



**REPORT
OF THE SUPERVISORY BOARD
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JANUARY 2015
TO 31 DECEMBER 2015**





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 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 2015 to 31 December 2015 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).

In the opinion of the Supervisory Board the Independent Members: Marek Moczulski, Włodzimierz Bogucki and Krzysztof Grzyliński, fulfil the independence criteria set in point 7.7 of the Company's Statute, Annex II to the European Commission Recommendation of 15 February 2005, section III. 6 of the Code of Best Practice for WSE Listed Companies as in force by 31 December 2015 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 2015 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 2015 to 31 December 2015, 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.

During the period covered by this report, 8 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 17 February 2015 (via teleconference)
2. 24 February 2015,
3. 5 March 2015 (via teleconference),
4. 26 May 2015,
5. 1 July 2015 (via teleconference),
6. 24 August 2015 (via teleconference),
7. 29 September 2015,
8. 10 December 2015.

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2015 to 30 June 2015 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 2015 to 31 December 2015 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 2015 to 31 December 2015, 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.

During the period covered by this report, 5 sessions of the Dom Development S.A. Remuneration Committee took place (of which 1 session was held by teleconference), on the following dates:

- 1) 23 February 2015;
- 2) 5 March 2015 (via teleconference);
- 3) 26 May 2015;
- 4) 28 September 2015;
- 5) 10 December 2015.

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2015 to 31 December 2015 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 2015 to 31 December 2015, 11 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. 11 February 2015 (via teleconference);
2. 20 March 2015 (via teleconference);
3. 14 April 2015;
4. 23 April 2015 (via teleconference);
5. 28 May 2015;
6. 17 July 2015 (via teleconference);
7. 21 July 2015 (via teleconference);
8. 28 August 2015 (via teleconference);
9. 29 September 2015;
10. 11 December 2015;
11. 22 December 2015 (via teleconference).

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 2 sessions and 9 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 11 February 2015 (via teleconference)

The Supervisory Board granted the consent for the Management Board to undertake acts concerning the dematerialization of shares of series T, to conclude agreements with the National Depository for



Securities in respect of the registration of the shares of series T, and to undertake acts concerning admission of the shares of series T to the regular market (Resolution No. 01/02/15).

Session of 20 March 2015 (via teleconference)

The members of the Supervisory Board discussed the execution of the SECP (Senior Executive Compensation Plan) in 2014 and the targets and limits of the SECP (Senior Executive Compensation Plan) in 2015.

The Supervisory Board adopted the following resolutions: on the acceptance of execution of the SECP (Senior Executive Compensation Plan) in 2014 (Resolution No. 01/03/15), on defining the targets and limits of the bonus of the SECP (Senior Executive Compensation Plan) in 2015 (Resolution No. 02/03/15), 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 2015 (Resolution No. 03/03/15).

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, 2013 Pool and 2014 Pool) (Resolution No. 04/03/15, Resolution No. 05/03/15 and Resolution No. 06/03/15).

Session of 14 April 2015

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 2014 (Resolution No. 01/04/15), on evaluation of the report of the Management Board on the activities of Dom Development S.A. in 2014 (Resolution No. 02/04/15), on evaluation of the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2014 (Resolution No. 03/04/15), on evaluation of the report of the Management Board on the activities of Dom Development Capital Group in 2014 (Resolution No. 04/04/15), on adoption of the reports of the Supervisory Board as of 2014 (Resolution No. 05/04/15), on adoption of the assessment by the Supervisory Board of Dom Development S.A. of the situation of the Company in the year 2014, including the assessment of the

internal control system and the risk management system substantial for the Company (Resolution No. 06/04/15).

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 2014 (Resolution No. 07/04/15), 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 28 May 2015 (Resolution No. 08/04/15).

Session of 23 April 2015 (via teleconference)

The Supervisory Board adopted the resolution on consideration and statement of opinion on the proposal of the Management Board of Dom Development S.A. regarding draft resolution on a merger of Dom Development S.A. and Divina sp. z o.o. (Resolution No. 09/04/15).

Session of 28 May 2015

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 17 July 2015 (via teleconference)

The Supervisory Board granted the consent for adoption by the Management Board of a resolution on exclusion in full of the pre-emptive rights that the existing shareholders may have with respect to the subscription warrants (Resolution No. 01/07/15).

Session of 21 July 2015 (via teleconference)

The Supervisory Board adopted the resolution on granting the consent to deliver the subscription warrants to the Management Board members, on approval of a draft subscription form for warrants and of a draft collective warrant certificate, and on empowering the Chairman of the Supervisory Board to sign the above mentioned documents (Resolution No. 02/07/15).

Session of 28 August 2015 (via teleconference)

The Supervisory Board confirmed an annex to the agreement on fit-out accomplishment in the dwelling, concluded between Dom Development S.A. and Member of the Management Board and his wife (Resolution No. 01/08/15).

Session of 29 September 2015

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 adopted the resolution on adoption of the 2016 Company Activity Schedule (Resolution No. 01/09/15).

Session of 11 December 2015

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 adopted the resolution regarding the amendment of Dom Development's Supervisory Board Bylaws (Resolution No. 01/12/15) and on the consideration and statement of opinion on the proposal of the Management Board of Dom Development S.A. regarding draft resolutions to be adopted by the General Shareholders Meeting on 26 January 2016 (Resolution No. 02/12/15).

Session of 22 December 2015 (via teleconference)

The Supervisory Board adopted the resolution on continuation of the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (Resolution No. 03/12/15).



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 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 2015, were independent with regard to their opinions of the Management Board work and 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 all the duties which were required of them. The Supervisory Board believes that the formal work carried out in 2015 was performed satisfactorily and that the Company's activities were supervised properly both by means of formal meetings and by other informal contacts between members of the Supervisory Board and the senior management of the Company.

Over the course of 2015 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 2015 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 with 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 2015. Supervisory Board sessions always took place with the required *quorum*. The Supervisory Board adopted all



resolutions and decisions unanimously. There were no occasions on which any Member of the Supervisory Board voted against the rest of the Board.

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, Dom Development S.A.'s Supervisory Board Members believe the Company correctly applied the principles of corporate governance during the course of 2015, in particular with regard to the operation of supervisory bodies.