

## **Audit Committee's Report of the Supervisory Board of CPD S.A. on its activity in 2021**

### **Legal basis**

The Audit Committee of the Supervisory Board of CPD S.A. is a standing committee operating based on 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 S.A.,
- Supervisory Board Bylaws of CPD S.A.

### **Composition of the Audit Committee in 2021**

Mr. Mirosław Gronicki	– Audit Committee Chairman
Mr. Krzysztof Laskowski	– Audit Committee Member
Mr. Andrew Pegge	– Audit Committee Member

In 2021, the composition of Audit Committee of CPD S.A. has changed in following manner:

- 31 October 2021, the Company received the resignation of the Audit Committee Member. Mr. Alfonso Kalinauskas resigned from the function without giving any reason,
- 24 November 2021, Mr. Krzysztof Laskowski was appointed as a Member of the Audit Committee,
- 24 November 2021, Mr. Mirosław Gronicki was elected Chairman of the Audit Committee.

### **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 2021, the Audit Committee held four meetings on the following dates:

- 11 March 2021
- 26 April 2021
- 24 September 2021
- 24 November 2021

Over the course of the year the Audit Committee also maintained regular contacts with the Company's Management Board, the internal auditor, and the auditors. These contacts included unofficial meetings and interactions in writing to prepare for full-fledged Audit Committee and Supervisory Board meetings.

All Audit Committee members attended all its official 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 2020 and delivered this report to the ordinary shareholder meeting, which took place on 24 June 2021 and was published on Company's web site.

Before presenting the summary of the individual Audit Committee meetings it should be noted that all of the activities performed by the Audit Committee after the emergence of the COVID-19 epidemic were performed in compliance with the pertinent health requirements, which placed an additional burden on the Audit Committee members, as well as all of its counterparts in the Supervisory Board, Management Board, CPD employees, auditors etc.

### **Summary of topics discussed by the Audit Committee at its meetings**

#### **Audit Committee meeting held on 11 March, where the following issues were discussed:**

- Preliminary discussion of the annual audit process, including the remuneration report, and adopting a resolution, if necessary, recommending GT services for the audit of the annual remuneration report
- Updated XBRL reporting scope and service provider contract
- Review of current property valuations for the annual financial statements and any changes to the carrying amounts in the financial accounts
- Update of relations with subsidiaries and / or planned changes in the Group
- Updating information on all contacts with the Polish Financial Supervision Authority (KNF) and any other competent authorities in Poland
- Review and update of a detailed CPD risk map as well as methods and techniques for managing, measuring, and reporting risks related to the Company's operations (internal control) and updating all tax-related issues
- Update on the fulfilment of bank obligations and refinancing
- Budget update and cash flow update
- Discussion of the first draft annual report of the Audit Committee in 2020.

#### **Audit Committee meeting held on 26 April, where the following issues were discussed:**

- Adoption of the recommendation of the Supervisory Board to adopt the statutory auditor's proposal on extending the scope of the auditor's contract to audit the CPD remuneration report, which is to be drawn up for the first time in 2021,
- Meeting with the auditor on the review of the financial statements of CPD S.A. and the CPD Group for 2020 in the continuation of the mid-year meeting of the Audit Committee with the auditor on 13 April 2021,
- Review of the financial statements of CPD S.A. and the CPD Group for 2020 and adoption of a resolution on the recommendation of their approval by the Supervisory Board of CPD S.A.,
- Review of the updated business plan for 2021-2022 and adoption of recommendations for its approval by the Supervisory Board,
- Consideration and approval of the Audit Committee's report on the activities in the fiscal year 2020 for submission to the Supervisory Board for approval.

**Audit Committee meeting held on 24 September, where the following issues were discussed:**

- Meeting with the auditor on the review of the financial statements of CPD S.A. and the CPD Group for the first half of 2021,
- Update on tax inspections and proceedings,
- Updating the rolling budget for the second half of 2021 and 2022 after dividend payment and considering the Group's restructuring plans and asset divestment plans and discussing the related risks,
- Discussion of the impact of Covid 19 on CPD S.A. and the CPD Group, including:
  - Office buildings, occupancy
  - Sales and housing construction
  - Materialization of risks and / or emergence of new risks,
- Review of the financial statements of CPD S.A. and the CPD Group for the first half of 2021 and adoption of a resolution on recommendations to the Supervisory Board of CPD SA to approve them.

**Audit Committee meeting held on 24 November, where the following issues were discussed:**

- Appointment of the Chairman of the Audit Committee of the Audit Committee,
- Update on tax inspections and proceedings,
- Review of the financial statements of CPD S.A. and the CPD Group for the third quarter of 2021.

**General remarks**

During each of its meetings the Audit Committee considered the key areas of risk faced by CPD S.A. and the overall Group as detailed in CPD's standalone and consolidated financial statements for 2021, while considering the size and complexity of the Group and the number of employees.

The basis for the Audit Committee's risk assessment was the updated risk profile prepared by the Management Board and presented to the Audit Committee on 31 January 2021. As needed during the year, the Audit Committee analysed 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-year-end 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.

The Audit Committee paid ample attention to the Company's budget and cash position to ensure that it retains suitable funds to meet all its present and future obligations while also distributing earnings to shareholders through share buybacks.

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.

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Mirosław Gronicki  
Audit Committee Chairman

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Krzysztof Laskowski  
Audit Committee Member

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Andrew Pegge  
Audit Committee Member