

**Assessment of the standing of Develia S.A. carried out by the Supervisory Board, including the assessment of internal control and risk management systems, compliance and internal audit function and the assessment of Company's compliance with the disclosure requirements concerning the application of corporate governance principles for the financial year 2019**

**I. Assessment of the standing of the Company**

The year 2019 brought further development to the Company operating in the real property development market. The Company achieved its targets and generated a very satisfactory financial result. The success was achieved through consistent implementation of the adopted growth strategy which assumed strengthening the position and becoming more and more influential in the real property market, both in the housing as well as commercial segment.

In the opinion of the Supervisory Board of Develia S.A., activities undertaken by the Company in 2019 contributed both to the increase in the financial results of the Capital Group in 2019 as well as they created solid grounds for the continued growth of the Group and for strengthening its market position.

The Supervisory Board positively assesses the business strategy and objectives of the Company established by the Management Board: expanding its activity in key Polish cities (Warsaw, Wrocław, Kraków, Gdańsk) through an appropriate launch of investments from the existing portfolio as well as through new real property acquisitions, with the diversification of the product offer in terms of location and standard.

The Supervisory Board positively assesses the Company's activities in 2019 and the performance of the Company's Management Board executing the adopted plans. The Supervisory Board is of the opinion that the Company is managed correctly and effectively.

**II. Assessment of internal control and risk management systems, compliance and internal audit function**

Risk management at Develia S.A. is carried out through a formal process of periodic identification, analysis and assessment of risk factors in various areas of the Company and Group's activities. While identifying risks, relevant procedures and processes are determined in order to eliminate or mitigate the risks for the Company and for the Group. The Company has a separate internal audit unit with an internal auditor who performs the duties of internal audit and who audits individual organizational units and processes in the Company, in accordance with the audit plan adopted by the Supervisory Board.

The Audit Committee, in cooperation with the internal auditor, created an internal audit charter and an internal audit work plan for 2019, recommending their adoption by the Company's Supervisory Board. The main objectives of internal audit are to audit and assess adequacy, effectiveness and efficiency of the business risk management system and the internal control system, in particular:

- review and assessment of existing internal control mechanisms as well as reliability and integrity of management, operational and financial information,
- review and assessment of compliance with laws, policies, plans and procedures, identification of gaps and weaknesses of existing control mechanisms in order to proactively solve problems and minimize the impact on the operating activities of the Company and the Group,
- assessment of asset protection measures of the Company and the Group,
- assessment of compliance of activities with previously presented audit or control recommendations.

The Supervisory Board supervised the Management Board's activities in the area of risk management in the Company. In the opinion of the Supervisory Board, the key risk management systems developed by the Company, i.e. systems for managing operational, legal and financial risks, functioned properly.

In the opinion of the Supervisory Board, the Management Board of the Company properly identified risks significant for the Company and managed them effectively in a dynamically changing external environment.

### **III. Assessment of the Company's compliance with the disclosure requirements concerning the application of corporate governance principles set forth in the Warsaw Stock Exchange Rules and the regulations concerning current and interim reports submitted by issuers of securities**

Disclosure requirements concerning the application of corporate governance principles are specified in the Warsaw Stock Exchange Rules and in the Regulation of the Minister of Finance of 29 March, 2019, concerning current and interim reporting by issuers of securities and the terms and conditions of harmonization of the information required under regulations applicable in non-member states. The rules governing submission of current reports on the application of detailed corporate governance principles are set out in Resolution No. 1309/2015 of 17 December, 2015, adopted by the Management Board of WSE.

According to the Warsaw Stock Exchange Rules, if a specific corporate governance principle is not applied on a permanent basis or it is incidentally breached by the issuer; the issuer is obliged to publish a relevant report. The report should be published on the issuer's official website and in a manner identical with that used for the submission of current reports. Pursuant to Resolution No. 1309/2015 of the Management Board of the WSE, reports on the application of detailed corporate governance principles referred to in Article 29 Sec. 3 of the Warsaw Stock Exchange Rules shall be submitted via the Electronic Information Base (EBI). The Regulation of the Minister of Finance of 19 February, 2009, specifies information to be included in the statement on the application of corporate governance constituting a separate element of the report on the issuer's activity in the annual report of the Company.

In 2019, the Company applied corporate governance principles except for the following recommendations and principles I.Z.1.16, I.Z.1.20, IV.Z.2, V.Z.6, VI.Z.4.

The Supervisory Board is of the opinion that the Company correctly fulfils its disclosure obligations related to the application of corporate governance principles, as set forth in the legal regulations mentioned above. The Supervisory Board has familiarized itself with the statement on the application of corporate governance contained in the Annual Report of Develia S.A. and in the Annual Report of Develia S.A. Capital Group for 2019. This statement describes corporate governance issues in detail and contains disclosures required according to the Regulation of the Minister of Finance of 29 March, 2019, concerning current and interim reporting by issuers of securities and the terms and conditions of harmonization of the information required under regulations applicable in non-member states.

### **VI. Assessment of the rationality of the Company's policy referred to in recommendation I.R.2 of the 2016 Code of Best Practice for WSE Listed Companies, or information on the absence of such policy**

In the financial year 2019, the Company did not conduct any sponsorship, charitable activity or other activities of similar nature on a large scale, therefore, it does not have a detailed policy in this respect. However, the Company undertook various activities as part of corporate social responsibility, getting engaged in charity activities, supporting several events in this respect.