



Report of the Supervisory Board of  
**Dom Development S.A.**  
for the period from 1 January 2017 until 31 December 2017

**REPORT**

**OF THE SUPERVISORY BOARD**

**OF DOM DEVELOPMENT S.A.**

**ON THE ACTIVITIES CONDUCTED**

**FROM 1 JANUARY 2017**

**TO 31 DECEMBER 2017**



Warsaw, 10 April 2018



## **I. Personnel, composition and organisation of the Supervisory Board of Dom Development S.A.**

Pursuant to the provisions of the Commercial Companies Code, Statute of Dom Development S.A. with its registered office in Warsaw ("the Company") and Supervisory Board Bylaws dated 5 September 2006 and amended on 3 April 2008, on 21 May 2009, on 20 May 2010, on 29 March 2012 and on 11 December 2015, the Supervisory Board is a permanent supervisory body of the Company in all areas of the Company's operations.

The Supervisory Board is composed of 5 to 9 members, including the Chairperson and two Deputy Chairpeople. The Chairperson of the Supervisory Board and one Deputy Chairperson of the Supervisory Board are appointed and dismissed by the Supervisory Board. Three of the Supervisory Board Members are Independent Members (in the meaning of point 7.7 of the Company's Statute). Pursuant to point 7.9 of the Company's Statute, the Supervisory Board's term is joint and lasts 3 years.

During the period from 1 January 2017 to 31 December 2017 the Supervisory Board membership was:

1. Grzegorz Kiełpsz - Chairman of the Supervisory Board,
2. Markham Dumas - Deputy Chairman of the Supervisory Board,
3. Marek Moczulski - Deputy Chairman of the Supervisory Board (Independent Member),
4. Mark Spiteri - Member of the Supervisory Board,
5. Michael Cronk - Member of the Supervisory Board,
6. Włodzimierz Bogucki - Member of the Supervisory Board (Independent Member),
7. Krzysztof Grzyliński - Member of the Supervisory Board (Independent Member).

In the opinion of the Supervisory Board the Independent Members: Marek Moczulski, Włodzimierz Bogucki and Krzysztof Grzyliński, fulfil the independence criteria set in point 7.7 of the Company's Statute, Annex II to the European Commission Recommendation of 15 February 2005 and Rule II.Z.4. of the Best Practice for GPW Listed Companies 2016.

The rules of organisation and the methods of operation of the Supervisory Board are specified by the provisions of the Company's Statute and the Supervisory Board Bylaws dated 5 September 2006 and amended on 3 April 2008, on 21 May 2009, on 20 May 2010, on 29 March 2012 and on 11 December 2015.

## **II. Activity of the Supervisory Board**

1. During the period under review, the Supervisory Board conducted its activity by way of sessions convened by the Chairman of the Supervisory Board, such sessions taking place in accordance with the 2017 Company Activity Schedule and depending on need. The Supervisory Board also conducted sessions by means of teleconferences. Minutes were taken during all sessions and the decisions made by the Supervisory Board took the form of resolutions. The Supervisory Board carried out its tasks collectively, and also with the help of two committees, the Audit Committee and the Remuneration Committee.

- Audit Committee

The Audit Committee operates in accordance with the Act of 11 May 2017 on auditors, audit companies and public supervision (Journal of Laws 2017, item 1089) and on the basis of the Company's Statute and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, on 29 June 2007, on 3 April 2008 and on 5 October 2010, and is responsible for supervision of the financial matters of the Company.

The Audit Committee shall be composed of at least three members appointed by the Supervisory Board from among its members, according to point 7.10 of the Company Statute at least two of whom, including its chairman, shall be Independent Members (in the meaning of Art. 129 section 3 of the Act of 11 May 2017 on auditors, audit companies and public supervision and point 7.7 of the Company's Statute). Of these Independent Members at least one shall have knowledge of and skills in accounting or auditing, while at least one Audit Committee member shall have knowledge of and skills in the industry in which the Company operates.

In the opinion of the Supervisory Board the members of the Audit Committee fulfil the requirements for the competence set in the Act on auditors, audit companies and public supervision, while the Independent Members: Marek Moczulski and Włodzimierz Bogucki, fulfil the independence criteria set in the above-mentioned Act.

During the period from 1 January 2017 to 31 December 2017, the Audit Committee acted under the following composition:

- Włodzimierz Bogucki – Chairman of the Audit Committee,



- Mark Spiteri – Member of the Audit Committee,
- Marek Moczulski – Member of the Audit Committee.

During the period covered by this report, 9 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 20 February 2017 (via teleconference)
2. 23 February 2017,
3. 3 March 2017 (via teleconference),
4. 23 May 2017,
5. 3 July 2017 (via teleconference),
6. 22 August 2017 (via teleconference),
7. 27 September 2017,
8. 19 October 2017 (via teleconference),
9. 30 November 2017.

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2017 to 30 June 2017 is attachment No. 1 to this Report. The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 July 2017 to 31 December 2017 is attachment No. 2 to this Report.

- Remuneration Committee

The Remuneration Committee operates on the basis of the Company's Statute and the Remuneration Committee's Bylaws dated 5 September 2006 and amended on 29 December 2006 and on 5 October 2010 and is authorised in particular to prepare proposals for the remuneration of members of the Management Board and to present proposals of granting additional benefits, including executive share option schemes.

The Remuneration Committee is composed of three members appointed by the Supervisory Board from among its own members, two of whom are Independent Members. During the period from 1 January 2017 to 31 December 2017, the Remuneration Committee acted under the following composition:

- Marek Moczulski – Chairman of the Remuneration Committee,
- Mark Spiteri – Member of the Remuneration Committee,
- Krzysztof Grzyliński – Member of the Remuneration Committee.



During the period covered by this report, 5 sessions of the Dom Development S.A. Remuneration Committee took place, on the following dates:

- 1) 23 February 2017;
- 2) 3 March 2017 (via teleconference);
- 3) 23 May 2017 (via teleconference);
- 4) 27 September 2017;
- 5) 30 November 2017.

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2017 to 31 December 2017 is attachment No. 3 to this Report.

2. During the period covered by this report the Supervisory Board acted pursuant to the provisions of the Commercial Companies Code, the Company's Statute and the Supervisory Board Bylaws, and according to the Best Practices of WSE Listed Companies, overseeing the operations of the Company on an on-going basis in all its fields of activity as well as examining issues and motions submitted to the sessions of the Supervisory Board by the Company's Management Board. Additionally, the Supervisory Board's responsibilities include granting consent for: the conclusion by the Company (or any entities affiliated with the Company) to conclude contracts with a member of the Supervisory Board or Management Board (or with their affiliated entities); and appointment of an auditor to audit the Company's financial statements.

During the period under review, i.e. from 1 January 2017 to 31 December 2017, 9 sessions of the Supervisory Board of Dom Development S.A. took place (of which 5 sessions were held by teleconference), on the following dates:

1. 13 February 2017 (via teleconference);
2. 21 March 2017 (via teleconference);
3. 4 April 2017;
4. 25 May 2017;
5. 17 July 2017 (via teleconference);
6. 27 September 2017;
7. 1 December 2017;
8. 20 December 2017 (via teleconference);
9. 22 December 2017 (via teleconference).



All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 2 sessions and 7 sessions took place with the required *quorum*. Some sessions of the Supervisory Board were also attended by the President of the Management Board Mr. Jarosław Szanajca and Vice President of the Management Board Mr. Janusz Zalewski, who both provided information regarding the current activities of the Company.

#### Session of 13 February 2017 (via teleconference)

The Supervisory Board adopted the resolution on granting the consent to conclude an agreement on the establishment of a separate ownership title to the non-residential unit and the sale of the same, a sale agreement of the share in joint ownership of the premises, namely a multi-space garage, between Dom Development S.A. and the Vice-President of the Management Board Mrs. Małgorzata Kolarska and her husband, and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreements with the Vice-President of the Management Board Mrs. Małgorzata Kolarska (Resolution No. 01/02/17).

#### Session of 21 March 2017 (via teleconference)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2016 and targets and limits of the SECP in 2017.

The Supervisory Board adopted the following resolutions: a resolution on the acceptance of execution of the SECP

(Senior Executive Compensation Plan) in 2016 (Resolution No. 01/03/17), one on defining the targets and limits of the SECP (Senior Executive Compensation Plan) in 2017 (Resolution No. 02/03/17), and a further resolution on the appointment of the auditor to audit Dom Development S.A.'s financial statements and Dom Development S.A. Capital Group's consolidated financial statements as of 2017 (Resolution No. 03/03/17).

The Supervisory Board then adopted resolutions on the award of Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. 2014 Pool, 2015 Pool and 2016 Pool) (Resolution No. 04/03/17, Resolution No. 05/03/17 and Resolution No. 06/03/17 respectively), a resolution on determination of a Pool and a Pool for Distribution to be allocated for payment of Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. and of specification of Shares in the Pool for Distribution (re. 2017 Pool) (Resolution No. 07/03/17) and a further resolution



on granting consent to send the documents regarding the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. to the Management Board members and on empowering the Chairman of the Supervisory Board to sign the above-mentioned documents (Resolution No. 08/03/17).

#### Session of 4 April 2017

The members of the Supervisory Board discussed the current market and business situation with the President of the Management Board Mr. Jarosław Szanajca and Vice President of the Management Board Mr. Janusz Zalewski, both of whom participated in the session.

The Supervisory Board adopted the following resolutions: a resolution on the evaluation of Dom Development S.A. financial statements for the year ended on 31 December 2016 (Resolution No. 01/04/17), one on evaluation of the report of the Management Board on the activities of Dom Development S.A. in 2016 (Resolution No. 02/04/17), one on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2016 (Resolution No. 03/04/17), one on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2016 (Resolution No. 04/04/17), one on adoption of the reports of the Supervisory Board as of 2016 (Resolution No. 05/04/17), one on adoption of the assessment by the Supervisory Board of Dom Development S.A. of the position of the Company in the year 2016, including the assessment of the internal control system, risk management, compliance and internal audit system (Resolution No. 06/04/17), and a further resolution on adoption of the Assessment by the Supervisory Board of Dom Development S.A. of the Company's compliance with the duty of disclosure in respect of applying the principles of corporate governance as specified defined in the Stock Exchange Rules, and the regulations concerning current and periodic submissions by security issuers and the soundness of the sponsorship, charity and other similar policies in place at the Company (Resolution No. 07/04/17).

Then the Supervisory Board adopted the following further resolutions: one on evaluation of the petition of the Management Board concerning the allocation of the Dom Development S.A. net profit as of 2016 (Resolution No. 08/04/17), one on consideration and statement of opinion on the proposals of the Management Board regarding the draft resolutions to be adopted by the Ordinary General Shareholders Meeting on 25 May 2017 (Resolution No. 09/04/17), one on granting the consent to conclude a sale agreement of the share in joint ownership of the premises, namely a multi-place garage, between Dom Development S.A. and President of the Management Board Mr. Jarosław Szanajca, and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreement with President of the Management Board Mr. Jarosław Szanajca (Resolution No.



10/04/17), one on approval of the draft of a sale agreement and granting the consent to conclude this sale agreement with the Chairman of the Supervisory Board Grzegorz Kielpsz and his wife (Resolution No. 11/04/17) and a resolution on approval of the draft of a development agreement and a preliminary sale agreement and granting the consent to conclude these agreements with the Member of the Supervisory Board Mr. Mark Spiteri and his wife (Resolution No. 12/04/17).

#### Session of 25 May 2017

The members of the Supervisory Board discussed the current market and business situation with the President of the Management Board Mr. Jarosław Szanajca and Vice President of the Management Board Mr. Janusz Zalewski, both of whom participated in the session.

#### Session of 17 July 2017 (via teleconference)

The Supervisory Board adopted the resolution on approval of the draft of a promise of a sale agreement and granting the consent to conclude this agreement with the Member of the Supervisory Board Mr. Mark Spiteri and his wife (Resolution No. 01/07/17).

#### Session of 27 September 2017

The members of the Supervisory Board discussed the current market and business situation with the President of the Management Board Mr. Jarosław Szanajca and Vice President of the Management Board Mr. Janusz Zalewski, both of whom participated in the session.

Furthermore, the Supervisory Board adopted the following resolutions: one on adoption of the 2018 Company Activity Schedule (Resolution No. 01/09/17), one on the approval of a draft of an agreement on the establishment of a separate ownership title to the residential unit and the sale of the same, sale agreement and conditional sale agreement, agreement on the transfer of shares in the perpetual usufruct and on granting consent to conclude the said agreements by Dom Development S.A. with the Chairman of the Supervisory Board Grzegorz Kielpsz and his wife (Resolution No. 02/09/17), one on the approval of a draft of an agreement on the establishment of a separate ownership title to the residential unit and the sale of the same, sale agreement and on granting consent to conclude the said agreements by Dom Development S.A. with the Deputy Chairman of the Supervisory Board Marek Moczulski and his wife (Resolution No. 03/09/17) and a further resolution on the approval of a draft of a service agreement and granting the consent to conclude the said agreement by Dom Development S.A. with Kirkley Advisory Limited (Resolution No. 04/09/17).





### Session of 1 December 2017

The members of the Supervisory Board discussed the current market and business situation with the President of the Management Board Mr. Jarosław Szanajca and Vice President of the Management Board Mr. Janusz Zalewski, both of whom participated in the session.

The Supervisory Board adopted the following resolutions: one on the acceptance of the Provisions of the Management Share Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board, Chief Operations Officer, regarding 500,000 Shares of Dom Development S.A. (Resolution No. 01/12/17), one on granting Options on the basis of Provisions of the Management Share Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board, Chief Operations Officer, regarding 500,000 Shares of Dom Development S.A. and the number of shares that are subject to Options and the price of said shares, which may be acquired by exercising the Options (Resolution No. 02/12/17), one on the acceptance of the drafts of the documents regarding the Management Share Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board, Chief Operations Officer, regarding 500,000 Shares of Dom Development S.A.: an invitation letter, application form, option confirmation, and on empowering the Chairman of the Supervisory Board to sign an invitation letter and an option confirmation (Resolution No. 03/12/17), one on the approval of a draft of an agreement on the establishment of a separate ownership title to the residential unit and the sale of the same, and on granting consent to conclude the said agreements by Dom Development S.A. with the Member of the Supervisory Board Mark Spiteri and his wife (Resolution No. 04/12/17) and a further resolution on the appointment of an auditor to audit Dom Development S.A.'s financial statements and Dom Development S.A. Capital Group's consolidated financial statements as of 2018 and 2019 (Resolution No. 05/12/17).

### Session of 20 December 2017 (via teleconference)

The Supervisory Board granted the consent for the Management Board to adopt a resolution on exclusion in full of the pre-emptive rights that the existing shareholders may have with respect to warrants (Resolution No. 06/12/17).

### Session of 22 December 2017 (via teleconference)

The Supervisory Board adopted a resolution on granting the consent to deliver the subscription warrants to Mrs. Małgorzata Kolarska, Vice President of the Management Board, on approval of a draft



subscription form for warrants and of a draft collective warrant certificate, and on empowering the Chairman of the Supervisory Board to sign the above mentioned documents (Resolution No. 07/12/17).

### **III. Self-assessment of the Supervisory Board**

The Members of the Company's Supervisory Board possess comprehensive and relevant knowledge from their professional experience in such fields as management, accountancy and finance. Furthermore, the Members of the Supervisory Board possess knowledge in the Company's area of activity. The Members of the Supervisory Board have a broad range of professional experience, knowledge, and skills together with a good knowledge and understanding of the Company's activity.

The Members of the Supervisory Board, for the whole of 2017, worked autonomously of the Management Board and expressed independent opinions in relation to the Company's activity.

The Supervisory Board and the Audit Committee and the Remuneration Committee held meetings and teleconferences as often as necessary in order to perform the duties which were required of them. The Supervisory Board believes that the formal work carried out in 2017 was performed satisfactorily and that the Company's activities were supervised properly both by means of formal meetings and by other informal contacts between members of the Supervisory Board and the senior management of the Company.

Over the course of 2017 all members of the Supervisory Board and in particular its Chairman and Deputy Chairmen remained in frequent contact with members of the Management Board, conducting consultations concerning various aspects of the Company's activities. In addition to the formal Supervisory Board sessions in 2017 when certain Management Board Members attended, the Management Board Members remained in contact with the Chairman of the Supervisory Board and its Members on a regular basis. The Supervisory Board believes the above actions contributed to the effective execution of the supervisory duties which have to be discharged by the Supervisory Board.

All members of the Supervisory Board received similar management information to that provided to the Management Board. This included regular monthly written reports from the President and the two Vice Presidents of the Management Board as well as detailed monthly management accounts, which include comparisons with the annual budget. Furthermore, every two months the Members of the Supervisory Board received written reports from all the departmental heads concerning their activities.



In this way the Supervisory Board was able to obtain regular and extensive written information on all material issues regarding the Company's operations and risks connected with the business.

The Supervisory Board believes it acted in an efficient and effective manner during 2017, while Supervisory Board sessions always took place with the required *quorum*. The Supervisory Board adopted all resolutions and decisions unanimously excluding abstentions.

Pursuant to the working standards of the Supervisory Board presented above and in view of the contents of principles defined in the Code of Best Practice for WSE Listed Companies 2016, Dom Development S.A.'s Supervisory Board Members believe the Company correctly applied the principles of corporate governance during the course of 2017, in particular with regard to the operation of supervisory bodies.