



Report of the Supervisory Board of
Dom Development S.A.
for the period from 1 January 2018 until 31 December 2018

**REPORT
OF THE SUPERVISORY BOARD
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JANUARY 2018
TO 31 DECEMBER 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.

As at 31 December 2018 the Supervisory Board of Dom Development S.A. was composed of 7 members:

- Grzegorz Kiełpsz, Chairman of the Supervisory Board
- Markham Dumas, Vice Chairman of the Supervisory Board
- Marek Moczulski, Vice Chairman of the Supervisory Board (Independent Member)
- Mark Spiteri, Member of the Supervisory Board
- Michael Cronk, Member of the Supervisory Board
- Dorota Podedworna-Tarnowska, Member of the Supervisory Board (Independent Member),
- Krzysztof Grzyliński, Member of the Supervisory Board (Independent Member)

Mr. Włodzimierz Bogucki, Member of the Supervisory Board resigned from the position of Member of the Supervisory Board of the Company on 10 April 2018, with effect on 7 June 2018. The reason for the resignation was that Mr Włodzimierz Bogucki had been a Member of the Supervisory Board at the Company for nearly 12 years, and from September 2018 he would have ceased to meet the criterion defining an independent member of the Supervisory Board of Dom Development S.A., which is referred to in art. 129 par. 3 point 8) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, and in article 7.7.8 of the Company's Articles of Association.

On 7 June 2018, the General Meeting of Shareholders of the Company appointed Ms Dorota Podedworna-Tarnowska, Ph.D. as an Independent Member of the Supervisory Board for a joint term of office.

In the opinion of the Supervisory Board the Independent Members: Dorota Podedworna-Tarnowska, Marek Moczulski and Krzysztof Grzyliński, fulfil the independence criteria set out 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 2018 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, as amended) 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 and 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: Dorota Podedworna-Tarnowska and Marek Moczulski, fulfil the independence criteria set in the above-mentioned Act.

During the period from 1 January 2018 to 7 June 2018, the Audit Committee acted under the following composition:

- Włodzimierz Bogucki – Chairman of the Audit Committee (Independent Member),
- Mark Spiteri – Member of the Audit Committee,
- Marek Moczulski – Member of the Audit Committee (Independent Member).

Due to above-mentioned resignation of the Supervisor Board Member, Mr. Włodzimierz Bogucki, the Supervisory Board appointed Dr. Dorota Podedworna-Tarnowska as Member and Chairman of the Audit Committee.

During the period covered by this report, 6 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 2 March 2018,
2. 5 June 2018,
3. 13 July 2018 (via teleconference),
4. 22 August 2018 (via teleconference),
5. 27 September 2018,
6. 29 November 2018.

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2018 to 30 June 2018 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 2018 to 31 December 2018 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 2018 to 31 December 2018, the Remuneration Committee acted under the following composition:

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

During the period covered by this report, 6 sessions of the Dom Development S.A. Remuneration Committee took place, on the following dates:

1. 13 March 2018 (via teleconference);
2. 5 June 2018;
3. 13 July 2018 (via teleconference);
4. 24 August 2018 (via teleconference);
5. 27 September 2018;
6. 29 November 2018.

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2018 to 31 December 2018 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. The Supervisory Board oversees the operations of the Company on an on-going basis in all its fields of activity as well as examines 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 2018 to 31 December 2018, 10 sessions of the Supervisory Board of Dom Development S.A. took place (of which 6 sessions were held by teleconference), on the following dates:

1. 12 January 2018 (via teleconference);
2. 23 February 2018 (via teleconference);
3. 21 March 2018 (via teleconference);
4. 10 April 2018;
5. 8 May 2018 (via teleconference);
6. 7 June 2018;
7. 13 July 2018 (via teleconference);
8. 24 August 2018 (via teleconference);
9. 27 September 2018;
10. 30 November 2018.

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 7 sessions and 3 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 concerning the current activities of the Company.

[Session of 12 January 2018 \(via teleconference\)](#)

The Supervisory Board adopted the following resolutions: one on granting the consent to deprive shareholders of their pre-emptive rights in whole by the Management Board and on the consideration and statement of opinion on increasing the share capital of Dom Development S.A. by issuing shares within authorized capital (Resolution No. 01/01/18), one on granting the consent to the Management Board to set the share issue price of shares of series Y in the amount of PLN 35 per share (Resolution No. 02/01/18), and a further resolution on granting the consent to send the documents regarding 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. to Vice President of the Management Board and on empowering the Chairman of the Supervisory Board to sign the above-mentioned documents (Resolution No. 02/01/18).

[Session of 23 February 2018 \(via teleconference\)](#)

The Supervisory Board adopted the resolution on granting the consent for the Management Board to undertake acts concerning the dematerialization of shares of series Y, to conclude agreement with KDPW (the National Depository for Securities) in respect of the registration of the shares of series Y, and to undertake acts concerning admission of the shares of series Y to the regular market (Resolution No. 01/02/18).



Session of 21 March 2017 (via teleconference)

The Supervisory Board adopted resolutions on the award of Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. 2015 Pool, 2016 Pool and 2017 Pool) (Resolution No. 01/03/18, Resolution No. 02/03/18 and Resolution No. 03/03/18 respectively), one resolution on an amendment of the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. to the Supervisory Board (Resolution No. 04/03/18), one 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. 2018 Pool) (Resolution No. 05/03/18), one resolution on determination of a Pool 2 and a Pool 2 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 2 for Distribution (re. 2018 Pool 2) (Resolution No. 06/03/18), 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. 07/03/18).

Session of 10 April 2018

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 appointed Mr. Mikołaj Konopka, as Member of the Management Board of the Management Board of Dom Development S.A., with a three-year joint term of office (Resolution No. 01/04/18).

The Supervisory Board adopted the following resolutions: one resolution on the evaluation of Dom Development S.A. financial statements for the year ended on 31 December 2017 (Resolution No. 02/04/18), one on evaluation of the report of the Management Board on the activities of Dom Development S.A. in 2017 (Resolution No. 03/04/18), one on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2017 (Resolution No. 04/04/18), one on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2017 (Resolution No. 05/04/18), one on adoption of the reports of the Supervisory Board as of 2017 (Resolution No. 06/04/18), one on adoption of the assessment by the Supervisory Board of Dom Development S.A. of the position of the Company in the year 2017, including the assessment of the internal control system, risk management, compliance and internal

audit system (Resolution No. 07/04/18), 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. 08/04/18).

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 2017 (Resolution No. 09/04/18), and 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 7 June 2018 (Resolution No. 10/04/18).

[Session of 8 May 2018 \(via teleconference\)](#)

The Supervisory Board adopted resolution on granting the consent to conclude an agreement on promise of sale of separated residential facility in a building built for this purpose between Dom Development S.A. and the Vice-President of the Management Board Mrs. Małgorzata Kolarska and her husband Mr. Marek Kolarski, and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreement with Vice-President of the Management Board Mrs. Małgorzata Kolarska (Resolution No. 01/05/18).

[Session of 7 June 2018](#)

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.

Then the Supervisory Board appointed Mrs. Dorota Podedworna-Tarnowska as member and Chairwoman of the Audit Committee (Resolution No. 01/06/18).

[Session of 13 July 2018 \(via teleconference\)](#)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2017 and and targets and limits of the SECP in 2018.

The Supervisory Board adopted the following resolutions: a resolution on the acceptance of execution of the SECP (Senior Executive Compensation Plan) in 2017 (Resolution No. 01/07/18), one on defining



the targets and limits of the SECP (Senior Executive Compensation Plan) in 2018 (Resolution No. 02/07/18).

Session of 24 August 2018 (via teleconference)

The Supervisory Board adopted the following resolutions: on amendment of the resolution on determination of a Pool 2 and a Pool 2 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 2 for Distribution (re. Pool 2 2018) (Resolution No. 01/08/18) and on granting the consent to conclude a development agreement and presale agreement, and an agreement on fit-out accomplishment in a dwelling between Dom Development S.A. and Member of the Management Board Mr. Mikołaj Konopka (Resolution No. 02/08/18).

Session of 27 September 2018

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 granting the consent to conclude an agreement to establish a separate ownership title to the non-residential unit and the sale of the same 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 agreement with Vice-President of the Management Board Mrs. Małgorzata Kolarska and her husband (Resolution No. 01/09/18), one on granting the consent to conclude a sale agreement for non-residential units together with parking spaces between Euro Styl S.A. and entity affiliated with Member of the Management Board Mr. Mikołaj Konopka (Resolution No. 02/09/18) and a further resolution on the acceptance of the 2019 Company Activity Schedule (Resolution No. 03/09/18).

Session of 30 November 2018

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 granting the consent to conclude an annex to the Unit Fit-out Contract between Dom Development S.A. and Member of the Management Board Mr. Mikołaj Konopka and on empowering the Chairman of the Supervisory Board to sign the

above-mentioned annex with Member of the Management Board Mr. Mikołaj Konopka (Resolution No. 01/11/18), one on granting the consent to conclude an agreement promise of sale of separated residential facility in a building built for this purpose with a utility room and parking spaces and a Unit Fit-out Contract between Dom Development S.A. and Member of the Supervisory Board Mr. Marek Moczulski and his wife (Resolution No. 02/11/18), and further resolutions on granting the consent to conclude a promise of sale of separated residential facilities in a building built for this purpose with parking spaces between Dom Development S.A. and affiliated entities with Chairman of the Supervisory Board Mr. Grzegorz Kiełpsz (Resolutions No. 03/11/18 and 04/11/18).

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 2018, 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 2018 was performed satisfactorily and that the Company's activities were supervised properly.

Over the course of 2018 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 2018 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 from 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 2018, while Supervisory Board sessions always took place with the required *quorum*. The Supervisory Board adopted all resolutions and decisions in accordance with its rules.

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 2018, in particular with regard to the operation of supervisory bodies.