

Assessment of the standing of Develia S.A. by the Supervisory Board including the assessment of internal control systems, risk management, compliance, internal audit functions and the assessment of the Company's compliance with the disclosure requirements concerning the application of corporate governance principles, assessment of the legitimacy of the expenses on charity and the implementation of the diversity policy for the year 2021

I. Assessment of Company's Circumstances

Given the COVID-19 pandemic, the year 2021, after 2020 was, again, quite peculiar, however, despite multiple problems, particularly in the commercial segment, it enabled the Company to maintain further growth in the property development industry. Even though restrictions were in place, the Company was able to achieve targets previously set and to make a satisfactory profit. Financial assets liquidity of the Company is very good due to consistent pursuing of its growth strategy, strengthening its position and increasing its share in the real property market, specifically in respect of the residential segment. At the same time, in view of COVID – 19 pandemic, the Company significantly decreased its share in the commercial segment.

On 18 February, 2021, the Supervisory Board approved the "Strategy of the Develia Group for the years 2021-2025" adopted by the Management Board of the Company, according to which the Company planned, *inter alia*:

- a significant increase in the scale of its operations in the residential segment to the sales level of 3100 apartments in 2025 (CAGR 18%),
- divestments of the office and commercial portfolio and the parallel creation of the residential units' segment for institutional clients (PRS), thus increasing the capital involved in the residential segment to 85% of equity,
- a significant improvement in return on equity (ROE), reaching the level of 15% *per annum*,
- to actively create and participate in significant new market trends also by establishing partnerships, alliances and M&A,
- to actively build the brand of a reliable employer, business partner and modern developer, caring for positive relationships and loyalty of employees and customers,
- to redirect the Company's activities towards a positive impact on the environment and to adapt selected projects to the urban context. The aim is also to strengthen the position of a reliable partner of local communities, demonstrating responsibility for the natural environment. As part of its residential activities, the Group also plans to expand and distinguish more clearly its products in terms of ecology, functionality, modernity and friendly environment,
- to establish cooperation with a selected partner under a JV agreement in the warehouse area based on the land owned in Malin and partial disinvestment of this property.

As part of the Strategy, the goals of the Management Board of the Company for 2021 were also adopted:

- 1,750-1,850 units to be sold under development and preliminary agreements,
- 1,800-1,900 units to be handed over,
- 1,500-1,700 units to be introduced to the offer,
- the Wola Retro facility to be sold (turn of 2021 and 2022),
- the Sky Tower facility to be prepared for sale,
- the first residential development in the private rented sector (PRS) to be commenced.
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In the commercial segment, the Group met its strategy assumptions by preparing divestments of commercial assets, including the conclusion of a preliminary sale and purchase agreement

for the sale of the Sky Tower facility, which finally led to the sale of this asset in March 2022. Moreover, the assumptions in the residential segment were met.

The Supervisory Board of Develia S.A. are of the opinion that activities carried out by the Company in 2021 contributed both to holding financial health of the Group in 2021 and further growth of the Group and strengthening its market position.

The Supervisory Board expressed a positive opinion on the Company's business strategy and its targets set by the Management Board: the expansion of operations in the key Polish cities (Warsaw, Wrocław, Cracow, Gdańsk) by properly launching projects included in the existing portfolio and purchasing new real property, thus ensuring the diversification of the offer of products in terms of location and standards.

Activities undertaken by the Company in 2021 and the Company Management Board's operations, which was able to execute plans devised, are perceived by the Supervisory Board positively. The Supervisory Board have concluded that the Company is managed properly and effectively.

II. Assessment of Internal Control System and Risk Management System, Compliance and Internal Audit Functions

The Company has systems of internal control, risk management and supervision of compliance with the law, which are appropriate to the size of the Company and the type and scale of activities, for which the Management Board is responsible. The Company has a separate unit in charge of tasks related to the internal audit system together with the internal auditor, and there is a person assigned to the compliance function, which is reasonable due to the size of the Company.

The Company has a separate internal audit unit with an internal auditor who is responsible for performing the duties of internal audit and auditing individual organizational units and processes in the Company in line with the audit plan adopted by the Supervisory Board.

The Audit Committee, in collaboration with the internal auditor, has drawn up an internal audit sheet and each year creates an internal audit operations plan, recommending the adoption thereof to the Supervisory Board of the Company. The main goals of the internal audit include a review and assessment of the adequacy, efficiency and effectiveness of a business risk management system and an internal control system, and in particular:

- A review and assessment of the existing internal control mechanisms and the reliability and accuracy of managerial, operational and financial information;
- A review and assessment of conformity with legal regulations, policies, plans and procedures, the determination of shortcomings and weaknesses of existing controls to ensure proactive problem-solving and minimize the effect on the Company's and the Group's operating activity;
- An assessment of protection measures employed to secure the Company's and the Group's assets;
- An evaluation of whether actions are in line with audit recommendations or controls put forward earlier.

Risk management at Develia S.A. is carried out through a formalized process of periodic identification, analysis and assessment of risk factors in various areas of the Company and Group's operations. When identifying risks, appropriate procedures and processes are established, the implementation of which is to eliminate or reduce the risk for the Company and the Group.

The Supervisory Board oversaw the Management Board's activities relating to risk management in the Company. The Supervisory Board are of the opinion that systems devised and deployed in the Company to ensure the management of key risks, i.e. operating, legal and financial risks, worked correctly.

The Supervisory Board believe that the Management Board properly identified risks relevant to the Company and effectively managed them in a dynamically changing external environment. In 2021, the Company maintained an effective and efficient compliance system, adequate to the size of the Company, type and scale of its operations, based on legal regulations which are generally applicable and voluntarily adopted by the management of the entity legal that and important in the scope of the Develia Group's operations as well as tailored to its business profile.

The Company has an internal control system operating as a verification process answering the question regarding the application of the procedure and its effectiveness. The internal control system itself is supported by the independent internal audit, which - as a tool - may ensure the improvement of internal control used in the Company, and the above is supplemented by the compliance officer function, where a designated person coordinates the supervision of compliance with obligatory and voluntarily adopted legal regulations. The Company has comprehensive rules of conduct regarding its practices, conflicts of interest and ethical principles. The implementation and monitoring are supervised by the Compliance Officer, cooperating, *inter alia*, with the Internal Auditor. As part of a comprehensive approach to the operation of the internal control system - bearing in mind that there is no dedicated organizational unit for this purpose - all activities are based on the mechanisms of independent internal audit, compliance and the financial reporting and controlling management system.

In order to assess the internal control systems, risk management, compliance and internal audit functions, the Supervisory Board exercised constant and systematic supervision over the Company's operations, in particular based on information and materials obtained from the Company's Management Board, internal auditor, external auditor, compliance officer and key Company employees. In line with rules 3.8. and 3.9., the Supervisory Board monitors the effectiveness of the systems and functions based, *inter alia*, on periodic reports provided thereto directly by the persons responsible for these functions and the Company's Management Board, in particular with the participation of the Audit Committee.

III. Assessment of the application of Corporate Governance Principles by the Company and methods of Company's Compliance with Information Duties Relating to Implementation of Corporate Governance Principles Set Out in Stock Exchange By-Laws and Regulations on Current and Periodic Information Published by Issuers of Securities

The information duties relating to the implementation of corporate governance principles are currently set out in the Stock Exchange By-Laws and the Regulation of the Minister of Finance on Current and Periodic Information Published by Issuers of Securities and on Conditions for Regarding Information Required by Law of Non-Member State as Equivalent of 29 March 2018. The principles of providing current reports on compliance with detailed corporate governance principles are set out by Resolution No. 13/1834/2021 adopted by the Management Board of the Warsaw Stock Exchange (GPW) on 29 March 2021.

Pursuant to the Stock Exchange By-Laws, where a given corporate governance principle is not applied consistently or if it is breached incidentally by the issuer, it must publish a report in this regard. The report should be published on the issuer's official website and in the same manner as current reports. Pursuant to the Resolution No. 13/1834/2021 adopted by the Management Board of the Warsaw Stock Exchange (GPW), reports pertaining to the application of detailed corporate governance principles referred to in Section 29(3) of the Stock Exchange By-Laws are provided via the Electronic Information Base (EIB). The Regulation of the Minister of Finance of 29 March 2018 lays down detailed guidelines about information to be contained in a corporate governance statement which is a separate part of the report on the issuer's operations accompanying the company's annual report.

In 2021, the Company applied the principles of corporate governance in accordance with Resolution No. 26/1413/2015 of 13 October, 2015 - "Best Practice for WSE Listed Companies 2016", effective from 1 January, 2016 to 30 June, 2021 adopted by the Stock Exchange Board. as well as in accordance with Resolution No. 13/1834/2021 of 29 March, 2021 adopted by the Stock Exchange Board - "Best Practice for WSE Listed Companies 2021", effective from 1 July, 2021.

On 1 July, 2021, the Company began to apply the principles of Best Practice for WSE Listed Companies 2021, with the exception of the following 10 principles which the Company did not apply throughout the year: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.2., 2.11.6., 4.1.

The Supervisory Board by Resolution No. 25/2021 adopted on 30 July 2021. approved the information on the state of application by the Company of Best Practice for WSE Listed Companies 2021, which was then published by the Management Board of the Company in the EBI report on 30 July 2021. and posted by the Company in a separate section on the website. In the opinion of the Supervisory Board, the information and explanations regarding the application of Best Practice published by the Company is compliant with the actual state of affairs, consistent with each other and exhaustive.

The Supervisory Board believe that the Company has properly discharged information duties relating to the application of corporate governance principles laid down in the provisions of law mentioned above. The Supervisory Board read the corporate governance statement contained in the 2021 Annual Report of Develia S.A. and the Group. The said statement describes in detail matters relating to corporate governance and contains all the information required by the Regulation of the Minister of Finance on Current and Periodic Information Published by Issuers of Securities and on Conditions for Regarding Information Required by Law of Non-Member State as Equivalent of 29 March 2018.

In order to assess the application of the corporate governance rules by the Company and the manner of fulfilling the disclosure obligations set out in the Stock Exchange Rules and the provisions on current and periodic information provided by issuers of securities, the Supervisory Board exercised constant and systematic supervision over the Company's operations, based on information and materials obtained from the Company's Management Board, internal auditor, compliance officer and key employees of the Company.

IV. Assessment of the legitimacy of the expenses referred to in rule 1.5 of Best Practice for WSE Listed Companies 2021 and information on the degree of implementation of the diversity policy in relation to the management board and supervisory board, including meeting the goals referred to in rule 2.1

In the financial year 2021, the Company did not pursue large-scale sponsorship, charity or other similar activities, therefore it does not have any detailed policy in this regard. Nevertheless, the Company carried out a variety of activities as part of corporate social responsibility, being engaged in charity and supporting only a few charity events in that regard. In 2021, the Company conducted charity activities in the field of supporting cultural and social projects and charitable institutions. Due to the fact that the scale of expenses incurred by the Company and its Group on supporting culture, sports, charities, media, social organizations, trade unions, etc., is not significant from the point of view of the Company's financial situation and in relation to other costs incurred by the Company, these expenses are not separated. In 2021, the expenses of the Company and its Group for these purposes totaled PLN 49,796. The Supervisory Board, after analyzing the detailed list of expenses presented by the Company, incurred for purposes other than those directly related to the core business, indicating a list of names of all beneficiaries and the amount of funds, positively assesses the legitimacy of the expenses incurred by the Company for the purposes described above and their amount, indicating that the activities taken are also in line with corporate social responsibility.

The Company does not have an official document regarding the diversity policy towards the Management Board and the Supervisory Board, adopted respectively by the Supervisory Board or the general meeting of shareholders because the Company does not apply rule 2.1 of Best Practice for WSE Listed Companies 2021. The Company does not currently provide gender differentiation in the Management Board and Supervisory Board at a level not lower than 30%. Any personnel decisions are made in the Company on the basis of individual qualifications and skills of individual people, regardless of sex and age.