

**REPORT OF THE SUPERVISORY BOARD OF
CPD S.A.
COVERAGE:**

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WARSAW, 19 MAY 2023

1. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITIES IN THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

Pursuant to § 12 (2) and § 12 (17) (ii) of the Rules of Procedure of the Supervisory Board of CPD S.A., Article 382 § 3¹ of the Code of Commercial Companies (KSH) and in accordance with Rule II (11) of the Code of Best Practice for WSE Listed Companies - the Supervisory Board presents a report on the activities of the Supervisory Board in 2022.

I COMPOSITION OF THE SUPERVISORY BOARD IN 2022

As at 31 December 2022, the composition of the Supervisory Board of CPD S.A. was as follows:

1. Mr Andrew Pegge - Chairman of the Supervisory Board
2. Mr Wiesław Oleś - Secretary of the Supervisory Board
3. Mr. Mirosław Gronicki - Member of the Supervisory Board
4. Mr Krzysztof Laskowski - Member of the Supervisory Board
5. Mr Emil Tomaszewski - Member of the Supervisory Board

In 2022, the composition of the Supervisory Board of CPD S.A. changed as follows:

- 19 April 2022, the Company received the resignation of a member of the Supervisory Board from her position. Ms Hanna Karwat - Ratajczak resigned from her position without stating any reason. The resignation was submitted with effect from the date of the Ordinary General Meeting, the subject of which is to consider and approve the Management Board' report on the company's activities and the financial statements for 2021 and to discharge the members of the company's bodies for the performance of their duties in 2021.
- 28 June 2022. Mr Emil Tomaszewski was appointed to serve as a member of the Supervisory Board.

In the composition of the Supervisory Board, Mr Mirosław Gronicki, Mr Emil Tomaszewski and Mr Krzysztof Laskowski are Independent Members. Mr Mirosław Gronicki and Mr Krzysztof Laskowski are qualified in accounting and auditing.

AUDIT COMMITTEE

As at the balance sheet date, the Audit Committee of CPD S.A. comprised the following members:

1. Mr Mirosław Gronicki - Chairman of the Audit Committee (independent member),
2. Mr Krzysztof Laskowski - Member of the Audit Committee (independent member)
3. Mr Andrew Pegge - Member of the Audit Committee.

The composition of the Audit Committee meets the requirements set out by the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2017, item 1089, as amended), according to which, the Audit Committee should comprise at least three members, of which at least one should have knowledge and skills in accounting or auditing, at least one member of the Audit Committee should have knowledge and skills in the industry in which the issuer operates and the majority of the committee members, including the chairman, must meet the independence criteria.

The Audit Committee is obliged to cooperate with the Company's auditors and to monitor their independence, inter alia in connection with the Auditors Act.

II ACTIVITIES OF THE SUPERVISORY BOARD AND ITS COMMITTEE

The Supervisory Board fulfilled its duties by exercising constant supervision over the Company's activities. It fulfilled its tasks under the law, the Articles of Association of CPD S.A. and the Regulations of the Supervisory Board of CPD S.A.

➤ MEETINGS OF THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

The Company's Supervisory Board met on the following dates in 2022:

- 28 March 2022;
- 26 April 2022;
- 27 September 2022;
- 23 November 2022.

In 2022 The Company's Supervisory Board dealt with the following issues, among others:

- providing opinions on draft resolutions for the Ordinary and Extraordinary General Meetings of CPD S.A.;
- Evaluation of the separate and consolidated financial statements of CPD S.A. for the financial year 1 January to 31 December 2021;
- to assess the Management Board' report on the activities carried out by CPD S.A. and its group in the 2021 financial year;
- analysing the annual budget for 2022 and reviewing external valuations of the CPD Group's portfolio;
- approval of the CPD S.A budget for 2022;
- approval of the remuneration of individual members of the CPD S.A. Management Board, including for work performed in positions other than as a member of the CPD S.A. Management Board in the CPD Group;
- to approve the minutes of the meetings of the Supervisory Board of CPD S.A.;
- to adopt the remuneration report of the Management Board and Supervisory Board of CPD S.A. for 2019-2020;
- discussing with the Audit Committee issues relating to the financial statements of CPD S.A. for 2021;
- discussing the current situation of CPD S.A.;
- discussing macroeconomic trends, commercial real estate and the residential market in Poland and their impact on CPD S.A.'s office property portfolio located in Warsaw and the Ursus project;
- Adoption of the report of the Supervisory Board of CPD S.A. on its activities for 2021;
- examining the system of remuneration and bonuses paid to the Company's Management Board and employees
- approval of the remuneration of individual members of the CPD S.A. Management Board, including for work performed in positions other than as a member of the CPD S.A. Management Board in the CPD Group.

All meetings of the Supervisory Board were held in a composition enabling the adoption of resolutions. The Management Board of the Company was invited to the meetings of the Supervisory Board.

Where required, the Supervisory Board also made use of the option provided for in the Articles of Association to adopt resolutions by written ballot (so-called circulation resolutions).

In the 2022 financial year, the Audit Committee carried out the tasks set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision and the Regulations of the Audit Committee and, in particular, performed tasks with regard to the Company's proper application of financial reporting principles, the effectiveness of the Company's and the CPD Group's internal control systems, including with regard to financial reporting, and the monitoring of auditing activities, in particular the conduct of the statutory audit by the audit firm.

The 2022 Audit Committee met on the following dates:

- 26 April 2022;
- 27 September 2022;

All meetings of the Audit Committee were held in a composition that enabled the adoption of resolutions. Where required, the Audit Committee also adopted resolutions by written ballot (so-called circulation resolutions).

➤ **CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD**

The Management Board of CPD S.A. comprises:

- Mr Colin Kingsnorth - Chairman of the Management Board
- Ms Elżbieta Wiczowska - Member of the Management Board
- Ms Iwona Makarewicz - Member of the Management Board
- Mr John Purcell - Member of the Management Board

There were no changes to the composition of the Management Board of CPD S.A. in relation to 2021.

III ASSESSMENT OF THE IMPLEMENTATION BY THE MANAGEMENT BOARD OF THE OBLIGATIONS REFERRED TO IN ART. 380¹ KSH (ART. 382 § 3¹ ITEM 3 KSH)

The Supervisory Board of the Company was kept informed by the Management Board on an ongoing basis about the situation of the Company, including the Company's assets, as well as about all significant circumstances with regard to the conduct of the Company's affairs and the progress in the implementation of the Company's designated business directions, as well as transactions and other circumstances or events that could materially affect the Company's asset situation. The Company's Management Board provided the Supervisory Board with information on the Company's current situation and information in its possession regarding the Company's subsidiaries and affiliated companies. In the opinion of the Supervisory Board, the Company's Management Board correctly fulfilled the information obligations set out in Article 380¹ of the Companies Act.

IV ASSESSMENT OF THE MANNER IN WHICH THE MANAGEMENT BOARD PREPARES OR SUBMITS TO THE SUPERVISORY BOARD INFORMATION, DOCUMENTS, REPORTS OR EXPLANATIONS REQUESTED PURSUANT TO ART. 382 § 4 OF THE PCCC (ART. 382 § 3¹ ITEM 4 OF THE PCCC)

In the opinion of the Supervisory Board, the information and explanations provided by the Management Board of the Company in the 2022 financial year were transparent and comprehensive, and the Supervisory Board therefore positively assesses the manner in which the Management Board prepared and provided the requested information, documents, reports or explanations to the Supervisory Board.

V INFORMATION ON THE TOTAL REMUNERATION PAYABLE BY THE COMPANY FOR ALL STUDIES COMMISSIONED BY THE SUPERVISORY

BOARD DURING THE FINANCIAL YEAR PURSUANT TO ART. 382¹ KSHC (ART. 382 § 3¹ ITEM 5 KSHC)

In the 2022 financial year, the Supervisory Board did not commission an audit pursuant to section 382¹ of the Companies Act.

VI SELF-EVALUATION OF THE SUPERVISORY BOARD

The Supervisory Board believes that it has made every effort to obtain all relevant information from the Management Board and employees in order to fulfil its obligations. At the same time, the Supervisory Board is aware of the fact that the Company has a small number of employees and associates and that the majority shareholders are represented directly on the Management Board and Supervisory Board.

Due to the limited size of the Company, the system of internal control and internal audit faces natural limitations. The Articles of Association grant the members of the Management Board broad flexibility and the Supervisory Board limited powers.

The Supervisory Board believes that it has acted in 2022 in accordance with generally applicable laws and the requirements that public companies must meet.

In 2022, the Supervisory Board held properly convened meetings. The agendas prepared by the Chairman of the Supervisory Board covered the issues to be dealt with by the Supervisory Board in accordance with applicable laws and the Company's Articles of Association.

In addition, the Chairman of the Supervisory Board was in regular contact with the Management Board in order to follow up matters related to the Company's day-to-day operations.

In assessing the Company, the Supervisory Board followed the Company's financial and business performance, the market context.

VII ASSESSMENT OF THE COMPANY'S SITUATION

In 2022. The Company generated a negative net financial result. Nevertheless, after reviewing the Management Board's report on the activities of the CPD Group in the financial period from 1 January 2022 to 31 December 2022, the Supervisory Board positively evaluates the activities and efforts of the Management Board during the aforementioned reporting period.

In the opinion of the Supervisory Board, based on the opinion expressed by the independent auditor, the Company's separate and consolidated financial statements are in accordance with the books, documents and present fairly and clearly all the information relevant to the assessment of the Company's assets and financial position as at 31 December 2022, as well as its financial result for the financial year from 1 January 2022 to 31 December 2022.

VIII INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT (ART. 382 § 3¹ ITEM 2 OF THE PCCC AND PRINCIPLE 2.11.3 OF GOOD PRACTICE)

The Company's Management Board is responsible for the Company's internal control system and its effectiveness in the preparation of the financial statements and periodic reports prepared and published in accordance with the rules of the Ordinance of 29 March 2019 on current and periodic information provided by issuers of securities.

In addition, in accordance with the corporate governance principles adopted by the Management Board of CPD S.A. and approved by the General Meeting, the Company has an Audit Committee.

The objective of the Company's effective system of internal control over financial reporting is to ensure the adequacy and accuracy of the financial information contained in the financial statements and interim reports.

In 2022 the Company continued to improve its effective internal control system and risk management system, *compliance* and internal audit function. The Supervisory Board believes that the Company's internal control system continues to improve. This is partly due to the limited size of the Company and the fact that key shareholders are the key decision makers sitting on the Board. The Supervisory Board believes that processes and procedures are generally in line with governance principles. The internal auditor is in contact with the Supervisory Board and the Audit Committee.

The Management Board is well acquainted with the risk management system and the Supervisory Board has reviewed the risk management system and examined the evolution of these risks when market dynamics proved dynamic.

An effective system of the Company's internal control and risk management in the financial reporting process has been built up through the appropriately established scope of financial reporting as well as the definition of the entire process, including the segregation of duties and work organisation. The Company's Management Board also regularly reviews the Company's performance using the financial reporting used.

The Company applies the principle of independent review of published financial reporting under the law. Published half-yearly and annual financial statements, financial reports and the financial data underlying such reporting are reviewed (in the case of half-yearly reports) and audited (in the case of annual reports) by the Company's auditor, respectively.

The Company's system of internal control and risk management and *compliance* oversight is continuously adapted to changing conditions to ensure reliable financial and operational information, compliance with policies, procedures and legislation.

As a further measure to reduce the Company's exposure to market risks is the proper evaluation of potential and control of current development investments based on the investment models and decision-making procedures developed in the Company. In order to mitigate the risks associated with development projects and leases, the Company obtains guarantees or insurance policies from subcontractors and tenants to cover the most common development risks or to secure rent from leases.

The risk management procedure is regularly updated by the Company's Management Board, based on key company management information and with the support of key management and external advisors.

In the opinion of the Supervisory Board, the Management Board correctly identifies the risks associated with the Company's operations, monitors them on an ongoing basis and manages them effectively.

IX ASSESSMENT OF THE COMPANY'S COMPLIANCE WITH ITS CORPORATE GOVERNANCE DISCLOSURE OBLIGATIONS

2022. CPD S.A. applied the set of principles of the "Good Practices for Companies Listed on the Warsaw Stock Exchange" in force at the Warsaw Stock Exchange, excluding the principles reported by the Management Board of CPD S.A. in its interim report of 30 July 2021.

The Company properly complies with its disclosure obligations regarding the application of corporate governance principles under the Listing Rules and the regulations on current and periodic information provided by issuers of securities.

The Management Board of CPD S.A., in accordance with § 70(1)(9) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state, includes a statement on the application of the principles of corporate governance in the published separate and consolidated annual report.

X EVALUATION OF SPONSORSHIP, CHARITABLE OR SIMILAR ACTIVITIES

The Supervisory Board positively evaluates CPD S.A.'s sponsorship and other charitable activities in 2022.

The CPD Group views its development activities in the broad context of creating a modern, multifaceted urban space and a new quality of life for the residents and users of the developments. The Group also expresses its responsibility for its surroundings by supporting various social and cultural initiatives directly or indirectly related to its investment activities.

For several years, the CPD Group has been renting the Arsus Centre building for a symbolic rental rate of PLN 100 per month, which enables the Cultural Centre to allocate more funds to its statutory purposes. The Arsus Centre, in operation since 1992, is located at 14 Traktorzystów Street on land now owned by the CPD Group. It houses a fully-equipped auditorium with 500 seats, a chamber hall with 120 seats and a stage, the "Arsus" cellar for alternative activities (concerts, theatre performances), the "Ad-Hoc" contemporary art gallery, the "Ursus" cinema and club rooms for amateur artistic movement.

In connection with the implementation of its main investment project on the site of the former ZPC Ursus and being aware of its role in such a complex undertaking as the revitalisation of this area, the CPD Group has for several years been taking initiatives in this area that go beyond the scope of typical investor and construction activities.

Continuing its long-standing commitment to conscious social responsibility, in 2020 the Company extended the validity of its donation of a 1.7-hectare site intended for educational investments to the city free of charge until the end of 2025. As part of the agreement concluded with the City of Warsaw, the city authorities undertook to build an educational complex for children and young people aged 3-19 on the above site.

In addition, in 2022 the Company completed the revitalisation of a public park of 3,280 m² located in the immediate vicinity of the residential development under construction. It complements the range of recreational areas offering public land available to residents of the newly created urban area within the Ursus district.

2. ASSESSMENT OF THE FINANCIAL STATEMENTS OF THE COMPANY AND ITS GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

The Supervisory Board, pursuant to Article 382 § 3 of the Commercial Companies Code and § 11 para. 2 item 4) of the Company's Articles of Association, assessed:

- I The separate financial statements of CPD S.A. for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards, which comprise:
- a) a statement of comprehensive income for the financial year from 1 January 2022 to 31 December 2022, showing a net loss of PLN 23,082,000 (in words: twenty-three million eighty-two thousand);
 - b) the statement of financial position for the financial year from 1 January 2022 to 31 December 2022, which on the assets and liabilities side shows a total of PLN 66,495,000 (in words: sixty-six million four hundred and ninety-five thousand);
 - c) a statement of changes in equity for the period from 1 January 2022 to 31 December 2022 showing a decrease in equity of PLN 73,092,000 (in words: seventy-three million ninety-two thousand),
 - d) the cash flow statement for the period from 1 January 2022 to 31 December 2022, which shows a reduction in cash of PLN 40,013,000 (in words: forty million thirteen thousand),
 - e) notes to the financial statements and the period from 1 January 2022 to 31 December 2022.
- II. The consolidated financial statements of the CPD Group for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards, which comprise:
- a) the consolidated statement of comprehensive income for the financial year from 1 January 2022 to 31 December 2022, showing a net loss of PLN 13,290,000 (in words: thirteen million two hundred and ninety thousand) and total comprehensive income of negative PLN 13,524,000 (in words: thirteen million five hundred and twenty-four thousand),
 - b) the consolidated statement of financial position for the financial year from 1 January 2022 to 31 December 2022, which shows on the assets and liabilities side a total of PLN 115,526,000 (in words: one hundred and fifteen million, five hundred and twenty-six thousand),
 - c) the consolidated statement of changes in equity for the financial year from 1 January 2022 to 31 December 2022, showing a decrease in equity of PLN 63,534,000 (in words: sixty-three million five hundred and thirty-four thousand),
 - d) the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, which shows a decrease in cash of PLN 5,480,000 (in words: five million four hundred and eighty thousand),
 - e) notes to the consolidated financial statements for the financial year 1 January 2022 to 31 December 2022.

The audit of the Company's financial statements and the consolidated financial statements of the CPD Group for the 2022 financial year was carried out on the basis of a contract concluded between CPD S.A. and Grant Thornton Polska prosta spółka akcyjna with its registered office in Poznań, at Abpa Antoniego Baraniaka 88 E , 61-131 Poznań , entered on the list of entities authorised to audit financial statements maintained by the National Board of Statutory Auditors under number 4055. The basis for concluding the contract was a resolution of the Company's Supervisory Board dated 15 September 2020.

In evaluating the financial statements, the Supervisory Board relied in particular on the opinion of the auditor Grant Thornton Polska prosta spółka akcyjna. The Supervisory Board also sought information from the Audit Committee and the Company's Management Board.

In the opinion of the Supervisory Board, the Company's financial statements are in accordance with the facts and with the books and documents and give a true and fair view of all information relevant to the assessment of the Company's assets and financial position as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022.

The Supervisory Board assessed the presentations made by the Management Board and the Audit Committee:

- The Company's separate financial statements for the year ended 31 December 2022,
- CPD Group consolidated financial statements for the year ended 31 December 2022;
- Report of the Management Board on the activities of the CPD Group for the year ended 31 December 2022;

and concluded, sharing the Auditor's opinion, that the information contained therein was consistent with the books and documents as well as with the facts.

The Council's assessment:

- a) The Company's separate financial statements for the year ended 31 December 2022:
 - give a true and fair view of all information relevant to the assessment of the financial position of CPD S.A. as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022,
 - has been prepared, in all material respects, properly, i.e. in accordance with the accounting principles (policies) arising out of International Financial Reporting Standards and related interpretations promulgated in the form of European Commission regulations, and, to the extent not regulated in those Standards, in accordance with the requirements of the Accounting Act and secondary legislation issued thereunder, and on the basis of properly maintained books of account,
 - complies with the provisions of the law and the Company's Articles of Association affecting the content of the financial statements;
- b) CPD Group consolidated financial statements for the year ended 31 December 2022:
 - give a true and fair view of all information relevant to the assessment of the financial position of CPD S.A. as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022,
 - has been prepared correctly in all material respects, i.e. in accordance with the parent company's accounting policies as set out in the International Accounting Standards and International Financial Reporting Standards and related interpretations promulgated in the form of European Commission regulations, and, to the extent not regulated in those Standards, in accordance with the requirements of the Accounting Act and secondary legislation issued thereunder, and on the basis of properly maintained accounting records,
 - is in accordance with the legal provisions affecting the content of the consolidated financial statements applicable to the CPD Group.

3. EVALUATION OF THE CPD GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2022

Pursuant to Article 382 § 3 of the Commercial Companies Code and § 11 (2) (5) of the Company's Articles of Association, the Supervisory Board assessed the Management Board's report on the CPD Group's activities in 2022 presented by the Management Board.

The Supervisory Board, sharing the opinion of the Auditor, concludes that the information contained therein is consistent with the books and documents as well as with the facts.

In the opinion of the Supervisory Board, the Report of the Management Board on the activities of the CPD Group in 2022 is complete within the meaning of Article 49(2) of the Accounting Act and the Decree of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

The information contained in the Management Board report on the activities of the CPD Group, derived from the audited financial statements, is consistent with them.

4. EVALUATION OF THE PROPOSAL OF THE COMPANY'S MANAGEMENT BOARD CONCERNING THE COVERAGE OF LOSSES

The financial statements prepared by the Company and audited by an independent auditor for the financial year ended 31 December 2022 indicate a net loss of PLN 23,082 thousand (in words: twenty-three million eighty-two thousand).

The Management Board of the Company has proposed to cover the loss for the financial year 2022 from the profits of the following future years.

Having reviewed the Company's financial statements and the Management Board's report on the activities of the CPD Group, the Supervisory Board recommends that the Ordinary General Meeting of the Company adopt a resolution to cover the net loss reported in 2022 in accordance with the proposal of the Management Board.

5. PROPOSALS TO THE ORDINARY GENERAL MEETING OF CPD S.A.

The Supervisory Board moves for the Ordinary General Meeting of CPD S.A. to do the following:

- 1) approve the Financial Statements of the Company for the year ended 31 December 2022;
- 2) approve the Consolidated Financial Statements of the CPD Group for the year ended 31 December 2022;
- 3) approve the Report of the Management Board on the activities of the CPD Group for the year ended 31 December 2022;
- 4) approve the Management Board' proposal to cover the loss for 2022;
- 5) approve the Report of the Supervisory Board on its activities for the year ended 31 December 2022;
- 6) grant a discharge to the members of the Management Board in respect of their duties for the year ended 31 December 2022.