



REPORT
OF THE AUDIT COMMITTEE
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JULY 2017
TO 31 DECEMBER 2017





I. Personnel, composition and organisation of the Audit Committee of Dom Development S.A.

Pursuant to the provisions of the Statute of Dom Development S.A. with its registered seat in Warsaw ("the Company") and Audit Committee Bylaws dated 5 September 2006, amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010, the Audit Committee is a permanent committee of the Supervisory Board.

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) and at least one Independent Member shall have knowledge of and skills in accounting or auditing and at least one Member of the Audit Committee shall have knowledge of and skills in the industry in which the Company operates.

During the period under review, i.e. from 1 July 2017 to 31 December 2017, 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).

The rules of organisation and the methods of operation of the Audit Committee are specified by the provisions of the Company's Statute and the Audit Committee Bylaws dated 5 September 2006, and amended on 29 December 2006, 29 June 2007, 3 April 2008 and 5 October 2010.

II. Activity of the Audit Committee

1. During the period under review, the Audit Committee conducted its activity by way of sessions convened by the Chairman of the Supervisory Board according to pre-agreed audit and internal audit cycles. Three sessions of the Audit Committee were conducted through means of teleconference. Minutes were taken during all sessions and the decisions made by the Audit Committee took the form of resolutions.



2. During the period from 1 July 2017 to 31 December 2017, the most important tasks of the Audit Committee were to supervise the Management Board with respect to compliance with the applicable provisions of law and other regulations (in particular with respect to the Accountancy Law dated 29 September 1994), to supervise preparation by the Company of reports and financial information and to ensure compliance by the Management Board with the recommendations and findings of the auditors appointed by the Supervisory Board.

The Audit Committee monitored and reviewed issues related to internal audits conducted in the Company and in particular the works conducted by the Internal Audit department. The Audit Committee also performed a supervisory function with respect to the program of the Business Risk Management and internal audit department. The Audit Committee judged the independence of the internal audit process positively. The system of internal procedures and audits (Internal Audit Charter) was approved by the Audit Committee. The Company utilised external expertise to review transactions which it considered to be of a high financial and business risk, such as the acquisition of a developer (Capital Group Euro Styl S.A.) active in the Tri-city market and for a significant transaction connected to the acquisition of a company and perpetual usufruct in the Warsaw market. Utilising independent, external professionals who worked closely with Dom's management was viewed by the Audit Committee as means of limiting the risk associated with both of these transactions. Moreover, to assess the risks related to the Capital Group Euro Styl S.A. transaction a committee was set up which included a member from the Internal Audit, a designated member of the Audit Committee, an external consultant and members of the executive management team.

Using its authority, the Audit Committee requested from the Company relevant information concerning accounting, financial, internal and external audit issues. In particular, the members of the Audit Committee were authorised to review all books and records of the Company as well as the Company's annual and semi-annual financial statements, to demand schedules of the work of internal controllers and auditors, to request explanations from the Management Board members, managers and employees of the Company to the extent necessary, and to give recommendations and assessments to the Supervisory Board in relation to subjects within the scope and responsibility of the Audit Committee.

During the period covered by this report, 5 sessions of the Audit Committee of Dom Development S.A. took place (of which three sessions were held by teleconference), on the following dates:

1. 3 July 2017 (via teleconference);
2. 22 August 2017 (via teleconference);

3. 27 September 2017;
4. 19 October 2017 (via teleconference);
5. 30 November 2017.

All sessions of the Audit Committee were convened correctly. All members of the Audit Committee were present at 3 sessions and 2 sessions took place with the required *quorum*. Three sessions of the Audit Committee were also attended by certain members of the Management Board and other management, including: Vice President of the Management Board and CFO, Mr. Janusz Zalewski (3 sessions), and Financial Controller and CFO Deputy, Mr. Dariusz Gołębiewski (3 sessions), who both provided information about the Business Risk Management Paper, procedure for the audit firm selection, the Company's financial statements and other information that was requested by the Audit Committee to be provided by the Management Board.

Three of the Audit Committee sessions were attended by representatives of the Company's auditor, Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered seat in Warsaw, who presented tax and accounting issues, discussed the results of the 2017 half year review and presented information concerning the audit of the 2017 financial statements.

Session of 3 July 2017 (via teleconference)

The Audit Committee adopted a resolution on the acceptance of the Report of the Audit Committee on the activities conducted from 1 January 2017 to 30 June 2017 and submission of said Report to the Supervisory Board (Resolution No. 01/07/17).

Session of 22 August 2017 (via teleconference)

The participants of the Audit Committee, together with the professionals from Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., discussed the auditor's written report on the 2017 half-year review.

Session of 27 September 2017



The Audit Committee members, together with the professionals from Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. summarised the half-year review, audit strategy and fees for 2017.

The Audit Committee accepted the 2018 Company Activity Schedule (Resolution No. 01/09/17) and the 2018 Audit Life Cycle Paper (ALCP) (Resolution No. 02/09/17).

Session of 19 October 2017 (via teleconference)

The Audit Committee adopted "The policy and procedure for the selection of an audit firm for a statutory audit of financial statements and the policy of non-audit services to be rendered by audit firm that provides statutory audit of financial statements, by an affiliate to such audit firm or by a member of the audit firm's network, prevailing in Dom Development S.A." (Resolution No. 01/10/17).

Session of 30 November 2017

The Audit Committee members were joined by professionals from Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k., who presented their work on the interim audit for 2017, which was a continuation of the 2017 half-year review of the Company's financial statements. The strategy for the final annual 2017 audit was also discussed.

The Audit Committee adopted the resolution on recommendation regarding 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. 01/11/17).