



# DISCLOSURE CONCERNING THE FISCAL YEAR SPANNING 1 JANUARY – 31 DECEMBER 2020

## Disclaimer

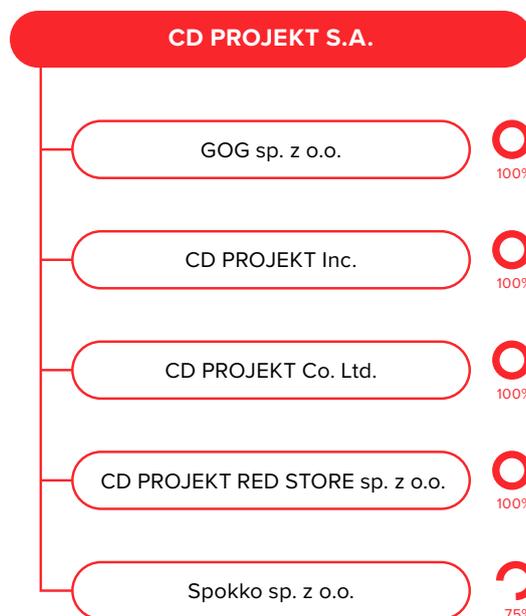
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## DISCLOSURE CONCERNING THE FISCAL YEAR SPANNING 1 JANUARY – 31 DECEMBER 2020

### I. GENERAL INTRODUCTION TO THE TAX STRATEGY APPLIED DURING THE 2020 FISCAL YEAR

The CD PROJEKT Group conducts business on the global, dynamically developing videogame market. CD PROJEKT S.A. (hereinafter referred to as “the Company”) heads the CD PROJEKT Group, which, as of the end of 2020, comprises six entities.

**Scheme:** CD PROJEKT Group at the end of 2020 (capital share and voting share)



The CD PROJEKT Group comprises two basic activity segments: CD PROJEKT RED and GOG.COM.

Videogame development is carried out by the CD PROJEKT RED studio, which operates within the organizational framework of CD PROJEKT S.A., CD PROJEKT Inc. and CD PROJEKT Co. Ltd. This activity comprises developing and publishing games for personal computers, current-generation consoles and mobile devices. The studio is best known for its releases – including *Cyberpunk 2077*, which launched on 10 December 2020, *The Witcher* videogame series and *GWENT: The Witcher Card Game*, an online card game with support for micropayments. Global digital distribution is carried out via the GOG.COM service. This activity involves sale and delivery of games directly to the end users’ client devices through the Company’s proprietary GOG.COM platform and the GOG GALAXY application.

CD PROJEKT S.A. is traded on the main market of the Warsaw Stock Exchange. The Company is part of the WIG20 index which aggregates twenty of the largest and most liquid companies on the Warsaw market.

The Company discharges its tax duties with due diligence through transparent reporting and timely payment of civil law liabilities, and by ongoing communication with national and regional authorities, particularly with the National Tax Administration.

The Company has instituted internal policies and regulations which aim to identify and mitigate tax risks. In order to minimize the risk of noncompliance, internal legal and tax teams monitor the legislative process, and implement suitable procedures, methods and tools to systematize internal operations and ensure proper discharge of legal and fiscal duties.

The Company makes no attempt to optimize its tax duties in contravention of applicable laws, and does not engage in tax avoidance. The Company exercises prudence when making decisions which carry fiscal consequences. Before arriving at any final decision in tax-related matters, the Company performs comprehensive analysis and obtains recommendations from specialists employed by its internal legal and tax departments. When required to ensure prudent decision-making the Company solicits recommendations from external advisors, based on their knowledge and experience. In case of any doubts regarding compliance with existing laws, the Company applies for individual interpretations of tax law.

Given that the Company meets the requirements expressed in Art. 19 of the Act of 30 May 2008 on certain forms of supporting innovative activity, on 10 September 2020, the Minister for Entrepreneurship and Technology issued decision no. DNP-V.4241.18.2020, upholding the previous decision no. 4/CBR/18 of 19 June 2018 which bestowed upon the Company the status of an R&D center. This status entitles the Company to apply broader R&D tax relief options specified in the Corporate Income Tax Act of 15 February 1992 (JL 2020, item 1406, as amended; hereinafter referred to as “the CIT Act”).

On 1 January 2019, the CIT Act was amended with regulations which enable taxpayers to apply a preferential tax rate of 5% to eligible income derived from intellectual property rights. Having fulfilled the conditions and formal stipulations expressed in the aforementioned legislation, the Company applied the preferential 5% rate to certain sources of its income.

Given the lack of entrenched legal regulations in Poland and the consequent emergence of legal ambiguities and contradictions, the Company has engaged in initiatives which advocate further improvement and transparent interpretation of tax law. In this scope, the Company has participated in public hearings held as part of the legislative process, and has identified areas of tax law which require improvement.

## **II. DISCLOSURE OF TAX STRATEGY IMPLEMENTED** **BY CD PROJEKT S.A. IN THE FISCAL YEAR 2020**

Pursuant to Art. 27c of the CIT Act, CD PROJEKT S.A. hereby presents information concerning its tax strategy for the fiscal year which began on 1 January 2020 and ended on 31 December 2020.

### **1. Disclosure of processes and procedures applied by the Company with regard to ensuring compliance with, and appropriate observance of, tax law**

The Company has instituted a range of processes and procedures which aim to ensure proper and timely discharge of fiscal duties. These processes facilitate transparent decision-making and adequate risk analysis; they also ensure that the Company stays up to date, that the approved regulations are enforced, and that the tax effects of the Company's decisions are properly assessed.

The following policies and procedures (among others) remained in force in the fiscal year 2020:

- Expenditure settlement policy at CD PROJEKT Group member companies;
- Withholding tax policy at the CD PROJEKT Group;
- Transfer pricing policy at the CD PROJEKT Group;
- Procedures regulating discharge of disclosure obligations with regard to tax schemes at CD PROJEKT Group member companies;
- MPP (Split Payment) procedure at the CD PROJEKT Group;
- Manual and tools for validating collaborators' data (VAT);
- "Whitelist" procedure and tools for validating bank account numbers;
- Regulations concerning application of R&D tax relief;
- Internal procedure for confirming changes in bank account numbers;
- Donations policy;
- JPK technical manual;
- Internal regulations governing access to promotional assets;
- Internal regulations for issuing credit vouchers;
- General regulations concerning conduct during inspections.

### **2. Disclosure of voluntary cooperation with National Tax Administration bodies during 2020**

In 2020 the Company did not engage in any of the forms of voluntary cooperation with National Tax Administration bodies identified in Art. 20s of the Tax Code Act of 29 August 1997 (JL 2020 item no. 1325; hereinafter referred to as "the Tax Code") (cooperation agreement), Art. 83 section 2 of the Act of 16 October 2019 on arbitration of conflicts involving double taxation and concluding advance pricing agreements (JL 2019 item no. 2200) (advance pricing agreement) or Art. 26b of the CIT Act (opinion concerning applicability of relief from levying flat-rate income tax).

### **3. Disclosure of discharge of tax duties on the territory of the Republic of Poland**

In the 2020 fiscal year the Company discharged its tax duties with regard to (among others) the following form of taxation:

- corporate income tax (including withholding tax);
- personal income tax (including withholding tax);
- value added tax (VAT);
- civil law transactions tax;
- property tax.

The Company applies due diligence through timely discharge of its tax duties and by filing the required fiscal declarations and other information within the timeframe defined in the applicable tax law.

### **4. Disclosure of the number of disclosures presented to the Director of the National Tax Administration with regard to tax schemes identified in Art. 86a §1 item 10 of the Tax Code, specifying the types of taxation involved**

The Company presented eight disclosures concerning corporate income tax schemes to the Director of the National Tax Administration, including:

- MDR-1 – four disclosures concerning corporate income tax;
- MDR-3 – four disclosures concerning corporate income tax;

The Company also presented three disclosures concerning personal income tax:

- MDR-1 – one disclosure concerning personal income tax;
- MDR-3 – two disclosures concerning personal income tax.

### **5. Disclosure of transactions with affiliates, as defined in Art. 11a section 1 item 4 of the CIT Act, whose value exceeds 5% of the total value of the Company's assets calculated in compliance with the applicable accounting laws on the basis of the Company's most recent approved financial statement, including transactions with entities which are not tax residents of the Republic of Poland**

The total value of transactions with affiliates as defined in Art. 11a section 1 item 4 of the CIT Act did not exceed 5% of the total value of the Company's assets as listed in the Company's financial statement for 2020.

**6. Disclosure of restructuring measures undertaken or planned by the Company which may affect its tax liabilities, or the tax liabilities of the Company's affiliates, pursuant to Art. 11a section 1 item 4 of the CIT Act**

In 2020 the Company did not engage in any such restructuring measures.<sup>1</sup>

**7. Disclosure of petitions filed by the Company concerning: a) general interpretation of tax law, as specified in Art. 14a §1 of the Tax Code; b) interpretation of tax law, as specified in Art. 14b of the Tax Code; c) binding information concerning applicable tax rates, as specified in Art. 42a of the VAT Act of 11 March 2004 (JL 2020 item no. 106); d) binding information concerning excise liabilities, as specified in Art. 7d section 1 of the Excise Duty Act of 6 December 2008 (JL 2020 items no. 722 and 1747)**

In 2020 the Company filed nine petitions for individual interpretation of tax law under Art. 14b of the Tax Code, including:

- three petitions concerning personal income tax;
- five petitions concerning corporate income tax;
- one petition concerning property tax.

**8. Disclosure of the Company's tax settlements on territories or in countries which apply harmful tax competition listed in the implementing acts based on Art. 11j section 2 of the CIT Act and Art. 23v section 2 of the Personal Income Tax Act of 26 July 1991, and in the announcement of the minister in charge of public finance issued in compliance with Art. 86 §10 of the Tax Cod**

In 2020 the Company did not engage in any tax settlements on territories or in countries which apply harmful tax competition, and was not a tax resident of any such territory or country.

<sup>1</sup> For the purposes of this report the Company assumes that restructuring measures involve all activities consistent with the definition of restructuring contained in the Finance Minister's Regulation of 21 December 2018 on transfer pricing with regard to corporate income tax.