

Current report No. 9/2019

Subject: Update concerning compliance with corporate governance policies

Legal basis: Art. 56 section 1 item 2 of the Act on Public Offering – current and periodic information

In relation to information conveyed in the separate and consolidated financial statement for 2018, the Management Board of CD PROJEKT S.A. (hereinafter referred to as “the Company”) wishes to further clarify and update the information contained in its statement of compliance with corporate governance policies issued on 27 March 2019 as follows:

1. Company Audit Committee

Under the Act of 11 May 2017 on licensed auditors, audit companies and public supervision (hereinafter referred to as “the Act”) throughout 2018 an Audit Committee had existed within the framework of the Supervisory Board, with the following membership:

- a) Katarzyna Szwarc – Chairwoman of the Audit Committee meeting independence criteria specified in Art. 129 section 3 of the Act. Has 8 years of industry experience, acquired in the course of her tenure as Chairwoman of the Supervisory Board of the Company.
- b) Maciej Nielubowicz – Member of the Audit Committee possessing knowledge and skills in the area of accounting or attestation of financial statements. Acquired the relevant knowledge in the course of his studies at the Faculty of Management, Warsaw University, majoring in Accounting and Finance. Also possesses extensive professional experience, including employment (2009-2015) at Deloitte in the Financial Audit Department as a member of the Financial Services Industry team charged with auditing and reviewing financial statements in terms of their compliance with PAS, IAS, SOX and due diligence principles. Currently employed at Grupa Generali Polska, in its Internal Audit Department.
- c) Michał Bień – Member of the Audit Committee meeting independence criteria specified in Art. 129 section 3 of the Act.

Four sessions of the Audit Committee were held in 2018.

2. Auditing company

In 2018 in a single instance the Company solicited a permissible service not related to auditing or attestation of financial statements from the entity contracted to audit its financial statement for 2017. In relation to this instance the Audit Committee conducted a review of independence criteria and approved the procurement of the aforementioned service.

3. Auditor selection policy

In line with the „Policy of selection and rotation of the entity contracted to audit financial statements and procurement from the entity contracted to audit financial statements of other permissible services not related to audits and attestation of financial statements” adopted by CD PROJEKT S.A., selection of the entity contracted to audit the Company’s financial statement is the responsibility of the Company Supervisory Board. The corresponding decision must be issued in the form of a Supervisory Board resolution.

Under Art. 130 of the Act of 11 May 2017 on certified auditors, audit firms and public supervision (JL 2017, item 1089), the duties of the Audit Committee include submission to the Supervisory Board of recommendations concerning appointment, reappointment and dismissal of licensed auditors, and the terms and conditions regulating cooperation with licensed 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:

- a) 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 and specifies clear and nondiscriminatory selection criteria to be followed by the Company when evaluating applications.
- b) The Audit Committee performs a preliminary assessment of applications and prepares a list of audit firms regarded as potential candidates for selection.
- c) The Audit Committee organizes interviews and/or meetings with potential candidates.
- d) The Audit Committee may delegate certain responsibilities or avail itself of assistance provided by the Management Board of CD PROJEKT S.A. when implementing the above activities.
- 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 performing audits of financial statements submitted by CD PROJEKT Capital Group member companies.
- f) 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.
- 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) 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) 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.
- j) 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.

The rotation policy in force at the Company stipulates that a single audit firm may perform financial audit activities for the Company over a period not exceeding five years.

4. Recommendations concerning selection of audit firms are issued in the framework of the selection procedure initiated by the Company in line with the applicable criteria.

Disclaimer: This English language translation has been prepared solely for the convenience of English speaking readers. Despite all the efforts devoted to this translation, certain discrepancies, omissions or approximations may exist. In case of any differences between the Polish and the English versions, the Polish version shall prevail. CD PROJEKT, its representatives and employees decline all responsibility in this regard.