

Change in Methodology of the GPW Indices

Consultation paper

Warsaw, 20 February 2024

Table of Contents

I.	SCOPE OF THE PROPOSED CHANGE OF THE METHODOLOGY.....	3
II.	DESCRIPTION OF METHODOLOGY ELEMENTS SUBJECT TO PUBLIC CONSULTATION	4
III.	DISCONTINUATION OF THE PROVISION OF THE WIGTECH INDEX CALCULATED ON A PRICE BASIS	9
IV.	DISCONTINUATION OF THE PROVISION OF THE WIG-ESG INDEX	9
V.	RESULTS OF ANALYSES AND CONSULTATION PROCESS	9
VI.	ASSUMPTIONS OF THE CONSULTATION PROCESS REGARDING METHODOLOGY CHANGE	9
VII.	QUESTIONNAIRE.....	9

I. SCOPE OF THE PROPOSED CHANGE OF THE METHODOLOGY

The Administrator hereby releases to the public this Consultation Paper concerning the proposal for changes to the *Methodology of Provision of Indices from the GPW Indices Family* (hereinafter referred to as the "*Methodology*") as well as changes to the documentation of GPW Indices that do not constitute a material change to the Methodology or are not a change to the Methodology. The presented proposals and changes are the result of a review of the GPW Indices Methodology, recommendations, or consultations within the Stock Index Committee (hereinafter referred to as "*SIC*") or the Oversight Committee of Capital Market Benchmarks (hereinafter: "*Oversight Committee*"). They have been discussed or consulted with these entities in accordance with the applicable rules, in particular with the Procedure for Reviewing and Changing the Methodology of Determining Capital Market Indices¹.

There are two proposed changes to the GPW Indices Method, which, in accordance with the *Procedure for cyclical review of the definition and Methodology of Provision of GPW Indices, changes to the Methodology for the Provision of GPW Indices, the consultation process, and the suspension and discontinuance of determining GPW Indices* (hereinafter: the "*Review Procedure*"), require public consultation:

1. Revision of the rules for qualification for the WIG20, mWIG40, sWIG80 and WIG30 indices of companies that are in the process of an announced voluntary tender offer for shares;
2. Change of the rules for qualifying companies for the WIGtechTR index during periodic reviews.

At the same time, in order to ensure transparency of actions, the Administrator informs that the following changes in the methodology of the below Stock Market Indices are planned for implementation and are not subject to the public consultation procedure:

- Discontinuation of publication of the WIGtech index calculated on a price basis (excluding income from dividends and subscription rights);
- Discontinuation of the publication of the WIG-ESG index
- Change in the frequency of publication of the mWIG40TR index as the base index for the newly established mWIGTRsh and mWIG40TRlv indices.

The above changes did not apply to the Key Elements of the Methodology (KEM) or, if qualified as KEMs, did not meet the condition of violating the materiality thresholds of the adopted statistical tests; therefore, they have not been classified as a material change of the Methodology and are not included in the public consultation. A detailed description of the changes included in the Rules of GPW Indices (hereinafter referred to as the "*Rules*") will be provided in accordance with the procedure and deadlines applicable to the Rules and the Review Procedure.

The questionnaire is attached as Annex No. 1 to the Consultation Paper.

¹ According to the Procedure for Reviewing and Changing the Methodology of Provision of Capital Market Indices, the Oversight Committee has the right to recommend to the Management Board to conduct public consultations regarding proposals to change the Methodology considered to be insignificant, if there are grounds for applying such a procedure for the sake of clarity, transparency of the Administrator's actions, and the stability and safety of trading in financial instruments.

II. DESCRIPTION OF METHODOLOGY ELEMENTS SUBJECT TO PUBLIC CONSULTATION

1. Change of the rules for qualification for the WIG20, mWIG40, sWIG80 and WIG30 indices of companies that are in the process of an announced voluntary tender offer for shares as of the ranking date for the annual revision or quarterly adjustment

Taking into account the increasing number of tender offers for shares recently and the feedback received from interested parties in the capital market, the Administrator proposes a change in the qualification criteria for mentioned indices of companies, which, as of the ranking date for the periodic revision or adjustment of indices, were in the process of a voluntary tender offer for 100% shares (premises other than those described in Article 73 of the Public Offering Act regarding mandatory tender offers). **The proposed change would be to leave such a company in its current index, i.e., WIG20, mWIG40, sWIG80, or WIG30, even if other criteria would indicate a change in index qualification, for example, from WIG20 to mWIG40.** The Administrator's proposal stems from feedback received from market participants investing entities and is dictated by the fact that in response to the tender offer, shares are blocked, and upon transferring (shifting) a company to another index portfolio (within the aforementioned indices), fund managers are unable to reflect the new index portfolio in their investments.

Table 1

A list of tender offers announced in the last 3 years concerning companies qualified for the WIG20, mWIG40, sWIG80, and WIG30 indices.

ISIN	Company name	Market	Announcement of the tender offer				Execution of the tender offer				Notice	Did the company participate in the WIG20, mWIG40, sWIG80 or WIG30 indices during the tender offer?	Has the company been included in the WIG20, mWIG40, sWIG80 or WIG30 indexes during the tender offer?
			Date	Shares covered by the	Shares owned Number	Target % share	Date	Concentrated shares Number	% shares after tender				
PLARHC000016	ARCHICOM	MM	17 06 2021	2	0,01	66,01	66,02	23 07 2021	2	0,01	66,02	sWIG80	qualified for sWIG80 - periodic adjustment June 2021
PLSFTW000015	PGSSOFT	MM	5 08 2021	15 762 000	100	0	100	4 10 2021	27 311 482	97	97	sWIG80	qualified for sWIG80 - periodic adjustment September 2021
PLCFRPT000013	CYFRPLSAT	MM	28 09 2021	263 807 651	41,24	58,76	100	19 11 2021	11 768 260	4,46	63,22	WIG20, WIG30	qualified to WIG20, WIG30 - periodic adjustment December 2021
PLLCRPP000017	DEVELIA	MM	12 01 2022	295 388 485	66	0	66	18 02 2022	0			mWIG40	qualified for mWIG40 - periodic adjustment March 2022
PLWAWEL000013	WAWEL	MM	18 07 2022	168	0,01	65,99	66	24 08 2022	168	0,01	66	sWIG80	qualified for sWIG80 - periodic adjustment September 2022
PLALMTL000023	ALUMETAL	MM	29 04 2022	15 582 689	100	0	100	13 10 2022	0			sWIG80	qualified for sWIG80 - periodic adjustment September 2022
PLCIECH000018	CIECH	MM	9 03 2023	25 747 857	48,86	51,14	100	17 04 2023	3 729 852	7,08	58,22	mWIG40, WIG30	qualified to mWIG40, WIG30 - periodic adjustment March 2023 (until 03/10/23)
LU0327357389	KERNEL	MM	30 03 2023	52 057 219	61,95	38,05	100	9 05 2023	30 248 449	58	74	mWIG40	qualified for mWIG40 - periodic adjustment June 2023 (until 07/09/23)
PLALMTL000023	ALUMETAL	MM	25 05 2023	15 634 287	100	0	100	5 07 2023	15 267 051	96,78	96,78	sWIG80	qualified for sWIG80 - periodic adjustment June 2023 (until 14/07/23)
PLTIM00000016	TIM	MM	20 04 2023	22 199 200	100	0	100	7 07 2023	0			sWIG80	qualified to sWIG80 - periodic adjustment June 2023 (until 08/09/23 - transition to mWIG40 extraordinary adjustment)
PLSTSHL000012	STSHOLDING	MM	7 07 2023	156 725 958	100	0	100	21 08 2023	155 591 656	99,28	99,28	mWIG40	qualified for mWIG40 - periodic adjustment June 2023 (until 31/08/23)
PLTIM00000016	TIM	MM	21 09 2023	22 199 200	100	0	100	11 12 2023				mWIG40	qualified for mWIG40 - 08/09/23 - extraordinary adjustment after exclusion of KERNEL
PLNEWAG000012	NEWAG	MM	24 10 2023	20 570 449	45,71	54,29	100	28 11 2023				sWIG80	qualified for sWIG80 - periodic adjustment December 2023

Example 1

Company ABC is a participant in the sWIG80 index. As of the ranking date of February 16, 2024, the company is in the process of an announced tender offer for its shares. According to the ranking results, the company should be reclassified after the annual revision on March 15, 2024, to the "higher" mWIG40 index. According to the new rules, the company remains in the sWIG80 index, and its place in the mWIG40 index is taken by another company meeting the index criteria but not undergoing a tender offer procedure.

Example 2

Company XYZ is a participant in the mWIG40 index. As of the ranking date of February 16, 2024, the company is in the process of an announced tender offer for its shares. According to the ranking results, the company should be reclassified after the annual revision on March 15, 2024, to the "lower" sWIG80 index. According to the new rules, the company remains in the mWIG40 index, and another company meeting the index criteria and not undergoing a tender offer procedure cannot be qualified to take its place in the index.

Considering the cases described above, their impact on the qualification (or lack thereof) of other companies for mentioned indices, as well as the impact on various stakeholder groups, the aforementioned change in the assessment by the Oversight Committee is deemed to be a material change to the Methodology. The scenarios described above may have different (positive or negative) impacts on the investments of individual stakeholder groups, necessitating opinions from as broad and diverse a range of potential investors as possible. Consultations regarding the proposed change to the Methodology stem from the expectations of certain market participants. The aim of the consultations is to work out a compromise solution that satisfies all parties involved, including both issuers and investors. In terms of the aforementioned proposal to change the Methodology, the Administrator could not conduct a statistical test that would be fully binding, as the test scenarios would depend on the market circumstances, structure and the company selected for the test. Nevertheless, there are substantive grounds indicating that the change in certain companies' cases may affect the average level of index volatility due to the change in the qualification of the company or companies remaining in the tender offer.

2. Change in the qualification criteria for companies in the WIGtechTR index during periodic revisions

In response to received feedback regarding the construction of sectoral indices, the Administrator is subjecting to consultation 2 proposals for changes in the qualification criteria for the portfolio of WIGtechTR index companies, consisting of:

- Variant 1: **qualification for the aforementioned index only for those companies whose share exceeds 0.2%** in the initial portfolio (before reducing stakes for companies whose share exceeds 10%);
- Variant 2: **qualification for the aforementioned index of companies with the highest average number of transactions per session and the lowest average spread** over the last 12 months.

The qualification standard selected based on these consultations for the WIGtechTR company will serve as the qualification standard for other sectoral-type indices if they are established by the Administrator.

Details of the proposal:

Variant 1:

- Companies whose share in the index ranking constitutes at least 0.2% of the portfolio,
- The share of a single company is limited to 10%,
- Variable number of participants.

Simulation of the index portfolio prepared as of November 30, 2023, for the purpose of the periodic revision of indices conducted after the session on December 15, 2023.

No	ISIN	Company name	No of shares	Sector	Share (%)
1	PLSOFTB00016	ASSECOPOL	31 844 000	820 - IT	10,0000
2	PLTLKPL00017	ORANGEPL	302 974 000	810 - Telekomunikacja	10,0000
3	PLCFRPT00013	CYFRPLSAT	189 624 000	810 - Telekomunikacja	10,0000
4	PLOPTTC00011	CDPROJEKT	22 350 000	650 - Games	9,9996
5	PLLVTSF00010	TEXT	15 028 000	820 - IT	6,8194
6	PL11BTS00015	11BIT	2 248 000	650 - Games	5,3223
7	PLASSE00014	ASSECOSSE	25 487 000	820 - IT	4,9656
8	PLCOMAR00012	COMARCH	5 290 000	820 - IT	3,8269
9	US44853H1086	HUUUGE	33 917 000	650 - Games	3,7711
10	PLABS0000018	ASSECOSBS	17 889 000	820 - IT	3,6544
11	PLSELV00013	RYVU	14 939 000	750 - Biotechnology	3,6167
12	PLSLVCR00029	SELVITA	14 442 000	750 - Biotechnology	3,5854
13	PLR220000018	CYBERFLKS	6 834 000	830 - New Technology	2,4719
14	PLTSQGM00016	TSGAMES	4 847 000	650 - Games	1,8628
15	PLPLAYW00015	PLAYWAY	1 200 000	650 - Games	1,6573
16	PLVRCM000016	VERCOM	5 711 000	820 - IT	1,5587
17	PLPCFGR00010	PCFGROUP	11 155 000	650 - Games	1,4214
18	PLSNKTK00019	SYNEKTIK	4 252 000	750 - Biotechnology	1,4122
19	PLSCPFL00018	SCPFL	1 551 000	750 - Biotechnology	1,1475
20	PLSHPR000021	SHOPER	7 731 000	820 - IT	1,0200
21	PLCPTRT00014	CAPTORTX	2 753 000	750 - Biotechnology	1,0026
22	PLCMP0000017	COMP	3 267 000	820 - IT	0,9400
23	PLVIGOS00015	VIGOPHOTN	453 000	830 - New Technology	0,9086
24	PLCRPJ000019	CREEPYJAR	375 000	650 - Games	0,8894
25	PLCTINT00018	CIGAMES	93 240 000	650 - Games	0,8853
26	PLONCTH00011	MOLECURE	10 709 000	750 - Biotechnology	0,8275
27	PLXTPL000018	XTPL	1 175 000	830 - New Technology	0,7896
28	PLCRTCH00017	CREOTECH	795 000	830 - New Technology	0,7679
29	PLBCLTX00019	BIOCELTIX	2 415 000	750 - Biotechnology	0,6512
30	PLPILAB00012	DATAWALK	3 957 000	820 - IT	0,5066
31	PLWNDMB00010	AILLERON	6 523 000	820 - IT	0,4960
32	PLARTFX00011	ARTIFEX	6 942 000	650 - Games	0,4837
33	PLPLTRG00038	POLTREG	2 131 000	750 - Biotechnology	0,4555
34	PLCMPLD00016	SYGNITY	2 649 000	820 - IT	0,4312
35	PLGNMTC00017	GENOMTEC	9 252 000	750 - Biotechnology	0,4031
36	PLCLDTC00019	CLOUD	1 390 000	830 - New Technology	0,3999
37	PLPWRMD00011	IFIRMA	2 965 000	820 - IT	0,3620
38	PLSPRSF00011	SPYROSOFT	197 000	820 - IT	0,3458
39	PLATMSI00016	ATENDE	24 386 000	820 - IT	0,3408

Variant 2:

- Companies with the highest average number of transactions per session and the lowest average spread over the last 12 months,
- 20 companies with the highest position in the ranking,
- The share of a single company is limited to 15%,
- Due to a fixed number of participants, the reserve list includes 5 companies potentially qualifying for the index.

Simulation of the index portfolio prepared as of November 30, 2023, for the purpose of the periodic revision of indices conducted after the session on December 15, 2023.

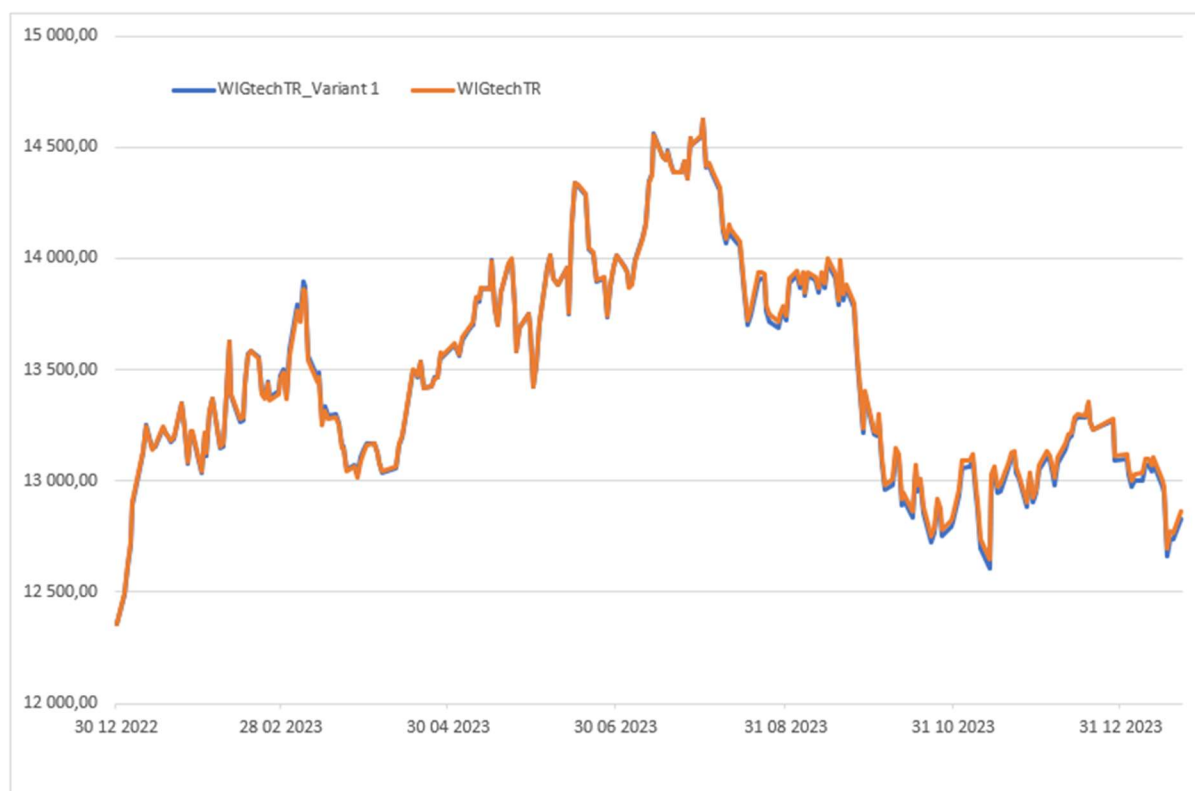
No	ISIN	Company name	No of shares	Sector	Share (%)
1	PLTLKPL00017	ORANGEPL	405 079 000	810 - Telecom	15,0000
2	PLOPTTC00011	CDPROJEKT	29 883 000	650 - Games	14,9999
3	PLSOFTB00016	ASSECOPOL	42 575 000	820 - IT	14,9997
4	PLCFRPT00013	CYFRPLSAT	242 743 000	810 - Telecom	14,3618
5	PLLVTSF00010	TEXT	15 028 000	820 - IT	7,6508
6	PL11BTS00015	11BIT	2 248 000	650 - Games	5,9711
7	PLCOMAR00012	COMARCH	5 290 000	820 - IT	4,2934
8	US44853H1086	HUUUGE	33 917 000	650 - Games	4,2308
9	PLSELVT00013	RYVU	14 939 000	750 - Biotechnology	4,0576
10	PLSLVCR00029	SELVITA	14 442 000	750 - Biotechnology	4,0225
11	PLTSQGM00016	TSGAMES	4 847 000	650 - Games	2,0899
12	PLPLAYW00015	PLAYWAY	1 200 000	650 - Games	1,8593
13	PLSNKTK00019	SYNEKTIK	4 252 000	750 - Biotechnology	1,5843
14	PLSCPFL00018	SCPFL	1 551 000	750 - Biotechnology	1,2874
15	PLCRPJRO0019	CREEPYJAR	375 000	650 - Games	0,9978
16	PLCTINTO0018	CIGAMES	93 240 000	650 - Games	0,9932
17	PLPILAB00012	DATAWALK	3 957 000	820 - IT	0,5684
18	PLWNDMB00010	AILLERON	6 523 000	820 - IT	0,5565
19	PLMVGMS00011	MOVIEGAMES	1 989 000	650 - Games	0,2706
20	PLA340200015	BIGCHEESE	1 932 000	650 - Games	0,2049

Reserve list

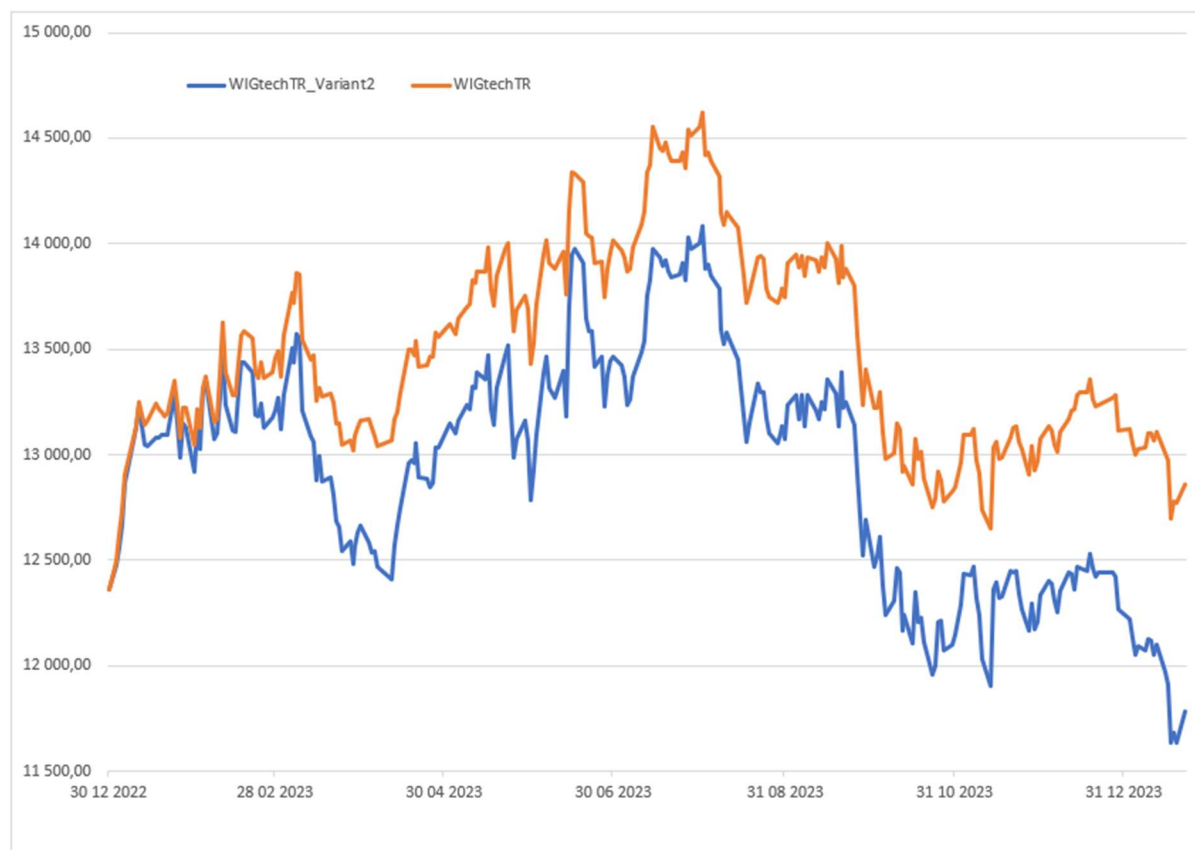
No	ISIN	Company name	No of shares	Sector
1	PLPRBLG00010	PURE	2 704 000	750 - Biotechnology
2	PLBIOMX00015	BIOMAXIMA	2 765 000	750 - Biotechnology
3	PLXTPL000018	XTPL	1 175 000	830 - New Technology
4	PLBCLTX00019	BIOCELTIX	2 415 000	750 - Biotechnology
5	PLVRCM000016	VERCOM	5 711 000	820 - IT

The charts below show the impact on the index values of the inclusion of changes in the qualification criteria for companies into the WIGtechTR index methodology during periodic reviews:

Variant 1



Variant 2



III. DISCONTINUATION OF THE PROVISION OF THE WIGTECH INDEX CALCULATED ON A PRICE BASIS

Due to the lack of interest from entities using indices calculated on a price basis (excluding income from dividends and subscription rights) and the planned expansion of the offering of indices calculated on a gross income and net income basis (including income from dividends and subscription rights, with net version after deducting dividend income tax). The Administrator plans to **cease the publication of the WIGtech index on a price basis by the end of the day on June 21, 2024.** The Administrator will continue to publish the WIGtechTR index on an income basis. The Administrator received a positive opinion on this matter from the Oversight Committee during the meeting on February 20 of this year.

IV. DISCONTINUATION OF THE PROVISION OF THE WIG-ESG INDEX

Due to the lack of market interest in using the WIG-ESG index by entities after June 30, 2024, and considering the high costs of providing the index, the Administrator has decided to **cease the provision of the WIG-ESG index by the end of the day on June 28, 2024.** The Administrator received a positive opinion on this matter from the Oversight Committee during the meeting on February 20 of this year.

V. RESULTS OF ANALYSES AND CONSULTATION PROCESS

The results of the analyses and conclusions regarding the proposed Methodology changes were presented to the Oversight Committee at the meeting on February 20, 2024. The Committee, taking into account the results of the statistical tests in accordance with the Review Procedure, agreed with the assessment that the Methodology changes to the extent described in items 1 and 2 are material and should be subject to public consultation.

VI. ASSUMPTIONS OF THE CONSULTATION PROCESS REGARDING METHODOLOGY CHANGE

Consultations regarding the change in the GPW Indices Methodology involve providing responses to the inquiries specified in the questionnaire to the address indeksy@gpwbenchmark.pl by March 10, 2024. The Administrator will publish the results of the consultation process on the website along with any additional information regarding the consultations, including the deadline for implementing the ultimately adopted changes to the Methodology.

VII. QUESTIONNAIRE

The questionnaire is attached as Annex No. 1 to the Consultation Paper.