



## **Report concerning the application by Ronson Europe N.V. (the “Company”) of detailed corporate governance principles**

Acting pursuant to § 29 (5) of the Warsaw Stock Exchange Rules and the resolutions of the management board of Giełda Papierów Wartościowych S.A. No. 1309/2015 of 17 December 2015 and No. 646/2011 of 20 May 2011 (as amended), the Company hereby presents its report on the application of the detailed corporate governance principles and rules of conduct set forth in the ‘Best Practices for WSE Listed Companies 2016’ (the “**WSE Best Practices**”) (the “**Report**”). The Report supplements the information specified in the Company’s annual report for 2017.

The Company, as a company organised and existing under the laws of the Netherlands, complies with the WSE Best Practices to the extent allowed under Dutch law. Consequently, not all of the principles set forth in the WSE Best Practices apply directly to the Company.

The Company acknowledges the importance of good corporate governance. Therefore, in addition its required compliance with the Dutch Corporate Governance Code, it strives to implement the WSE Best Practices. As at the date of this Report, i.e. 8 March 2018, the Company does not comply with the following detailed corporate governance principles set forth in the WSE Best Practices.

### **Principle I.Z.1.3**

There is no formal division of duties and responsibilities among the members of the management board of the Company (the “**Management Board**”) that could be reflected in a document publishable on the Company’s corporate website. However, the division of duties between the managing directors A is reflected in their respective titles (i.e. the president of the management board, the financial director and the director responsible for sales and marketing). Relevant information is available on the corporate website of the Company.

### **Principle I.Z.1.15**

The Company does not have any formal diversity policy applicable to the Company’s governing bodies and key managers. The members of the supervisory board of the Company (the “**Supervisory Board**”) and the Management Board are selected on the basis of a wide range of factors, such as experience, background, skills, knowledge and insight. The Company recognises the benefits of diversity, including gender balance, and it strives to achieve a greater level of diversity on both the Supervisory Board and the Management Board.

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

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 (the “**General Meeting**”). Therefore there is no need to publish an audio or video recording of the General Meeting on the corporate website.

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

Neither the corporate documents of the Company nor the generally applicable laws require the members of the Company’s Management Board to obtain the consent of the Supervisory Board to sit on the management board or supervisory board of companies outside of the Company’s group; therefore, the Company is not in a position to guarantee that this principle will be applied in the future.

Nevertheless, according to the Company’s best knowledge, as at the date of this Report, the managing directors A, i.e. Nir Netzer, Andrzej Gutowski and Rami Geris, do not sit on the management board or supervisory board of any companies outside of the Company’s group.

Other members of the Management Board (managing directors B), i.e. Erez Tik and Alon Haver, may sit on the management board or supervisory board of companies outside of the Company’s group.

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

As at the publication date of this Report, the internal auditor was in the process of examining two areas: 1) marketing & sales, and 2) pricing of projects, bids for contractors and budget management. The auditor will report to the Supervisory Board once the audit regarding 2017 is completed. In 2016 no internal audit has been mandated. Consequently, in 2017 the annual assessment of the efficiency of the operation of the internal control systems and functions, risk management and compliance was not presented to the Supervisory Board.

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

In the opinion of the Company, ensuring real-time broadcasts of the General Meeting 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 means of electronic communication would involve financial expenditure and organisational effort incommensurate with the achieved result. Moreover, the Company’s shareholders have not expressed any expectations regarding real-time broadcasts of the General Meeting to the Company.

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

The articles of association of the Company (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 Articles of Association specify in detail the manner of the convocation, conduct and the adoption of decisions by the General Meeting. Pursuant to Dutch law, 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 of the Company are authorised to participate in General Meetings in an advisory capacity. Under Dutch law, 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 a 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 its formal General Meetings 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 the Management Board any questions they may have. 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 preliminary General Meetings, but it cannot guarantee that all of the members of such governing bodies will be present.

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

Neither the corporate documents of the Company, nor the generally prevailing laws require the Management Board to request 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. However, according to article 18.5 of the Articles of Association, the execution of any transaction which is subject to a conflict of interest involving the members of the Supervisory Board or the Management Board and which is of material importance to the Company or to a relevant member of the Supervisory Board or the Management Board requires a resolution of the Supervisory Board. The adoption of such a resolution requires an absolute majority of the votes cast. In addition, at least one independent member of the supervisory board must vote in favour of such resolution. The Company believes that the existing provisions of the Articles of Association sufficiently protect the interests of the Company and its shareholders.

According to the Company's best knowledge, in 2017, the Company entered into one agreement with a major shareholder (i.e. A. Luzon Group). The agreement was entered into on arm's length terms and its conclusion was in the interest of the Company.

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

In 2017 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**"). All the entitled persons exercised their phantom options during March 2017. The terms and conditions of the Incentive Scheme were determined at the beginning of 2014, i.e. before the entry into force of the WSE Best Practice. Since the complete exercise of the Incentive Scheme in 2017, the Company has been fully applying this principle.