



**REPORT  
OF THE SUPERVISORY BOARD  
OF DOM DEVELOPMENT S.A.  
ON THE ACTIVITIES CONDUCTED  
FROM 1 JANUARY 2011  
TO 31 DECEMBER 2011**





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

Pursuant to the provisions of the Commercial Companies Code, Company's Statute and Supervisory Board Bylaws dated 5 September 2006 and amended on 3 April 2008, on 21 May 2009, on 20 May 2010 and on 29 March 2012, 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 Chairman and two Deputy Chairmen. The Chairman of the Supervisory Board and one Deputy Chairman 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 2011 to 18 May 2011 the Supervisory Board membership was:

1. Grzegorz Kiełpsz - Chairman of the Supervisory Board,
2. Zygmunt Kostkiewicz - Deputy Chairman of the Supervisory Board (Independent Member),
3. Richard Lewis - Deputy Chairman of the Supervisory Board,
4. Stanisław Plakwicz - Member of the Supervisory Board (Independent Member),
5. Michael Cronk - Member of the Supervisory Board,
6. Markham Dumas - Member of the Supervisory Board,
7. Włodzimierz Bogucki - Member of the Supervisory Board (Independent Member).

On 28 March 2011, Mr. Zygmunt Kostkiewicz and Mr. Stanisław Plakwicz filed their resignations from the Company's Supervisory Board. The resignations came into effect as of the date of the next Ordinary General Shareholders Meeting of Dom Development S.A.. Mr. Zygmunt Kostkiewicz resigned from the position of the Member and Deputy Chairman of the Supervisory Board, while Mr. Stanisław Plakwicz resigned from the position of the Member of the Supervisory Board. The reason for both resignations was the fact that both Members had been Members of the Supervisory Board for almost 12 years and as of July 2011 they would not longer satisfy the criteria of independent Members of the Supervisory Board of Dom Development S.A. as provided in section 7.7.8 of the Company Statute.

Therefore on 19 May 2011 the Ordinary General Shareholders Meeting of Dom Development S.A. appointed Mr. Marek Moczulski (Resolution No. 21) and Mr. Krzysztof Grzyliński (Resolution No. 22) as Supervisory Board Members. They were appointed as Independent Members.

Therefore during the period from 19 May 2011 to 31 December 2011 the Supervisory Board membership was:

1. Grzegorz Kiełpsz - Chairman of the Supervisory Board,
2. Richard Lewis - Deputy Chairman of the Supervisory Board,
3. Marek Moczulski - Deputy Chairman of the Supervisory Board (Independent Member),
4. Michael Cronk - Member of the Supervisory Board,
5. Markham Dumas - 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).

On 19 May 2011 the Supervisory Board of the Dom Development S.A. appointed Mr. Marek Moczulski as a Deputy Chairman of the Supervisory Board (Resolution No. 01/05/11).

Additionally, on 28 November 2011, Mr. Richard Lewis filed a resignation from his function of a Member and Deputy Chairman of the Company's Supervisory Board which will come into force on 31 March 2012. The reason for the resignation is Mr. Richard Lewis's retirement as of 31 March 2012.

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 and on 29 March 2012.

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

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 2011 Company Activity Schedule and depending on need. The Supervisory Board also conducted sessions by 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 help of two committees, the Audit Committee and the Remuneration Committee.

- Audit Committee

The Audit Committee operates 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 is composed of at least three members appointed by the Supervisory Board from among its members, at least two of whom shall be Independent Members and at least one of whom has qualifications in accounting or auditing. During the period from 1 January 2011 to 18 May 2011, the Audit Committee acted under the following composition:

- Włodzimierz Bogucki – Chairman of the Audit Committee,
- Richard Lewis – Member of the Audit Committee,
- Stanisław Plakwicz – Member of the Audit Committee.

Due to the expiration of the mandate of a current member of the Supervisory Board of Dom Development S.A., Mr. Stanisław Plakwicz, on 19 May 2011, the Supervisory Board appointed, starting from 19 May 2011, Mr. Marek Moczulski as member of the Audit Committee.

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2011 to 30 June 2011 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 2011 to 31 December 2011 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 at least three members appointed by the Supervisory Board from among its own members, at least two of whom shall be Independent Members. During the period from 1 January 2011 to 18 May 2011, the Remuneration Committee acted under the following composition:

- Zygmunt Kostkiewicz – Chairman of the Remuneration Committee,
- Richard Lewis – Member of the Remuneration Committee,
- Stanisław Plakwicz – Member of the Remuneration Committee.

After the expiration on 19 May 2011 of the mandates of two members of the Supervisory Board of Dom Development S.A. i.e.: Mr. Zygmunt Kostkiewicz and Mr. Stanisław Plakwicz, the Supervisory Board appointed, starting from 19 May 2011, the following persons as members of the Remuneration Committee:

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

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2011 to 31 December 2011 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 competencies encompass granting consent to performances of any kind by the Company and any entities affiliated with the Company in favour of the Management Board members, granting consent to the conclusion by the Company or a subsidiary of a key agreement with an entity affiliated with the Company, 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 2011 to 31 December 2011, 6 sessions of the Supervisory Board of Dom Development S.A. took place (of which 2 sessions were held by teleconference), on the following dates:

1. 29 March 2011 (via teleconference);
2. 7 April 2011;
3. 19 May 2011;
4. 12 July 2011 (via teleconference);
5. 21 September 2011;
6. 30 November 2011.

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 3 sessions and 3 sessions took place with the required *quorum*. Some sessions of the Supervisory Board were also attended by 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 29 March 2011 (via teleconference)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2010 and the targets and limits of the SECP (Senior Executive Compensation Plan) in 2011. The Supervisory Board then approved the execution of the SECP (Senior Executive Compensation Plan) in 2010 (Resolution No. 01/03/11), and defined the targets and limits of the SECP (Senior Executive Compensation Plan) in 2011 (Resolution No. 02/03/11).

Additionally, the Supervisory Board Members appointed an auditor to audit Dom Development S.A.'s and the Dom Development Capital Group's financial statements as of 2011 (Resolution no 03/03/11).

#### Session of 7 April 2011

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

The Supervisory Board adopted the following resolutions: on the evaluation of Dom Development S.A. financial statements for the year ending 31 December 2010 (Resolution No. 01/04/11), on evaluation of the report of the Management Board on the activities of the Company in 2010 (Resolution No. 02/04/11), on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ending 31 December 2010 (Resolution No. 03/04/11), on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2010 (Resolution No. 04/04/11), on adoption of the reports of the Supervisory Board as of 2010 (Resolution No. 05/04/11), on the adoption of the Assessment of Dom Development's situation in the year 2010 including an assessment of the internal control system and the risk management system substantial for the Company (Resolution No. 06/04/11), and on the adoption of the Assessment of the Supervisory Board's work in 2010 (Resolution No. 07/04/11).

Furthermore, the Supervisory Board adopted a resolution on consideration and statement of the opinion on the proposals of the Management Board of the Company of the resolutions to be adopted by the Ordinary General Shareholders Meeting on 19 May 2011 (Resolution No. 08/04/11) and a resolution regarding evaluation of the petition of the Management Board regarding net profit allocation for 2010 (Resolution No. 09/04/11).



#### Session of 19 May 2011

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

With reference to the expiration of the mandates of current members of the Supervisory Board of Dom Development S.A. on 19 May 2011, and to the appointment by the Ordinary General Shareholders Meeting a new members of the Supervisory Board, the Supervisory Board appointed a Deputy Chairman of the Supervisory Board (Resolution No. 01/05/11). The Supervisory Board also appointed a member and the Chairman of the Remuneration Committee (Resolution No. 02/05/11 and 03/05/11) and a member of the Audit Committee (Resolution No. 04/05/11).

#### Session of 12 July 2011 (via teleconference)

The Supervisory Board approved the draft of the sale agreement and the agreement on the manner of the use of jointly owned property and granted the consent to conclude this agreement by the Company with President of the Management Board Mr. Jarosław Szanajca, and his wife (Resolution No. 01/07/11).

The Supervisory Board approved the draft of the sale agreement and the agreement on the manner of the use of jointly owned property and granted the consent to conclude this agreement by the Company with the Chairman of the Supervisory Board Mr. Grzegorz Kiełpsz (Resolution No. 02/07/11).

Moreover, the Supervisory Board adopted a resolution on defining persons entitled to participate in the Dom Development S.A. 726,000 Executive Share Option Scheme II, the number of shares and a share price for each person (within a fifth tranche) (Resolution No. 03/07/11).

Additionally, the Supervisory Board approved the draft of annex no. 1 to the preliminary sale agreement of a separate residential unit in a building constructed for sale and a utility room and parking spaces and granted the consent for conclusion of this annex by the Company with Vice President of the Management Board Mr. Janusz Zalewski (Resolution No. 04/07/11).



Session of 21 September 2011

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

Furthermore, the Supervisory Board adopted 2012 Company Activity Schedule (Resolution No. 01/09/11).

Session of 30 November 2011

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

**GRZEGORZ KIEŁPSZ**

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**MARKHAM DUMAS**

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**MAREK MOCZULSKI**

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**MARK SPITERI**

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**MICHAEL CRONK**

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**KRZYSZTOF GRZYLIŃSKI**

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