



# **Statement regarding the implementation of corporate governance rules at the CD PROJEKT S.A. in 2015**

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## **Management Board report on CD PROJEKT S.A. activities in 2015**



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

Throughout 2015 CD PROJEKT S.A. (further referred to as the Issuer and/or the Company) was subjected to corporate governance rules set forth in the Code of Best Practice for WSE Listed Companies (an annex to the Stock Exchange Council resolution of 19/1307/2012 of 21 November 2012). This document can be accessed on the Warsaw Stock Exchange website at [www.corp-fgov.gpw.pl](http://www.corp-fgov.gpw.pl)

## Scope of the Issuer's deviation from corporate governance rules

In 2015 the Issuer applied most corporate governance policies in full, except the following policies which were not applied or applied only in part.

### Recommendations for best practice for listed companies

5. A company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the company.

**Clarification:** In the Company's view the regulations specified in the Company Articles in conjunction with the applicable legislation sufficiently regulate the remuneration of Company employees and members of its management bodies.

9. The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

**Clarification:** The management and supervisory bodies of the Company have been and continue to be composed of competent, creative persons possessed of the necessary professional experience and education. In the Company's view any other factors, including gender, are not relevant in this scope. The Company's Supervisory Board currently includes one woman – Katarzyna Szwarz, its chairwoman.

12. A company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means.

**Clarification:** In 2015 the Company did not provide real-time broadcasts of its General Meeting nor did it enable bilateral real-time communications for shareholders or their plenipotentiaries wishing to participate in the General Meetings remotely using electronic means. Noncompliance with this policy in 2015 is due to technical and economic factors associated with its potential implementation. In this scope the Company undertakes actions proportional to its technical and organizational capabilities.

### Best practices for management boards of listed companies

1. A company should operate a corporate website and publish on it, in addition to information required by legal regulations:

5) where members of the company's governing body are elected by the General Meeting – the basis for proposed candidates for the company's Management Board and Supervisory Board available to the company, together with the professional CVs of the candidates within a timeframe enabling a review of the documents and an informed decision on a resolution;

**Clarification:** Implementation of this rule is subjected to the readiness – on the part of shareholders entitled to participate in the General Meeting – to voluntarily submit to the Company official declarations of intent insofar as nomination of Management Board and Supervisory Board members is concerned. Such declarations would have to be submitted prior to the General Meeting. The Company declares that if it receives advance notification of a motion to



change the composition of the Supervisory Board it will ask the applicant to submit a justification along with the professional CVs of the proposed candidate(s). Any such information will be published on the Company website immediately upon receipt.

7) shareholders' questions on issues on the agenda submitted before and during a General Meeting together with answers to those questions;

**Clarification:** The Company does not maintain a detailed record of the General Meeting, including all statements and questions asked by participants. The meeting agenda is set 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 § 38 Art. 1 item 12 of the Finance Minister's Regulation of 19 February 2009 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 above mentioned conditions are met.

9a) a record of the General Meeting in audio or video format;

**Clarification:** The Company does not maintain a detailed record of the General Meeting. Noncompliance with the above listed rule in 2015 was due to technical and economic reasons.

11) information known to the Management Board based on a statement by a member of the Supervisory Board on any relationship of a member of the Supervisory Board with a shareholder who holds shares representing not less than 5% of all votes at the company's General Meeting;

**Clarification:** Implementation of this rule is dependent upon each Board member's willingness to voluntarily supply information concerning their relations with shareholders who control at least 5% of all votes at the General Meeting. The Company declares that it will petition members of its Supervisory Board for declarations disclosing any relationships with shareholders who control at least 5% of votes at the General Meeting. Such information will be published on the Company website immediately upon receipt.

14) information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule;

**Clarification:** The Company does not implement any custom rules for changing the company authorized to audit its financial statements. The Company complies with the applicable legal regulations in this regard.

2. A company should ensure that its website is also available in English (...)

**Clarification:** This rule was followed to a limited extent: the Company maintains an English version of its website providing access to key corporate documents as well as activity updates, including current and periodic reports.

3. Before a company executes a significant agreement with a related entity, its Management Board shall request the approval of the transaction/agreement by the Supervisory Board. (...)

**Clarification:** In the Company's view the relevant provisions of the Company Articles in conjunction with the applicable legal regulations are sufficient in this regard. The statutory duties of the Supervisory Board include approval of any significant transactions which impose additional liabilities on the Company.

### **Best practices for supervisory board members**

2. A member of the Supervisory Board should submit to the company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. (...)

**Clarification:** Implementation of this rule is dependent upon each Board member's willingness to voluntarily supply information concerning their relations with shareholders who control at least 5% of all votes at the General Meeting. The Company declares that it will petition members of its Supervisory Board for declarations disclosing any relationships with shareholders who control at least 5% of votes at the General Meeting. Such information will be published on the Company website immediately upon receipt.

6. At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company (...).

**Clarification:** The above rule is not implemented. In line with the applicable legal regulations, Supervisory Board members are appointed by the General Meeting. The Company Articles contain no provisions regarding the

independence or methods of selecting Supervisory Board members. The Company is not in a position to implement the above rule as it does not control its Articles or the decisions of the General Meeting. Insofar as Supervisory Board appointments are concerned, all relevant decisions are made by shareholders.

8. Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors should apply to the tasks and the operation of the committees of the Supervisory Board.

**Clarification:** Throughout 2015 the Company's Supervisory Board did not include any committees. As the Board consists of five members it has decided that the duties of the Audit Committee, pursuant to the Act of 7 May 2009 on statutory auditors and their self-government, entities authorized to audit financial statements and public supervision, will be discharged by the full Board.

9. Execution by the company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the Supervisory Board.

**Clarification:** In the Company's view the relevant provisions of the Company Articles, in conjunction with the applicable legal regulations, sufficiently regulate agreements and transactions with related entities. The statutory duties of the Supervisory Board include approval of any significant transactions which impose additional liabilities on the Company.

### Best practices of shareholders

10. A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- real-life broadcast of General Meetings;
- real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.

**Clarification:** In 2015 the Company did not provide real-time broadcasts of its General Meeting nor did it enable bilateral real-time communications for shareholders or their plenipotentiaries wishing to participate in the meeting remotely using electronic means. Noncompliance with this policy in 2015 is due to technical and economic factors associated with its potential implementation.

### Disclosure of shareholders holding, directly or indirectly through their subsidiaries

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 2015.

Shareholder	No. of shares	% of share capital	No. of votes	% of votes
Michał Kiciński <sup>1</sup>	12 281 616	12.93%	12 281 616	12.93%
Marcin Iwiński	12 000 000	12.64%	12 000 000	12.64%
Piotr Nielubowicz	5 985 197	6.30%	5 985 197	6.30%
Adam Kiciński	3 122 481	3.29%	3 122 481	3.29%
PKO TFI S.A. <sup>2</sup>	9 000 000	9.48%	9 000 000	9.48%
AVIVA OFE <sup>3</sup>	4 940 000	5.20%	4 940 000	5.20%
Amplico PTE S.A. <sup>4</sup>	5 003 719	5.27%	5 003 719	5.27%

<sup>1</sup> As disclosed in Current Report No. 2/2015 z 23 February 2015

<sup>2</sup> As disclosed in Current Report No. 19/2011 of 25 February 2011

<sup>3</sup> As disclosed in Current Report No. 25/2012 of 6 September 2012

<sup>4</sup> As disclosed in Current Report No. 20/2013 of 11 September 2013

### 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

The CD PROJEKT S.A. Articles of Association do not provide for any limitations on the exercise of voting rights, including limitations on voting by holders of a certain portion or number of votes, 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 Company 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 serve two-year terms, however starting with the date of the General Meeting convened to approve the Company's financial statement for 2016 the length of the term will be extended to four years. The Management Board is appointed for a two-year term; however starting with the date of the General Meeting convened to approve the Company's financial statement for 2016 the length of the term will be extended to four years.

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 Company Code and the Company Articles.

Supervisory Board approval, issued in the form of a resolution, is required when incurring liabilities, or purchasing or selling property worth more than 10% of the Company's equity as disclosed in its most recent financial statement, except when performing activities related to sales of Company products and services.

Should a Management Board consisting of more than one person be appointed, the right to represent the Company will appertain either to all members of the Management Board acting jointly, or to each member of the Management Board acting together with a holder of the commercial power of attorney (proxy). Should a sole Manager be appointed, the right to represent the Company will appertain to the Manager acting alone.

The Management Board of CD PROJEKT S.A. is not authorized 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 General Meeting resolution.

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

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

In accordance with art. 430. §1. of the Commercial Company 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 Company 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 Company 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 2015, as well as shareholder rights and methods of exercising them as set forth in the General Meeting regulations in 2015**

In accordance with the Commercial Company 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).

In accordance with the Regulations in force throughout 2015 a General Meeting convened by the Supervisory Board or upon shareholders' request should, insofar as possible, take place at the time and venue specified in the request. When this is not practical, the General Meeting should be held as soon as feasible.

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 above mentioned persons are present, the General Meeting may be called to order by any of its participants.

The General Meeting Chairman must be a natural person who is present at the General Meeting. The 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 Company 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, including in particular: admittance of non-Shareholders to the meeting room, reordering of items on the General Meeting agenda, establishment of committees stipulated by the General Meeting Regulations, instituting additional means of recording the progress of the General Meeting and submitting a motion to adopt a resolution concerning the convocation of the General Meeting.

In procedural matters the Chairman may refuse to table any submitted motions, although the applicants may appeal such 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.

In order to ensure efficient progress of the General Meeting, the Chairman may ask the meeting to appoint one or more deputy chairmen who will subsequently perform tasks assigned to them by the Chairman. The General Meeting appoints deputy chairman by way of a resolution which does not have to be entered into the meeting agenda prior to the meeting.

The General Meeting is not required to appoint a Ballot Committee if none of its members request this committee to be appointed. In such cases the Chairman directly discharges all Ballot Committee duties; otherwise the Ballot Committee must consist of three persons unless otherwise decided by the General Meeting. Ballot Committee members are elected from among General Meeting participants, with each Shareholder entitled to nominate a single candidate. The General Meeting elects Ballot Committee members by successively voting on each candidate. Candidates with the greatest number of votes are appointed to the Ballot Committee. The vote is held as an open



ballot, with each Shareholder voting by raising his/her hand. Should a request be made to elect Ballot Committee members in a secret ballot, the General Meeting Chairman must first assemble and sign the attendance list and then determine how many Shareholders are represented at the General Meeting either in person or by plenipotentiaries, and how many votes are controlled by each Shareholder. Once this task is complete the Chairman calls for a secret ballot to elect Ballot Committee members. Each Shareholder then proceeds to cast his/her votes for or against each candidate and the candidates with the greatest number of votes are appointed to the Ballot Committee. The Ballot Committee must, in turn, appoint its own chairman and secretary.

The Ballot Committee is tasked with overseeing all votes taken by the General Meeting, supervising personnel charged with operating vote counting devices, computing the outcome of each vote, communicating results to the General Meeting Chairman for announcement and carrying out other voting-related activities.

If the Ballot Committee detects a voting irregularity it is required to immediately inform the General Meeting Chairman of this fact and recommend a suitable course of action. The Ballot Committee may avail itself of expert assistance, particularly from advisors and consultants employed by the Company.

Management Board and Supervisory Board members may participate in the General Meeting without prior invitation. The Management Board is required to supply written notice of any General Meetings to all Supervisory Board members.

The Management Board may invite third parties – particularly licensed auditors and experts – to participate in General Meetings if it deems their participation relevant in the scope of the meeting agenda. Such third parties may also be invited on an ad hoc basis by the Management Board or the General Meeting Chairman, and may participate in selected parts of the meeting.

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. The General Meeting may also add new items to the meeting agenda and discuss them without voting on a resolution.

Voting on procedural matters must be restricted to matters associated with the course of the General Meeting. 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 may not strike an item which was included in the agenda by Shareholder request unless said Shareholder accepts this decision. The General Meeting Chairman is not authorized to singlehandedly strike items from the agenda, change their order or add new items, except when dealing with procedural matters.

Following a brief presentation of each item on the agenda, the General Meeting Chairman prepares a list of persons requesting to take part in the debate and then opens the debate, yielding the floor to each registered speaker in succession. The Chairman is authorized to close the debate at any point.

The wording of resolutions which the Chairman submits to a vote is prepared by the Management Board. Any participant of the General Meeting may request changes and amendments to be introduced in any draft resolution, as long as said changes do not produce a resolution which is materially different from the corresponding item on the meeting agenda.

Any participant wishing to object to a draft resolution is entitled to briefly present the reason behind his/her objection. The General Meeting Chairman should facilitate this action. 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. Speakers must not deviate from the meeting agenda or the subject of the ongoing debate.

In addressing each item on the agenda the Chairman may allot a specific amount of time to each speaker to present their opinions and reply to any questions. This allotment is not binding for members of the Management Board and Supervisory Board or for invited experts.

The Chairman may caution a speaker who is deviating from the subject at hand, has exceeded their time allotment or is addressing participants of the General Meeting in a derogatory manner. Speakers who refuse to comply with the Chairman's cautions or who violate General Meeting Regulations may be deprived of their right to speak. The Chairman may expel unruly individuals from the meeting room.

In procedural matters the Chairman may yield the floor to selected speakers outside the order of submission.



Procedural matters should be debated as soon as submitted. The General Meeting Chairman calls a vote on procedural matters immediately after the corresponding debate unless a procedural break is necessary in order to obtain expert opinion. The Chairman closes the General Meeting once its agenda is fully exhausted. At this point the General Meeting ceases to function as a Company body and is no longer empowered to undertake binding resolutions.

Draft resolutions to be debated and voted upon at the General Meeting are prepared by the Management Board. If in the course of discussion the speakers do not formulate a clear draft of the proposed resolution, the General Meeting Chairman is required to prepare a suitable draft unless a special committee is appointed for this purpose. Draft resolutions may also be submitted to the Chairman by meeting participants. Any participant who has submitted a draft resolution or a request to amend an existing draft resolution may subsequently withdraw this request.

The General Meeting is authorized to amend or revoke its own resolutions.

A statutory prohibition on participation in the voting on a resolution shall also apply to persons who participate in the General Meeting as representatives. Representatives of legal entities should refrain from voting when the aforementioned prohibition applies to the Shareholder whom they represent. A Shareholder who is also a member of a Company body may vote on a resolution which grants a vote of acceptance to other members of this body, as well as on any resolution which addresses his/her accountability in an indirect manner.

Should a General Meeting participant hold various types of shares the participant should submit his/her votes separately for each group of shares he/she controls.

The General Meeting Chairman conducts group voting on Supervisory Board nominations should such voting be requested by Shareholders representing at least 1/5 of the Company's share capital. A petition to institute group voting should be submitted in writing to the Management Board in such a manner as to enable this item to be placed on the General Meeting agenda. If group voting is instituted the Chairman asks General Meeting participants to form groups and sets the minimum number of shares required to establish a group. Each Shareholder may only belong to one group. Surplus shares in any group do not entitle it to elect additional Supervisory Board members; it is, however, possible to merge groups. Each group prepares a separate attendance list and elects its own chairman. A group chairman is not elected if the group consists of a single person. A report on the outcome of voting in each group is prepared by the Ballot Committee or by the General Meeting Chairman if no Ballot Committee has been appointed. The General Meeting Chairman announces final voting results.

Should a resolution on adjournment of the General Meeting be adopted, it is not necessary to maintain the identity of General Meeting participants. The Meeting may reconvene with a different number of participants as long as all of its participants are included on the attendance list prepared on the day the meeting reconvenes. The General Meeting Chairman does not need to be reelected and may continue to discharge his/her duties once the meeting reconvenes. If a Shareholder wishes to be represented by a different person at the reconvened meeting the new representative should duly submit an authorization form or other documentation which confirms his/her right to represent the Shareholder at the General Meeting, pursuant to Art. 406 of the Commercial Company Code. Any deadlines specified in the Commercial Company Code refer to the official convocation date of the General Meeting, not the date on which the meeting reconvenes.

In addition to preparing notarized minutes of the General Meeting, the Chairman may appoint a secretary to track the progress of the General Meeting or parts thereof. The secretary does not need to be a registered participant of the General Meeting. The secretary's minutes may include matters not otherwise mentioned in the notarized meeting minutes – such as the means of resolving procedural and formal issues and the specific course of debates concerning proposed resolutions. When issuing Shareholders with copies of notarized General Meeting minutes the Company may demand reimbursement of their preparation costs. The Management Board may request that the proceedings be recorded, entirely or in part, using audio and video recording devices. The resulting recordings are turned over to the Management Board which may subsequently decide to destroy them. No copies of such recordings are to be made available to external parties. While the General Meeting itself may decide to record its own proceedings, any person taking the floor may demand that recordings of his/her address be withheld from publication or distribution. Each General Meeting participant may submit a written statement for inclusion in the meeting minutes. The Management Board is required to deliver such statements to the notary in charge of preparing minutes.

The Company respects shareholder rights as defined by the Commercial Company Code and the Company Articles.



## Composition, changes in composition and operations of the Issuer's management bodies and their committees in 2015

### CD PROJEKT S.A. Management Board

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 <sup>1</sup>	Board Member

<sup>1</sup> Board Member since November 1st, 2015

In 2015 the Management Board of the Company acted in accordance with the Commercial Company 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 2015 the right to represent the Company, issue declarations of intent and conclude agreements on behalf of the Company appertained to a single Board Member in the case of a Board constituted by one person, or to two Board Members acting jointly or a single Board Member acting together with a holder of the commercial power of attorney (proxy) in the case of a Board constituted by multiple persons.

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.

In accordance with the Management Board Regulations in force throughout 2015 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. Should a Board Member become aware of the possibility of carrying out a beneficial transaction of investment falling within the scope of the Company's business strategy, he/she should promptly submit this information to the Management Board for perusal. The Board Member may only act upon such information personally or communicate it to external parties with the Management Board's express permission, and then only if the action is not prejudicial to Company interest. 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.

With regard to Management Board duties and prerogatives, the competences of the President of the Board include all matters not otherwise reserved to the full Board or to other members of the Board. This includes, in particular:

- coordinating and directing Management Board actions,
- representing the Company – singly or in collaboration with other parties authorized to represent the Company, as required,
- informing other Board Members of all important matters and issues related to the functioning of the Company.

The Board may delegate matters to selected Board Members or Company employees. It cannot, however, delegate matters which, according to the applicable law or Company Articles, require the attention of the full Board. Delegating



a matter to a Board Member or Company employee does not restrict the Board from taking actions in the scope of that matter.

Each Board Member is required to deal with matters delegated to them by the Management Board on the basis of resolutions adopted by Company bodies or by the Management Board itself, their employment contract or any other legal contract with the Company. Each Board Member may request that a matter delegated to them be dealt with by the full Board. Additionally, each Board Member may request that a matter delegated to another Board Member be dealt with by the full Board. In matters delegated to more than one Board Members the affected Members should nominate a single Board Member as the primary responsible party. If no unanimous decision can be reached in this regard, the primary responsible party is instead nominated by the President of the Board. The President of the Board may repeal any decision made by another Board Member. In such cases the affected Member may demand that the matter in question be dealt with by the full Board.

In the scope of their competences individual Board Members manage the organizational units of the Company assigned to them, resolve conflicts and monitor the execution of their decisions by the subordinate organizational units of the Company, issue regulations and notices, control their observance by the subordinate organizational units of the Company and inform other Board Members of pending matters and issues related to the functioning of the Company.

The Management Board Regulations specify that Management Board meetings should be held as needed. Meetings are scheduled by the President of the Board who also sets the meeting venue and agenda. In justifiable cases a Board meeting may be convened by a Board Member to whom such responsibility has been delegated by the President of the Board. Each Board Member may submit to the President of the Board matters which, in his/her view, require the attention of the full Board.

The Management Board may adopt resolutions outside of meetings, by way of a written vote. In such cases each Board Member signs a document containing the text of the resolution, indicating whether they wish to vote for or against the resolution. Failure to sign this document is interpreted as a vote for the resolution. The Management Board may also adopt resolutions using electronic communication channels such as e-mail or tele-/videoconferencing tools. Adopting resolutions by e-mail follows the same rules as for written resolutions, whereas adopting resolutions by tele-/videoconferencing tools follows the same rules as for resolutions considered at Board meetings. A resolution adopted by way of a written vote is considered to have been adopted on the day the President of the Board, or the Board Member substituting for the President of the Board during his/her absence, collects a sufficient number of votes required to adopt the resolution, unless the resolution itself states otherwise.

Management Board meetings are minuted. Responsibility for preparing meeting minutes falls to the person appointed for this duty by the President of the Board. Board meeting minutes should include the date and venue of the meeting, the full names of Board Members and any external parties present at the meeting, the number of votes cast for or against draft resolutions and any dissenting opinions submitted by Board Members. The minutes should also mention any resolutions adopted by the Management Board outside of meetings since the preceding meeting. The minutes are signed by all Board Members present at the meeting. Each Board Member may formally request that the minutes be corrected or supplemented. Such requests are considered by the Board at its subsequent meeting. Minutes of Management Board meetings are to be archived at the place where the Management Board conducts its activities, in a way specified by the President of the Board. These minutes are to be made available to any Board Member upon request.

## CD PROJEKT S.A. Supervisory Board

Katarzyna Szwarc	Chairman of the Supervisory Board
Piotr Pągowski	Deputy Chairman of the Supervisory Board
Maciej Majewski	Supervisory Board Member
Grzegorz Kujawski	Supervisory Board Member
Krzysztof Kilian <sup>2</sup>	Supervisory Board Member
Cezary Iwiński <sup>3</sup>	Supervisory Board Member

<sup>2</sup> Supervisory Board Member since May 28th, 2015

<sup>3</sup> Supervisory Board Member since May 7th, 2015

In 2015 the Supervisory Board of the Company acted in accordance with the Commercial Company 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. 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. In the case of a tie, the Chairman of the Supervisory Board is authorized to cast a tie-breaking vote. 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 headquarters.

The Supervisory Board is also authorized to adopt resolutions outside of meetings, by way of a written vote or electronic communication means, as long as at least half of the incumbent Supervisory Board Members participate in each ballot. Resolutions voted upon outside of meetings must be communicated in advance to all Supervisory Board Members and subsequently confirmed at the nearest Supervisory Board 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 schedule an additional meeting for this purpose. Supervisory Board members may deposit written votes with other Supervisory Board Members, instructing them to cast these votes on their behalf.

The Audit Committee is a permanent committee of the Supervisory Board whenever the Supervisory Board comprises more than five members. If the Supervisory Board comprises five or fewer members, Audit Committee duties are instead discharged by the full Supervisory Board, unless the Supervisory Board decides otherwise.

The Audit Committee acts on the basis of the CD PROJEKT S.A. Supervisory Board Audit Committee Regulations, instituted by the Supervisory Board. This document specifies the means of appointing Committee members, their duties and means of discharging these duties. In doing so, the Regulations must remain consistent with the applicable law, particularly with the Act of 7 May 2009 on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of the Republic of Poland 2009.77.64).

The Audit Committee consists of three members, at least one of whom is regarded as independent under Art. 56 section 3, items 1, 3 and 5 and is a qualified accountant or auditor. Audit Committee members are designated by the Supervisory Board from among its Members in an open ballot. An additional ballot is held to designate the Audit Committee Chairman from among Audit Committee members. The Supervisory Board may, at any time, recall the Audit Committee Chairman without revoking his/her Audit Committee membership and appoint a different Audit Committee member as Chairman.

Audit Committee members are appointed for the duration of the Supervisory Board's term, unless they tender their resignation to the Supervisory Board Chairman or are recalled by the Supervisory Board. The Supervisory Board is authorized to recall any Audit Committee member at any time.

The duties of the Audit Committee include monitoring Company financial statements, verifying the efficiency of internal control mechanisms, tracking internal audits and risk management strategies, overseeing financial auditing actions and verifying the independence of licensed auditors as well as any other entities authorized to audit the Company's financial statements.

The Audit Committee holds meetings as needed; however a meeting must be held prior to publication of annual, semiannual and quarterly financial statements as mandated by stock exchange regulations.

Audit Committee meetings are called by the Audit Committee Chairman acting unilaterally or upon another Audit Committee member's request. The Audit Committee Chairman may invite third parties to meetings, whether by his/her own initiative or upon another Audit Committee member's request – this includes, in particular, external experts, Management Board Members and Company employees who possess information important from the point of view of the meeting agenda. Any invited third party must vacate the meeting when matters pertaining to that party are being discussed, as well as when requested by an Audit Committee member. Supervisory Board Members are authorized to attend Audit Committee meetings with prior notice which should be submitted to the Audit Committee Chairman.

Audit Committee meetings are minuted. Meeting minutes should include a serial number, the date and venue of the meeting, its agenda, full names of all Audit Committee members and external parties participating in the meeting and a summary of the meeting along with all recommendations issued by the Audit Committee.

The Audit Committee submits its minutes to the Supervisory Board at the nearest Supervisory Board meeting. Additionally, if requested by Supervisory Board Members, the Audit Committee Chairman must present detailed information regarding Audit Committee proceedings at a Supervisory Board meeting.

Meeting minutes and other relevant documentation collected by the Audit Committee shall be archived by the Supervisory Board Secretary.

In accordance with its duties the Audit Committee prepares annual reports assessing the Company condition in each financial year. These reports are to be annexed to the corresponding annual Supervisory Board report and must be submitted to the Supervisory Board no later than seven days prior to the Supervisory Board meeting whose agenda includes approval of the annual Supervisory Board report.

In all matters reserved to the Audit Committee the Committee issues decisions in the form of written recommendations for the Supervisory Board. Audit Committee recommendations are adopted unanimously. If unanimity cannot be achieved, the Audit Committee instead submits to the Supervisory Board separate statements formulated by each of its members. The Audit Committee may issue recommendations by remote communication means.

## **Key features of CD PROJEKT S.A. internal control and risk management mechanisms pertaining to preparation of financial statements and consolidated financial statements**

The Management Board of CD PROJEKT S.A. 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 CD PROJEKT S.A. Management Board. The Board is also directly responsible for the preparation of statutory financial statements. In 2015 CD PROJEKT S.A. accounts were managed by a dedicated 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 included 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.

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 Company Code, i.e. financial audits.

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



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Adam Kiciński	Marcin Iwiński	Piotr Nielubowicz	Adam Badowski	Michał Nowakowski	Piotr Karwowski
President of the Board	Vice President of the Board	Vice President of the Board	Board Member	Board Member	Board Member