

# Invitation to audit tender letter

Ladies and Gentlemen,

CPI PROPERTY GROUP (hereinafter also “CPI PG”, and together with its subsidiaries the “Group”) has decided to review its audit arrangements and commence a tender for its group auditor.

The purpose of this letter is to invite eligible audit firms to participate in the tender process for our group audit services, and to outline the process, timeline, and conditions towards the selection of the audit firm.

It is anticipated that each participant will bear the costs associated with the tender submission.

## 1. Subject of the tender

The tender comprises the following services:

- the audit of the annual consolidated financial statements of CPI PG prepared in accordance with IFRS as adopted by the EU.
- the audit of consolidated financial statements of two sub-groups, CPI FIM SA, Luxembourg (hereinafter also “CPI FIM”), and Gewerbesiedlungs-Gesellschaft mbH (hereinafter also “GSG”), prepared in accordance with IFRS as adopted by the EU, both fully consolidated by CPI PG.
- the audit of the annual financial statements of CPI PG and CPI FIM prepared in accordance with Luxembourg statutory provisions.
- the audit of the reporting packages of certain subsidiaries of the Group (based on IFRS as adopted by the EU and in accordance with Group instructions) for the Group consolidation purposes. The information about the subsidiaries and their 2022 audit scope will be available to the participants via Audit tender data room.
- the audit of the annual financial statements of certain subsidiaries prepared in accordance with the respective statutory regulations. The information about the subsidiaries and their 2022 audit scope will be available to the participants via Audit tender data room.

The audit services are to be provided for the financial year ending 31 December 2023 and potentially for at least following two years.

## 2. About us

CPI PG is a commercial real estate group which owns a property portfolio of nearly 900 properties valued at over EUR 20 billion and engages primarily in the following business activities:

- The Group owns retail, office, residential, office and landbank portfolio and operates agricultural farms in the Czech Republic.
- The Group is a leading office provider in Berlin and Warsaw and operates office and retail portfolio in Austria, Poland, Hungary, Germany, Romania, Serbia, Croatia, Italy and other countries.
- The Group operates primarily congress and convention hotels in the Czech Republic, in major CEE region cities and Croatian island Hvar and ski mountain resorts in Switzerland.

CPI PG is a Luxembourg *société anonyme* and its shares are listed on the regulated market of the Frankfurt Stock Exchange.

CPI FIM is a Luxembourg *société anonyme* and its shares are listed on the regulated markets of the Luxembourg Stock Exchange and Warsaw Stock Exchange. Being funded directly by the Company, CPI FIM acts as an internal financing entity for majority of the Group's subsidiaries.

GSG is the largest owner of commercial property in Berlin, with nearly 1 million sqm of office space. GSG was founded in 1965 and provides multi-functional premises for all kinds of SME companies.

For further information about us, please visit our website, which also contains the annual report ([www.cpipg.com](http://www.cpipg.com)).

### **3. CPI PG financial organization**

The registered seat of the Group, headquarters and the finance management are located in Luxembourg, with support functions and administration in Prague.

The Audit Committee and the Board of Directors meetings are held in Luxembourg (with possibility to participate from Prague offices).

The accounting function is maintained on individual countries level.

Finance management is centralized on individual country basis (primarily Luxembourg, Prague, Vienna, Berlin, Budapest and Warsaw). Regional finance managers are responsible of integrity, timing and quality of reporting packages collected on the basis of the Tagetik consolidation software.

The IFRS and consolidation team is located in Prague. Local teams submit reporting packages on quarterly basis (the complete set of reporting packages is however prepared on annual basis only). Major IFRS adjustments relate to the classification and valuation of property portfolio and deferred taxes.

### **4. Tender process**

Pavel Měchura, Group Finance Director, and/or Miroslav Bednář, Group head of IFRS and Consolidation, are available as your contact for the tender process (email address: [audittender@cpipg.com](mailto:audittender@cpipg.com)). Please refrain from contacting Board members, management, or other employees of the Group during the tender process.

The following information will be available to the participants via our Audit tender data room:

- The actual Group structure.
- The actual list of subsidiaries with country of location, functional currency, value of property portfolio, financial liabilities and revenue as at 30 September 2022 and for the nine months then ended, number of properties, 2022 Group audit scope and statutory audit requirements.
- The interim condensed consolidated financial statements of CPI PG and CPI FIM as of 30 June 2022.
- The consolidated financial statements of CPI PG, CPI FIM and GSG as of 31 December 2021.
- 2022 CPI PG consolidated financial closing timetable.
- 2022 CPI PG IFRS consolidation check-list.

### **i. The timeline**

The decision on the proposal of the auditor will be prepared by the Audit Committee and is expected to be considered by the Board of Directors during in April 2023. The proposed candidate will be submitted for the election by the Annual General Meeting held in May 2023.

Refer below to the timeline of the tender process:

<b>27. 1. 2023</b>	Confirmation of participation and confidentiality agreement
<b>22. 2. 2023</b>	Deadline for submission of questions to CPI PG
<b>3. 3. 2023</b>	Deadline for responses to all received questions by CPI PG
<b>15. 3. 2023</b>	Submission of the audit proposals to CPI PG
<b>17. 3. 2023</b>	Feedback on the received proposals by CPI PG and invitation to presentations
<b>20. - 24. 3.2023</b>	Presentations of the proposals to CPI PG
<b>7. 4. 2023</b>	Feedback on the result of the tender by CPI PG to all participants

### **ii. Confirmation of participation and confidentiality agreement**

Audit firms wishing to participate on the tender, are requested to sign the confidentiality agreement presented in appendix 1 and send it to email address [audittender@cpipg.com](mailto:audittender@cpipg.com) by 27 January 2023. Subsequently, we will provide you with an access to the Audit tender data room and request other KYC materials.

### **iii. Questions regarding the tender**

Participant may to submit any questions related to the tender directly to us via e-mail address [audittender@cpipg.com](mailto:audittender@cpipg.com) by 22 February 2023. We will answer the questions no later than 3 March 2023.

### **iv. The proposal documents**

Participants are required to submit their proposals electronically by 15 March 2023 to our email address [audittender@cpipg.com](mailto:audittender@cpipg.com).

The proposal should be written in English and should not exceed 30 pages (without appendixes).

The proposal document should address the following areas:

- Details of your firm.
- Expected resourcing including team credentials and reference audits.
- Audit approach – including:
  - o Expected scoping.
  - o Your approach to materiality.
  - o Expected timeline of your services.
- Transition of the audit.
- Quality assurance.
- Independence.
- Proposed Fees.

## **v. Fee**

The fee proposal must have a form of a binding, fixed offer. Any significant assumptions made in (including inflation rates for example) need to be presented and explained in the proposal document.

The fee proposal should include alternatives for one- and three-years contract.

The fee should be presented in the two following alternatives:

- a) a full Group audit work is provided by the participant; and
- b) a full Group audit work is provided by the participant except for the audit of consolidated financial statements of Group's Austria based subsidiaries IMMOFINANZ AG and S IMMO AG (both prepared in accordance with IFRS as adopted by EU) and audits of their subsidiaries, which would be provided by a third-party auditor (assuming your firm can rely on this audit work).

When determining the fee, please include separate information on:

- the fee for the audit of consolidated and statutory financial statements of the CPI PG;
- the fee for the audit of consolidated and statutory financial statements of CPI FIM sub-group;
- the fee for the audit of consolidated and statutory financial statements of GSG sub-group;
- the fee for the audit of reporting packages of the Group's individual subsidiaries in the scope for the audit of the Group's consolidated financial statements including a split of working hours to be spent on each subsidiary and related hourly rates applied;
- the fee for the audit of statutory financial statements of the Group's subsidiaries in scope for mandatory statutory audits (only where indicated) including a split of working hours to be spent on each subsidiary and related hourly rates applied;
- the fee for the issuance of a comfort letter to the (annual) update base prospectus and comfort letter to supplement to the existing base prospectus in case the Group decides to issue a new or refinance its current bonds including a split of working hours to be spent and related hourly rates applied;
- the estimate of all additional costs and out of pocket expenses;
- the calculation formula and concept for the fee adjustment in case of reduction or increase of the audit scope (including asset acquisitions, business combinations or mergers and demergers);
- hourly rates to be applied for a potential non-audit services;
- the policy on your potential over-runs.

## **vi. Offer presentation**

Based on our assessment of the offers we receive; we will decide which participants to invite to a presentation in our Prague offices.

The specific timing will be communicated to you with the invitation to the presentation.

## **vii. Selection criteria**

Please, refer to Appendix 2 for the selection criteria for your proposal.



If you have any questions regarding this request for proposal, please do not hesitate to contact us.

We look forward to your participation.

Pavel Měchura  
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Group Finance Director  
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+420 724 313 431

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## **I. Annexes**

Appendix 1: Acknowledgement of the Invitation to audit tender

Appendix 2: Selection criteria for assessing audit quality

## II. Appendix 1: Confidentiality agreement

### STRICTLY PRIVATE AND CONFIDENTIAL

Luxembourg, .....,

#### CPI PROPERTY GROUP S.A.

40, rue de la Vallée

L – 2661 Luxembourg

#### For the attention of:

Auditor's name \_\_\_\_\_

Address \_\_\_\_\_

Representative's name and function \_\_\_\_\_

Dear Sir,

We advise you that because **CPI PROPERTY GROUP S.A.** (collectively, “**we**” or “**us**” or “**our**”) and [Auditors's name] ..... (“**you**” and, together with us, the “**Parties**”) will be entering into discussions relating to the tender for an auditor of CPI PROPERTY GROUP S.A. (the “**Tender**”), it is of paramount importance that all communications, whether oral or in writing, between the Parties pertaining to the Tender along with all of our confidential information be protected and that these discussions remain strictly confidential between the Parties. By entering into this Confidentiality Agreement, the Parties expressly acknowledge that because they are contemplating the Tender, any dissemination of information and communications pertaining to the Tender may result in an adverse impact to us. Such impermissible dissemination of information may result in irreparable harm to us for which we will be entitled to the relief under law and at equity set forth in this Confidentiality Agreement.

In connection with the evaluation of the Tender, you will of necessity have access to certain non-public, confidential or proprietary oral, electronic, graphic, and/or written information concerning us. Such information (herein referred to as “**Evaluation Material**”) will be furnished to you in consideration of, and is contingent upon, the terms set forth in this agreement (the “**Confidentiality Agreement**”) as follows:

1. The Evaluation Material will be used solely for the purpose of evaluating the Tender between the Parties. Such Evaluation Material will be kept in strict confidence and, save as provided below, will not be communicated to any third party. The Evaluation Material may be disclosed only to those of your directors, officers, employees, advisors, and agents (collectively the "Representatives") who need to know such information for the purpose of participating in the Tender, it being understood that these Representatives will be informed of the confidential nature of the Evaluation Material and you hereby guarantee strict compliance by such Representatives of this Confidentiality Agreement. In the event that any of your Representatives becomes legally compelled to disclose any of the Evaluation Material, you shall provide us with prompt prior written notice of such requirement.
2. The term Evaluation Material does not include any information which you can prove (i) was at the time of disclosure or thereafter generally available to and known by the public (other than as a result of its disclosure by you or your Representatives or by a third party known to have a duty to keep such Evaluation Material confidential), (ii) was available to you on a non-confidential basis from a source other than us or our advisors, provided that such information was not obtained by such source in violation of any confidentiality agreement or obligation, (iii) was independently acquired or developed by you without violating any of your obligations under this Confidentiality Agreement or any other confidentiality obligation, or (iv) was already in your possession before receipt from us or our advisors, provided that it was not obtained in violation of any confidentiality agreement or obligation. If you are required by a governmental body or court of law to disclose the Evaluation Material, you agree to give us reasonable advance notice so that we may contest the disclosure or seek a protective order.
3. You undertake, in particular, that the Evaluation Material, which you acknowledge may be of commercial value to you, shall not be used by you, your Representatives or by others through or under your direct or indirect control in developing like or competitive business enterprises or ventures or to the competitive disadvantage or detriment whatsoever of the Tender or us.
4. If discussions are discontinued for any reason you agree to (a) return (or in the case of electronic copies, to the extent reasonable, remove from your systems) promptly, but in any event within 3 business days, to us all physical and electronic copies of the Evaluation Material in your possession or in the possession of your Representatives and (b) destroy all physical and, to the extent reasonable, electronic copies of any analyses, compilations, excerpts, summaries, studies or other documents prepared by you or for your internal use which reflect the Evaluation Material. In addition, you recognize that we have the right to require the prompt return of the Evaluation Material and the destruction of all physical and, to the extent reasonable, electronic copies of it at any time. You will confirm to us in writing that you have complied with the provisions thereof. If you are unable to fully remove or destroy any Evaluation Material in electronic form, you agree that you will, to the extent reasonable, maintain the confidentiality of such materials in accordance with the terms of this Confidentiality Agreement. Your obligation to return or destroy all Evaluation Material and your obligation to keep confidential any Evaluation Material on your systems that you are not otherwise able to destroy shall survive the term of this Confidentiality Agreement.



5. You understand and acknowledge that we are not making any representation or warranty, expressed or implied, as to the accuracy or completeness of the Evaluation Material, and that we, nor any of our respective officers, directors, employees, stockholders, owners, affiliates, agents or representatives will have any liability to you or any other person resulting from your use of the Evaluation Material.
6. You will be responsible for any breach of this Confidentiality Agreement by your Representatives. You hereby undertake to indemnify us for any consequences, costs, claims, demands or liabilities whatsoever arising directly or indirectly out of your obligations contained in this Confidentiality Agreement.
7. In addition, you acknowledge that damages alone would not be an adequate remedy for any breach by you or your Representatives of the provisions of this Confidentiality Agreement and, accordingly, without prejudice to any and all other rights or remedies that we might have, we shall be entitled without proof of special damage to the remedies of injunction, specific performance, and other equitable or monetary relief for any threatened or actual breach of the provisions of this Confidentiality Agreement.
8. The Parties agree that this Confidentiality Agreement does not constitute any legal obligation of any kind whatsoever with respect to the Tender contemplated in the first paragraph hereinabove, except for the matters specifically agreed to herein.
9. It is further understood that this Confidentiality Agreement and the Evaluation Material supplied do not constitute or form part of any offer or solicitation to enter into the Tender.
10. It is understood and agreed that any failure by the Parties in exercising any right, power or privilege hereunder will not act as a waiver hereunder nor will any single or partial exercise thereof preclude any further exercise of any right, power or privilege.
11. This Confidentiality Agreement is for the benefit of the Parties and shall be governed by and construed in accordance with the laws of Luxembourg. Accordingly, the Parties hereby submit to the exclusive jurisdiction of the Luxembourg competent Courts for all purposes relating to this Agreement.
12. Except as provided otherwise in this Confidentiality Agreement, the Parties' obligations hereunder shall expire 1 year from the date of execution.



This Confidentiality Agreement is being delivered to you in duplicate. Kindly execute and return one copy, which will be considered to be binding as of the date of execution.

Very truly yours,

CPI PROPERTY GROUP

By: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Confirmed and agreed

Name of the company: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

### III. Appendix 2 – Selection criteria for assessing audit quality

#	Criteria
<b>1</b>	<b>Understanding of the business activity</b>
1.1	of our Group
1.2	of the material business and financial risks
1.3	of our industry and its specifics
1.4	country-specific issues
<b>2</b>	<b>Qualification of leading members of the audit team</b>
2.1	Qualification
2.2	Specific expertise
2.3	Industry experience
2.4	Support from specialists (e.g. IFRS, IT, tax, valuation)
<b>3</b>	<b>Time availability of the leading members of the audit team</b>
3.1	Time and personnel planning of the audit
3.2	Distribution of the total time budget to the individual members of the audit team
3.3	Continuity of the audit team
<b>4</b>	<b>Audit approach</b>
4.1	Identification of significant audit matters
4.2	Audit approach and methods for significant audit matters
4.3	Materiality considerations
4.4	Consideration of the company's internal control system
4.5	Use of IT tools
<b>5</b>	<b>Communication and service concept</b>
5.1	Communication between auditor and company
5.2	Availability and reaction time to questions
<b>6</b>	<b>International presence and cooperation (network)</b>
6.1	Geographical coverage of locations of significant subsidiaries
6.2	Size/performance of the particular locations
6.3	Type of cooperation and decision-making in the network
<b>7</b>	<b>Organisation and communication of the audit</b>
7.1	Scope of the audit of the individual subsidiaries
7.2	Procedure for managing and monitoring the audit
7.3	The decision-making process for complex accounting questions
7.4	Forms of used communication tools and technologies

<b>8</b>	<b>Quality assurance system</b>
8.1	Significant internal processes and checks ensuring the quality of the audit
8.2	Use of IT tools
8.3	Quality assurance and dealing with deficiencies in audit quality (also with members of the network)
<b>9</b>	<b>Additional benefits from the audit</b>
9.1	Presentation of additional relevant information beyond the reporting on findings from the audit (e.g. suggestions for improvement of internal controls)
9.2	Contribution to the quality and efficiency of the financial reporting process
<b>10</b>	<b>Presentation of the offer</b>
10.1	Motivation and persuasiveness
10.2	Consistency of the audit team
10.3	Innovation and proactivity during the presentation