



**STATEMENT REGARDING THE IMPLEMENTATION  
OF CORPORATE GOVERNANCE POLICIES AT THE  
CD PROJEKT CAPITAL GROUP  
AND CD PROJEKT S.A.  
IN 2018**

**MANAGEMENT BOARD REPORT ON CD PROJEKT CAPITAL  
GROUP AND CD PROJEKT S.A. ACTIVITIES IN 2018**



## Table of contents

<b>3</b>	Disclosure of the set of corporate governance policies applicable to the Issuer and the location where these policies can be publicly accessed
<b>3</b>	Scope of the Issuer's deviations from corporate governance policies
<b>6</b>	Shareholders holding, directly or indirectly, major share packages
<b>6</b>	Indication of the holders of any securities which provide special control rights, together with the description of these rights
<b>6</b>	Limitations on the exercise of voting rights
<b>7</b>	Limitations on transferability of ownership rights to the Issuer's securities
<b>7</b>	Rules regarding appointment and dismissal of management members and determining their authority, in particular the right to decide on issuance or redemption of shares
<b>8</b>	Disclosure of rules regarding amendment of the Issuer's Articles of Association
<b>8</b>	Scope of empowerment of the General Meeting, its operating procedures in 2018, as well as shareholder rights and methods of exercising them as set forth in the General Meeting regulations in 2018
<b>10</b>	Composition, changes in composition and operations of the Issuer's management and supervisory bodies and their committees in 2018
<b>10</b>	Management Board of CD PROJEKT S.A.
<b>12</b>	Supervisory Board of CD PROJEKT S.A.
<b>13</b>	CD PROJEKT S.A. Audit Committee
<b>14</b>	Key features of CD PROJEKT Capital Group internal control and risk management mechanisms pertaining to preparation of financial statements and consolidated financial statements





## Disclosure of the set of corporate governance policies applicable to the Issuer and the location where these policies can be publicly accessed

CD PROJEKT S.A. (further referred to as the Issuer and/or the Company) is subjected to corporate governance policies set forth in the 2016 Code of Best Practice for WSE Listed Companies (an annex to the Stock Exchange Council resolution of 26/1413/2015 of 13 October 2015). This document can be accessed on the Warsaw Stock Exchange website at [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).



## Scope of the Issuer's deviations from corporate governance policies

Throughout 2018 the Issuer fully implemented most of the above mentioned corporate governance policies, with exception of the following policies which were not implemented or which were implemented only in part.

### Disclosure policy and investor communications

- ♦ I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:

- I.Z.1.15 - information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website

**Clarification:** No formalized diversity policy was in force at the Company in 2018; however the Company continued to act in the spirit of its non-discrimination principles. On 8 January 2019 the Board adopted the CD PROJEKT S.A. Diversity Policy, which sets forth by-laws governing the relationship between the Company and its employees, key executives and members of the Management Board and Supervisory Board. The aim of the Diversity Policy is to reinforce awareness and shape an organizational culture which promotes diversity as a cornerstone of innovation, creativity and long-term growth of CD PROJEKT S.A.

- I.Z.1.17 - justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding

**Clarification:** Justification will be provided for any resolutions submitted to the General Meeting by the Management Board, and will be published simultaneously with the corresponding draft resolutions. With regard to resolutions submitted by shareholders, publication of justifications will depend on whether such justifications are obtained from proposers. The Issuer is unable to ensure that its shareholders will comply with this policy and therefore cannot guarantee that the policy will be implemented as stated. For these reasons the Issuer has decided to withhold implementation of this policy.

- I.Z.1.19. - shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13



**Clarification:** Placement of specific items on the General Meeting agenda is determined by the meeting chairman on the basis of the applicable legal regulations, the perceived importance of individual matters and any justifiable demands voiced by shareholders. This process is governed by Art. 428 of the CCC, and specifically by § 3 and 4 of same, as well as by § 5 and 6 in conjunction with § 19 Art. 1 item 12 of the Finance Minister's Regulation of 29 March 2018 regarding current and periodic disclosure of information by issuers of securities and recognition as equivalent of information whose disclosure is required under the laws of a non-member state. Accordingly, any such questions, together with the corresponding answers, are published on the Company website as soon as the abovementioned conditions are met.

### Management Board, Supervisory Board

- II.Z.2 – A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board

**Clarification:** Due to the fact that neither the Issuer's Articles of Association nor its internal regulations stipulate mandatory disclosure of the relevant information by members of the Management Board, the Issuer cannot commit to implementation of this policy as it lacks the necessary legal tools.

### General Meeting, shareholder relations

- IV.Z.9 – Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of 15 the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

**Clarification:** This policy contains stipulations of a general nature which may give rise to ambiguous interpretations as a result of which the Issuer may face groundless accusations of noncompliance. Additionally, meeting the requirements listed above is only possible when CD PROJEKT is aware of the justification of a draft resolution or otherwise possesses information which would help shareholders pass a resolution with adequate understanding. For these reasons the Issuer has decided to withhold implementation of this policy.

### Conflict of interest, related party transactions

- V.Z.2 – Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.

**Clarification:** Implementation of this policy is contingent upon the willingness of the Company's Supervisory Board or Management Board members to perform certain actions. While the Issuer declares its intent to comply with this policy, it cannot ensure that the specified individuals will perform the necessary actions and therefore cannot guarantee that the policy will be implemented as stated. For these reasons the Issuer has decided to withhold implementation of this policy.



- V.Z.5 – Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

**Clarification:** In the Company's opinion, the competences of Company bodies with regard to conclusion of transactions/agreements are specified with sufficient clarity in the applicable legal regulations coupled with the Company Articles. The competences of the Company's Supervisory Board include approval of any significant transactions which incur liabilities on the part of the Company.

- V.Z.6 – In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

**Clarification:** No internal regulations are currently in force at CD PROJEKT concerning the criteria and circumstances under which a conflict of interest may arise or the rules of conduct where a conflict of interest has arisen or may arise. The Issuer intends to review its current practices in this regard and may, at a later date, introduce suitable internal regulations.

## Remuneration

- VI.Z.2 – To tie 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.

**Clarification:** Implementation of this policy depends on the material content of General Meeting resolutions. The Issuer cannot guarantee that Company shareholders who take part in future General Meetings will take this policy into account when voting on resolutions. For these reasons the Issuer has decided to withhold implementation of this policy

- VI.Z.4 – In this activity report, the company should report on the remuneration policy including at least the following:

- ◆ general information about the company's remuneration system;
- ◆ information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- ◆ information about non-financial remuneration components due to each management board member and key manager;
- ◆ significant amendments of the remuneration policy in the last financial year or information about their absence;



- ♦ assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability

**Clarification:** The Issuer regards the remuneration policy in force at the Company as its trade secret. Information concerning the remuneration of individuals who are not members of the Company's Supervisory Board or Management Board is regarded as particularly sensitive and protected against disclosure. With regard to remuneration of Supervisory Board and Management Board members, the Issuer observes the applicable legal disclosure obligations.

## Shareholders holding, directly or indirectly, major share packages

The following table summarizes formal notifications received by the Company in accordance with the law, listing shareholders who control – directly or indirectly – at least 5% of votes at the General Meeting as of 31 December 2018:

Shareholder	Qty. of shares	Percentage share in share capital	Qty. of votes controlled	Percentage share in total number of votes
Marcin Iwiński	12 150 000	12.64%	12 150 000	12.64%
Michał Kiciński*	10 486 106	10.91%	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%	6 135 197	6.38%
Nationale-Nederlanden PTE**	4 998 520	5.20%	4 998 520	5.20%

\* as disclosed in Current Report no. 49/2016 of 6 December 2016

\*\* as disclosed in Current Report no. 15/2017 of 13 July 2017

## Indication of the holders of any securities which provide special control rights, together with the description of these rights

All shares of CD PROJEKT S.A. are ordinary bearer shares which do not incorporate any special rights, including control rights.

## Limitations on the exercise of voting rights

Under the CD PROJEKT S.A. Articles of Association a restriction attaches to the exercise of voting rights by shareholders (or groups of shareholders which are either dominant or subordinate with respect to one another) who control, individually or jointly (in the case of groups of shareholders) more than 20% of the total number of votes incorporated by Company shares. When a situation arises where a shareholder (or a group of shareholders) exceeds the specified voting threshold, that shareholder (or group of shareholders) may only cast votes from 20% of the total number of Company shares. The aforementioned restriction does not apply to entities or groups of entities which jointly control more than 50% of votes as a result of having purchased shares by way of a public offer to acquire all remaining shares of the Company. Details are provided in §25a and §25b of the Company's Articles of Association.

Except for the above, no other limitations apply to the exercise of voting rights, including temporal limitations on voting or other provisions under which, in cooperation with the Company, ownership of securities is deprived of some rights incidental thereto.



### **Limitations on transferability of ownership rights to the Issuer's securities**

The CD PROJEKT S.A. Articles of Association do not provide for any limitations on transferability of ownership rights to the Issuer's securities.

### **Rules regarding appointment and dismissal of management members and determining their authority, in particular the right to decide on issuance or redemption of shares**

Members of the Management Board of CD PROJEKT S.A. are appointed and dismissed in accordance with the Commercial Companies Code and the Company Articles. The Management Board is comprised of one or more members appointed and dismissed by the Supervisory Board. A President of the Board may be designated. The number of Management Board members and their responsibilities are determined by the Supervisory Board. Management Board members are appointed for four-year terms.

Management Board competences include all matters related to management of the Company not otherwise reserved to the General Meeting or the Supervisory Board in accordance with the Commercial Companies Code and the Company Articles.

Supervisory Board approval, issued in the form of a resolution, is required when incurring liabilities or purchasing or selling assets whose value exceeds 10% of the Company's equity as disclosed in its most recent financial statement, except where such activities concern sales of Company products and services.

Should a Management Board consisting of more than one person be appointed, the right to represent the Company appertains to any two members of the Management Board acting jointly, or to any member of the Management Board acting together with a holder of the commercial power of attorney (proxy). Should a sole Manager be appointed, that person may represent the Company singlehandedly.

The Management Board of CD PROJEKT S.A. is not authorized to decide to issue stock. In accordance with the existing law and with the Company Articles any issuance of stock and increase in the Company's share capital requires a suitable General Meeting resolution.

The Management Board of the Issuer is only authorized to purchase Company shares under the specific provisions of the Commercial Companies Code governing the purchase of own shares.



## Disclosure of rules regarding amendment of the Issuer's Articles of Association

In accordance with Art. 430 §1. of the Commercial Companies Code, any change in the Issuer's Articles of Association requires a suitable General Meeting resolution and a corresponding entry in the court register.

In accordance with Art. 430 §2. of the Commercial Companies Code, any announcement of a convocation of a General Meeting whose agenda includes proposed amendments to the Company Articles should include a description of existing statutory provisions as well as the full text of any proposed amendments.

If the proposed amendments are sufficiently broad in scope, the announcement may include the full text of the amended Articles, along with a summary of new or altered provisions.

In accordance with Art. 415 of the Commercial Companies Code, proposed amendments to the Company Articles require a three-fourths majority at the General Meeting to enter into force. Additionally, any amendment which either increases benefits due to shareholders or restricts the rights expressly granted to individual shareholders must be approved by all affected shareholders.

## Scope of empowerment of the General Meeting, its operating procedures in 2018, as well as shareholder rights and methods of exercising them as set forth in the General Meeting regulations in 2018

In accordance with the Commercial Companies Code, the Company Articles and the General Meeting Regulations, the General Meeting may be called on an ordinary or extraordinary basis. The full text of the General Meeting Regulations is available on the Company website at [www.cdprojekt.com](http://www.cdprojekt.com).



The General Meeting is called to order by the Chairman or Deputy Chairman of the Supervisory Board. If neither is present, the General Meeting is called to order by the President of the Board or by the person specifically appointed for this duty by the Management Board. If none of the abovementioned persons are present, the General Meeting may be called to order by any of its participants.

The General Meeting Chairman oversees the proceedings of the General Meeting in accordance with the approved agenda, the Company Articles, the General Meeting Regulations and any applicable legal constraints. The Chairman is responsible for ensuring efficient progress of the Meeting, respecting the rights and interests of all Shareholders. In particular, the Chairman should counter any abuse of rights by General Meeting participants and ensure that the rights of minority interests are respected. The Chairman should not resign his/her function without a compelling reason and may not delay signing the General Meeting minutes without due cause. The Chairman may call procedural breaks in addition to any breaks ordered by the General Meeting under art. 408 §2 of the Commercial Companies Code. Procedural breaks should be called in justifiable cases and in such a way as to ensure that the General Meeting can conclude on the day of its convocation. Under no circumstances can breaks called by the Chairman serve to hinder the exercise of Shareholders' rights.

The Chairman may append procedural matters to the General Meeting agenda. In procedural matters, meeting participants may appeal the Chairman's decisions to the General Meeting.





Additional duties of the Chairman include: signing the attendance list immediately upon being appointed Chairman, directing the list to be displayed in the meeting room, confirming that the General Meeting has been validly convened, calling a vote on the meeting agenda, allocating floor time to General Meeting participants, Company representatives and invited persons, assisting (as needed) in drafting resolutions which are to be submitted to a vote, calling votes, informing General Meeting members of their rights and obligations and of the manner in which resolutions are approved, announcing the results of voting, directing the work of secretaries who prepare attendance lists, committees of the General Meeting and any auxiliary personnel, as well as formally closing the General Meeting once its agenda has been exhausted.

The General Meeting may approve the proposed agenda without changes, reorder its items or remove some items under the condition that any resolution to strike an item from the meeting agenda is well justified and stems from a compelling reason, and that the parties who originally placed or demanded the placement of the given item on the agenda agree to the change. The General Meeting may also add new items to the meeting agenda and discuss them without voting on a resolution. Should the General Meeting approve a resolution to strike a given item from the agenda, any motions made in relation to that item are left unresolved. The General Meeting Chairman is not authorized to singlehandedly strike items from the agenda or change their order. Following a brief presentation of each item on the agenda, the General Meeting Chairman opens the debate, yielding the floor to each registered speaker in succession. The General Meeting may vote to hold a joint debate on several points of the agenda. The Chairman may yield the floor to members of the Management Board, Supervisory Board and invited experts upon request, even if these parties were not originally registered to take part in the debate. The General Meeting chairman may call for requests to take part in the debate to be submitted in writing, specifying the name of the participant or the organization he/she represents. The Chairman is authorized to close the debate at any point. Speakers must not deviate from the meeting agenda or the subject of the ongoing debate. The Chairman may caution a speaker who is deviating from the subject at hand or has exceeded their time allotment. Speakers who refuse to comply with the Chairman's cautions may be deprived of their right to speak. Following the close of the debate on each item of the agenda the Chairman announces the contents of motions and draft resolutions filed by the entitled parties in relation to that item. Voting priority is accorded to draft resolutions submitted by the entity which convened the General Meeting, or – when the given agenda item was placed on the agenda by or upon request of another entity – to draft resolutions submitted by that entity. Up until a vote has been called, the entity which originally submitted the draft resolution may amend its contents, in which case the General Meeting votes on the amended draft. Any other motions filed in relation to the given item are voted upon in order of submission unless such motions have been rendered immaterial by the outcome of earlier votes. In procedural matters the Chairman may yield the floor to selected speakers outside the order of submission. Procedural motions may concern the following: limiting, adjourning or closing the debate, closing the list of speakers, adjourning the meeting, limiting the speakers' time allotment or changing the order of voting. Procedural motions should be debated immediately upon submission. In each procedural matter only two speakers are allowed to take the floor – one speaker who supports the motion and one who opposes it – unless the General Meeting decides otherwise. The Chairman calls a vote on the procedural motion immediately after the close of the debate.

The company respects shareholders' rights as set forth in the Commercial Companies Code and the Company Articles.



## Composition, changes in composition and operations of the Issuer's management and supervisory bodies and their committees in 2018

### Management Board of CD PROJEKT S.A.

Adam Kiciński	<i>President of the Board</i>
Marcin Iwiński	<i>Vice President of the Board</i>
Piotr Nielubowicz	<i>Vice President of the Board</i>
Adam Badowski	<i>Board Member</i>
Michał Nowakowski	<i>Board Member</i>
Piotr Karwowski	<i>Board Member</i>
Oleg Klapovskiy	<i>Board Member</i>

WIn 2018 the Management Board of the Company acted in accordance with the Commercial Companies Code, the Company Articles and the Management Board Regulations. The Management Board Regulations, as instituted by the Supervisory Board, are available on the Company website at [www.cdprojekt.com](http://www.cdprojekt.com).



In 2018 the right to represent the Company appertained to any two Board Members or to any Board Member acting together with a holder of the commercial power of attorney (proxy).

The Management Board, acting in the interest of the Company, determines its overall strategy and business objectives, submits them for approval to the Supervisory Board and subsequently oversees their implementation. The Management Board is responsible for the efficiency and clarity of managerial procedures in place at the Company as well as for their compliance with legal regulations and best practices for WSE listed companies.

Management Board members are required to act in the scope of a justified economic risk, taking into account all information, analyses and opinions which, in the Board's sound judgement, should be acknowledged when making decisions in the Company's interest. In determining what constitutes the Company's interest the Board should consider reasonable long-term interests of Company shareholders, creditors, employees and other parties cooperating with the Company. Members of the Management Board should remain loyal to the Company and avoid actions which serve only their own material benefits. When conducting transactions with shareholders and other parties whose own interests are linked to the interests of the Company the Management Board must apply due diligence, ensuring that any such transactions are carried out under market conditions. Shares of the Company, its subsidiaries or parent companies should only be held by a Board Member as a long-term investment.

The Management Board Regulations stipulate that, when the Board consists of multiple persons, all Board Members are empowered and obligated to jointly oversee Company affairs. The Board may adopt a set of Organizational Bylaws under which specific responsibilities are assigned to individual Board Members. Communication of an informal nature with other Company organs or external parties may be conducted singly by any Board Member as long as such communication does not entail any declarations of will on behalf of the Company.



Management Board meetings should be held as needed. Meetings are convened by the President of the Board on his/her own initiative or upon request of another Board Member. Each meeting is chaired by the Board Member who convened that meeting or by another Board Member appointed thereby.

Management Board resolutions are recorded. Each Management Board resolution is issued in the form of a separate document specifying the number of votes cast for the resolution and the outcome of voting. Resolutions are signed by all Management Board members attending the session during which the given resolution was adopted. In justifiable cases, in order to facilitate business operations, the Management Board may adopt resolutions outside of meetings, either in writing or via remote communication facilities enabling simultaneous participation of all Management Board members. If a resolution is to be adopted in this manner, it must first be submitted in draft form to all Management Board members via registered mail, fax, direct delivery or e-mail with confirmation of receipt. This must occur no later than one business day prior to the resolution's projected adoption date. All resolutions adopted in this manner must be presented at the nearest Management Board session, along with the outcome of voting on each such resolution, and be duly included in the session's minutes in the form of appendices. A resolution adopted in this manner may consist of several materially identical documents, each of which is signed by one or more Management Board members.

Management Board meetings are minuted by the person appointed for this task by the meeting chairman. Meeting minutes shall include the date of the meeting, the meeting agenda, the names of attending Management Board members, a description of the proceedings, the number of votes cast on each resolution and a summary of dissenting opinions, if any. Meeting minutes must be signed by all attending Management Board members not later than during the subsequent Management Board meeting. Meeting minutes are entered in a dedicated repository which is maintained at the Company office. The repository should assume the form of a binder containing the minutes along with all relevant appendices. Management Board members who do not attend a given meeting must familiarize themselves with the minutes and contents of any adopted resolutions, and provide a signed declaration that they have acknowledged these resolutions. If a Management Board member who has not attended a given Management Board meeting objects to any resolution adopted at that meeting, they must formulate their dissent in writing, with the document annexed to the corresponding meeting minutes.



## Supervisory Board of CD PROJEKT S.A.

<i>Katarzyna Szwarz</i>	<i>Chairwoman of the Supervisory Board</i>
<i>Piotr Pągowski</i>	<i>Deputy Chairman of the Rady Nadzorczej</i>
<i>Maciej Nielubowicz</i>	<i>Secretary of the Supervisory Board</i>
<i>Michał Bień</i>	<i>Supervisory Board Member</i>
<i>Krzysztof Kilian</i>	<i>Supervisory Board Member</i>

 In 2018 the Supervisory Board of the Company acted in accordance with the Commercial Companies Code, the Company Articles and the Management Board Regulations. The Supervisory Board Regulations are available on the Company website at [www.cdprojekt.com](http://www.cdprojekt.com).

The Supervisory Board is a collegiate body which elects its own Chairman.

The Supervisory Board oversees Company activities on a regular basis. A detailed list of Supervisory Board competences is set forth in the Company Articles and the Supervisory Board Regulations. Supervisory Board resolutions require a qualified majority of votes cast in the presence of at least half the incumbent Supervisory Board Members. Voting is public, although the Supervisory Board may institute secret ballots if requested by at least one Supervisory Board Member.

The Supervisory Board adopts resolutions at meetings. Each meeting is minuted, and the minutes are signed by all Supervisory Board Members present at the meeting. Meeting minutes shall be archived at the Company registered office.

In matters which call for an open vote, the Supervisory Board is also authorized to adopt resolutions in writing or using electronic communication means so long as such means permit simultaneous communication among all Supervisory Board members. Adopting a resolution in this manner requires that the corresponding draft resolution be presented to all members of the Supervisory Board along with a written justification of the proposed means of adoption, by registered mail, fax, personal delivery or e-mail with confirmation of receipt, to the address submitted to the Chairman of the Supervisory Board in writing at least one business day prior to the proposed balloting day. Any resolutions adopted in this manner must subsequently be presented at the nearest Supervisory Board meeting, along with the outcome of the corresponding vote. They also need to be formally confirmed at the meeting by entering the voting results in the meeting minutes. Should the Supervisory Board Chairman become aware of any issues regarding the content or means of adoption of resolutions voted upon outside of meetings, the Chairman may instead direct the resolution to be voted upon at the next Supervisory Board meeting, or convene an additional meeting for this purpose.





## CD PROJEKT S.A. Audit Committee

Acting in compliance with Art. 128 section 1 of the Act on Licensed Auditors, Audit Firms and Public Supervision of 11 May 2017, on 11 October 2017 the Supervisory Board appointed an Audit Committee with the following members:

Katarzyna Szwarc                      Chairwoman of the Audit Committee

Michał Bień                              Audit Committee Member

Maciej Nielubowicz                  Audit Committee Member

 The Audit Committee Regulations are available on the Company website at [www.cdprojekt.com](http://www.cdprojekt.com).

The Audit Committee is a permanent body which acts in compliance with the norms and regulations applicable to the Company, including in particular the abovementioned act. The Audit Committee consists of at least three members, one of whom must be appointed Chairman. The Audit Committee is elected by the Supervisory Board in an open ballot and its term is equivalent to the term of the Supervisory Board. Audit Committee members must be elected from among incumbent members of the Supervisory Board and must fulfill specific criteria set forth in the Act on Licensed Auditors, Audit Firms and Public Supervision.

The Supervisory Board is empowered to appoint Audit Committee Members and to freely dismiss any Audit Committee Member by adopting a suitable resolution. The term and mandate of the Audit Committee expires along with the corresponding term of the Supervisory Board. The Audit Committee fulfills duties specified in the abovementioned act, and provides advice to the Supervisory Board in its area of responsibility.

The Audit Committee is a collegial body. An Audit Committee meeting must take place prior to publication of any periodic report by the Company or its Capital Group. The Audit Committee Chairman is authorized to convene the meeting and specify its date. In exceptional circumstances an Audit Committee meeting may be convened by the Chairman or Deputy Chairman of the Supervisory Board. Additional meetings may be convened by the Chairman of the Audit Committee on request of another Audit Committee member, any Supervisory Board Member, the Management Board or a Company auditor, whether internal or external. The person who convenes the meeting is also responsible for setting its agenda. Audit Committee meetings are scheduled in the same manner as Supervisory Board meetings. The date and venue of each meeting should be communicated to all members of the Supervisory Board and the Management Board who have the right to attend the meeting. In justifiable cases the Chairman of the Audit Committee may convene a meeting without Management Board participation; however, at least once a year Audit Committee members should meet with the Company auditors, both external and internal (if appointed). In the course of discharging its official duties the Audit Committee may also meet with employees of the Company or other members of its Capital Group without Management Board participation. Audit Committee meetings may be attended in person or using electronic communication means. The Audit Committee issues decisions, opinions, motions, recommendations and reports which are submitted to the appropriate Company organs. If a unanimous decision cannot be reached, the corresponding Audit Committee meetings submitted to the Supervisory Board must include any dissenting opinions filed by Audit Committee Members.

Audit Committee meetings are minuted. The minutes are signed by the Chairman of the Audit Committee and duly submitted, along with any opinions issued by the Audit Committee, to the Supervisory Board and Management Board. Audit Committee minutes are subject to the same



regulations as Supervisory Board minutes. Organizational and technical support for the Audit Committee is provided by the Company.

The Audit Committee submits reports on its activities to the Supervisory Board. Each report should include the composition of the Audit Committee and the number of meetings held during the given fiscal year. Reports should be submitted in a timely manner so as to enable the Supervisory Board to include their content in its own annual report

### **Key features of CD PROJEKT Capital Group internal control and risk management mechanisms pertaining to preparation of financial statements and consolidated financial statements**

The management board of each company belonging to the Capital Group is responsible for instituting internal control systems at their respective companies and ensuring efficient preparation of financial statements.

Material supervision of the Issuer's financial and periodic reporting procedures is the responsibility of the Issuer's Management Board. The Board is also directly responsible for the preparation of statutory financial statements. In 2018 CD PROJEKT S.A. accounts were managed by an internal accounting department, charged with performing daily accounting services, bookkeeping, preparing statutory reports and preparing additional reports for the Management Board, including separate financial statements.

Financial data presented in the Issuer's financial statements is derived from a financial and accounting system which is compliant with the Issuer's accounting policies and with the International Accounting Standards. Consolidated statements include data submitted by the Group's subsidiaries.

The Issuer's financial statement is submitted to the Management Board for verification. Once approved by the Board, the statement is submitted to the Supervisory Board for actions determined by the Commercial Companies Code, i.e. financial audits.

Annual and semiannual financial statements are subject to audits/reviews carried out by an independent auditor contracted by the Supervisory Board. The outcome of each audit/review is communicated to the Management Board and Supervisory Board while a corresponding audit report, along with the auditor's recommendations, is submitted to the General Meeting.

As the Issuer's subsidiaries do not appoint separate Supervisory Boards, their separate financial statements, once verified by the Management Board and – whenever mandated by law – by an external auditor, are submitted for approval by the Ordinary General Meeting of each subsidiary.

**Adam Kiciński**  
President  
of the Board

**Marcin Iwiński**  
Vice President of the  
Board

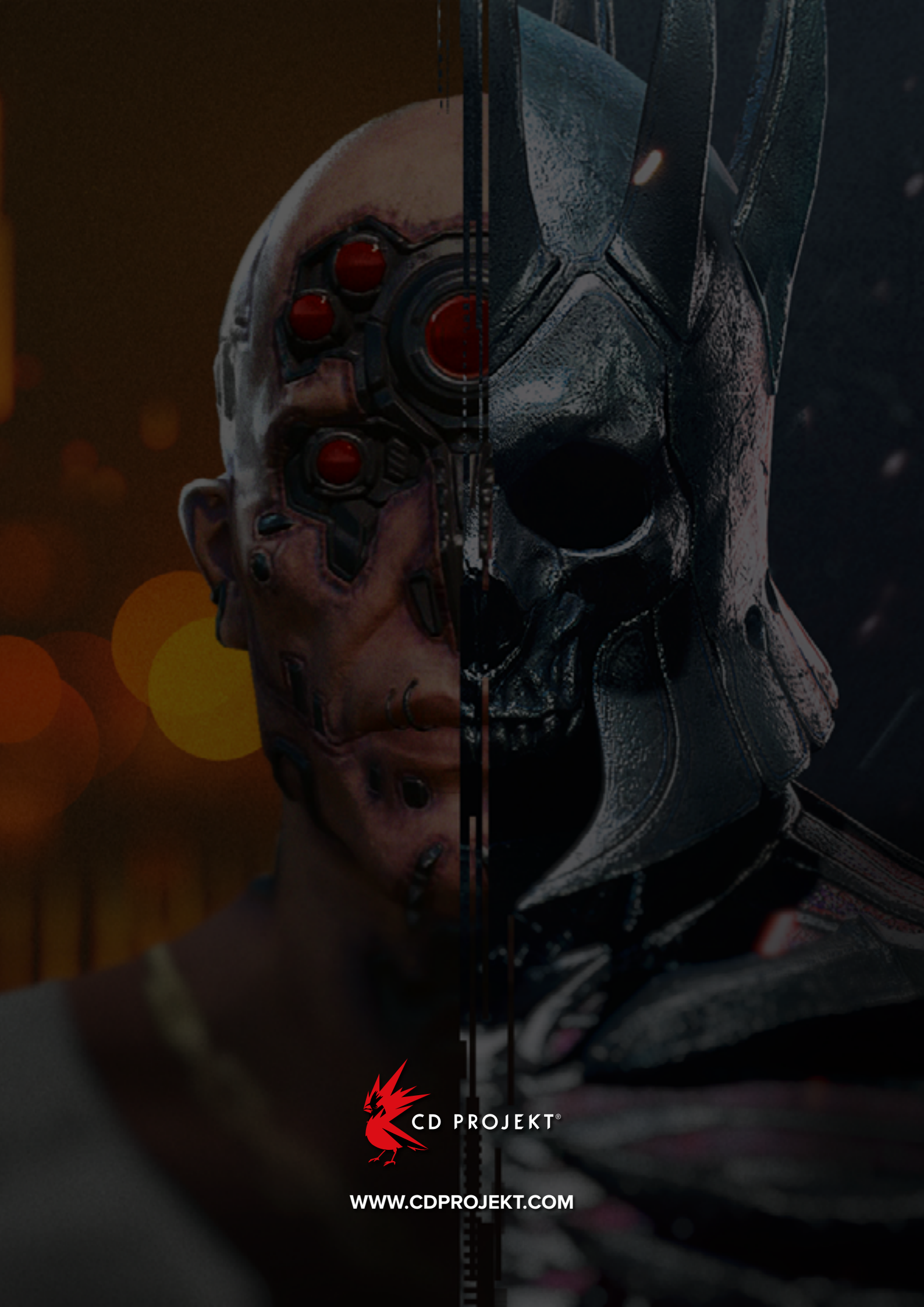
**Piotr Nielubowicz**  
Vice President of the  
Board

**Adam Badowski**  
Board Member

**Michał Nowakowski**  
Board Member

**Piotr Karwowski**  
Board Member

**Oleg Klapovskiy**  
Board Member



CD PROJEKT®

[WWW.CDPROJEKT.COM](http://WWW.CDPROJEKT.COM)