

CD PROJEKT S.A.

Policy governing selection and rotation of entities charged with auditing financial statements and procurement of other permissible services from entities authorized to perform audits of financial statements

1. INTRODUCTION

In line with legal requirements, CD PROJEKT S.A. submits its separate and consolidated financial statements to reviews and audits performed by certified auditors. Pursuant to the Act of 11 May 2017 on certified auditors, audit firms and public supervision (JL 2017 item 1089) (hereinafter referred to as “the Act”), the Audit Committee of the CD PROJEKT S.A. Supervisory Board (hereinafter referred to as “the Audit Committee”) hereby sets forth the following policy governing selection and rotation of entities charged with auditing financial statements and procurement of other permissible services from entities authorized to perform audits of financial statements (hereinafter referred to as “the Policy”).

2. GOAL OF THE POLICY

The goal of the Policy is to institute guidelines and procedures to be followed by CD PROJEKT S.A. when selecting and deciding upon the rotation of entities charged with auditing separate and consolidated financial statements of the Company and its subsidiaries, and also when procuring other permissible services which do not involve auditing of said financial statements.

The Policy serves to enshrine the independence of entities charged with auditing financial statements of CD PROJEKT Capital Group companies. The presented criteria governing selection and rotation of entities charged with auditing financial statements and procurement of other permissible services from entities authorized to perform audits of financial statements are meant to ensure that, in all circumstances, the auditor remains independent and possesses the necessary qualifications and skills to properly render the given service.

3. SELECTION OF CERTIFIED AUDITOR

In line with § 21 section 2 item c of the CD PROJEKT S.A. Articles of Association, the duties of the Supervisory Board include selection of auditors charged with performing audits of financial statements. An auditor is formally selected by way of a Supervisory Board resolution.

Under Art. 130 of the Act, the duties of the Audit Committee include, among others, submitting to the Supervisory Board a list of recommendations concerning selection, appointment, reappointment and dismissal of certified auditors, as well as terms and conditions regulating cooperation with certified auditors.

Whenever the need arises to select an entity to perform audits of financial statements published by CD PROJEKT Capital Group companies, the Audit Committee initiates a formal selection procedure which assumes the form of a tender, consistent with the following guidelines:

- i. The Audit Committee indicates which audit firms 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:
 - allows prospective applicants to familiarize themselves with the profile of CD PROJEKT S.A. and its Capital Group,
 - indicates which financial statements are to be submitted to an audit,
 - specifies clear and nondiscriminatory selection criteria to be followed by the Company when evaluating applications.
- ii. The Audit Committee performs a preliminary assessment of applications and prepares a list of audit firms regarded as potential candidates for selection.
- iii. The Audit Committee organizes interviews and/or meetings with potential candidates.
- iv. The Audit Committee may delegate certain responsibilities or avail itself of assistance provided by the Management Board of CD PROJEKT S.A. when implementing items (i), (ii) and (iii).
- v. 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, in accordance with section 4 of this Policy.
- vi. The Company and the Audit Committee acknowledge all findings and conclusions disclosed in the annual report of the Audit Supervision Committee (see Art. 90 section 5 of the Act) insofar as these findings and conclusions may affect the selection process.
- vii. 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.
- viii. 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.

- ix. Based on the Audit Committee's recommendation, the Supervisory Board adopts a resolution which formally selects a single entity to audit the financial statements of CD PROJEKT S.A.
- x. Should the Supervisory Board's decision conflict with the Audit Committee's recommendation, the Supervisory Board must prepare a formal note explaining this discrepancy and submit it to the body charged with approving the financial statements of CD PROJEKT S.A.

Applications received in the course of the tender are assessed on the basis of the following criteria:

- i. independence of the external audit firm and the key certified auditor,
- ii. qualifications and knowledge of the proposed external audit team, especially regarding compliance with the International Financial Reporting Standards,
- iii. 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,
- iv. access, on the part of the audit firm, to experts specializing in corporate finances, taxation, IT, internal oversight and risk management, which may assist the audit firm in performing audits of financial statements,
- v. ability to meet deadlines specified by the Company,
- vi. the audit firm's reputation, including testimonials,
- vii. requested remuneration.

4. INDEPENDENCE OF THE CERTIFIED AUDITOR

When performing audits of financial statements of CD PROJEKT Capital Group 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.

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.

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 issues:

- i. whether the independence of the audit firm and the key certified auditor might have been jeopardized by any factual or prospective 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;
- ii. whether there is any risk of actions being 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,
- iii. whether the certified auditor, audit firm, key collaborators of the audit firm or its employees who directly participate in activities related to the statutory audit may have traded in or benefited from any financial instruments issued, underwritten or otherwise endorsed by the Company,
- iv. whether the independence of the audit firm may be under threat and whether the audit firm has instituted safeguards to mitigate such threats,
- v. whether the audit firm has at its disposal competent employees and sufficient resources to ensure proper performance of the audit,
- vi. 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 CD PROJEKT S.A., been appointed to the Audit Committee or been appointed to any administrative or supervisory organ at the CD PROJEKT Capital Group.
- vii. whether, the key partner of the audit firm has been entered in the Polish register of certified auditors.

In order to preserve their independence, the certified auditor, audit firm and members of their business networks, may not provide services to the CD PROJEKT Capital 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.

A full list of proscribed services which do not involve auditing financial statements can be found in section 6 of this Policy.

On an annual basis, the Audit Committee shall solicit from the certified auditor a report of all services provided to the CD PROJEKT Capital Group other than audits of its financial statements.

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.

The Audit Committee shall appraise the Board of CD PROJEKT S.A. 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 CD PROJEKT S.A. and its subsidiaries, as well as safeguards instituted to mitigate such threats.

5. RULES GOVERNIG ROTATION OF AUDIT FIRMS AND AUDIT CONTRACTS

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 its business network, must not exceed 5 years.

The key certified auditor may perform financial 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.

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.

Except for justifiable cases where impracticality is a factor, all member companies of the CD PROJEKT Capital Group should be served by the same audit firm. An exception may be made for a new company joining the CD PROJEKT Capital Group if the company cooperates with a different audit firm on the basis of an ongoing contract concluded prior to its entry into the CD PROJEKT Capital Group. Another possible exception may occur when the financial results of a given member are deemed irrelevant in the scope of the consolidated financial statement of the Capital Group. It is also permissible to select a different audit firm for a foreign subsidiary of the Company, given compelling reasons of a practical or economic nature.

6. SERVICES OTHER THAN AUDITS OF FINANCIAL STATEMENTS

The entity appointed to audit financial statements may provide other services to CD PROJEKT Capital Group companies, as long as these services are not included on the list of proscribed services and are in no way related to the fiscal policy of CD PROJEKT Capital Group companies. Furthermore, such services may only be procured by the Company when the Audit Committee has conducted a review of potential threats and safeguards instituted by the audit firm and the key certified auditor, and has explicitly consented to such procurement.

In addition to the above, 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 CD PROJEKT Capital Group 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 CD PROJEKT S.A. and its subsidiaries, as well as the consolidated financial statements of the CD PROJEKT Capital Group, averaged out over a period of three years.

Neither the certified auditor or audit firm carrying out statutory audits of CD PROJEKT S.A. financial statements nor any member of their respective business networks may provide, directly or indirectly, any proscribed services to CD PROJEKT Capital Group companies between the start of the reporting period and the submission date of the corresponding audit report, and, in the case of item vii below, also during the fiscal year immediately preceding the reporting period.

Proscribed services are defined as:

- i. Fiscal services, including:
 - preparation of tax forms, payroll tax, customs declarations and identification of available public subsidies and fiscal incentives,
 - support in the scope of tax audits carried out by fiscal authorities unless the law stipulates that a certified auditor or audit firm must take part in such audits,
 - calculation of direct and indirect tax, including deferred income tax,
 - fiscal advisory services;
- ii. Services which entail participation in decision-making processes at the Company or its subsidiaries;
- iii. Accounting services, including preparation of accounting forms and financial statements;
- iv. Payroll services;
- v. 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;

- vi. Valuation services, including actuary services or support in resolving legal disputes;
- vii. Legal services, including:
 - general legal advice;
 - conducting negotiations on behalf of the Company;
 - acting in the capacity of a Company spokesperson in disputes;
- viii. Internal audit services at the Company;
- ix. Services related to financing, capital structure, capital allocation and investment strategies of the CD PROJEKT Capital Group, except for attestation of financial statements;
- x. Promotional activities, trading in Company shares or underwriting the issue of Company shares;
- xi. HR services related to:
 - individuals holding 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;
 - proposing organizational structures;
 - cost control.

7. ENACTMENT DATE

This Policy enters into force at the CD PROJEKT Capital Group on 11 October 2017, subject to transitional provisions listed in Art. 285 sections 1 and 2 of the Act.