



Statement regarding the implementation of corporate governance policies at the CD PROJEKT Capital in 2016

**supplementing the Management Board Report on
CD PROJEKT Capital Group and CD PROJEKT S.A.
Activities in 2016**

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

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

Scope of the Issuer's deviation from corporate governance policies

Throughout 2016 the Issuer fully implemented most of the above mentioned corporate governance policies, with exception of the following policies which were not implemented or which were implemented only in part.

Disclosure policy and investor communications

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

- I.Z.1.2 the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board

Clarification: Implementation of this policy is contingent on the Management Board and Supervisory Board members' willingness to submit the appropriate statements. The Issuer will strive to satisfy the policy but it cannot presently ensure that the affected individuals will perform the corresponding activities, thereby enabling the Issuer to meet the requirements listed in the policy. The Company declares that whenever a change occurs in the composition of its Management Board or Supervisory Board, it will petition the newly appointed members to submit their professional CVs along with written declarations of compliance with independence criteria. Such materials will be published on the Company's website immediately upon receipt.

- I.Z.1.11 - 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: No specific rules have been instituted at the Company with regard to changing the company authorized to audit financial statements. In this matter the Company follows the applicable legal regulations.

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

Clarification: No specific diversity policies are in force with regard to the governing bodies or key managers at CD PROJEKT. Nevertheless, diversity among members of the Company's governing bodies and key managers is maintained as a result of the equal opportunity principle which CD PROJEKT embraces. The Company has consistently applied a policy whereby governing and managerial positions are filled by competent, creative individuals possessing the necessary experience and education. In the Issuer's opinion, other factors, such as gender, are not relevant in this scope.

- I.Z.1.16 - information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting

Clarification: The Issuer does not provide broadcasts of its General Meetings. Should a decision be undertaken to provide such broadcasts, the Issuer will apply the above policy.

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



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

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

Clarification: The Company does not maintain a detailed record of the General Meeting, including all statements and questions posed 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 abovementioned conditions are met.

- I.Z.1.20. - an audio or video recording of a general meeting

Clarification: The Company does not record its General Meetings. Noncompliance with this policy is due to technical and economic reasons. Nevertheless, the Issuer is contemplating institution of such recordings at a future date.

Management Board, Supervisory Board

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

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

- II.Z.3 – At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4

Clarification: The above policy is not implemented. In accordance with the applicable legislation members of the Supervisory Board are appointed by the General Meeting. The Company's Articles of Association do not contain provisions related to the independence or the manner in which independent Supervisory Board members ought to be elected.

The Company is not in a position to implement the above policy as it lacks control over its Articles of Association and does not, by itself, appoint members of its Supervisory Board. All rights in this regard appertain to the Company's shareholders.

- II.Z.4 – Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members. Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the company

Clarification: Implementation of this policy is contingent upon the Supervisory Board members' willingness to voluntarily declare compliance with the European Commission's Recommendation no. 2005/162/WE of 15 February 2005, and to disclose relationships with shareholders who control at least 5% of the vote at the General Meeting. The Company declares that it will petition members of its Supervisory Board to submit notifications of any relationship with shareholders who control at least 5% of the vote at the General Meeting.



- II.Z.5 – Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4

Clarification: Implementation of this policy is contingent upon the Supervisory Board members' willingness to voluntarily declare compliance with the European Commission's Recommendation no. 2005/162/WE of 15 February 2005, and to disclose relationships with shareholders who control at least 5% of the vote at the General Meeting. The Issuer will try to fulfill the above listed requirements but is unable to ensure that the specified individuals will comply with this policy and therefore cannot guarantee that the policy will be implemented as stated. For these reasons the Issuer has decided to withhold implementation of this policy.

- II.Z.6 – The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2

Clarification: Implementation of this policy is contingent upon the willingness of the Company's Supervisory Board to perform certain actions. While the Issuer declares its intent to comply with this policy, ensuring actual compliance falls upon the Supervisory Board. For these reasons the Issuer has decided to withhold implementation of this policy.

- II.Z.7 – Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly

Clarification: The Issuer's Supervisory Board has not formed any committees. As the Supervisory Board currently consists of five members, it has decided that tasks 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. Implementation of this policy is contingent upon the Supervisory Board members' willingness to voluntarily declare compliance with the European Commission's Recommendation no. 2005/162/WE of 15 February 2005, and to disclose relationships with shareholders who control at least 5% of the vote at the General Meeting.

- II.Z.8 – The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4

Clarification: The Issuer's Supervisory Board has not formed any committees. As the Supervisory Board currently consists of five members, it has decided that tasks 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.

General Meeting, shareholder relations

- IV.Z.2 – If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Clarification: The Issuer does not provide broadcasts of its General Meetings. Should a decision be undertaken to provide such broadcasts, the Issuer will apply the above policy.

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

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



V. Conflict of interest, related party transactions

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

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

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

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

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

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

VI. Remuneration

- VI.Z.2 – To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

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

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

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

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

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

Shareholders holding, directly or indirectly, major share packages

The following table summarizes formal notifications received by the Company in accordance with the law, listing shareholders who control – directly or indirectly – at least 5% of votes at the General Meeting as of 31 December 2016:

Shareholder	Qty. of shares	Percentage share in share capital	Qty. of votes controlled	Percentage share in total number of votes
Marcin Iwiński	12 150 000	12.64%	12 150 000	12.64%
Michał Kiciński ¹	10 486 106	10.91%	10 486 106	10.91%
Piotr Nielubowicz	6 135 197	6.38%	6 135 197	6.38%
AVIVA OFE ²	4 940 000	5.14%	4 940 000	5.14%

¹ as disclosed in Current Report no. 49/2016 of 6 December 2016

² as disclosed in Current Report no. 25/2012 of 6 September 2012

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 currently serve two-year terms but starting with the date of the General Meeting convened to approve the Company's financial statement for 2016 the term length 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 assets whose value exceeds 10% of the Company's equity as disclosed in its most recent financial statement, except where such activities concern sales of Company products and services.

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

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

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

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

In accordance with art. 430. §1. of the Commercial 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 2016, as well as shareholder rights and methods of exercising them as set forth in the General Meeting regulations in 2016

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.

In accordance with the Regulations in force throughout 2016 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 abovementioned 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 the General Meeting decides otherwise. 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 voting on each candidate in succession. 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 bring this fact to the General Meeting Chairman's attention and recommend a suitable recourse. 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 upon 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.

The 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 batch 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 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 2016

Management Board of CD PROJEKT S.A.

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

In 2016 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.

In 2016 the right to represent the Company, issue declarations of intent and conclude agreements on behalf of the Company appertained to any two Board Members or to any Board Member acting together with a holder of the commercial power of attorney (proxy).

The Management Board, acting in the interest of the Company, determines its overall strategy and business objectives, submits them for approval to the Supervisory Board and subsequently oversees their implementation. The Management Board is responsible for

the efficiency and clarity of managerial procedures in place at the Company as well as for their compliance with legal regulations and best practices.

In accordance with the Management Board Regulations in force throughout 2016 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 or 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.

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 Board's attention.

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 construed 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 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.

Supervisory Board of CD PROJEKT S.A.

Katarzyna Szwarc	Chairwoman of the Supervisory Board
Piotr Pągowski	Deputy Chairman of the Supervisory Board
Maciej Majewski	Secretary of the Supervisory Board
Michał Bień ¹	Supervisory Board Member
Krzysztof Kilian	Supervisory Board Member
Grzegorz Kujawski ²	Supervisory Board Member

² Appointed on 24 May 2016

³ Resigned on 28 April 2016

In 2016 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.

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 registered office.

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 to 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 adopts a resolution specifying 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 2016.1000; 11 July 2016).

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 Warsaw 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 concise 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 Capital Group internal control and risk management mechanisms pertaining to preparation of financial statements and consolidated financial statements

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

Material supervision of the Issuer's financial and periodic reporting procedures is the responsibility of the Issuer's Management Board. The Board is also directly responsible for the preparation of statutory financial statements. In 2016 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. Consolidated statements include data submitted by the Group's subsidiaries.

The Issuer's financial statement is submitted to the Management Board for verification. Once approved by the Board, the statement is submitted to the Supervisory Board for actions determined by the Commercial 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 recommendation is submitted to the General Meeting.

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

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