

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

- 1. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020**
- 2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020**
- 3. EVALUATION OF THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE COMPANY AND OF THE GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020**
- 4. REVIEW OF CONCLUSIONS OF THE MANAGEMENT BOARD ON ALLOCATION OF THE PROFIT FOR 2020**
- 5. MOTIONS TO THE ORDINARY GENERAL MEETING OF CPD S.A.**

**WARSAW, 28 APRIL 2021**

## **1. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITY IN THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020**

Pursuant to § 12.2.17(ii) of the Rules of the Supervisory Board of CPD S.A. and in accordance with Rule II.Z.10.2 of The Warsaw Stock Exchange Rules on listed companies of 2016, the Supervisory Board hereby presents the report on activities of the Supervisory Board in 2020.

It is important to note that the Supervisory Board performed all of its duties in 2020 remotely as the COVID-19 pandemic spread across the world. This exerted an impact on how the Supervisory Board operated, although the Supervisory Board is of the opinion that it was able to discharge all of its duties in a sufficient manner to comply with the pertinent rules and regulations.

### **I COMPOSITION OF THE SUPERVISORY BOARD IN 2020**

As at 31 December 2020, the CPD SA Supervisory Board consisted of the following persons:

1. Mr Andrew Pegge - Chairman of the Supervisory Board,
2. Mr Michael Haxby - Vice - Chairman of the Supervisory Board,
3. Mr Wiesław Oleś – Secretary of the Supervisory Board,
4. Mr Mirosław Gronicki – Member of the Supervisory Board,
5. Ms Gabriela Gryger – Member of the Supervisory Board,
6. Mr Alfonso Kalinauskas – Member of the Supervisory Board.

Ms Gabriela Gryger, Mr Mirosław Gronicki and Mr Alfonso Kalinauskas are Independent Members of the Supervisory Board who meet the conditions for independence and who are qualified in accounting and financial auditing.

### **AUDIT COMMITTEE**

As at the balance sheet date, the Audit Committee consists of the following members:

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

The composition of the Audit Committee meets the requirements set out in 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 include at least three members, of which at least one should have knowledge and skills in accounting or auditing, at least one should have knowledge and skills in the industry in which the issuer operates and the majority of committee members, including the chairman should satisfy the independence criteria.

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

### **II ACTIVITIES OF THE SUPERVISORY BOARD**

The Supervisory Board fulfilled its obligations and maintained regular supervision over the activities of the Company. The Supervisory Board performed its duties arising out of provisions of the law, By-Laws of CPD S.A. and Rules of the Supervisory Board of CPD S.A.

#### **➤ MEETINGS OF THE SUPERVISORY BOARD**

In 2020 the Company's Supervisory Board held meetings on the following dates:

- 31 March 2020

- 24 April 2020
- 28 April 2020
- 29 April 2020
- 23 September 2020
- 23 November 2020

In 2020 the Company's Supervisory Board covered the following topics:

- giving opinions on draft resolutions for the Ordinary and Extraordinary General Meetings of CPD S.A.;
- assessing the standalone and consolidated financial statements of CPD S.A. for the financial year from 1 January to 31 December 2019;
- assessing the Management Board's report on the activity conducted by CPD S.A. and its group in the 2019 financial year;
- analysis of 2020 and 2021 annual budget and reviewing external valuations of the CPD Capital Group's portfolio;
- approval of the Audit Committee's report on its activity in 2019;
- examination of the system of compensation and bonuses paid to the Company's Management Board and its employees;
- approving the remuneration of individual members of the Management Board of CPD S.A. and approving the cap on remuneration to be paid for services provided in capacities other than as Management Board members;
- amendments to the By-laws of the Management Board and the By-laws of the General Meeting of the Company;
- appointment of the Company Management Board for the next term;
- examination of the Company's strategy;
- discussing the purchase of CPD S.A. shares for redemption, including approving the share buyback prices proposed by the Management Board;
- verification of procedures for reporting tax schemes (MDR) in the Group CPD;
- examination of the internal control and audit system;
- approval of the extension of the contract with the statutory auditor for another three years;
- debating the macroeconomic, commercial real estate and residential market trends in Poland and their impact on CPD SA's Warsaw office portfolio and its Ursus project;
- discussing the Ursus land sales efforts and timings;
- monitoring tax and financial covenant compliance as well as risk factors affecting the Company's position.

The Supervisory Board adopted 28 resolutions, with most of the resolutions adopted at its meetings. It also adopted 3 resolutions in circulation mode. [please check – I thought we adopted more than 3 by circulation]

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

The Management Board of CPD S.A. consists of the following members:

Mr Colin Kingsnorth – President of the Board

Ms Elzbieta Wiczowska – Member of the Board,

Ms Iwona Makarewicz - Member of the Board,

Mr John Purcell - Member of the Board,

In comparison to the status at the end of 2019, the composition of the Management Board of CPD S.A. has not changed. On 27 May 2020, the current Management Board members were appointed to serve for another term.

### **III SELF-EVALUATION OF THE SUPERVISORY BOARD**

The Supervisory Board is of the opinion that it did its utmost to obtain all of the essential information from the Management Board and the employees to be able to fulfil its obligations. At the same time, the Supervisory Board is mindful of the fact that the Company has a small number of employees and associates with the bulk of the shareholders represented directly in the Management Board and the Supervisory Board.

On account of its limited size, the Company's system of internal control and internal audit encounters natural limitations. The main shareholders are essentially the corporate decision makers. The articles of association award extensive flexibility to the Management Board members, while conferring limited powers to the Supervisory Board.

The Supervisory Board believes that in 2020 it acted in line with the generally applicable provisions of law and the requirements to be met by public companies.

In 2020, the Supervisory Board held duly convened meetings. The agendas prepared by the Supervisory Board Chairman included the issues the Supervisory Board should handle having in mind legal regulations and the Company's articles of association.

In addition, the Supervisory Board remained in regular contact with the Management Board to follow matters related to the Company's ongoing operations.

In reviewing the Company's standing, the Supervisory Board tracked the Company's financial and business performance and the overall market environment.

### **IV EVALUATION OF THE COMPANY'S SITUATION**

In 2020, the Company generated a positive net financial result. However, due to the inability to cover all of its losses generated in previous years, the Company was unable to pay out dividends. Nevertheless, in 2020 the Company generated significant cash inflows which it used to distribute excess cash to shareholders through share buybacks.

The Company's asset base is gradually dwindling as assets are converted into cash, which is then distributed to shareholders through share buybacks in which shareholders are given equal opportunity to tender their shares and whose shares are bought back on a pro rata basis.

In the opinion of the Supervisory Board, based on the opinion expressed by the independent auditor the standalone and consolidated financial statements of the Company reflect the books, documents and the actual state of affairs and present a fair and true view of all information essential for evaluation of the material and financial situation of the Company as at 31 December 2020, as well as the financial result for the financial year from 1 January 2020 to 31 December 2020.

### **V INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT**

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing the financial statements and periodic reports prepared and published in accordance with the principles of Regulation of 29 March 2018 on current and periodic information provided by issuers of securities.

In addition, in accordance with the principles of corporate governance adopted by the Management Board and approved by the General Meeting, the Audit Committee operates in the Company.

The purpose of having an effective internal control system regarding financial reporting is to ensure the adequacy and accuracy of the financial information contained in the financial statements and periodic reports.

Over the course of 2020 the Company continued to work on refining its internal control system and risk management system. In the opinion of the Supervisory Board, the internal control system is undergoing further improvement. This is partly caused by the Company's limited size and the fact that the key shareholders are the key decision makers sitting on the Management Board. In the opinion of the Supervisory Board, the processes and procedures are generally in line with governance principles, but the company's corporate documents could benefit by having them reflect

to a greater extent the rigorous approach taken to corporate governance. The internal auditor remained in contact with the Supervisory Board through the Audit Committee.

The Management Board is very well familiar with the risk management system and the Supervisory Board has done a review of the risk management system and explored the evolution of these risks as market dynamics have proven to be buoyant.

The process of financial reporting has been properly defined through division of responsibilities and work organisation in the process of financial reporting. Moreover, the Management Board regularly reviews the results of the Company with the use of the financial reporting applied.

The Company applies the principle of an independent review of the financial statements published, as required by provisions of the law. The published interim and annual financial statements, financial reports and financial data which are the basis for this reporting are subject to a review (in the case of interim statements) and an audit (in the case of annual statements) by the Company's auditor, respectively.

As part of further actions aimed at reducing the Company's exposures to market risk, the Company will assess the potential and development projects and control the ongoing development projects based on the investment models and decision-making procedures implemented in the Company. In order to reduce the risks associated with development projects and tenancy agreements, the Company receives from subcontractors and tenants guarantees or insurance policies covering the most common risks associated with project implementation or policies to cover the rent from tenancy.

The risk management procedure is regularly updated by the Management Board with input from key managers and external advisors and the Supervisory Board.

In the opinion of the Supervisory Board, the Management Board has properly identified the major risks related to the activities of the Company and effectively managed such risks.

## **VI ASSESSMENT OF THE FULFILMENT OF DISCLOSURES BY THE COMPANY IN RESPECT TO COMPLYING WITH CORPORATE GOVERNANCE PRINCIPLES.**

In 2020 CPD S.A. complied with the "Best Practices of Companies Listed on the Warsaw Stock Exchange 2016" in force at the Warsaw Stock Exchange with the exception of the rules which the Management Board of CPD SA designated in its current report of 17 March 2016.

The Company discharges its disclosure obligations related to corporate governance principles as defined in the Stock Exchange Regulation and provisions related to current and periodical information disclosed by issuers of securities.

Pertaining to § 70 item 1 point 9) of the Regulation of 29 March 2018 on the current and periodic information published by issuers of securities and on the conditions for regarding information required by the law of a non-member state as equivalent, in the consolidated and standalone annual reports, CPD S.A. publishes a statement on compliance with corporate governance principles.

## **VII ASSESSMENT OF THE JUSTIFICATION FOR THE COMPANY'S SPONSORING, CHARITY AND OTHER SIMILAR ACTIVITIES.**

The Management Board provided the Supervisory Board with information on costs and benefits relating to sponsorship and charitable purposes, along with the reasons given for these decisions. The Supervisory Board determined that the information contained in the financial statements on this matter corresponds to the facts and took note of the reasons given.

## 2. EVALUATION OF THE FINANCIAL STATEMENTS OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 11 (2) (4) of the By-Laws of the Company, the Supervisory Board evaluated:

- I the standalone financial statements of CPD S.A. for the year ended on 31 December 2020 and prepared in accordance with the International Financial Reporting Standards, comprising:
  - a) statement of financial position for the period from 1 January 2020 to 31 December 2020 with total assets and total liabilities and equity of PLN 250 662 thousand (in words: two hundred fifty million six hundred sixty two thousand zlotys);
  - b) statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 with a net profit of PLN 137 115 thousand (in words: one hundred and thirty-seven million one hundred and fifteen thousand zlotys);
  - c) statement of changes in equity for the period from 1 January 2020 to 31 December 2020, with the decrease of equity by PLN 62 730 thousand (in words: sixty-two million seven hundred and thirty zlotys);
  - d) cash flow statement for the period from 1 January 2020 to 31 December 2020 with decrease of PLN 14 705 thousand (in words: fourteen million seven hundred and five thousand zlotys);
  
- II The consolidated financial statements of the CPD Group for the year ended on 31 December 2020 and prepared in accordance with the International Financial Reporting Standards, comprising:
  - a) consolidated statement of financial position for the period from 1 January 2020 to 31 December 2020 with total assets and total liabilities and equity of PLN 472 346 thousand (in words: four hundred and seventy-two million, three hundred and forty-six thousand zlotys);
  - b) consolidated statement of comprehensive income for the period from 1 January 2020 to 31 December 2020 with a net profit of PLN 16 307 thousand (in words: sixteen million three hundred and seven thousand zlotys);
  - c) consolidated statement of changes in equity for the period from 1 January 2020 to 31 December 2020, with the increase of equity by PLN 58 810 thousand (in words: fifty-eight million eight hundred and ten thousand zlotys);
  - d) consolidated cash flow statement for the period from 1 January 2020 to 31 December 2020 with the increase of PLN 31 111 thousand (in words: thirty-one million one hundred and eleven thousand zlotys).

The financial statements of the Company and the consolidated financial statements of the CPD Group for the financial year 2020 were audited under the contract concluded between CPD S.A. and Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Poznań, at 88 E Abpa Antoniego Baraniaka Street, 61-131 Poznań entered on the list of entities authorised to audit the financial statements kept by the National Council of Statutory Auditors under no. 4055. The contract was concluded on the basis of the Supervisory Board resolution of 15 September 2020.

When evaluating the financial statements, the Supervisory Board based its opinion in particular on the opinion of the statutory auditor, Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k., and supplementary reports to that opinion. The Supervisory Board also sourced information from the Audit Committee and from the Management Board of the Company.

In the opinion of the Supervisory Board, the financial statements of the Company are consistent with the books, documents and the actual state of affairs and present a fair and true view of all the

information essential for evaluation of the material and financial situation of the Company as at 31 December 2020, as well as the financial result for the financial year from 1 January 2020 to 31 December 2020.

The Supervisory Board assessed the following statements and reports submitted by the Management Board and Audit Committee:

- The standalone financial statements of the Company for the financial year ended on 31 December 2020,
- The report of the Management Board on the activities of CPD S.A. in 2020,
- The consolidated financial statements of the CPD Group for the year ended on 31 December 2020,
- The report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2020,
- The Audit Committee's report on its activity in 2020,

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents is consistent with the books, documents and the actual state of affairs.

In the assessment of the Supervisory Board:

- a) The standalone financial statements of the Company for the year ended on 31 December 2020:
  - present a fair and true view of all information essential for evaluation of the material and financial situation of CPD S.A. as at 31 December 2020, as well as its financial result for the financial year from 1 January 2020 to 31 December 2020,
  - were prepared, in all major aspects, in the correct manner, namely in accordance with the accounting principles (policy) arising out of the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and in the scope not regulated by such Standards, in accordance with the requirements of the Accounting Act and secondary legislation thereto as well as on the basis of properly kept accounting books,
  - comply with provisions of the law and provisions of the By-Laws of the Company which affect the content of the financial statements;
- b) The consolidated financial statements of the CPD Group for the year ended on 31 December 2020:
  - present a fair and true view of all the information essential for the evaluation of the material and financial situation of CPD S.A. as at 31 December 2020, as well as its financial result for the financial year from 1 January 2020 to 31 December 2020,
  - were prepared, in all major aspects, in the correct manner, namely in accordance with the accounting principles (policy) of the parent entity arising out of the International Accounting Standards and the International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, and in the scope not regulated by such Standards, in accordance with the requirements of the Accounting Act and secondary legislation thereto as well as on the basis of properly kept accounting books,
  - comply with provisions of the law applicable to the CPD Group which affect the content of the consolidated financial statements;

### **3. EVALUATION OF THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE COMPANY AND OF THE CAPITAL GROUP FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2020**

Pursuant to Article 382 § 3 of the Code of Commercial Companies and § 11 (2) (5) of the By-Laws of the Company, the Supervisory Board evaluated the following reports submitted by the Management Board:

- The report of the Management Board on the activities of CPD S.A. in 2020;
- The report of the Management Board on the activities of the CPD Group in 2020

and concluded, sharing the opinion of the statutory auditor, that the information contained in the aforementioned documents is consistent with the books, documents and the actual state of affairs.

The Supervisory Board found that Management Board's report on activities of CPD S.A. in 2020 was complete as defined by Article 49 (2) of the Accounting Act and the Regulation of the Minister of Finance of 28<sup>th</sup> of March 2018 on current and periodical reporting by issuers of securities and on the conditions under which the legally required information originating in a non-member state can be deemed equivalent thereof.

The information contained in the report of the Management Board on the activities of the Company and sourced from the audited financial statements is consistent with the financial statements.



#### **4. REVIEW OF CONCLUSIONS OF THE MANAGEMENT BOARD ON ALLOCATION OF THE PROFIT**

The financial statements for the financial year ended on 31 December 2020, as prepared by the Company and audited by the independent statutory auditor, demonstrate the net profit of PLN 137 115 thousand (in words: one hundred and thirty-seven million one hundred and fifteen thousand zlotys).

The Management Board of the Company presented a motion regarding the allocation of profit for the financial year 2020 for coverage of losses from previous years.

Having read the financial statements of the Company and the report of the Management Board on the activities of the Company, the Supervisory Board recommends that the Ordinary General Meeting of Shareholders of the Company should adopt a resolution on allocation of the net profit in 2020, as requested by the Management Board.

## **5. MOTIONS TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF CPD S.A.**

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

- 1) Approve the standalone financial statements of the Company for the year ended on 31 December 2020;
- 2) Approve the report of the Management Board on the activities of the Company in 2020;
- 3) Approve the consolidated financial statements of the CPD Group for the year ended on 31 December 2020;
- 4) Approve the report of the Management Board on the activities of the CPD Group for the year ended on 31 December 2020;
- 5) Approve the motion of the Management Board on allocation of the profit in 2020;
- 6) Approve the Report of the Supervisory Board on its activity in the year ended 31 December 2020.