

CORPORATE GOVERNANCE of 11 bit studios S.A.

In 2017, 11 bit studios S.A. was subject to the corporate governance standards contained in the document 'Best Practice for GPW Listed Companies 2016', which were adopted by resolution of the Stock Exchange Supervisory Board No. 26/1413/2015 of October 13th 2015 and which came into force on January 1st 2016.

The text of 'Best Practice for GPW Listed Companies 2016' is publicly available at: https://static.gpw.pl/pub/files/PDF/RG/DPSN2016_GPW.pdf and at the registered office of the Warsaw Stock Exchange.

In fulfilling disclosure requirements regarding the application of corporate governance standards, 11 bit studios S.A. is guided by the principles of an effective and transparent information policy and communication with the market and investors. In Current Report No. 1/2016 (EBI) of January 11th 2016, the Company reported on the scope of application of corporate governance standards resulting from 'Best Practice for GPW Listed Companies 2016' effective from January 1st 2016. All information resulting from the corporate governance standards adopted by the Company is published at http://ir.11bitstudios.com/dokumenty/dobre_praktyki_2016.pdf.

Extent to which the company departed from the adopted set of corporate governance principles

The Company undertook to apply all corporate governance principles contained in 'Best Practice for GPW Listed Companies 2016', except for the following:

I. Disclosure policy and investor communications

Detailed principles

I21.15. *„information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website”*

The Company's comments: The Company has not drafted a diversity policy yet. Nevertheless, the Company strives to ensure that its governing bodies and personnel are diversified in terms of gender, education, age, professional experience, etc. With respect to the governing bodies and key managers, the decisive selection criterion for each position is the nature and scope of a candidate's skills and competences.

I21.16. *“information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting”*

The Company's comments: Given the required technical and organisational effort, the related costs and risks as well as small market experience in this area, currently the Company does not broadcast its General Meetings and does not publish recordings of its General Meetings on its website. Thus, it

is not possible to publish information on planned transmission of the General Meetings or video recordings of the General Meetings on the Company's corporate website.

I.Z.20. *“video recording of a general meeting”,*

The Company's comments: The Company has not so far recorded any of its General Meetings in audio or video form. In the event that the Company decides to record the course of a particular General Meeting, the recording will be published on the Company's website.

I.Z.2. *„A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity.”*

The Company's comments: Given its shareholding structure, the Company does not plan to operate a full-fledged website in English. As a consequence, the costs the Company would have to incur to prepare and then update a website in English would be disproportionate to the benefits.

IV. General Meeting and shareholder relations

Recommendations

IV.R.2. *„If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:*

- 1) real-life broadcast of the general meeting,*
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,*
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.”*

The Company's comments: Given the required technical and organisational effort, the related costs and risks as well as small market experience in this area, currently the Company does not broadcast its General Meetings in real time, does not provide its shareholders with real-time bilateral communication, and does not enable the exercise of voting rights in the course of the General Meetings. Market experience with the use of this method of communication, measured by the current assessment of the manner in which shareholders participate in General Meetings, leads to a conclusion that this method of communication for the General Meetings is not adequate in terms of functionality and costs. As the use of this technical solution becomes more widespread and the security of its application is ensured, the Company will consider implementing this principle. In the Company's opinion, compliance with the above principles is not required given its shareholding structure and such need has never been reported by the Company's shareholders.

VI. Remuneration

Recommendations

VI.R.1. *„The remuneration of members of the company’s governing bodies and key managers should follow the approved remuneration policy.”*

The Company’s comments: Members of the Company’s Management Board receive remuneration for their functions and its amount is negotiated with the Company’s Supervisory Board. In addition, they receive remuneration under contracts for specific work. The remuneration of the Company’s Supervisory Board is a single item only, depends on the function held in the Supervisory Board, and is proportional to the time in office during a given calendar year. The Company does not have and does not apply a uniform remuneration policy for key managers.

VI.R.3. *„If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.”*

The Company’s comments: There is no separate remuneration committee in the Company’s Supervisory Board.

Detailed principles

VI.Z.4. *„In this activity report, the company should report on the remuneration policy including at least the following:*

- 1) general information about the company’s remuneration system,*
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group,*
- 3) information about non-financial remuneration components due to each management board member and key manager,*
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence,*
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company’s stability.”*

The Company’s comments: The Company does not apply a uniform remuneration policy. With reference to the disclosure of information on the remuneration of the Management Board and Supervisory Board members, the Company follows applicable laws.