



**Report concerning the application by Ronson Europe N.V. (the “Company”)  
of the set of corporate governance principles and rules of conduct, Best Practice for  
GPW Listed Companies 2016**

The Company, as a company organised and existing under the laws of the Netherlands, complies with the set of corporate governance principles and rules of conduct – “Best Practice for GPW Listed Companies 2016” which were adopted by the supervisory Board of the Warsaw Stock Exchange on 13 October 2015 to the extent allowed under Dutch law. Consequently, not all the principles stated in “Best Practice for GPW Listed Companies 2016” apply directly to the Company and may be implemented by the Company only to the extent permissible under the laws of the Netherlands.

As on the date of this report, i.e. 16 February 2017, the Company does not comply with the following recommendation and detailed principles stated in the Best Practice for GPW Listed Companies 2016:

**Principle I.Z.1.3**

**[The Company publishes on its corporate website] a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1.**

There is no formalised division of duties and responsibilities among members of the management board of the Company which would be reflected in a document which could be published on the Company’s corporate website. Pursuant to Article 16.6 of the Company’s articles of association such a document would need to be adopted by the management board and approved by the supervisory board of the Company.

**Principle I.Z.1.15**

**[The Company publishes on its corporate website] information about the company’s diversity policy applicable to the company’s governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website.**

The Company does not have any formalised diversity policy applicable to the Company’s governing bodies and key managers. The members of the management board and the supervisory board are appointed based on a variety of criteria which include education, professional experience, knowledge and skills.

### **Principle I.Z.1.20**

**[The Company publishes on its corporate website] an audio or video recording of a general meeting.**

The Company believes that the existing information policy applied by the Company guarantees investors access to complete and thorough information regarding decisions adopted at the general meeting of the Company.

### **Principle II.Z.2**

**A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.**

Neither the corporate documents of the Company nor the generally applicable laws require the members of the Company's management board to obtain consent of the supervisory board to sit on the management board or supervisory board of companies other than members of the Company's group and, thus, the Company is not in the position to guarantee that the above principle will be applied in the future. Nevertheless, as of today, based on the best knowledge of the Company, the members of the Company's management board – directors A (i.e. Shraga Weisman, Tomasz Łapiński and Andrzej Gutowski) do not sit on management boards or supervisory boards of companies other than members of the Company's group, while directors B (i.e. Erez Yoskovitz) who, in accordance with the laws of the Netherlands, perform different role than directors A, may sit on management boards or supervisory boards of companies other than members of the Company's group.

### **Principle III.Z.4**

**The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and present a relevant report.**

No persons responsible for internal audit in the Company have been designated, because it is not justified either by the size or type of business conducted by the Company, which is in compliance with recommendation III.R.1. The Company has retained a third party for the purposes of internal audit; such third party conducts internal audits at the request of the management board and reports directly to the supervisory board of the Company. In 2016, no internal audit has been mandated by the management board and, consequently, the annual assessment of the efficiency of operation of the internal control systems and functions, risk management, compliance and internal audit has not been presented by the management board. It is the intention of the Company's management board to commission an internal audit in the course of 2017.

The Company's audit committee has assessed if there is a need to separate the internal audit function and concluded that no such need existed.

### **Principle IV.Z.2.**

**If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.**

In the opinion of the Company, ensuring real-time broadcasts of general meetings is unjustified in light of the structure of the Company's shareholding, while providing the relevant technical infrastructure necessary for the efficient conduct of general meetings using

the means of electronic communication would involve financial expenditure and organisational effort incommensurate with the achieved result. The Company shareholders have not presented the Company with any expectations regarding real-time broadcasts of general meetings.

#### **Principle IV.Z.5**

**The rules of general meetings and the method of conducting such meetings and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.**

The articles of association are the principal document regulating the internal organisation of a publicly listed joint stock company organised in accordance with the laws of the Netherlands. The Company's articles of association specifies in detail the manner of convening, conducting and adopting decisions by the General Meeting of the Company (the "**General Meeting**"). Pursuant to the laws of the Netherlands, there are no specific by-laws concerning the existence and operation of the General Meeting. The articles of association may be amended exclusively based on resolutions of the General Meeting.

#### **Principle IV.Z.11.**

**Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.**

Members of the management board and the supervisory board of the Company are authorised to participate in General Meetings in an advisory capacity. Under the laws of the Netherlands, the presence of members of the management board or the supervisory board at the General Meeting is not obligatory.

In light of the considerable distance between the registered seat of the Company where its general meetings are held and the place of business of the significant part of the Company's minority investors, the Company organises regular preliminary general meetings at its registered office in Poland several days prior to the formal general meeting held in accordance with the laws of the Netherlands, to ensure that the shareholders have direct contact with the members of the Company's management board and so they can ask them questions, if any. The Company exercises great effort to ensure that as many members of the management board and of the supervisory board as possible are present at the preliminary General Meetings, but it cannot guarantee that all members of such governing bodies will be present.

#### **Principle V.Z.5.**

**Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group.**

Neither the corporate documents of the Company, nor the generally prevailing laws require the management board to demand the consent of the supervisory board for the execution of a

material agreement with a shareholder holding at least 5% of the overall number of votes in the Company or with a related party.

In view of the above the Company cannot guarantee that the above requirement will always be observed in the future. The Company believes that the existing articles of association of the Company sufficiently protect the interests of minority shareholders and introduce a mechanism of preventing any incidents which could result in a conflict of interest between the Company and its majority shareholders, because Article 18.5 of the Company's articles of association provides for the requirement of obtaining the consent of the supervisory board in connection with a decision regarding the execution of a transaction which is subject to a conflict of interest regarding members of the supervisory board or members of the management board and which is of material importance to the Company or to a relevant member of the management board or the supervisory board. Under the articles of association, resolutions regarding the grant of consent in such a case require an absolute majority of votes cast to be adopted. In addition, at least one independent member of the supervisory board must vote in favour of such a resolution.

As at the date of this report, according to the Company's best knowledge, in 2016 the Company executed, on 23 December 2016, one material agreement with a shareholder holding more than 5% of votes in the Company. The above-mentioned transaction was approved by the Company's supervisory board. In addition, the supervisory board of the Company established a special committee comprising Reuven Sharoni, Przemysław Kowalczyk and Yair Shilhav, i.e. the independent members of the supervisory board with respect to which the supervisory board had not recognised any relation with the transaction in question for the purposes of Article 20.2 of the Company's articles of association. The special committee was commissioned with the task of considering the business, financial, contractual, legal, regulatory and other relevant aspects of the transaction. The special committee was equipped with the option of requesting the opinion of external legal counsel or financial advisors or of an expert in valuation of real estate. Upon completion of the above-mentioned analysis the special committee presented the supervisory board and the management board of the Company with its recommendation regarding the execution of the transaction in question.

#### **Principle VI.Z.2.**

**To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.**

In 2016, the Company had an incentive scheme based on phantom options the general terms and conditions of which were adopted on 3 February 2014 (the "**Incentive Scheme**"). Under the Incentive Scheme the entitled persons have the right to exercise their phantom options by the end of 2017 (but not later than within two years from the date on which they ceased to be employed by Ronson group entities). The terms and conditions of the Incentive Scheme did not include any restrictions according to which the period between the allotment of phantom options and their exercisability would be a minimum of two years. In 2016, no phantom options allotted to entitled persons under the Incentive Scheme were exercised.

The Company notes that the terms and conditions of the Incentive Scheme were determined at the beginning of 2014 when the rules specified in the "Best Practice for GPW Listed Companies 2016" were unknown. For the purposes of the determination of the terms and conditions of incentive schemes based on financial instruments linked to Company shares, in

the future the Company will attempt to take into consideration the restrictions resulting from the above-mentioned document.