



Report of the Supervisory Board of
Dom Development S.A.
for the period from 1 January 2013 until 31 December 2013

REPORT

OF THE SUPERVISORY BOARD

OF DOM DEVELOPMENT S.A.

ON THE ACTIVITIES CONDUCTED

FROM 1 JANUARY 2013

TO 31 DECEMBER 2013





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 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 2013 to 31 December 2013 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).

As the mandates of the Members of the Supervisory Board of Dom Development S.A. have expired on 22 May 2013, Dom Development B.V. acting pursuant to paragraph 7.4 of the Articles of Association of Dom Development S.A. appointed Mr. Markham Dumas as a Member and Deputy Chairman of the Supervisory Board of the Company and Mr. Grzegorz Kiełpsz, Mr. Michael Cronk and Mr. Mark Spiteri as Members of the Supervisory Board of the Company, effective as of 22 May 2013. Moreover, on 22 May 2013 the Annual General Shareholders' Meeting of Dom Development S.A. appointed Mr. Marek Moczulski, Mr. Włodzimierz Bogucki and Mr. Krzysztof Grzyliński as Members of the Supervisory Board. All these Members of the Management Board have been appointed for a joint three-year term. On 22 May 2013 the Supervisory Board of the Company acting under point 7.1 of the Articles of Association of the Company appointed Mr. Grzegorz Kiełpsz as Chairman of the Supervisory Board and Mr. Marek Moczulski as Vice Chairman of the Supervisory Board.

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

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 2013 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 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 2013 to 31 December 2013, 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.

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2013 to 30 June 2013 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 2013 to 31 December 2013 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 2013 to 31 December 2013, 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.

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2013 to 31 December 2013 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 2013 to 31 December 2013, 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. 18 January 2013 (via teleconference);
2. 22 March 2013 (via teleconference);
3. 9 April 2013;
4. 22 May 2013;
5. 29 July 2013 (via teleconference);
6. 24 September 2013;
7. 30 September 2013 (via teleconference);
8. 29 November 2013;
9. 16 December 2013 (via teleconference).

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 4 sessions and 5 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 18 January 2013 \(via teleconference\)](#)

The Supervisory Board adopted the following resolutions: on granting consent to deprive the shareholders of their pre-emptive rights in whole by the Management Board and on the opinion on increasing the share capital of the Company by issuing shares within the authorised capital (Resolution No. 01/01/13), and on granting consent to the Management Board to set the share issue price of shares of series O in the amount of PLN 14.91 per share (Resolution No. 02/01/13).

[Session of 22 March 2013 \(via teleconference\)](#)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2012 and the targets and limits of the SECP (Senior Executive Compensation Plan) in 2013.



The Supervisory Board adopted the following resolutions: on the acceptance of execution of the SECP (Senior Executive Compensation Plan) in 2012 (Resolution No. 01/03/13), on defining the targets and limits of the bonus of the SECP (Senior Executive Compensation Plan) in 2013 (Resolution No. 02/03/13), 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 2013 (Resolution No. 03/03/13).

The Supervisory Board then adopted a resolution on the award of Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. 2012 Pool) (Resolution No. 04/03/13).

Furthermore, the Supervisory Board granted the consent for the Management Board to undertake acts concerning the dematerialization of shares of series O, to conclude agreements with the National Depository for Securities in respect of the registration of the shares of series O, and to undertake acts concerning admission of the shares of series O to the regular market (Resolution No. 05/03/13).

Session of 9 April 2013

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: on the evaluation of Dom Development S.A. financial statements for the year ended on 31 December 2012 (Resolution No. 01/04/13), on evaluation of the report of the Management Board on the activities of Dom Development S.A. in 2012 (Resolution No. 02/04/13), on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2012 (Resolution No. 03/04/13), on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2012 (Resolution No. 04/04/13), on adoption of the reports of the Supervisory Board as of 2012 (Resolution No. 05/04/13), on adoption of the assessment by the Supervisory Board of Dom Development S.A. of the situation of the Company in the year 2012, including the assessment of the internal control system and the risk management system substantial for the Company (Resolution No. 06/04/13).



Then the Supervisory Board adopted a resolution 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 22 May 2013 (Resolution No. 07/04/13), on approval of the Dividend Policy of Dom Development S.A. (Resolution No. 08/04/13), and a resolution regarding evaluation of the petition of the Management Board regarding net profit allocation of Dom Development S.A. for 2012 (Resolution No. 09/04/13).

Furthermore, the Supervisory Board adopted 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. Pool 2013) (Resolution No. 10/04/13).

Session of 22 May 2013

With reference to expiration of the mandates of current members of the Supervisory Board of Dom Development S.A. on 22 May 2013, the Supervisory Board appointed the Chairman of the Supervisory Board (Resolution No. 01/05/13) and a Deputy Chairman of the Supervisory Board (Resolution No. 02/05/13). The Supervisory Board also set the number of members of the Remuneration Committee (Resolution No. 06/05/13) and the Audit Committee (Resolution No. 10/05/13) and appointed the members and Chairmen of these committees (Resolutions No. 07/05/13, No. 08/05/13, No. 09/05/13 and No. 11/05/13, No. 12/05/13, No. 13/05/13). The Supervisory Board set the composition of the Management Board at five members (Resolution No. 03/05/13) and appointed Mr. Jerzy Ślusarski as Member and Vice President of the Management Board (Resolution No. 04/05/13) and Mr. Janusz Stolarczyk as Member of the Management Board (Resolution No. 05/05/13).

Session of 29 July 2013 (via teleconference)

The Supervisory Board adopted the following resolutions: on granting the consent to deprive shareholders of their pre-emptive rights in whole by the Management Board and on consideration and statement of opinion on increasing the share capital of the Company by issuing shares within authorized capital (Resolution No. 01/07/13), on granting the consent to the Management Board to set the share issue price of shares of series P in the amount of PLN 14.91 per share and of shares of



series R in the amount of PLN 16.97 per share (Resolution No. 02/07/13) and on granting the consent to send the documents regarding Dom Development S.A. 726,000 Executive Share Option Scheme II to the Management Board member and on empowering the Chairman of the Supervisory Board to sign the above-mentioned documents (Resolution No. 03/07/13).

Furthermore, the Supervisory Board granted consent for the conclusion of declarations of reservation, the developers agreements and the preliminary sales agreements between Dom Development S.A. and Members of the Management Board, and empowered the Chairman of the Supervisory Board to sign the above-mentioned agreements (Resolution No. 04/07/13 and No 05/07/13).

Session of 24 September 2013

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, both of whom participated in the session.

The Supervisory Board then adopted the 2014 Company Activity Schedule (Resolution No. 01/09/13).

Session of 30 September 2013

The Supervisory Board adopted a resolution on granting the consent for the Management Board to undertake acts concerning the dematerialization of shares of series P and series R, to conclude an agreement with the National Depository for Securities in respect of the registration of the shares of series P and series R, and to undertake acts concerning admission of the shares of series P and series R to the regular market (Resolution No. 02/09/13).

Session of 29 November 2013

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, both of whom participated in the session.



Furthermore, the Supervisory Board agreed 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 empowered the Chairman of the Supervisory Board to sign the above-mentioned documents (Resolution No. 01/11/13).

Session of 16 December 2013 (via teleconference)

The Supervisory Board adopted the resolutions: 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. 2014 Pool) (Resolution No. 01/12/13) and 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. 02/12/13).