



2020 ANNUAL REPORT

OF THE **SUPERVISORY BOARD**
OF GLOBE TRADE CENTRE S.A.

March 2021

1. Legal basis for the Annual Report of the supervisory board

This Annual Report of the supervisory board (the “**Report**”) has been prepared and adopted by the supervisory board of Globe Trade Centre S.A., with its registered seat in Warsaw, Poland (the “**Company**” or “**GTC**”), (the “**supervisory board**”), according to Article 382 § 3 of the Polish Commercial Companies Code and is addressed to the general meeting of the Company (the “**General Meeting**”).

The purpose of the Report is to ensure compliance with Rules II.Z.10.1 – II.Z.10.4 of the 2016 Code of Best Practices of WSE Listed Companies.

2. The composition of the supervisory board

As of 31 December 2020, the supervisory board comprised eight (8) members. The following table presents the names, surnames, functions, dates of appointment, and dates of expiry of the current term of the members of the supervisory board as of 31 December 2020:

Name and surname	Function	Year of the first appointment	Year of appointment for the current term	Year of expiry of the term
Zoltán Fekete	Chairman of the supervisory board	2020	2020	2023
János Péter Bartha ¹	Independent member of the supervisory board	2020	2020	2023
Lóránt Dudás	Member of the supervisory board	2020	2020	2023
Balázs Figura	Member of the supervisory board	2020	2020	2023
Mariusz Grendowicz	Member of the supervisory board	2000	2019	2022
Marcin Murawski ¹	Independent member of the supervisory board	2013	2019	2022
Bálint Szécsényi	Member of the supervisory board	2020	2020	2023
Ryszard Wawryniewicz ¹	Independent member of the supervisory board	2017	2018	2021

¹ conforms with the independence criteria listed in the Best Practices of WSE Listed Companies.

During 2020, the following changes in the composition of the supervisory board took place:

- on 9 April 2020, Mr. Alexander Hesse, chairman of the supervisory board, resigned from the supervisory board of the Company, effective 16 April 2020 (see current report no 5/2020);
- on 16 April 2020, the GTC Dutch Holdings B.V appointed Mr. Christian Harlander as a supervisory board member (see current report no 6/2020);
- on 16 April 2020, the supervisory board of the Company chose Mr. Jan-Christoph Düdden as a chairman of the supervisory board;
- on 23 June 2020, the Company received resignations of the following members of the supervisory board of Globe Trade Centre S.A.: Jan-Christoph Düdden, Olivier Brahini, Patrick Haerle, Christian Harlander, and Katharina Schade, such resignations being effective as of the moment of receipt by the Company of the notification issued by LSREF III GTC INVESTMENTS B.V. regarding the indirect disposal of shares in the share capital of the Company resulting from the disposal by LSREF III GTC INVESTMENTS B.V. of all of the shares in the share capital of GTC DUTCH HOLDINGS B.V. (see current reports no 12/2020 and 13/2020);
- on 23 June 2020, the GTC Dutch Holdings B.V appointed Dr. Zoltán Fekete, Mr. Balázs Figura, Dr. János Péter Bartha, Mr. Bálint Szécsényi and Mr. Péter Bozó as members of the supervisory board of the Company, effective immediately (see current report no 14/2020);
- on 1 July 2020, the supervisory board of the Company chose Mr. Zoltán Fekete as a chairman of the supervisory board;
- on 8 December 2020, GTC Dutch Holdings B.V. dismissed Mr. Péter Bozó and appointed Mr. Lóránt Dudás as a member of the supervisory board of the Company, effective immediately (see current report no 33/2020).

3. Activities of the supervisory board

The supervisory board operates in compliance with the Polish Commercial Companies Code as well as based on the Company's statute and the by-laws of the supervisory board dated 14 April 2005 with the changes introduced by the General Meeting on 16 May 2017. The supervisory board also reviews the financial position of the Group and evaluates its debt situation and sources of financing, including a review of the Polish bonds market as one of the sources for finance.

The supervisory board of GTC exercised supervision over and evaluated the operations of the Company and its financial statements. The supervisory board reviewed issues related to the company's current operations and adopted resolutions regarding matters related to the Company's activities and those required under the regulations of the Polish Commercial Companies Code, the Company's statute, and the by-laws of the Supervisory board.

In 2020, the supervisory board held 13 meetings. The supervisory board adopted numerous resolutions related to the current operations of GTC. The meetings of the supervisory board were attended by members of the Company's management board, invited guests (including, specifically, representatives of BDO sp. z o.o. sp. k., which was mandated to review the financial statements of the Company and the capital group of the Company (the "**Capital Group**" or "**GTC Group**") and Polska Grupa Audytorska sp. z o.o. (Internal Auditor). The supervisory board was also constantly updated by the management board in respect of the most important events affecting the Company.

In 2020, the most important resolutions adopted by the supervisory board related to, among others:

- the issuance of a positive opinion in respect of GTC's financial statements and the consolidated financial statements of GTC's capital group for the 2019 financial year;
- the approval of the management board's proposal related to the division of profit for the financial year 2019;
- the approval of the Internal Audit plan for 2020;
- the nomination of Yovav Carmi to the management board followed by nomination to the position of the president of the management board
- the nomination of Ariel Ferstman, Robert Snow, and Gyula Nagy to the management board
- appointment of BDO Sp. z o.o. Spółka Komandytowa as an independent external auditor for the audit of annual consolidated and standalone financial statements of GTC SA for the years ending 31 December 2020 and 31 December 2021
- the approval of re-financing of Galeria Jurajska in Częstochowa;
- the approval for the re-financing Pixel and Francuska Office Complex in Poland;
- the approval of disposal of Spiral in Budapest;
- the approval of the acquisition of development land plot in Budapest;
- the approval of bonds issue under the Bonds for Growth Program of the National Bank of Hungary;
- the approval of the engagement contract with Equilor Investment Ltd. to act as Co-lead Manager for the bonds issued under the Bonds for Growth Program of the National Bank of Hungary;
- the approval of the acquisition of an office building in Budapest.

The supervisory board also dealt with the following issues:

- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2020;
- the evaluation of the 2020 budget and its utilization;
- the assessment of the progress of developed projects and new investments;
- the impact of COVID-19 pandemic on Company's business.

The supervisory board also monitored selected business risks of the Capital Group and evaluated the methods that the Company uses to control and protect itself from risk.

4. Evaluation of the work of the supervisory board in 2020

The supervisory board has a positive opinion of its work in 2020. While performing its duties, the supervisory board acted in compliance with the law and, specifically, within the scope of the competencies defined by the Polish Commercial Companies Code, the Statute of the Company, and the by-laws of the Supervisory Board.

The supervisory board consists of individuals with extensive experience, which allows them to make a thorough and accurate analysis of the Company's plans and the implementation thereof. The supervisory board supports the management board in the making of all the strategic decisions related to the business of GTC.

5. Evaluation of the work of the committees of the supervisory board in 2020

AUDIT COMMITTEE

The objective of the audit committee of the supervisory board (the “**audit committee**”) is to evaluate the administrative financial control, financial reporting, and the external and internal auditing of the Company and the companies within the Capital Group, as well as to provide the supervisory board with opinions in that respect.

In 2020, the audit committee consisted of the following members of the supervisory board: Marcin Murawski, Mariusz Grendowicz, and Ryszard Wawryniewicz who was replaced by János Péter on 1 July 2020). The members of the audit committee actively participated in meetings of the audit committee. All of the members of the audit committee are qualified in accounting and auditing. According to their statements presented to the management board, both Marcin Murawski and János Péter Bartha fulfilled the independence criteria.

The most important duties of the audit committee include, among other things: the evaluation of the current financial results of the Company, its liquidity, the level of its debts and receivables, the financing of projects, and the monitoring of the accuracy of financial statements. The audit committee also evaluates the internal control and risk management systems material to the Company.

In 2020, seven (7) audit committee meetings were held. The representatives of the entity mandated to review the financial statements of the Company and the Capital Group participated in the relevant meetings of the Audit Committee.

The audit committee reviewed all of the financial statements of the Company and the Capital Group prior to their publication and recommended the approval thereof by the supervisory board.

The audit committee and the supervisory board discussed internal control matters, risk management issues, and key compliance issues during its meetings in 2020.

The audit committee continuously monitored the financial reporting process and the statutory auditing process in the Company and regularly reported to the supervisory board the results of these monitoring activities.

REMUNERATION COMMITTEE

On 12 May 2014, the supervisory board established the remuneration committee of the supervisory board, which has no decision-making authority and which is responsible for making recommendations to the supervisory board with respect to the remuneration of the members of the management board and the policies for determining such remuneration.

In 2020, the remuneration committee consisted of the following members of the supervisory board: Marcin Murawski, Mariusz Grendowicz, and Alexander Hesse who was replaced by Zoltán Fekete on 1 July 2020). According to his statement presented to the management board, Marcin Murawski fulfills the independence criteria.

In 2020, six (6) remuneration committee meetings were held during which the remuneration committee recommended to the supervisory board the salary and the annual bonuses for the management board members.

6. The assessment of the manner in which the Company fulfills the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities

In the opinion of the supervisory board, in 2020, the Company fulfilled all the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities.

7. Information on the rationale behind the Company's policy on sponsorship, charity, and other similar activities

The Group is a responsible developer, and asset manager focused on sustainability. All its corporate social responsibility activities are run in a coordinated manner to support local communities in which the Group operates. Such support involves:

- **Enhancement of local infrastructure**, including road and traffic infrastructure. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.

- **Local initiatives.** The Group participates in and supports local initiatives such as:
 - help for medics due to COVID-19 pandemic;
 - commissioning the plot for use by the authorities as part of COVID-19 testing initiative
 - support Red Cross with providing a place for blood donations;
 - promotion of
 - local businesses by continuously providing organic and home-made products for all visitors,
 - supporting charity organizations by continuously providing lease free positions for humanitarian associations and charities;
 - organization of charity Christmas fairs in office buildings;
 - sponsoring of sports activities:
 - a humanitarian race “Zagreb Love Run” - all the money collected is used as a donation for “Oblačič” association, a charity aimed to help children with growth disorders;
 - the 1st Santa Claus Run in Galeria Jurajska - promotion of a healthy lifestyle
 - the North Bridge Run (“Bieg przez Most”) - promotion of a healthy lifestyle;
 - participation of Galeria Północna in Night Bicycle Race;
 - Beach Volleyball tournament - Cup of Silesia;
 - Cadet Championship in beach volleyball in Galeria Jurajska

Additionally, Group conducted several local initiatives via its shopping malls:

- Ada Mall created a “Reading corner” – free library in common space in the mall bringing back the importance of the culture and free education to everyone;
- Mall of Sofia involved in the initiative “The good in the heart of the city” which supports people in need. The charity campaign provided more than 900 boxes of food which were distributed among people from the community who belong to the most vulnerable groups;
- Avenue Mall Zagreb served as a training place for “The Rehabilitation Centre Silver” in – which trains assistance dogs for disabled persons and children with developmental difficulties;
- **Embracing environmental certification.** Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED or BREEAM guidelines. As at the end of 2020, approximately 84% of our properties hold a green certificate, which proves the sustainability of the properties that GTC develops and manages.

The supervisory board positively assesses the rationale behind and the implementation of the above-described policies of the Company and the Group.

8. Overview of the operations of the Company

KEY DEVELOPMENTS AND FACTORS AFFECTING THE FINANCIAL AND OPERATING RESULTS OF THE CAPITAL GROUP IN 2020

Following a review of the operations of the Capital Group, the supervisory board is of the opinion that the operations of GTC that were of key importance in 2020 included the following.

COVID- 19 OUTBREAK

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy which include a pronounced recession. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020 it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks (for further information please see note 36 in Consolidated Financial Statements for the year ended 31 December 2020).

OWNERSHIP CHANGES / MANAGEMENT BOARD CHANGES

On 16 April 2020, Mr. Yovav Carmi was appointed as a member of the management board of the Company.

On 23 June 2020, GTC Holding Zártkörűen Működő Részvénytársaság ("GTC Holding Zrt") registered in Budapest, Hungary, bought 100% of shares of GTC Dutch Holdings B.V. (the "Majority Shareholder") from LSREF III GTC Investments B.V. registered in Amsterdam, the Netherlands. GTC Dutch Holdings B.V. owns 298,575,091 shares of the Company, representing 61.49% of the shares in the share capital of the Company. After the above mentioned acquisition, GTC Holding Zrt indirectly (i.e. through the Majority Shareholder) holds 298,575,091 shares of the Company, representing 61.49% votes in the Company.

On 23 June 2020, Mr. Robert Snow was appointed as a member of the management board of the Company.

On 23 June 2020, Mr. Thomas Kurzmann was dismissed from the management board of the Company.

On 1 July 2020, Mr. Gyula Nagy was appointed as a member of the management board of the Company.

On 28 July 2020, Mr. Ariel Alejandro Ferstman was appointed as a member of the management board of the Company.

On 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member of the management board of the Company.

On 18 September 2020, Mr. Yovav Carmi was appointed as the president of the management board of the Company.

On 27 October 2020, GTC Holding Zrt increased the total number of votes in the Company, as a result of acquisitions conducted on 22 October 2020, by 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 4.51% of the share capital of the Company and carrying the right to 4.51% of the total number of votes in the Company. After the above mentioned acquisition, GTC Holding Zrt holds directly and indirectly 320,466,380 shares of the Company, representing 66.00% votes in the Company.

COMPLETION OF INVESTMENTS / ACQUISITION

During 2020, GTC Group has completed the construction of the following office buildings:

- Green Heart N3 in Belgrade, a 5 thousand sq m office building (March 2020),
- Advance Business Center II in Sofia, an 18 thousand sq m office building (October 2020), and
- Matrix B in Zagreb, an 11 thousand sq m office building (November 2020).

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD. d.o.o. for a consideration of Euro 2.8 million, Euro 1.8 million of which was paid in September 2020 (the remaining part of Euro 1 million will be paid upon completion of certain conditions). Following the transaction, GTC remained the sole owner of the subsidiary. As a result of the transaction, the NCI increased by Euro 3.6 million and the capital reserve decreased by Euro 6.4 million. Consequently, the total equity decreased by Euro 2.8 million.

On 13 November 2020, GTC Future Kft, a newly established wholly-owned subsidiary acquired a land plot from a subsidiary related to the majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of Euro 21.35 million. The buildings have total leasable area of 12,000 sq m (GAL 8,200 sq m). The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sq m.

COMMENCEMENT OF CONSTRUCTION OF NEW PROJECTS

In July 2020, Dorado 1 EOOD, a wholly-owned subsidiary of the Company, commenced the construction of a new office building (Sofia Tower 2) in Sofia. The project shall consists of 8,300 sq m of leasable area.

DISPOSAL OF ASSETS

On 20 October 2020, Spiral I Kft., an indirect wholly-owned subsidiary of the Company, signed a sale and purchase agreement for the sale of Spiral office building for a consideration of Euro 62.7 million. On 5 November 2020, all conditions precedent for the sale were concluded and the purchase price was paid in full. In parallel with the closing Spiral I kft repaid the full outstanding amount of the loan with Erste Bank.

ISSUANCE OF BONDS AND REFINANCE

On 13 February 2020, GTC CTWA signed with Erste Group Bank AG and Raiffeisenlandesbank Niederösterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million.

On 12 November 2020, Scope Ratings assigned a first-time issuer rating of BBB-/Stable investment grade to the Company and its wholly-owned subsidiary GTC Real Estate Development Hungary Zrt. for the purpose of issuing green bonds within the framework of the Bond Funding for Growth Program in Hungary. The potential unsecured debt has also been rated BBB-.

On 7 December 2020, GTC Real Estate Development Hungary Zrt. issued 10 years green bonds with the total nominal value of 110 million euro denominated in HUF to finance real estate projects and upstream the funds with refinancing purposes. The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.33%. with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the year 7th with the 70% of the value paid at the maturity on 7 December 2030.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro and the fixed annual coupon was swapped for an annual interest fixed rate of 0.99%.

SELECTED FINANCIAL DATA

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2020.

- The revenues from the operations of the Capital Group amounted to EUR 160,121 thousand, compared to EUR 169,762 thousand in 2019.
- The loss for the year of the Capital Group amounted to EUR 70,861 thousand, compared to a profit of EUR 75,421 thousand in 2019.
- The total investment property of the Capital Group amounted to EUR 2,125,128 thousand, compared to EUR 2,247,030 thousand in 2019.
- The total equity of the Capital Group amounted to EUR 974,148 thousand, compared to EUR 1,058,662 thousand in 2019.

- The Capital Group's loan-to-value ratio amounted to 45% as at 31 December 2020 in comparison to 44% as at 31 December 2019, whereas the Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

9. Evaluation of the internal control, internal audit, compliance, and risk management systems

In 2020, the audit committee participated in the development and implementation of an internal control system, risk management, and internal audits as outlined below.

INTERNAL CONTROL SYSTEM

The management board is responsible for the Company's internal control system and for ensuring its effectiveness. The management board regularly reports on the internal control system to the audit committee and the supervisory board. During the reference period, the following items were covered during audit committee and/or supervisory board meetings:

- a) the Internal Control universe presented by an external Internal Auditor for the purpose of audit planning during the audit committee meetings;
- b) the presentation of the Internal Audit work performed during 2020;
- c) financial reports (at each of the audit committee and supervisory board meetings); and
- d) the review and approval of the audited financial statements (in respect of the audited financial statements for the financial year ended 31 December 2020).

RISK MANAGEMENT

The function of Risk Management is not established in the Company as a separate function, but it is performed by the management board with the substantial involvement of the management board member responsible for financial matters (the Chief Financial Officer). On a quarterly basis, in its periodic quarterly reports to the supervisory board, the management board reports to the audit committee and the supervisory board on risk-related issues, including:

- liquidity risk;
- portfolio concentration risk;
- property overview;
- occupancy ratios;
- yield developments;
- the progress of and issues concerning individual projects (including project delays, if any);
- taxation issues;
- debt ratios;
- financing structure risks; and
- budget execution.

The above-referenced reports were provided for each quarter of the reference period and are included in the minutes of the respective audit committee and supervisory board meetings.

INTERNAL AUDIT

The audit committee, the management board of the Company, and the independent Internal Audit firm all have distinct roles with respect to the Internal Audit function of the Company.

The Company engages the Internal Audit firm based on the recommendations of the audit committee and following a thorough selection process.

The Internal Audit firm reports directly to the audit committee. The Internal Audit firm presents its audit plan and audit recommendations to the audit committee on a regular basis. All internal audit-related matters are regularly discussed at the audit committee meetings.

Audit committee and supervisory board monitored and assessed the effectiveness of the Internal Audit company and in the effect of this monitoring, the Internal Audit company was changed during 2020.

Based on information received and reviewed by the audit committee and supervisory board members, in the opinion of the supervisory board, the internal control and risk management systems material to the Company are maintained at appropriate levels.

10. Review of the report of the management board on the activities of the Company in the 2020 financial year, the financial statements of the Company for the 2020 financial year, and the proposal of the management board related to the coverage by the Company of loss for the financial year 2020

The Company's supervisory board reviewed the stand-alone financial statements of the Company, which included:

- the statement of financial position as at 31 December 2020;
- the income statement for the year ended 31 December 2020;
- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of changes in equity for the year ended 31 December 2020;
- the statement of cash flows for the year ended 31 December 2020; and
- the notes to the stand-alone financial statements for the year ended 31 December 2020, as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2020, which included:
 - the consolidated statement of financial position as at 31 December 2020;
 - the consolidated statement of comprehensive income for the year ended 31 December 2020;

- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements for the year ended 31 December 2020, and reviewed the opinion and the report on the audit of such statements conducted by independent statutory auditor BDO sp. z o.o. sp. k. with its registered seat in Warsaw.

The supervisory board also reviewed the management board report on the activities of the Company for 2020 and the management board report on the activities of the Capital Group for 2020.

As a result of its evaluation, the supervisory board found that the above-mentioned statements and reports were prepared:

- in such a way that they truly and fairly reflect the results of the respective economic activities of the Capital Group and the Company in 2020 as well as their respective financial positions as at 31 December 2020; and
- in accordance with the legal regulations governing the preparation of financial statements in respect of form and content, as well as under the International Financial Reporting Standards as adopted by the European Union.

Based on the results of this review and the positive opinion issued by BDO sp. z o.o. sp. k. on 22 March 2021 on the financial statements for 2020 and the consolidated financial statements for 2020, the supervisory board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2020;
- the consolidated financial statements of the Capital Group for 2020;
- the report of the management board on the Company's operations in 2020;
- the report of the management board on the operations of the Capital Group in 2020; and
- the proposal of the management board related to the coverage by the Company of loss for the financial year 2020 from the retained earnings accrued from the profits for the previous years (kapitał zapasowy utworzony z zysków zatrzymanych).

Furthermore, the supervisory board, due to a very fragile and challenging market situation decided to postpone the decision on distribution on profits.

In submitting this report, the supervisory board requests that all of its current and former members be acknowledged as having properly performed their duties in the 2020 financial year.