

DOM DEVELOPMENT S.A.

**REPORT
OF THE SUPERVISORY BOARD
OF DOM DEVELOPMENT S.A.
ON THE ACTIVITIES CONDUCTED
FROM 1 JANUARY 2021
TO 31 DECEMBER 2021**





CONTENTS

1 PERSONNEL, COMPOSITION AND ORGANISATION OF THE SUPERVISORY BOARD OF DOM DEVELOPMENT S.A.....	2
2 ACTIVITY OF THE SUPERVISORY BOARD.....	3
3 ASSESSMENT OF THE COMPANY'S STANDING ON A CONSOLIDATED BASIS, INCLUDING ASSESSMENT OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AND THE INTERNAL AUDIT FUNCTION, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT.....	6
4 ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND THE MANNER OF COMPLIANCE WITH THE DISCLOSURE OBLIGATIONS CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES DEFINED IN THE EXCHANGE RULES AND THE REGULATIONS ON CURRENT AND PERIODIC REPORTS PUBLISHED BY ISSUERS OF SECURITIES, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT.....	11
5 ASSESSMENT OF THE RATIONALITY OF EXPENSES EXPENSED BY THE COMPANY AND ITS GROUP IN SUPPORT OF CULTURE, SPORTS, CHARITIES, THE MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS, ETC.....	12
6 PERIODIC ASSESSMENT OF MATERIAL TRANSACTIONS WITHIN THE MEANING OF THE ACT ON PUBLIC OFFERING, CONDITIONS GOVERNING THE INTRODUCTION OF FINANCIAL INSTRUMENTS INTO AN ORGANISED TRADING, AND PUBLIC COMPANIES.....	12
7 INFORMATION REGARDING THE DEGREE OF IMPLEMENTATION OF THE DIVERSITY POLICY APPLICABLE TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD.....	13
8 SELF-ASSESSMENT OF THE SUPERVISORY BOARD.....	13

1 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 Chairperson and two Deputy Chairpeople. The Chairperson of the Supervisory Board and one Deputy Chairperson 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.

In the period from 1 January 2021 until 12 March 2021 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

- Grzegorz Kiełpsz - Chairman of the Supervisory Board,
- Markham Dumas - Vice Chairman of the Supervisory Board,
- Marek Moczulski - Vice Chairman of the Supervisory Board (Independent Member)
- Mark Spiteri - Member of the Supervisory Board
- Michael Cronk - Member of the Supervisory Board,
- Dorota Podedworna-Tarnowska - Member of the Supervisory Board (Independent Member),
- Krzysztof Grzyliński - Member of the Supervisory Board (Independent Member).

As of 12 March 2021, Mr Michael Cronk, Member of the Company's Supervisory Board, resigned from his position as Member of the Company's Supervisory Board on account of his retirement. Moreover, as of 12 March 2021, Mr Markham Dumas, Member and Vice Chairman of the Company's Supervisory Board, resigned from his position of Vice Chairman of the Supervisory Board while remaining a Member of the Company's Supervisory Board. As of 15 March 2021, a shareholder holding at least 50.1 % of the Company's shares appointed Mr Janusz Zalewski for a joint three-year term of office as a Member and Vice Chairman of the Company's Supervisory Board, pursuant to article 7.4 of the Articles of Association of the Company.

Consequently, in the period from 15 March 2021 until 31 December 2021, the Supervisory Board of Dom Development S.A. was composed of seven members:

- Grzegorz Kiełpsz - Chairman of the Supervisory Board,
- Janusz Zalewski - Vice Chairman of the Supervisory Board,
- Marek Moczulski - Vice Chairman of the Supervisory Board (Independent Member)
- Mark Spiteri - Member of the Supervisory Board
- Markham Dumas - Member of the Supervisory Board,
- Dorota Podedworna-Tarnowska - Member of the Supervisory Board (Independent Member),
- Krzysztof Grzyliński - Member of the Supervisory Board (Independent Member).

In the opinion of the Supervisory Board the Independent Members: Dorota Podedworna-Tarnowska, Marek Moczulski and Krzysztof Grzyliński, fulfil the independence criteria set out in the Act of 11 May 2017 on auditors, audit companies and public supervision and in point 7.7 of the Company's Statute, Annex II to the European Commission Recommendation of 15 February 2005. Moreover, all of the above-mentioned Independent Members have no actual or material relations with any shareholder holding at least 5% of the total vote in the Company.

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.

2 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 2021 Company Activity Schedule and depending on need. The Supervisory Board conducted sessions by means of videoconferences. 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 in accordance with the Act of 11 May 2017 on auditors, audit companies and public supervision and 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 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 and 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). Of these Independent Members at least one shall have knowledge of and skills in accounting or auditing, while at least one Audit Committee member shall have knowledge of and skills in the industry in which the Company operates.

In the opinion of the Supervisory Board the members of the Audit Committee fulfil the requirements for the competence set in the Act of 11 May 2017 on auditors, audit companies and public supervision, while the Independent Members: Dorota Podedworna-Tarnowska and Marek Moczulski, fulfil the independence criteria set in the above-mentioned Act.

During the period from 1 January 2021 to 31 December 2021, the Audit Committee acted under the following composition:

- Dorota Podedworna-Tarnowska – Chairwoman of the Audit Committee (Independent Member),
- Mark Spiteri – Member of the Audit Committee,
- Marek Moczulski – Member of the Audit Committee (Independent Member).

During the period covered by this report, 7 sessions of the Audit Committee of Dom Development S.A. took place, on the following dates:

1. 8 March 2021
2. 19 April 2021
2. 25 May 2021
3. 1 July 2021
4. 24 August 2021
5. 4 October 2021
6. 29 November 2021

The Report of the Audit Committee of Dom Development S.A. on the activities conducted from 1 January 2021 to 30 June 2021 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 2021 to 31 December 2021 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 2021 to 31 December 2021, the Remuneration Committee acted under the following composition:

- Marek Moczulski – Chairman of the Remuneration Committee (Independent Member),
- Mark Spiteri – Member of the Remuneration Committee,
- Krzysztof Grzyliński – Member of the Remuneration Committee (Independent Member).

During the period covered by this report, 9 sessions of the Dom Development S.A. Remuneration Committee took place, on the following dates:

1. 1 March 2021
2. 8 March 2021
3. 23 March 2021
4. 8 April 2021
5. 19 April 2021
6. 25 May 2021
7. 4 October 2021
8. 29 November 2021
9. 27 December 2021

The Report of the Remuneration Committee of Dom Development S.A. on the activities conducted from 1 January 2021 to 31 December 2021 is attachment No. 3 to this Report.

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. The Supervisory Board oversees the operations of the Company on an on-going basis in all its fields of activity as well as examines issues and motions submitted to the sessions of the Supervisory Board by the Company's Management Board. Additionally, the Supervisory Board's responsibilities include granting consent for: the conclusion by the Company (or any entities affiliated with the Company) of contracts with 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 2021 to 31 December 2021, 15 sessions of the Supervisory Board of Dom Development S.A. took place, all of them were held by means of videoconferences, on the following dates:

1. 21 January 2021
2. 8 February 2021
3. 1 March 2021
4. 10 March 2021
5. 12 March 2021
6. 23 March 2021
7. 8 April 2021
8. 19 April 2021
9. 10 May 2021
10. 27 May 2021
11. 29 June 2021
12. 30 July 2021
13. 4 October 2021
14. 30 November 2021
15. 27 December 2021.

All sessions of the Supervisory Board were convened correctly. All members of the Supervisory Board were present at 14 sessions and 1 session 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 Presidents of the Management Board Mr. Janusz Zalewski and Mr. Leszek Stankiewicz, both of whom provided information concerning the current activities of the Company.

During the meeting of 21 January 2021, the Supervisory Board adopted resolutions on increasing the share capital of Dom Development S.A. through the issuance of shares within authorized capital.

At the following meeting on 8 February 2021, the Supervisory Board granted its consent to the Management Board to (i) undertake acts concerning the dematerialization of shares of series AC and of series AD, (ii) conclude an agreement with KDPW (the National Depository for Securities) in respect of the registration of the shares of series AC and of series AD, and (iii) undertake acts concerning the admission of the shares of series AC and of series AD to the regular market. Moreover, the Supervisory Board granted its consent to the Company to conclude an agreement with a Member of the Management Board and to the Company to conclude agreements with entities affiliated with the Chairman of the Supervisory Board.

On 1 March 2021, the Supervisory Board granted its consent to conclude agreements with Members of the Management Board and with Members of the Supervisory Board, and adopted amended rules of the share option programmes.

During the meeting of 10 March 2021, the Supervisory Board adopted the following resolutions: one on the Supervisory Board statement regarding the selection of an audit firm, one on the Supervisory Board statement regarding the Audit Committee and one on the Supervisory Board assessment of: the financial statements of Dom Development S.A. for the year ending 31 December 2020, the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2020, the consolidated financial statements of Dom Development S.A. Capital Group ("Group" or/and "Capital Group") for the year ending 31 December 2020.

On 12 March 2021, the Supervisory Board awarded bonuses and additional benefit to a Member of the Management Board of the Company.

During the meeting of 23 March 2021, the Supervisory Board awarded Discretionary Bonuses under the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A. (re. Pool 2018, 2019 and 2020), determined a Pool and a Pool for Distribution, a Pool 2 and a Pool 2 for Distribution and a Pool 3 and a Pool 3 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. (re. 2021). Additionally, the Supervisory Board set remuneration and other benefits for the Vice-President of the Management Board of Dom Development S.A., Mr. Leszek Stankiewicz.

On 8 April 2021, the Supervisory Board adopted the following resolutions: one on adopting the assessment of material transactions within the meaning of the Act on public offering, conditions governing the introduction of financial instruments into organised trading, and public companies, one on adopting the report of the Supervisory Board on the activities conducted from 1 January 2020 to 31 December 2020, one on adopting the assessment by the Supervisory Board of Dom Development S.A. of the position of the Company in the year 2020, including the assessment of the internal control system, risk management, compliance and internal audit system, and a further resolution on adopting the assessment by the Supervisory Board of Dom Development S.A. of the Company's compliance with the duty of disclosure in respect of applying the principles of corporate governance as specified/defined in the Stock Exchange Rules, and the regulations concerning current and periodic submissions by security issuers and the soundness of the sponsorship, charity and other similar policies in place at the Company.

Additionally, the Supervisory Board adopted the following resolutions: one on the evaluation of the petition of the Management Board concerning the allocation of the Dom Development S.A. net profit as of 2020, one on the acceptance of the execution of the SECP (Senior Executive Compensation Plan) in 2020, and one on defining the targets and limits of the SECP (Senior Executive Compensation Plan) in 2021. Moreover, the Supervisory Board granted its consent to conclude an agreement with a Member of the Supervisory Board and granted its consent to Vice-President of the Management Board, Mr. Leszek Stankiewicz to perform as a member of the management board of companies other than those companies comprising Dom Development S.A. Capital Group.

During the meeting of 19 April 2021, the Supervisory Board adopted the following resolutions: one on adopting the "Supervisory Board report on 2019-2020 remuneration for members of Dom Development S.A. Management Board and Supervisory Board", one on the consideration and statement of opinion on the proposals of the Management Board of Dom Development S.A. regarding draft resolutions to be adopted by the Ordinary General Shareholders Meeting on 27 May 2021, and appointed an auditor to audit Dom Development S.A.'s financial statements and Dom Development S.A. Capital Group's consolidated financial statements for 2021.

On 10 May 2021, the Supervisory Board granted its consent to the Company to conclude an agreement with a Member of the Management Board.

During the meetings of 27 May 2021 and 29 June 2021, the Supervisory Board members discussed the Best Practice for GPW Listed Companies 2021. Additionally on 29 June 2021, the Supervisory Board granted its consent to the Company to conclude an agreement with a Member of the Supervisory Board.

On 30 July 2021, the Supervisory Board adopted to apply "Best Practice for WSE Listed Companies 2021".

On 31 August 2021, the Supervisory Board appointed an auditor, via a written resolution, to review the internal audit function.

During the meeting of 4 October 2021, the Supervisory Board adopted the 2022 Company Activity Schedule and granted its consent to conclude an agreement with a Management Board Member.

On 30 November 2021, the Supervisory Board discussed the Compliance Officer report on the activities conducted in 2021, adopted a resolution on the execution by Mr. Marcin Drobek of options granted within the Management Share Options Programme VI for Marcin Drobek, Management Board Consultant – Director for Investment Realization, regarding 150,000 Shares of Dom Development S.A. and granted its consent to conclude agreements with Supervisory Board Members.

During the meeting of 27 December 2021, the Supervisory Board amended the Discretionary Bonus Scheme for Senior Executives and Consultants of Dom Development S.A., granted its consent on advance payments on Discretionary Bonuses under the above-mentioned scheme and amended remuneration of the Vice President of the Management Board of Dom Development S.A., Mr. Leszek Stankiewicz.

3 ASSESSMENT OF THE COMPANY'S STANDING ON A CONSOLIDATED BASIS, INCLUDING ASSESSMENT OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AND THE INTERNAL AUDIT FUNCTION, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT

1. GENERAL INFORMATION ON THE POSITION OF THE COMPANY

The Supervisory Board having examined the financial statements of Dom Development S.A. for the accounting year 2021 and the Management Board's report of aggregate activities of the Company and the Dom Development S.A. Capital Group for the accounting year 2021, has approved these reports.

2021 was a year of unswervingly strong demand, which weakened at the end of the year due to the macroeconomic factors. At the same time, it continued to be accompanied by supply-side challenges. This was irrespective of the COVID-19 pandemic that has had multifaceted consequences in many areas of economic and social life. In the opinion of the Company's Supervisory Board, the negative impact of the COVID-19 pandemic on the Company's and Group's activities and on the entire property development market was relatively gentle and largely compensated for by the decisions to allocate financial surpluses into real estate by many people, expecting increased inflation or long-lasting low interest rates.

In the assessment of the Company's position and results, the Supervisory Board took into account the overall situation in the Polish economy, the conditions of the real estate market and the impact of the COVID-19 pandemic. The Supervisory Board further took into consideration the preparedness of the Company for such macroeconomic factors as increased inflation, with prices notably rising from mid-2021, or the Russian invasion of Ukraine launched on 24 February 2022, that was a factor significantly destabilising the economic environment throughout the region.

Despite these factors that have been adverse for the entire economy in general, 2021 brought great success for both the Company and the entire Capital Group which made a record-high consolidated net profit amounting to PLN 325.3m.

In the opinion of the Supervisory Board these difficult times were negotiated skilfully by the Company's Management Board, capitalising on the trends in the real estate development market and focusing on maximising profitability of the ongoing development projects rather than on sales volumes, while the historically low interest rates in the first quarters of 2021 have consistently supported demand for flats. At the same time, the Supervisory Board has realised obstacles piling up for the whole development sector on the supply-side. In particular, the limited availability of land for new development projects and high prices of land alongside the difficulties in obtaining administrative permits, have limited our market offer. The Supervisory Board is pleased to see that the Company tackled these challenges, and the COVID-19 pandemic has had no obvious negative impact in 2021 on the Company's construction projects, all of which were carried according to schedule.

Moreover, the Supervisory Board has observed that in the pursuance of the strategic goal of the Dom Development S.A. Management Board, namely maximisation of the value of the Company and its Group in the long term by maintaining its leading position in the main residential market agglomerations of the country, the Group acquired a majority stake in Sento S.A. in 2021, thus expanding its operations to include Cracow, the second largest residential market after Warsaw. The Company's Management Board, seeing great potential for growth in that market, as the next step started negotiations in September 2021 to acquire the BUMA Group companies, the leading developer in Cracow. With the closing of this transaction in February 2022, the Supervisory Board, expects a step increase of operations in the Cracow market this year.

In the context of general macroeconomic factors, in particular the situation in the residential property market, where the Company operates, the Supervisory Board confirms that the financial position of the Company remained strong. The assessment carried out by the Supervisory Board has mainly been based on the figures and quantitative results achieved by the Company from its operating activities.

The results of the Company for 2021 have been impacted, both by the number of residential projects completed (and in turn by the volume of deliveries) and also by an equally high gross margin on the delivered units as in the previous year. The results achieved from the development of specific housing developments have been the results of land purchase decisions of the Management Board made in previous years, and in particular the decision to commence these residential projects.

In 2021, the Company:

- commenced construction of 1 981 apartments on 13 projects (in 2020: 2 071 apartments on 13 projects),
- sold 2 165 apartments (in 2020: 2 340 apartments),
- completed construction of 1 830 apartments on 11 projects (in 2020: 2 174 apartments on 13 projects),
- handed over 1 798 apartments to customers (in 2020: 1 807 apartments).

The Supervisory Board would like to express its appreciation to the Management Board for the financial results achieved in 2021 with an operating profit of PLN 242.7m achieved (5% less than that generated by the Company in 2020). This result, specifically when compared against a strong 2020, should be assessed positively having been achieved with a slight decrease in deliveries (decrease of 0.5% year-over-year).

In 2021, the Company recorded a net profit of PLN 306.8m, which is 16% higher than the 2020 net profit and was achieved despite the drop in the Company's operating profit as described above, predominantly due to the dividend received from its subsidiaries in 2021 amounting to PLN 112.6m (a 66% increase over the dividend received in 2020).

However, the most important factor that determined the success of the Company and its Management Board is considered by the Supervisory Board to be the manner in which the entire Group is managed, its growth and the consolidated financial results, which were historically high at the Group, for both operating profit (at PLN 413m in 2021) and net profit (at PLN 325m in 2021).

In 2021, the Company's financial management was directed at ongoing construction of residential buildings, replenishment of the land bank, further expansion of its own general contracting, and the expansion into the Cracow market, and consequently the Company focused on seeking sources of long-term external financing for these operations and on maintaining a more-than-adequate level of liquidity. The Management Board regularly analyses both the current financing structure and determines the future optimum financing structure in order to achieve satisfactory financial ratios

and financial results over the medium term, and at the same time, to ensure adequate liquidity to maintain the financial security of the Company to withstand macroeconomic shocks.

It should be expected that in 2022 the residential real estate market should be impacted mostly by macroeconomic factors, such as interest rate policy, the situation in the labour market, the condition of the building industry and the sentiment in global markets, which affect consumers' propensity to invest in real estate. The Russian invasion of Ukraine, rising prices of raw materials and energy, and the COVID-19 pandemic, will have consequences which are hard to predict now, but are likely to have a highly destabilising effect. They may affect all of the above-mentioned macroeconomic aspects in the nearest future.

The Supervisory Board is of the opinion that the actions undertaken in 2021 have proved once again the competence of the Management Board in preparing the Company for the rapidly changing situation in the real estate market. The major responsibility of the Management Board is not only to ensure that the Company is prepared to react quickly to new challenges but most of all to maintain the leading position in the evolving residential market. The major steps undertaken in this respect included:

- ensuring that adequate sources of finance are available to the Company, both for current and future development projects, ongoing operations and for the Company's general security;
- co-operation with banks, and assisting customers in obtaining mortgages for the purchase of apartments;
- adjusting the Company's sales offer to the market demand;
- aligning land purchases to the Company's existing and future needs;
- utilising the existing land bank in the most appropriate manner;
- generating sales by improving the sales and marketing processes;
- maintaining customer confidence in the 'Dom Development' brand by maintaining quality;
- restructuring the organization and employment levels to the anticipated level of operational activities;
- adjusting the general contracting method applied in the projects to the existing market trends,
- thorough control of ongoing project budgets at all stages of project development;
- optimising overhead efficiency;
- responding to legislative changes; and
- responding without delay to crisis situations caused by various external factors, both local and global.

Currently the operational activities of the Dom Development S.A. Capital Group (the "Group") are carried out in four geographically separate markets: the Company has projects in Warsaw, while its subsidiaries - Euro Styl S.A. Capital Group, Dom Development Wrocław Sp. z o.o. and Sento S.A. - operate in the the Tricity, Wrocław and Cracow markets respectively. However, the majority of the operational activities and financial results generated by Dom Development S.A. Capital Group are still attributable to the Company, but it should be noted that since 2020 Euro Styl S.A. Capital Group became the leading developer in the Tricity area. The contribution of subsidiaries to the Group's results can be expected to increase further in the upcoming years.

The Supervisory Board believes that the key business processes in the Company are well established and professional.

The Land Department specialists employed by the Company identify land that is attractive and available for purchase to enable future development, they assess the potential profitability of such land (in cooperation with specialists from other departments) and finalise their purchase or conditional purchase, having obtained approval from the Management Board.

Other operating activities of the Company are assigned (during design and construction stages) to project development specialists from various departments, namely, sales, customer service, fit-out, and property management.

The market position of the Company at the end of 2021 was very satisfactory with the Company maintaining its position as the largest developer in the Warsaw market. This results from the well-established position of the Company in the housing market and its appropriate operational experience, both in terms of execution of residential development projects, and the marketing, sales and financing of these projects.

The strong financial position of the Company and the Group in which it operates is reflected in the balance of its net assets and cash holdings. As at 31 December 2021, the aggregate amount of "cash and cash equivalents" and "short-term financial assets" disclosed in the balance sheet of Dom Development S.A. was PLN 397m (at the end of 2020:

PLN 544m) following the acquisition of Sento Group companies. Interest bearing debt of the Company amounted to PLN 360m at the end of 2021, which was down by around PLN 10m compared to the end of 2020. It should be emphasised that the short-term interest-bearing debt of the Company at 31 December 2021 was PLN 50m which accounted for an insignificant fraction of the total interest-bearing debt (14% of the interest-bearing balance). The closing balance of total net interest bearing debt (total debt less cash and cash equivalents) was PLN 37m (a negative net debt) and represented excess of cash over interest-bearing debt. This demonstrates a very good liquidity position of the Company that continues to have significant cash holdings. The debt to equity ratio was consistently maintained at a comfortable level by the Company's Management Board (it was minus 3% as at 31 December 2021 against 15% as at 31 December 2020). The Supervisory Board is of the opinion that financial leverage has always been satisfactory for the Company, and presently - having regard to the potentially challenging macroeconomic situation described above - it should ensure the continuation of operating activities in the foreseeable future. This relatively low level of financial leverage enables further expansion in the scale of the Company's operating activities as and when justified by growth in market demand as well as allow the Company to withstand any market shocks.

The Company is the leader in the Warsaw residential development market and as such is well placed to grow in the Polish residential property market as opportunities arise. The Supervisory Board welcomes the strong sales results generated by the Company in 2021, which demonstrate that the Company effectively seized the opportunities in the market.

The Supervisory Board is also pleased to see that the Company observes the principles of strong business ethics and corporate governance principles. The reputation which the Company has built is a valuable asset which should contribute to the further development of the Company for the benefit of all its stakeholders.

2. EVALUATION OF THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS, AND THE INTERNAL AUDIT FUNCTION

The system of internal control did not significantly change in 2021 at Dom Development S.A., compared to the previous year.

The internal control system in Dom Development S.A., like in the previous years, was comprised of:

- Institutional control, which is operated by means of internal audits supervised by the Internal Audit Department and carried out by third-party auditors contracted by the Company, and supervised by the Financial Controller. Both the Internal Audit Department and the Financial Controller are controlled by the Company's Management Board and follow the guidelines set out by the Audit Committee;
- Functional control is operated by means of procedures, instructions, segregation of duties and allocation of responsibilities. In many areas, functional control is greatly supported by dedicated IT systems to an increasing extent.

The functional control is managed through the implementation of appropriately standardised and documented key operating processes in the Company which makes it possible to accurately determine the responsibilities for individual organisational units and employees. These processes are adequately standardised as instructions, procedures and controls. The manner and quality of the implementation of these instructions, procedures and controls is also subject to both the internal audits conducted within the Company and the external audits.

The Supervisory Board is pleased to note that the D365 integrated IT system, also comprising a financial and accounting system, was implemented at the Company and major development subsidiaries operating within the Group in 2021. By implementing this solution and integrating it into other existing business systems, we have increased our control through appropriate system configuration, algorithms, access controls, and clearly defined roles and responsibilities. This also enabled us to further improve quality of data, budget control and forecasting, as well as financial and operational reporting.

The financial reporting system in place at the Company, where such system is subject to both internal controls and periodic external audits by an independent certified auditor, is assessed well by the Supervisory Board.

Both the Management Board and the Supervisory Board, being aware of the importance of internal audit for the entire control environment at the Company, exercise great care when recommending and selecting an external

auditor, to ensure high quality external audits. Therefore, external audits at the Company and the Capital Group companies are carried out only by highly reputable and experienced audit firms. The Supervisory Board is pleased to note that, as concluded at regular meetings of the Audit Committee (which operates within the Supervisory Board) with the independent certified auditor of the Company and based on the results of audits, the financial statements are of good quality, and the control procedures reviewed by the certified auditor are efficient.

The Supervisory Board also has a positive opinion on the functional controls currently applied at the Company, and recognises the improvements made which are the result of the implementation of new IT solutions and recommendations from the previous internal audits.

The Audit Committee, which operates within the Supervisory Board is tasked with monitoring and reviewing issues relating to the Company's internal and external audit. This Committee supervises the Risk Management system and the Internal Audit Department, in addition to its duties concerning external audits.

The Supervisory Board is of the opinion that the level of institutional control has not materially changed in 2021, and remains at a similar level to 2020. In particular, with respect to the risk management process at the Company, the Internal Audit Department monitored the operation and efficiency of the most important internal control processes, which contributes to minimising risk and the improvement of the operating performance of the Company. The scope and quality of the audits performed by the Internal Audit Department was monitored by the Audit Committee on a regular basis. The Supervisory Board believes that the cooperation between the Internal Audit Department and the Quality System and Data Security Manager remained good during 2021.

The Supervisory Board would like to express its appreciation to the Management Board of the Company for its commitment to the matters relating to risk management and the internal control system. Moreover, the Supervisory Board has a positive opinion on the identification of the most significant and major risks potentially impacting the Company and the Capital Group that the Company is the parent of, and the methods used to address and minimise these risks.

The Supervisory Board, having reviewed the report on the operation of the compliance system as prepared by the Group's Compliance Manager and the assessment of the Company's Management Board regarding the effectiveness of the compliance system throughout the last year, welcomes the activities carried out in this area. It was demonstrated throughout 2021, which was marked by a changing legal environment mainly due to factors related to the prevailing COVID-19 pandemic, that an effective and mature compliance culture has become a permanent feature of development activities of the Company and the entire Capital Group.

Many well-planned challenges undertaken by the Company made it possible not only to complete the intended compliance activities, which involved ongoing provision of compliance with new legal and regulatory requirements to the Company and the Capital Group, but also to take support measures, including distribution of the most interesting press articles, training and legal information concerning the property development market throughout the Company and the Capital Group, focused on the development of compliance awareness among Company's personnel and the ongoing analysis of the compliance areas defined by the Company.

Other initiatives worth mentioning in respect of compliance include the adoption at the Company and the Capital Group of the CAR (Contractors' All Risk) insurance procedure and the legal and organisational integration with the companies of the Sento S.A. Group, with particular emphasis on keeping consistent compliance standards throughout the Group and the implementation of the Company's best solutions and practices in the Cracow market.

In the opinion of the Supervisory Board, the consistent pursuance by the Company of its development of compliance systems, which is based on adopting, monitoring and updating appropriate procedural solutions and on monitoring the market situation and legislative activities, including the ongoing analysis of recommendations issued by regulatory authorities, ensures that the Company and the Capital Group maintain the highest standards of compliance supervision.

The Supervisory Board emphasises that the effectiveness of compliance management in 2021 deserves the utmost recognition, while the commitment of the Management Board and further actions undertaken as part of the development of the compliance culture demonstrates the validity and comprehensive nature of the objectives for this area. The risk of non-compliance of operations of the Company and the Capital Group, in particular with the applicable provisions of law, has been substantially minimised.

4 ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND THE MANNER OF COMPLIANCE WITH THE DISCLOSURE OBLIGATIONS CONCERNING COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES DEFINED IN THE EXCHANGE RULES AND THE REGULATIONS ON CURRENT AND PERIODIC REPORTS PUBLISHED BY ISSUERS OF SECURITIES, AND INFORMATION ABOUT MEASURES TAKEN BY THE SUPERVISORY BOARD TO PERFORM SUCH ASSESSMENT

The duty of disclosure in respect of corporate governance are defined in the Warsaw Stock Exchange Rules and the Regulation by the Minister of Finance dated 29 March 2018 on the current and periodic submissions by securities issuers and the terms of confirming equivalence of information required under the regulations of a non-Member State. Rules for the submission of corporate governance reports are set out in Resolution No. 1309/2015 by the WSE Management Board dated 17 December 2015.

According to § 29.3 of the Stock Exchange Rules, if a specific detailed corporate governance rule is not applied on a permanent basis or is breached accidentally, the issuer shall publish a report in this respect. The report should be published on the issuer's official website and through an Electronic Information Database (EBI).

The Regulation by the Minister of Finance dated 29 March 2018 specifies what information should be contained in the corporate governance statement that forms a separate part of the activities report of the issuer in the annual report of the company.

Dom Development S.A. (the "Company") published its 2021 Annual Report on 18 March 2022, including the report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2021, within which the Company's statement on the application of corporate governance stated in the "Best Practices for WSE Listed Companies 2016" and the "Best Practices for WSE Listed Companies 2021" has been incorporated as a separate part of said report. The statement also included information on, together with justifications for, those rules and recommendations of the "Best Practices for WSE Listed Companies 2016" and the "Best Practices for WSE Listed Companies 2021" that the Company did not apply in 2021. The Supervisory Board in its assessment states that the corporate governance statement was submitted on that date as required. The content of these statements corresponds to the provisions of § 70.6.5 of the above mentioned Regulation by the Minister of Finance.

Moreover, the Company publishes current information on the status of its application of recommendations and rules set out in the Best Practice for WSE Listed Companies 2021 on its website (<https://inwestor.domd.pl/en/corporate-governance>).

The Supervisory Board monitored Company compliance with corporate governance principles and the manner of compliance with disclosure obligations regarding compliance with the corporate governance principles defined in the stock exchange rules and regulations on current and periodic reports published by issuers of securities, among others by discussing the above-mentioned issues during Supervisory Board and Audit Committee meetings, and by analysing and verifying the accuracy of information and documents published by the Company on its website.

Having considered the above, the Supervisory Board in its assessment states that the Company properly fulfils its duty in respect of the corporate governance as set out in the Stock Exchange Rules and the regulations concerning current and periodic submissions by securities issuers, including the timely publication of Company information on the current status and application of the recommendations and rules set out in the Best Practice for WSE Listed Companies 2021. The Supervisory Board evaluates that the published explanations regarding the Company's scope in fulfilling its corporate governance duties present to shareholders, investors and other interested parties a transparent, accurate and exhaustive picture of the way in which the Company functions.

5 ASSESSMENT OF THE RATIONALITY OF EXPENSES EXPENSED BY THE COMPANY AND ITS GROUP IN SUPPORT OF CULTURE, SPORTS, CHARITIES, THE MEDIA, SOCIAL ORGANISATIONS, TRADE UNIONS, ETC.

The Group companies actively support local sports initiatives, especially those related to the promotion of healthy, active lifestyles and amateur competition. Last year, Dom Development S.A. for the first time co-financed the 12th Polish Championship of Children from Children's Homes in football, which took place in the Targówek district of Warsaw. The event was organised by the "Cup Hope" Association (Stowarzyszenie "Nadzieja na Mundial").

Euro Styl S.A. was one of the partners of the Gdynia Open Championships in Badminton and the National Badminton Tournament which took place last November.

Euro Styl S.A., as the largest developer in the town of Rumia near Tricity, also actively supports the local community there. Once again, the company took part in the Active Senior Citizen campaign, promoting active lifestyles among the Rumia population aged 60+ through co-financing sports activities at gyms and pools.

Last year Dom Development S.A. together with Dom Construction sp. z o.o. supported the Heart of the City Foundation, which helps homeless people. The companies allocated some funds for the renovation and preparation of an apartment which would allow another person to escape the crisis of homelessness.

In 2021, Euro Styl S.A. joined the local community initiative that resulted in the setting up of a community refrigerator in the Dawna Poczta estate in Gdansk. A community refrigerator allows food to be shared with those who need it, while implementing the zero waste concept to keep waste to a minimum.

In accordance with rules 1.5. and 2.11.5 of Best Practice for WSE Listed Companies 2021, the Company disclosed the expenses in support of culture, sports, charities and social organisations in a report of the Management Board on the activities of Dom Development S.A. and its Capital Group in 2021. The amounts donated to charity are not significant in relation to the scale of the Company operations, while the beneficiaries of this activity are stakeholders in the field of education, promotion of sport, science, culture, art, development of local communities and care for those in need, which is not questioned by the Supervisory Board.

The Supervisory Board gives its positive opinion on the Company's and its Capital Group's activity within sponsorship, charity and other activities of a similar nature.

6 PERIODIC ASSESSMENT OF MATERIAL TRANSACTIONS WITHIN THE MEANING OF THE ACT ON PUBLIC OFFERING, CONDITIONS GOVERNING THE INTRODUCTION OF FINANCIAL INSTRUMENTS INTO AN ORGANISED TRADING, AND PUBLIC COMPANIES

Due to the procedure for periodic assessment of material transactions within the meaning of the Act on public offering, conditions governing the introduction of financial instruments into organised trading, and public companies ("Act on Public offering"), the Supervisory Board verified as to whether material transactions within the meaning of the Act on Public offering met the criteria to exclude the obligation of publishing information on concluding such material transactions.

The Supervisory Board confirmed that with regard to material transactions:

concluded between the Company and its affiliates, there is an exemption from the obligation under Chapter 4b of the Act on Public offering (i.e. to publish on the Company web site information on material transactions and to obtain supervisory board consent to conclude material transactions), pursuant to Art. 90j paragraph 1 point 2 of the Act on Public offering, due to the shareholding structure (sole owner);

concluded between a Company affiliate entity and a Company subsidiary entity, there is an exemption from the obligation under Chapter 4b of Act on Public offering (i.e. to publish on the Company web site information on material transactions), pursuant to Art. 90j paragraph 1 point 1 of the Act on Public offering, due to the fact that the transactions were concluded on an arm's-length basis as part of ordinary business activities.

7 INFORMATION REGARDING THE DEGREE OF IMPLEMENTATION OF THE DIVERSITY POLICY APPLICABLE TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Company does not apply principle 2.1 of Best Practice for WSE Listed Companies 2021, according to which the company should have a diversity policy for its Management Board and Supervisory Board, as adopted by the Supervisory Board or the General Meeting, respectively. Diversity policy sets out the objectives and criteria for diversity in areas such as gender, education, expertise, age and professional experience, and indicates the timing and manner in which the implementation of these objectives are to be monitored. In terms of gender diversity, the company's corporate bodies require no less than 30% of the minority to be present in the given body to be considered diverse. Dom Development S.A. is in the process of developing the Company's Diversity Policy, which will include diversity policy with respect to the composition of the Management Board and Supervisory Board of Dom Development S.A.

8 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 of 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 2021, worked autonomously of the Management Board and expressed independent opinions in relation to 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 the duties which were required of them. The Supervisory Board believes that the formal work carried out in 2021 was performed satisfactorily and that the Company's activities were supervised properly.

Over the course of 2021 all members of the Supervisory Board and in particular its Chairman and Deputy Chairman 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 2021 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 from 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 2021, while Supervisory Board sessions always took place with the required quorum. The Supervisory Board adopted all resolutions and decisions in accordance with its rules.

Pursuant to the working standards of the Supervisory Board presented above and in view of the contents of principles defined in Best Practice for WSE Listed Companies 2016 and the Best Practice for WSE Listed Companies 2021, Dom Development S.A.'s Supervisory Board Members believe the Company correctly applied the principles of corporate governance during the course of 2021, in particular with regard to the operation of supervisory bodies.