



**REPORT
OF THE SUPERVISORY BOARD
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JANUARY 2014
TO 31 DECEMBER 2014**





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 2014 to 31 December 2014 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).

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 2014 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 three members appointed by the Supervisory Board from among its members, two of whom are Independent Members and at least one of whom has qualifications in accounting or auditing. During the period from 1 January 2014 to 31 December 2014, 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 2014 to 30 June 2014 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 2014 to 31 December 2014 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 2014 to 31 December 2014, 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 2014 to 31 December 2014 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 2014 to 31 December 2014, 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. 17 January 2014 (via teleconference);
2. 24 March 2014 (via teleconference);
3. 8 April 2014;
4. 22 May 2014;
5. 23 September 2014;
6. 1 October 2014 (via teleconference);
7. 18 November 2014 (via teleconference);
8. 28 November 2014;
9. 16 December 2014 (via teleconference).

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 5 sessions and 4 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 17 January 2014 (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. 01/01/14), and on granting consent to the Management Board to set the share issue price of shares of series S in the amount of PLN 14.91 per share (Resolution No. 02/01/14).

Session of 24 March 2014 (via teleconference)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2013 and the targets and limits of the SECP (Senior Executive Compensation Plan) in 2014.

The Supervisory Board adopted the following resolutions: on the acceptance of execution of the SECP (Senior Executive Compensation Plan) in 2013 (Resolution No. 01/03/14), on defining the targets and limits of the bonus of the SECP (Senior Executive Compensation Plan) in 2014 (Resolution No. 02/03/14), 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 2014 (Resolution No. 03/03/14).

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. 2012 Pool and 2013 Pool) (Resolution No. 04/03/13 and Resolution No. 05/03/14).

Furthermore, the Supervisory Board granted the consent for the Management Board to undertake acts concerning the dematerialization of shares of series S, to conclude agreements with the National Depository for Securities in respect of the registration of the shares of series S, and to undertake acts concerning admission of the shares of series S to the regular market (Resolution No. 06/03/14).

Session of 8 April 2014

Presentation on product quality management in Dom Development S.A. was presented to the members of the Supervisory Board. Furthermore the members of the Supervisory Board discussed the current market and business situation with the Vice President of the Management Board Mr. Janusz Zalewski, who 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 2013 (Resolution No. 01/04/14), on evaluation of the report of the Management Board on the activities of Dom Development S.A. in 2013 (Resolution No. 02/04/14), on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2013 (Resolution No. 03/04/14), on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2013 (Resolution No. 04/04/14), on adoption of the reports of the Supervisory Board as of 2013 (Resolution No. 05/04/14), on adoption of the assessment by the Supervisory Board of Dom Development S.A. of the situation of the Company in the year 2013, including the assessment of the internal control system and the risk management system substantial for the Company (Resolution No. 06/04/14).

Then the Supervisory Board adopted the resolutions: on evaluation of the petition of the Management Board concerning the allocation of the Dom Development S.A. net profit as of 2013 and the allocation of part of the capital reserves for payment of a dividend (Resolution No. 07/04/14), 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 2014 (Resolution No. 08/04/14), and on approval of the draft of a preliminary sale agreement and granting the consent to conclude this preliminary sale agreement with the Chairman of the Supervisory Board Grzegorz Kiełpsz and his wife (Resolution No. 09/04/14).

Session of 22 May 2014

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 23 September 2014

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.

With regard to the resignation of Mr. Jerzy Ślusarski from the positions of Member of the Management Board and Vice President of the Management Board of Dom Development S.A. as of 30 September 2014, the Supervisory Board appointed Mrs. Małgorzata Kolarska, starting from 1 October

2014, as Member of the Management Board and Vice-President of the Management Board of Dom Development S.A., with a three year joint term of office (Resolution No. 01/09/14).

Furthermore, the Supervisory Board adopted the following resolutions: on granting the consent to conclude by mutual consent a termination agreement of the employment agreement, between Dom Development S.A. and Vice President of the Management Board Mr. Jerzy Ślusarski, and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreement with the Vice President of the Management Board Mr. Jerzy Ślusarski (Resolution No. 02/09/14), on granting the consent to exercise by former employee the option granted within Dom Development S.A. 726,000 Executive Share Option Scheme II (Resolution No. 03/09/14), and on adoption of the 2015 Company Activity Schedule (Resolution No. 04/09/14).

Session of 1 October 2014 (via teleconference)

The Supervisory Board adopted the following resolutions: on the determination of remuneration and other benefits for Vice President of the Management Board Mrs. Małgorzata Kolarska (Resolution No. 01/10/14), on granting the consent to conclude an agreement on amendment of the terms and the content of the employment agreement and the non-competition agreement between Dom Development S.A. and Mrs. Małgorzata Kolarska and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreements (Resolution No. 02/10/14), and on granting the consent to conclude an agreement establishing a separate ownership title to the residential unit and the sale of the same, a preliminary sale agreement of the share in joint ownership of the premises, namely a multi-place garage, an agreement on fit-out accomplishment in this dwelling, between Dom Development S.A. and Member of the Management Board Mr. Janusz Stolarczyk and his wife, and on empowering the Chairman of the Supervisory Board to sign the above-mentioned agreement with Member of the Management Board Mr. Janusz Stolarczyk (Resolution No. 03/10/14).

Session of 18 November 2014 (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. 01/11/14), and on granting consent to the Management Board to set the share issue price of shares of series T in the amount of PLN 14.91 per share (Resolution No. 02/11/14).



Session of 28 November 2014

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. Furthermore, the Supervisory Board agreed to grant the consent to conclude an agreement establishing a separate ownership title to the residential unit and the sale of the same, a sale agreement of the share in joint ownership of the premises, namely a multi-place garage, an agreement on fit-out accomplishment in this dwelling, between Dom Development S.A. and Member of the Management Board Mr. Janusz Stolarczyk and his wife, and empowered the Chairman of the Supervisory Board to sign the above-mentioned agreements with Member of the Management Board Mr. Janusz Stolarczyk (Resolution No. 03/11/14).

Session of 16 December 2014 (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. 2015 Pool) (Resolution No. 01/12/14) 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. 02/12/14).