

Policy of choosing and rotating an audit firm entitled to audit financial statements and provide permitted non-audit services in CD PROJEKT S.A. Group

1. INTRODUCTION

1. Acting under the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 ("**Act**"), the Audit Committee of the Supervisory Board of CD PROJEKT S.A. ("**Audit Committee**") hereby establishes the following policy of choosing and rotating an audit firm entitled to audit standalone and consolidated financial statements and to provide permitted non-audit services ("**Policy**").
2. The independence of the statutory auditor and audit firm examining the financial statements of companies belonging to the CD PROJEKT Group ("**Group**") is a key element of this Policy.

2. CHOICE OF STATUTORY AUDITOR

1. In accordance with § 21 section 2 letter c of the Articles of Association of CD PROJEKT S.A. ("**Company**"), the Company Supervisory Board's competence comprises the appointment of a statutory auditor that will examine the Company's financial statements. The decision on choosing an audit firm entitled to examine financial statements is made by way of a Supervisory Board resolution.
2. Based on article 130 of the Act, the Audit Committee's duties cover e.g. submitting a recommendation on the choice, appointment, repeated choice, and recall of a statutory auditor, as well as the principles and conditions of entering into cooperation with statutory auditors.
3. Except for unjustified cases where this would be impractical, it is a rule to audit all the companies belonging to the Group by the same audit firm. Cases where an exception to this rule is justifiable may be: (i) the inclusion in the Group of a new company whose financial statements are examined based on an audit contract signed with another audit firm prior to the inclusion thereof in the Group or (ii) the immateriality of a company's financial data for the Group's consolidated financial statements. It is also admissible to choose another audit firm for the Company's foreign subsidiaries if this is dictated by rational local practicalities or important economic aspects. An audit firm is chosen in a subsidiary by its authority that approves the financial statements, unless the articles of association or other legal regulations provide for otherwise.
4. If an audit firm must be chosen for Group companies, the Audit Committee carries out a formal measure to choose a statutory auditor by way of a tender procedure while adhering to the following principles:
 - a. The Audit Committee indicates or approves at the Company's request audit firms that comply with the selection criteria and submits to them requests for proposal. A request for proposal is sent to at least 4 audit firms. The Company draws up tender documentation which:
 - i. enables those firms to familiarize themselves with the operations of the Company and the Group,
 - ii. contains an indication of the financial statements being subject to the audit,
 - iii. contains explicit and non-discriminating selection criteria used by the Company to evaluate the tenders filed by the audit firms,
 - iv. maintains quality standards applicable to the operation of audit firms on the Polish market of auditing services.

- b. The Company carries out an initial analysis of the tenders and draws up a list of audit firms that are potential candidates for a statutory auditor of the Group companies' financial statements.
 - c. The Company holds talks and/or meetings with the potential candidates.
 - d. The Audit Committee may take the actions indicated in the aforesaid points (a) through (c) directly or in cooperation with the Company.
 - e. The audit firm is chosen taking into account the principles of impartiality and independence, its capability to perform the requisite financial audit actions, and an analysis of the work to be carried out in the Company beyond the scope of the audit in order to avert a conflict of interest. The Audit Committee assesses the independence of the audit firms short-listed as potential candidates for a statutory auditor of the Group companies' financial statements in accordance with point 3 of this Policy.
 - f. The Company and the Audit Committee takes into account all the arrangements and/or conclusions contained in the Polish Agency for Audit Oversight's annual report referred to in article 90 section 5 of the Act, which may affect the choice of an audit firm.
 - g. The Company evaluates the tenders submitted by audit firms in accordance with the selection criteria established in the tender documentation and prepares a summary containing conclusions drawn from the selection procedure, approvable by the Audit Committee.
 - h. The Audit Committee, having familiarized itself with transparency reports drawn up based on article 13 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and published by the audit firms that submitted tenders, prepares a recommendation for the Supervisory Board. The Audit Committee's recommendation contains at least two audit firms together with a justification and an indication of the Audit Committee's marked preference in relation to one of them.
 - i. In its recommendation the Audit Committee underlines that the recommendation is free from third-party influence and that the Company has not entered into any agreements containing clauses that would restrict the choice of a statutory auditor or an audit firm for the purpose of carrying out a statutory audit, which clauses are referred to in article 66 section 5a of the Accounting Act of 29 September 1994.
 - j. The Supervisory Board selects an audit firm to audit the financial statements based on the Audit Committee's recommendation.
 - k. If the Supervisory Board's decision about the choice of an audit firm is different from the Audit Committee's recommendation, the Supervisory Board gives reasons for its non-acceptance of the Audit Committee's recommendation and communicates to the General Meeting reasons for doing so.
5. The tenders submitted in the tender procedure are evaluated based on the following criteria:
- a. independence of the external audit firm and of the key statutory auditor,
 - b. skills and knowledge of the proposed external audit team, in particular with respect to the application of the International Financial Reporting Standards,
 - c. experience of the audit team in auditing financial statements of companies from within the industry, listed on the Warsaw Stock Exchange,
 - d. access of the audit firm to experts at corporate finance, taxes, IT systems, internal audit, and risk management, whose assistance may be sought if needed while financial statements are being examined,



- e. possibility to carry out the audit within the deadlines required by the Company,
 - f. audit firm's repute, including its credentials,
 - g. remuneration.
6. While monitoring the financial audit activities carried out by the audit firm, the Audit Committee updates at least twice per year information concerning the audit firm and its authorizations to carry out the audit, including with respect to post-inspection conclusions given and findings made by the Polish Agency for Audit Oversight, as well as other information concerning the likelihood of the audit firm losing its authorizations to carry out the audit.

3. INDEPENDENCE OF STATUTORY AUDITOR

1. While an audit of the financial statements of companies belonging to the Group is being carried out, the audit firm or any individuals participating in the audit that may affect directly or indirectly the audit outcome are independent from the Company and do not participate in the decision-making process of the entity being audited.
2. Independence is required both during the period covered by the financial statements being audited, i.e. from the beginning of the audited reporting period until its end, and while the statutory audit is being carried out, i.e. from its beginning to the end on the date an audit report is issued by the statutory auditor.
3. Before a recommendation is given to the Supervisory Board on the choice of the audit firm entitled to audit the financial statements and while an annual assessment is carried out of the independence of the audit firm auditing the Company's financial statements, the Audit Committee evaluates the following aspects:
 - a. whether the independence of the audit firm and of the key statutory auditor is not influenced by any actual or potential conflict of interest, business relations or any other direct or indirect relations between the statutory auditor or audit firm and the audited entity's managers or employees,
 - b. whether there is no threat that the outcome of the actions taken by the audit firm will be controlled or that self-interest, intimacy or intimidation will occur as a result a financial, personal, business or employment relationship or another relationship between the statutory auditor and the Company, following which an objective and reasonably informed third party could reach a conclusion that the independence of the audit firm or of the key statutory auditor is jeopardized,
 - c. whether the statutory auditor, audit firm, audit firm's key partners and employees participating directly in the statutory audit activities do not have or derive significant and direct benefits from any transactions in financial instruments issued, guaranteed or otherwise backed up by the Company,
 - d. whether there are any threats to their independence as well as security measures used to mitigate those threats,
 - e. whether they have competent employees, time, and resources enabling appropriate performance of the audit,
 - f. whether the key audit partner carrying out the statutory audit before the lapse of at least two years from the cessation of his statutory auditor's activity did not occupy a key managing position within the Group, did not perform the function of a member of the Audit Committee or the function of a member of an administrative or supervisory authority within the Group,
 - g. whether the key audit partner has been entered in the register of statutory auditors in Poland.



4. In order to retain independence, the statutory auditor, audit firm or members of their network may not provide the Group companies with services other than statutory audit services, which could threaten the independence thereof. For the avoidance of doubt, the services of semi-annual review of financial statements are not deemed to be a prohibited service that could threaten the auditors' independence.
5. The specification of prohibited non-audit services is presented in point 5.4 of this Policy.
6. Once per year the Audit Committee receives the audit firm's summary of non-audit services performed.
7. Once per year the Audit Committee receives a confirmation of the independence of the audit firm and key audit partner and discusses with them any and all threats to their independence, together with security measures used to mitigate those threats.
8. The Audit Committee discusses with the Company Management Board any threats to the audit firm's independence, including services other than the services of auditing and reviewing financial statements, which are provided by the audit firm to the Company and its subsidiaries, including security measures used to mitigate those threats.

4. PRINCIPLES OF ROTATING STATUTORY AUDITOR AND AUDIT CONTRACT

1. The Supervisory Board applies the principle of rotating the audit firm, according to which the maximum time of uninterrupted duration of commissions to carry out statutory audits by the same audit firm or by an audit firm associated with that audit firm, or by any member of the network to which those audit firms belong, may not exceed 10 years.
2. Once the maximum duration of commissions ends, the audit firm or an audit firm associated with that audit firm, or any member of the network to which those audit firms belong, do not carry out statutory audits of the Company over the next four years.
3. The key audit partner may not carry out statutory audits for a period longer than 5 years, and the cooperation may be resumed only after 3 years pass from the end of the last statutory audit.
4. The first audit contract is signed with an audit firm for a period of minimum 2 years, with the possibility to be extended for subsequent at least 2 years' periods. If the Audit Committee's recommendation concerning the choice of an audit firm entitled to carry out audits refers to an extension of the audit contract, the Audit Committee may resign from collecting tenders from entities other than the one with which the Audit Committee recommends extending the contract on auditing the financial statements.
5. The Company seeks to introduce in the audit contract certain provisions obliging the audit firm to provide the Company periodically with information about circumstances that may give rise to the loss of authorizations to audit financial statements or about any proceedings being underway in this respect.
6. Upon receiving information about occurrences that prevent the fulfilment by the audit firm of requirements for carrying out audits as established by the law, the principles of professional ethics, the independence principle, or national principles of practising the profession, the Audit Committee together with the Company carry out an analysis of prerequisites for termination of the audit contract with that audit firm.
7. If the audit contract is terminated with the audit firm, the Company notifies of this without delay the Polish Agency for Audit Oversight and the Polish Financial Supervision Authority indicating the contract termination reasons, and initiates the procedure of choosing a new audit firm in accordance with point 2 of this Policy, in which case requests for proposal can be submitted within the procedure to at least 2 audit firms.

5. NON-AUDIT SERVICES

1. An audit firm and a statutory auditor entitled to audit financial statements may provide the Group companies with services other than the services of auditing or reviewing financial statements:
 - a. which are not prohibited,
 - b. which are comprised on the list of services referred to in article 136 section 2 of the Act,
 - c. only to an extent unrelated to the Group companies' tax policies,
 - d. once the Audit Committee has carried out an assessment of threats to and security measures for the independence of the audit firm and key audit partner, and has consented to the performance of such services.
2. In addition, if the statutory auditor or audit firm provide the Group companies with non-audit and non-review services for at least three consecutive financial years, the total remuneration payable for such services is limited at the most to 70% of the annual average remuneration paid during the three last consecutive financial years for statutory services of auditing and reviewing the financial statements of the Company or - in appropriate cases - entities controlled by the Company, and the consolidated financial statements of the Group.
3. The statutory auditor or audit firm carrying out statutory audits of the Company's financial statements or any member of their networks do not provide the Group companies directly or indirectly with prohibited services other than the services of auditing and reviewing financial statements, during a period from the beginning of the period covered by the audit to the date an audit report is issued, and in the case of the services specified in section 4 letter g. below - also during the financial year directly preceding the audited period.
4. Prohibited services comprise:
 - a. tax services relating to:
 - i. preparation of tax forms; payroll tax, customs duties; identification of public subsidies and tax incentives,
 - ii. support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law,
 - iii. calculation of direct and indirect tax and deferred tax,
 - iv. provision of tax advice;
 - b. services that involve playing any part in the management or decision-making of the Company or its subsidiaries,
 - c. bookkeeping and preparing accounting records and financial statements,
 - d. payroll services,
 - e. designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems,
 - f. valuation services, including valuations performed in connection with actuarial services or litigation support services,
 - g. legal services, with respect to:
 - i. the provision of general counsel,
 - ii. negotiating on behalf of the Company:
 - iii. acting in an advocacy role in the resolution of litigation;
 - h. services related to the Company's internal audit function,
 - i. services linked to the financing, capital structure and allocation, and investment strategy of the Group, except providing assurance services in relation to the financial statements,
 - j. promoting, dealing in, or underwriting shares in the audited entity,
 - k. human resources services, with respect to:



- i. management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve searching for or seeking out candidates for such position, or undertaking reference checks of candidates for such positions,
- ii. structuring the organisation design, and
- iii. cost control.