



**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 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**

Pursuant to Rule II.Z.10.3. and Rule II.Z.10.4. of the Best Practice for Warsaw Stock Exchange Listed Companies 2016



1. ASSESMENT OF THE COMPANY'S COMPLIANCE WITH THE DUTY OF DISCLOSURE IN RESPECT OF APPLYING THE PRINCIPLES OF CORPORATE GOVERNANCE AS SPECIFIED IN THE STOCK EXCHANGE RULES, AND THE REGULATIONS CONCERNING CURRENT AND PERIODIC SUBMISSIONS BY SECURITY ISSUERS

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 (Journal of Laws of 2018 item 757). 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.

The Supervisory Board in its assessment states that Dom Development S.A. (the "Company") submitted the corporate governance statement on the date as required. The Company's corporate governance statement as resulting from the "Best Practices for WSE Listed Companies 2016" has been incorporated as a separate part of the Management Board's Report of activities of Dom Development S.A. in 2018. The content of these statements corresponds to the provisions of § 70.6.5 of the above mentioned Regulation by the Minister of Finance.

Moreover, as prescribed in Rule I.Z.1.13 of the Best Practice for WSE Listed Companies 2016, the Company has published information on the status of the application by the Company of recommendations and rules set out in the Best Practice for WSE Listed Companies 2016 on its website on 4 January 2016. The Company publishes the current information on the status of the application by the Company of recommendations and rules set out in the Best Practice for WSE Listed Companies 2016 on its website (<https://inwestor.domd.pl/en/corporate-governance>).

In 2018, the Company did not apply recommendation described in Chapter IV.R.2 in items 2) and 3) of the Best Practices for WSE Listed Companies. The above recommendations stipulate that, if justified by a shareholding structure or by shareholders' expectations notified to a company, and where the company can provide the technical infrastructure necessary for the general meeting to proceed efficiently with the use of electronic means of communication, the company should allow the shareholders to participate in the general meeting using such means, in particular through: 2) two-way communication in real time, thus allowing the shareholders to speak during the proceedings of the general shareholders meeting while being away from the place of the meeting; and 3) exercise the voting rights at the general shareholders meeting either in person or by proxy. The Management Board of the Company decided that the possibility of holding a general meeting with the use of electronic means of communications was not justified, because the shareholding structure of the Company did not warrant it and because no shareholder notifications were received. Moreover, the Company did not enable electronic participation in the general shareholders meeting due to the higher risk of procedural irregularities. The Company's Management Board decided not to apply the above recommendations due to potential issues related to, inter alia, identification



of Shareholders, limited availability of appropriate two-way technology, and the Company's inability to guarantee shareholders' access to the required hardware.

Furthermore, on 1 December 2017 the Company informed through EBI and on its website that it did not apply principle VI.Z.2 of the BPWSE (Best Practice for WSE Listed Companies) prescribing that "to tie in the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years."

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted in resolution no. 21 dated 25 May 2017 by the Ordinary General Shareholders Meeting of the Company, adopted the Rules of the Management Share Options Programme IV for the Vice President of the Management Board, Chief Operations Officer, regarding 500,000 Shares of Dom Development S.A. In accordance with the provisions of Program IV, Mrs Małgorzata Kolarska received options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options will be limited to 100 000 shares in any 12-month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

The allocated options being split into five tranches with exercisability at 12-month intervals is an alternative corresponding to the manner of tying remuneration of a member of the management board to the Company's long-term business and financial goals as defined in detailed principle VI.Z.2. of the BPWSE. Program IV is designed in a way so as to tie the remuneration of Mrs Małgorzata Kolarska, who holds the functions of Vice President of the Management Board and COO, to the increase in the value of the Company for the Shareholders for a period of at least 5 years. Taking into account the distribution of option exercisability under individual tranches in time, the derogation from principle VI.Z.2 of the BPWSE applies only to the first two tranches, however it should be noted that all tranches may be exercised at periods later than these specified in principle VI.Z.2 of the BPWSE. Consequently, the adopted solution is the incentive program for a period longer than two years which results from principle VI.Z.2 of the BPWSE. Moreover, the consent of the General Shareholders' Meeting of the Company and the Supervisory Board of the Company confirm that the rules of Program IV adequately protect the interests of the Shareholders of the Company by tying benefits of the exercise of options under Program IV with the long-term development and growth in the value of the Company.

Apart from the above-mentioned recommendation, rule and the recommendations and rules which do not apply to the Company (I.Z.1.10, III.Z.6, IV.R.3), the Company has applied all recommendations and rules set out in the Best Practice for WSE Listed Companies 2016.

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.

2. ASSESSMENT OF THE SOUNDNESS OF THE SPONSORSHIP, CHARITY AND OTHER SIMILAR POLICIES IN PLACE AT THE COMPANY

The Supervisory Board believes that the Company's charity policy is carried out in a sound manner. The partners to be involved with as a sponsor or on a similar basis have been selected with high ethical standards in place and with particular regard for projects having a positive effect in the areas where the property development projects of the Company are located. 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.