

**Audit Committee's Report
to the CPD SA Supervisory Board on its activity in 2019**

Legal basis

The Audit Committee of the Supervisory Board of CPD SA is a standing committee operating on the basis of the following regulations:

- Article 86 of the Act of 5 May 2017 on Statutory Auditors and Their Self-Regulatory Body, Entities Authorized to Audit Financial Statements and Public Oversight,
- Recommendations pertaining to the Functioning of Audit Committees issued by the Polish Financial Supervision Authority in November 2010,
- Best Practices applied by public companies listed on the Warsaw Stock Exchange,
- Articles of Association of CPD SA,
- Supervisory Board Bylaws of CPD SA.

Composition of the Audit Committee in 2019

From 1 January 2019 to 31 December 2019:

Alfonso Kalinauskas – Audit Committee Chairman

Mirosław Gronicki – Audit Committee Member

Andrew Pegge – Audit Committee Member

Audit Committee meetings / actions / decisions

During the meetings listed below, the Audit Committee discussed current affairs and open issues. It also reviewed the Company's financial statements prior to publication, and agreed on the contents of the minutes of its meetings.

In 2019 the Audit Committee held six meetings on the following dates:

- 31 January 2019
- 16 April 2019
- 24 April 2019
- 23 September 2019
- 14 October 2019
- 9 December 2019

All Audit Committee members attended all of its meetings. All Supervisory Board members were invited to attend all the meetings, and various Supervisory Board members not belonging to the Audit Committee attended meetings and voiced their suggestions and/or posed pertinent questions. Management Board representatives and in some cases the Company's internal auditor attended the Audit Committee meetings.

The Audit Committee interacted directly with the Company's internal auditor and the statutory auditor and ensured that the internal auditor and statutory auditor had direct and unfettered access to the Audit Committee.

The Audit Committee prepared an annual report on its activity in 2018 and delivered this report to the shareholder meeting, which was published under current report no. 17/2019 on 27 June 2019.

Summary of topics discussed by the Audit Committee at its meetings

Audit Committee meeting held on 31 January

Meeting with the auditor to review the audit planning process as well as to examine the checks and controls related to transactions, which were found to be sufficient and efficient. Review of the assumptions for the upcoming statutory audit spanning topics such as materiality and focal points for audit procedures including management override of controls, revenue recognition (in its joint ventures, too), real estate valuation, loan valuation and tax risk with the auditor's tax partner being involved. Review of the assumptions for property valuation of all of the assets, including topics such as conditional post-balance sheet sales of office buildings and charitable donations of assets.

Review of the annual budget, cash flow and financial position of CPD and subsidiaries, including a review of planned revenue in office sales, land sales and apartment sales in the joint ventures. It was agreed that business plan performance would be reviewed on a quarterly basis.

Review of the risk map noting that no new risks had arisen since the review in 2018.

Review of the decision-making and internal approval system. Conclusion that the Company follows a thorough and robust process. The Audit Committee suggested amendments to the Company's articles to reflect the actual process in place in the Company.

Audit Committee meeting held on 16 April

Review of the stage of implementation of the statutorily required MDR reporting procedures by the Management Board.

Review of the statutory auditor's presentation of its audit results and monitored annual audit performance against the schedule for completing this process with suggestions made as to the presentation of the preliminary annual report and financial statements to ensure that they contain suitable and up-to-date descriptions and disclosures reflecting the status quo.

Assessment of the quality of cooperation with the auditor and finding that the interaction between the Company and the auditor is satisfactory.

Audit Committee meeting held on 24 April

Review of the independent auditor's report on the annual financial statements and the consolidated financial statements. The Audit Committee posed questions and put forward suggested adjustments for inclusion in the financial statements. The Audit Committee recommended approval of the financial statements to the full Supervisory Board subject to the insertion of the suggested adjustments.

The Audit Committee stated that these documents had been prepared in accordance with the Company's accounting books, documents, factual situation and in accordance with the legal regulations.

Audit Committee meeting held on 23 September

Review of the Group's remuneration and employment policy in respect of interactions and payments made in relations with group entities.

Amendment of a recommendation concerning a previous resolution to appoint the statutory auditor to correct an obvious error.

Meeting with the statutory auditor to review the standalone and consolidated interim financial statements. Upon noting the differences between an annual audit and an interim review, no material mistakes were found. The approach to risk remained the same with a focus on real estate valuation, loan valuation, any loan covenant breaches and changes to investment properties and assets held for sale using the same materiality metric as during the annual audit. Review of the reclassification from investment properties to assets held for sale and the pre-sale agreements and intention letters forming the basis for this reclassification. With the current focus on the sale of assets, the Audit Committee recommended new wording in the financial statements to reflect the Company's current strategy. Also, review of the auditor's work regarding loan impairment, investment properties and assets held for sale to assess its fair value conclusions. Recommended more plain language in the documents to ensure that disclosures concerning developments are as extensive as possible.

Review of the recommendations made by the Polish Financial Supervisory Authority (KNF) concerning the Company's reporting. The full-year financial had been updated, re-published and were found to be compliant with KNF's recommendations and these comments would be applied to subsequent financials and checked during the year end audit.

Review of the impact exerted by IFRS 16 – Leases – it was found to be inconsequential. Similarly, the recognition of usufruct rights was found not to have an impact on the Company. The Audit Committee made recommendations concerning the presentation of post balance sheet events.

Follow up on MDR schemes in the Company and found that there were none in place in the Company, also as no share buybacks had been transacted in 2019.

Review of the evolution of administrative expenses, taxes, trade receivables, value of investments in joint ventures. Additionally, examination of the reporting of sales, including the reporting of preliminary sales agreements.

The Audit Committee received an update on the sales of office buildings.

Audit Committee meeting held on 14 October

Review of remuneration policy in respect of subsidiaries with the Supervisory Board making the final decisions in this respect. The Audit Committee requested the update of the Company's accounts and cash budget to reflect the approved figures.

Audit Committee meeting held on 9 December

Review of the Company's updated cash flows with assumptions for future distributions to shareholders, ensuring that sufficient cash provisions are retained to meet all future obligations regarded running costs and taxes.

The Audit Committee received information on the property valuation process, the process of selling office buildings and the timely service of all bank loans.

The Audit Committee recommended that the Supervisory Board approve the cashflow and budget.

The Audit Committee received information that there were no tax schemes to report to the minister of finance. In addition, review of the current status of the pending tax proceedings.

Meeting with the Company's internal auditor and check of the status of interactions with regulatory authorities. No new updates or interactions had transpired.

During each of its meetings the Audit Committee gave consideration to the key areas of risk faced by CPD SA and the overall Group as detailed in CPD SA's standalone and consolidated financial statements for 2018, while giving consideration to the size and complexity of the Group and the number of employees.

Review of the updated risk profile prepared by the Management Board at its meeting on 31 January 2019. As needed during the year, the Audit Committee analyzed specific risks as they emerged and evolved.

The Audit Committee was in regular contact with the auditor and the company and received information about the planned scheduling of the valuations to be done of the Company's assets and the pre-yearend audit work to expedite the full-year audit.

The Audit Committee was in regular contact with the Company for the purpose of monitoring the financial reporting process in the Company and in the Group, monitoring the

effectiveness of the internal control, risk management and internal audit systems, in respect of financial reporting, monitoring financial review by the auditor, supporting the financial planning process and checking its execution and monitoring the Company's relations with related parties.

After each of its meetings the Audit Committee reported to the overall Supervisory Board on the scope of its activities. The Audit Committee also sought to obtain additional inputs from the overall Supervisory Board to ensure that the Audit Committee performed its duties to the full extent of its capacity.

The Audit Committee received regular information about the Company's results and financial position prior to the publication of the Company's annual, semi-annual and quarterly standalone and consolidated financial statements. The Audit Committee also received highly extensive disclosures from the Management Board and the Company's financial controller and internal auditor.

At the appropriate times during the year the Audit Committee shared its opinions and recommendations with the Supervisory Board and the Management Board.

The Audit Committee is of the opinion that it fully discharged its duties stemming from the prevailing legal regulations.

Alfonso Kalinauskas
Audit Committee Chairman

Miroslaw Gronicki
Audit Committee Member

Andrew Pegge
Audit Committee Member