



## Policy for selecting and rotating the audit firm authorized to perform audits of financial statements and provide permissible services other than audits at the CD PROJEKT Group

### 1. INTRODUCTION

1. Acting under the Act of 11 May 2017 on certified auditors, audit firms and public supervision (**"the Act"**) the Audit Committee of the Supervisory Board of CD PROJEKT S.A. (**"the Audit Committee"**) hereby institutes the following policy for selecting and rotating the audit firm contracted to perform audits of separate and financial statements, and provide permissible services other than audits (**"the Policy"**).
2. Ensuring independence of the certified auditor and audit firm performing audits of financial statements of companies belonging to the CD PROJEKT Group (**"the Group"**) is a key element of the Policy.

### 2. SELECTION OF CERTIFIED AUDITOR

1. Pursuant to § 21 section 2 item c of the Articles of Association of CD PROJEKT S.A. (**"the Company"**), the competences of the Supervisory Board of the Company include appointing a certified auditor to perform audits of the Company's financial statements. Decisions concerning selection of the audit firm authorized to perform audits of financial statement are issued in the form of Supervisory Board resolutions.
2. Pursuant to Art. 130 of the Act, the tasks of the Audit Committee include submitting recommendations to the Supervisory Board in the scope of selection, appointment, reappointment and dismissal of certified auditors, and rules and conditions governing cooperation with certified auditors.
3. Except in justified cases where impracticality is a factor, all member companies of the Group should, as a rule, be audited by the same audit firm. An exception may be made when (i) a new company joins the Group, if the company cooperates with a different audit firm on the basis of an ongoing contract concluded prior to its entry into the Group, or when (ii) the financial results of a given member company are immaterial in the scope of the consolidated financial statement of the Group. It is also permissible to select a different audit firm for foreign subsidiaries of the Company, given compelling reasons of a practical or economic nature. Selection of the audit firm at a subsidiary is the responsibility of the body which approves that company's financial statement, unless the relevant articles of association, contractual provisions or legislation applicable to that company state otherwise.
4. Whenever the need arises to select an entity to perform audits of financial statements published by Group member companies, the Audit Committee initiates a formal selection procedure which assumes the form of a tender, consistent with the following guidelines:
  - a. The Audit Committee indicates or selects, upon the Company's request, audit firms which meet its selection criteria and invites these firms to participate in the tender. No fewer than 4 audit firms must be approached in each case. The Company prepares suitable documentation, which:
    - i. allows prospective applicants to familiarize themselves with the activity profile of the Company and the Group,
    - ii. indicates which financial statements are to be submitted to an audit,
    - iii. specifies clear and nondiscriminatory selection criteria to be followed by the Company when evaluating applications,
    - iv. acknowledges quality standards applicable to audit firms which perform services on the Polish market



- b. The Company performs a preliminary assessment of applications and prepares a list of audit firms regarded as potential candidates for appointment as auditors of financial statements of Group member companies.
  - c. The Company organizes interviews and/or meetings with potential candidates.
  - d. The Audit Committee may perform activities indicated in items (a) - (c) above directly, or in collaboration with the Company.
  - e. The selection procedure takes into account the impartiality and independence of the audit firm, and also whether the audit firm performs other services for the Company which might trigger a potential conflict of interest. The Audit Committee assesses the independence of each firm on its list of candidates for appointment as auditors of financial statements of Group member companies, in accordance with section 3 of this Policy.
  - f. The Company and the Audit Committee acknowledge all findings and conclusions disclosed in the annual report of the Polish Audit Supervision Committee (see Art. 90 section 5 of the Act) insofar as these findings and conclusions may affect the selection process.
  - g. The Company assesses offers submitted by audit firms in accordance with criteria set forth in the tender documentation and presents its findings in a report which is subsequently submitted to the Audit Committee for approval.
  - h. Having familiarized itself with transparency reports mandated by Art. 13 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and published by audit firms which took part in the tender, the Audit Committee prepares a recommendation for the Supervisory Board. The Audit Committee's recommendation must include at least two audit firms, along with a justification of their inclusion on the list and an indication which firm is deemed preferable by the Audit Committee.
  - i. In its recommendation the Audit Committee declares that the recommendation is free from third-party influence, and that the Company has not entered into any agreements whose provisions might restrict its selection of certified auditor or audit firm for the purposes of performing statutory audits as specified in Art. 66 section 5a of the Accounting Act of 29 September 1994.
  - j. Based on the Audit Committee's recommendation, the Supervisory Board selects an audit firm to perform audits of financial statements.
  - k. Should the Supervisory Board's decision conflict with the Audit Committee's recommendation, the Supervisory Board must prepare a formal note explaining the reasons behind this discrepancy and submit it to the General Meeting.
5. Applications received in the course of the tender are assessed on the basis of the following criteria:
  - a. independence of the external audit firm and the key certified auditor,
  - b. qualifications and knowledge of the proposed external audit team, especially regarding compliance with the International Financial Reporting Standards,
  - c. experience possessed by the proposed external audit team in the context of auditing financial statements of other companies with similar activity profiles, and companies listed on the Warsaw Stock Exchange,
  - d. access, on the part of the audit firm, to experts specializing in corporate finances, taxation, IT, internal control and risk management, which may assist the audit firm in performing audits of financial statements,
  - e. ability to meet deadlines specified by the Company,
  - f. the audit firm's reputation, including testimonials,
  - g. requested remuneration.
6. The Audit Committee, in the course of monitoring the process of financial audits, at least twice a year updates its information concerning the audit firm and its eligibility to perform audits, including in the context of the outcomes and recommendations from inspections



carried out by the Polish Financial Supervision Authority, as well as any other information which may indicate that the audit firm has forfeited its eligibility to perform the audit.

### 3. INDEPENDENCE OF THE CERTIFIED AUDITOR

1. When performing audits of financial statements of Group member companies, the certified auditor or audit firm, as well as all other persons taking part in the audit and possessing the means to directly or indirectly influence its outcome, must remain independent of the Company and take no part in decision-making processes at the entity being audited.
2. The abovementioned independence must span the period covered by the audit, i.e. between the start and the close of the reporting period, as well as the statutory audit period, i.e. between the commencement of the audit and formal submission of the audit report by the certified auditor.
3. Prior to submitting its recommendation concerning selection of a certified auditor to the Supervisory Board, as well as during annual reviews of the independence of the audit firm charged with performing audits and attestation of the Company's financial statements, the Audit Committee shall consider the following matters:
  - a. whether the independence of the audit firm and the key certified auditor might have been jeopardized by any factual or potential conflict of interest, business ties or any other direct or indirect ties between the certified auditor or audit firm and the managing bodies or employees of the Company;
  - b. whether there is any risk of inspection of the outcomes of actions performed by the audit firm in its own interest or on behalf of other entities and associated with familiarity, or trust or intimidation resulting from ties between the audit firm and the Company, whether of a financial, personal or economic nature, as a result of which an objective and rationally informed third party might conclude that the independence of the certified auditor or the audit firm may have been compromised,
  - c. whether the certified auditor, audit firm, key collaborators or employees thereof, who directly participate in activities related to the statutory audit may have held or directly and materially benefited from any form of trading in any financial instruments issued, underwritten or otherwise endorsed by the Company,
  - d. whether the independence of the audit firm may be under threat and whether the audit firm has instituted safeguards to mitigate such threats,
  - e. whether the audit firm has at its disposal competent employees and sufficient resources to ensure proper performance of the audit,
  - f. whether any key partner of the audit firm performing the statutory audit may have, throughout a two-year period since ceasing to act in the capacity of a certified auditor, held key management positions at the Group, been appointed to the Audit Committee or been appointed to any administrative or supervisory organ at the Group,
  - g. whether the key partner of the audit firm has been entered in the Polish register of certified auditors.
4. In order to preserve their independence, the certified auditor, audit firm and members of their business networks, may not provide services to the Group, other than audits of its financial statements, which may be construed as detrimental to their independence. To avoid potential ambiguities, reviews of semiannual financial statements are not regarded as a proscribed service which might jeopardize the independence of the certified auditor or audit firm.
5. The full list of proscribed services which do not involve auditing financial statements can be found in section 5.4 of this Policy.
6. On an annual basis, the Audit Committee shall solicit from the certified auditor a report of all services provided to the Group other than audits of its financial statements.



7. On an annual basis, the Audit Committee shall solicit a confirmation of the independence of the audit firm and the key certified auditor and discuss with them any perceived threats to their independence, along with safeguards instituted to mitigate such threats.
8. The Audit Committee shall appraise the Management Board of the Company of any perceived threats to the independence of the audit firm, including rendition of services other than audits and reviews of financial statements, for the benefit of the Company and its subsidiaries, as well as safeguards instituted to mitigate such threats.

#### **4. RULES GOVERNIG ROTATION OF AUDIT FIRMS AND AUDIT CONTRACTS**

1. The Supervisory Board applies the mandatory rotation principle which stipulates that the maximum uninterrupted period of service involving statutory audits performed by the audit firm, any of its affiliates or any member of their respective business networks, must not exceed 10 years.
2. Once the maximum period of service has elapsed, the audit firm, along with any audit firm affiliated therewith and any member of their respective business networks, may not perform statutory audit activities for the Company over the subsequent four years.
3. The key certified auditor may perform statutory audit activities for the Company over a period not exceeding five years. A gap of at least three years is required before the same certified auditor may be contracted again.
4. The initial contract with an audit firm is concluded for a period of at least 2 years, with a prolongation option covering further periods, each of which must also span at least 2 years. If the Audit Committee recommendation concerning selection of an audit firm concerns prolongation of an existing audit contract, the Audit Committee may forgo collection of offers from entities other than the entity with regard to which it recommends prolongation of the financial statement audit contract.
5. When concluding a contract with an audit firm, the Company strives to introduce provisions which obligate the audit firm to periodically provide the Company with information regarding circumstances which may potentially cause the firm to forfeit its authorization to carry out audits of financial statements, or any ongoing legal proceedings in this scope.
6. Should the Company be notified of circumstances which prevent the audit firm from discharging its legal obligations in relation to auditing financial statements, professional ethics guidelines, independence criteria or professional codes of conduct, the Audit Committee shall, in collaboration with the Company, perform an analysis of whether it is advisable to terminate the relevant audit contract.
7. Should the audit contract be terminated by the audit firm, the Company shall immediately notify the Polish Audit Supervision Agency and the Financial Supervision Authority of this fact, indicating the causes for termination of the contract. It will also initiate a new audit firm selection procedure, in accordance with Section 2 of this Policy, with the added proviso that under such circumstances the offer to participate in the tender may be extended to two or more audit firms.

#### **5. SERVICES OTHER THAN AUDITS OF FINANCIAL STATEMENTS**

1. The audit firm and the certified auditor contracted to perform audits of financial statements may provide services other than audits or reviews of financial statements to Group member companies, as long as such services:
  - a. are not on the list of proscribed services,
  - b. are listed as permitted services in the catalogue specified in Art. 136 section 2 of the Act,
  - c. are unrelated to the fiscal policy of Group member companies,
  - d. are provided under the condition that the Audit Committee has performed an



assessment of the threats to the independence of the audit firm and key certified auditor as well as safeguards related thereto, and has consented to procurement of such services.

2. In addition to the foregoing, if the certified auditor or audit firm have, over a period of at least three consecutive fiscal years, provided services other than audits or reviews of financial statements of Group member companies, the aggregate annual remuneration for such services may not exceed 70% of the remuneration payable to the auditor for conducting statutory audits and reviews of financial statements submitted by the Company and, in relevant cases, entities controlled thereby, as well as consolidated financial statements of the Group, averaged out over a period of three years.
3. Neither the certified auditor or audit firm carrying out statutory audits of the Company's financial statements nor any member of their respective business networks may provide, directly or indirectly, any proscribed services to Group member companies between the start of the reporting period and the submission date of the corresponding audit report, and, in the case specified in section 4 item (g) below, also during the fiscal year immediately preceding the reporting period.
4. Proscribed services are defined as:
  - a. tax services, including:
    - i. preparation of tax forms, payroll tax, customs declarations and identification of available public subsidies and fiscal incentives,
    - ii. support in the scope of tax inspections carried out by fiscal authorities unless the law stipulates that a certified auditor or audit firm must take part in such inspections,
    - iii. calculation of direct and indirect tax, including deferred income tax,
    - iv. tax advisory services.
  - b. services which entail participation in decision-making processes at the Company or its subsidiaries;
  - c. accounting services, including preparation of accounting forms and financial statements;
  - d. payroll services;
  - e. developing and implementing internal control systems or risk management procedures related to preparation or validation of financial reports, or developing and implementing technologies in support of financial reporting processes;
  - f. valuation services, including actuary services or support in resolving legal disputes;
  - g. legal services, including:
    - i. general legal advice;
    - ii. conducting negotiations on behalf of the Company;
    - iii. acting in the capacity of a Company representative in disputes;
  - h. internal audit services at the Company;
  - i. services related to financing, capital structure, capital allocation and investment strategies of the Group, except for attestation of financial statements;
  - j. promotional activities, trading in shares of the entity subjected to audit activities, or underwriting the issue of shares by such an entity;
  - k. HR services related to:
    - i. individuals discharging managerial positions at the Company and possessing the ability to significantly influence its financial documentation or financial statements subject to statutory audits, when such services concern identification of prospective candidates for these positions or validating references presented by said candidates;
    - ii. proposing organizational structures;
    - iii. cost control.