listed Companies and the Company's Declarations on the application of corporate governance principles in the given year.

Until 30 June 2021, the Company applied corporate governance recommendations and principles described in the Best Practice 2016, adopted by Resolution no. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) of 13 October 2015, which came into force on 1 January 2016.

The contents of the principles are available on the Warsaw Stock Exchange's website: https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_Best_Practice_v2.pdf

On 21 May 2020, the Company published a report on the status of application of the recommendations and principles contained in the Best Practice 2016, available on the Company's website at:

https://tensquaregames.com/wp-content/uploads/2021/02/GPW_dobre_praktyki_TSGAMES.pdf

As of 1 July 2021, the Company has been applying the principles of corporate governance set out in the Best Practice 2021, which were adopted by resolution of the Supervisory Board of the Warsaw Stock Exchange no. 13/1834/2021 of 29 March 2021, which came into force on 1 July 2021. The full text of this document is available on the Warsaw Stock Exchange's website at:

https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf

On 30 July 2021, the Company published a report on the status of application of the principles contained in the Best Practice for GPW Listed Companies 2021, available on the Company's website at:

<https://tensquaregames.com/wp-content/uploads/2021/07/133818-pl-gpw-dobre-praktyki-tsgames.pdf>.

The Supervisory Board monitored the application by the Company of the principles of corporate governance and the manner of the fulfilment of disclosure obligations concerning their application, as specified in the Rules of the Warsaw Stock Exchange and in the regulations concerning current and periodical information provided by issuers of securities, among others, it discussed the above issues with the Audit Committee, in cooperation with the Company's employees, analysed and verified the correctness of the information, documents and reports published on the Company's website.

Moreover, the Supervisory Board reviewed the Declarations on the application of corporate governance in 2021, forming a separate part of the Management Board's Report on the activities of Ten Square Games S.A. Capital Group and the Company. In the opinion of the Supervisory Board, the information made available by the Company complies with the requirements and reliably presents the state of application of corporate governance. With the exception of the principles listed in the Information on the status of application of the recommendations and principles listed in the Best Practice 2016, the Information on the status of application of the principles listed in the Best Practice 2021 and the Company's Declaration on the application of the principles of corporate governance in 2021, the Supervisory Board does not find any other principles of the Best Practice 2016 and the Best Practice 2021 that are not applied by the Company or any violations of the principles applied.

In the opinion of the Supervisory Board, the information published by the Company on the application of the recommendations and principles of the Best Practice 2016 and Best Practice 2021 is factually correct and consistent. The Supervisory Board confirms that the Company has published documents and information relevant to investors in a separate section of the website. Information on the application by the Company of the recommendations and principles contained in the Best Practice for GPW Listed Companies can be found at: <https://tensquaregames.com/pl/inwestorzy/lad-korporacyjny/dobre-praktyki/> While ESPI and EIB reports can be found at: <https://tensquaregames.com/pl/report-category/raporty/>

To sum up, in the opinion of the Supervisory Board, the Company duly complied with its disclosure obligations concerning the application of the principles of corporate governance laid down in the Rules of the WSE and the regulations on current and periodic information provided by issuers of securities, including, in particular, the correct and timely publication of



Information on the Company's application of the principles contained in the Best Practice for GPW Listed Companies 2021 and statements on the Company's application of corporate governance.

11. To assess the eligibility of expenditure incurred by the Company to support culture, sport, charitable institutions, media, social organisations, trade unions, etc.

In 2021, the Company did not have a formalised policy on sponsorship and charitable activities. The Company also did not have a formal document covering ESG topics as part of its business strategy. However, during the reporting period, the Company had developed ESG activity (strategy) assumptions, including those covering environmental, social and labour issues, and had a draft strategy in place. A formalised document covering ESG topics and forming part of its business strategy was adopted by the Company in the first quarter of 2022. In 2021, the Company integrated environmental, social, and corporate governance issues into its operations by allocating a portion of its revenues to:

1) social and educational initiatives, such as:

- donating money to a local charity – Pociecha Foundation, which provides 700 meals to children from economically disadvantaged families;
- fulfilling one hundred wishes for children fighting incurable diseases together with global competitors;
- organising a crowdfunding campaign among the Company's employees and contractors and fulfilling twelve additional wishes of Polish children;
- supporting technical education in local communities and sponsoring programmes that enabled people from non-technical backgrounds to become IT professionals;

2) environmental initiatives, such as:

- together with the NGO Healthy Seas, getting the users of the Company's products involved in cleaning international waters of fishing net waste and conducting an educational campaign on endangered underwater species;
- conducting a number of environmental campaigns that resulted in the planting of 1,000 trees with the involvement of the Company's employees as part of an internal Eco League competition, as well as increasing the education of the Company's employees, contractors and players.

Moreover, in 2021 the Company was a member of Tech To The Rescue (a voluntary initiative of technology companies) that help NGOs around the world implement digital solutions to increase their social impact. The company has also joined the UN Global Compact, a programme that brings companies together in a commitment to promote human rights and sustainable development in their organisations. The total expenditure on the initiatives mentioned above amounted to approximately PLN 500,000 in 2021.

The Supervisory Board welcomes the Company's decision to provide financial support for culture, sport, charitable institutions, the media, social organisations, trade unions, etc.

The Supervisory Board evaluates the social, sponsoring, charitable and educational campaigns conducted by the Company as reasonable and socially useful, providing not only direct financial support for the projects but also, making a positive contribution to the development of culture, education, economy and environmental protection. This stance, in the opinion of the Supervisory Board, is conducive to building and strengthening the Company's positive image as a socially responsible and committed entity.

Furthermore, in the opinion of the Supervisory Board, the expenditure made by the Company for the purposes indicated above is in line with the growing expectations of stakeholders as well as the Company's long-term business strategy of balancing the Company's profit with its social and environmental impact.

12. Information on the degree of implementation of the diversity policy with regard to the Management Board and the Supervisory Board

In 2021, the Company did not develop a formal diversity policy with respect to the Management Board and the Supervisory Board, adopted by the Supervisory Board or the General Meeting, respectively. Personnel decisions with respect to the election of members of the Supervisory Board are made by the General Meeting, while the Supervisory Board elects members of the Management Board. Due to the specific nature of the Company's activities and the need to recruit persons with specialist knowledge, the basic criteria for selecting a given person as a member of the Management Board or Supervisory Board are industry-related criteria, i.e. qualifications, specialist knowledge and experience. In the case of electing Members of the Supervisory Board, additional criteria are considered, i.e. fulfilment of independence criteria, qualifications in accounting or auditing and knowledge of the industry within which the Company operates. Therefore, when selecting candidates for the Company's governing bodies, other criteria not related to the industry, i.e. a person's gender, do not constitute a determinant in the above respect.

However, the Company is aware of the importance of diversity in the selection of persons for the Company's governing bodies. In order to diversify the composition of the Board in terms of gender, the Company has increased the number of



women on the Company's Board from 1 person to 2 persons on the six-member Board. Accordingly, while the ratio of the minimum minority participation in the Company's bodies in 2021 with respect to the Supervisory Board was 17%, it is 33% with respect to the Management Board as of 21 October 2021.



ten square games

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Share capital: 730,178.30 PLN