

Ronson Development SE

A statement on the company's compliance with the corporate governance principles contained in Best Practice for GPW Listed Companies 2021

According to the current status of compliance with the Best Practice, the Company does not apply 25 detailed principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 1.5., 2.1., 2.2., 2.6., 2.7., 2.11.5., 2.11.6., 3.4., 3.5., 3.6., 4.1., 4.3., 4.4., 4.7., 4.8., 4.11., 4.14., 6.2., 6.3., 6.4.

1. DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

In the interest of all market participants and their own interest, listed companies ensure quality investor communications and pursue a transparent and fair disclosure policy.

- 1.1. Companies maintain efficient communications with capital market participants and provide fair information about matters that concern them. For that purpose, companies use diverse tools and forms of communication, including in particular the corporate website where they publish all information relevant for investors.

The principle is applied.

Comments of the Company: In the Company's opinion, the scope of information published on the Company's website is sufficient and the manner of its presentation is transparent; however, it does not fully reflect the scope of information specified in the Corporate Governance Committee's Guidance on the Application of the Principles of "Best Practice for GPW Listed Companies 2021" regarding Principle 1.1. The Company does not publish the following documents/information on its website: 1) information on whether individual members of the Supervisory Board have knowledge and skills in the area of accounting or auditing as well as knowledge of the industry in which the Company operates - this information, to the extent it concerns members of the Audit Committee, is included in the Management Board's Report on the operations of the Company and the Group for the financial year 2020 and in the Supervisory Board's Report for the financial year 2020; as regards other members of the Supervisory Board, this information was not included as it was not required by law; 2) information on the incentive scheme implemented in the Company and on the implementation of previous incentive schemes - some members of the Company's Management Board are subject to individual incentive schemes understood in such a way that part of the remuneration is of a variable nature, related to the economic situation of the Company and indicators such as financial results, sales results or share price - detailed information on this subject is included, among others, in the Management Board's reports on the operations of the Company and the Group for individual financial years; 3) basic information on the structure of the company's capital group - in view of the large number of subsidiaries (dozens of companies), such information would be very extensive, besides, the structure of the group is each time presented in periodic reports posted in the "PERIODIC REPORTS" tab; 4) summaries of selected financial data of the company (balance sheet, profit and loss account, CF and notes) for the last 5 years of operations, in a format enabling processing of the data by their recipients - in the bookmark "SELECTED FINANCIAL DATA" the most important financial data are published, which in the opinion of the Company is sufficient and clear for a potential recipient of the information; other data and documents (balance sheet, profit and loss account, CF and notes) are included in periodical reports published (placed in a separate website tab called the "PERIODIC REPORTS"); 5) recordings of chats with investors, recordings of investor meetings - the Company does not record chats with investors or record meetings with investors, the Company publishes on the website only investor presentations summarizing financial results; 6) sections of questions put to the company by both shareholders and non-shareholders, together with the content of answers provided by the company, as well as indication of the procedure and usual time limits for answering them - questions to the Company may be sent directly to the e-mail address indicated for contact on the Company's website; in practice, however, questions are very rarely received by the Company; in the event of an inquiry the Company provides an answer but does not publish it; 7) information indicated in Principle 1.4 regarding ESG strategy, see commentary to Principle 1.4.

- 1.2. Companies make available their financial results compiled in periodic reports as soon as possible after the end of each reporting period; should that not be feasible for substantial reasons, companies publish at least preliminary financial estimates as soon as possible.

The principle is applied.

- 1.3. Companies integrate ESG factors in their business strategy, including in particular:

- 1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

The principle is not applied.

Comments of the Company: The Company's business strategy does not take the form of a single document - it is incorporated in many documents prepared by the Management Board (such as the annual plan approved by the Supervisory Board, which includes the expected sales results and the expected financial result, or the quarterly investor presentations presenting the plans for the coming years), not all of which are published on the Company's website. Consequently, the Company does not have a formal document on ESG and climate change issues

complementary to its business strategy, which does not mean, however, that issues related to environmental protection, social responsibility and corporate governance are not taken into account when developing the Company's development strategy. The Company is currently implementing a responsibility strategy that assumes a holistic approach to the designed developments promoting sustainable lifestyles. When designing investments, the Company puts the customer and its needs at the center, as well as the environment and the impact of the investment on the planet. The Company makes every effort to ensure that the solutions implemented as part of the estates under construction help future residents change their habits for the better. We consistently implement environmentally friendly technological solutions which focus on ecology and reduce the operating costs of our estates. In a model ecological housing estate, a special role is played by greenery, i.e. the type and number of plants and trees planted, which positively affect air quality, but are also a habitat for many beneficial insects and animals. In our projects we use numerous species of trees and plants, we create "green walls and roofs" to reduce air pollution and increase oxygen production. On the roofs of our investments we design photovoltaic panels that supply energy to common areas, we use rainwater to water plants, which ensures proper rainwater retention. Wide sidewalks, bike paths, recreational areas with greenery parks, all this affects the active spending of time by our residents in the bosom of nature. We install facilities for both pedestrians and cyclists, including bicycle racks and bicycle rooms. By providing for the possibility of installing electric car chargers, we contribute to supporting the eco-mobility strategy, which is another element of our sustainable development strategy.

- 1.3.2.** social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is not applied.

Comments of the Company: In the area of work organization, the Company implemented CRP system integrated with CRM system, which allowed to streamline the electronic document flow and thus significantly reduce printed documents. Moreover, as part of the employment policy in the Group, the Company strives to implement solutions and create conditions to improve working conditions both at the Company's headquarters and in its branches. At the same time, the Company takes measures to motivate employees to spend their free time actively and tries to engage employees in various small charity activities.

- 1.4.** To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

The principle is not applied.

Comments of the Company: It is the policy of the Company's Management Board, particularly in view of the ownership structure and the industry in which it operates, to publish investor presentations on the Company's website every quarter, summarizing the financial results for the quarter, including key financial and operating data, the Company's achievements and material events in the period, a summary of sales and projects in progress, as well as the outlook for the coming period. At the same time, the Company does not publish financial forecasts for a given year or information on its ESG strategy.

- 1.4.1.** explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is not applied.

Comments of the Company: The Company does not publish information on its ESG strategy, but at the same time it implements or plans specific ESG measures in individual development projects. According to the strategy of corporate responsibility, the Company, during design process, takes into account impact of planning investments on the climate changes. In its newly designed investments takes into account ecological solutions using renewable energy sources and reuse of rainwater or energy-efficient LED lighting. By applying such solutions, the Company contributes to reducing its carbon footprint. The Company keeps abreast of market trends and technological innovations related to environmental protection and enhancing the comfort of life of residents, thus reducing the costs of maintenance of common parts of real estate. The Company is currently working on developing an ESG strategy, and does not rule out that if the strategy is developed into a document, the document will be published on the Company's corporate website.

- 1.4.2.** present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

The principle is not applied.

Comments of the Company: The Company does not publish information on its ESG strategy, in particular also on the salary equivalence ratio, which is mainly due to the size and structure of its workforce. The Company is currently working on developing an ESG strategy, and does not rule out that if the strategy is developed into a document, the document will be published on the Company's corporate website.

- 1.5.** Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

The principle is not applied.

Comments of the Company: The Company is aware of its impact on local communities, therefore it gets involved in various charity activities aimed at supporting the most needy, including foundations, orphanages, animal shelters and social care homes. The annual amount of expenditures allocated for this purpose has not been disclosed so far due to its low value in relation to the annual revenue. The Company is considering disclosing such data in the event it increases its budget for charitable purposes.

- 1.6.** Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

The principle is applied.

- 1.7. If an investor requests any information about a company, the company replies immediately and in any case no later than within 14 days.
The principle is applied.

2. MANAGEMENT BOARD, SUPERVISORY BOARD

To ensure top standards of the responsibilities and effective performance of the management board and the supervisory board of a company, only persons with the adequate competences, skills and experience are appointed to the management board and the supervisory board.

Management Board members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.

Supervisory board members acting in their function and to the extent of their responsibilities on the supervisory board follow their independent opinion and judgement, including in decision making, and act in the interest of the company.

The supervisory board functions in the spirit of debate and analyses the position of the company in the context of the sector and the market on the basis of information provided by the management board of the company and via the company's internal systems and functions and obtained from external sources, using the output of its committees. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.

- 2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

Comments of the Company: *The Company has not adopted a diversity policy with respect to its management and supervisory boards. When selecting persons holding positions in the Company's bodies, knowledge, competence and previous experience are of decisive importance, while gender and age are of secondary importance.*

- 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

Comments of the Company: *The Company's Supervisory Board is aware of the benefits of diversity, especially relating to gender balance. Therefore, the Supervisory Board, in an effort to increase diversity in the composition of the Management Board, on May 27, 2021 appointed (as of June 1, 2021) to the Management Board of the Company Ms. Karolina Bronszewska - as Member of the Management Board for Marketing and Innovation. The Company does not currently have any positions on the Supervisory Board filled by women.*

- 2.3. At least two members of the supervisory board meet the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

The principle is applied.

- 2.4. The supervisory board and the management board vote in an open ballot unless otherwise required by law.

The principle is applied.

- 2.5. Members of the supervisory board and members of the management board who vote against a resolution may have their dissenting vote recorded in the minutes.

The principle is applied.

- 2.6. Functions on the management board of a company are the main area of the professional activity of management board members. Management board members should not engage in additional professional activities if the time devoted to such activities prevents their proper performance in the company.

The principle is not applied.

Comments of the Company: *The departure from this principle concerns only one member of the Management Board - Mr. Alon Haver, for whom fulfilling the function of a member of the company's Management Board does not constitute the main area of professional activity (he is also a member of the Management Board in the company which is indirectly the main shareholder of the Company (A. Luzon Group), however, in the opinion of the Company this does not affect the due performance of his duties as*

a member of the Management Board of the Company. Additional activities of the other members of the Management Board do not require such commitment of time or effort that it would negatively influence the proper performance of their functions in the Company.

- 2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.

The principle is not applied.

Comments of the Company: This principle is not applied at the Company; however, members of the Management Board are required to make an appropriate commitment of time and effort, and serving on the Management Board, with one exception described in the commentary to Principle 2.6, should constitute the main area of professional activity for a member of the Company's Management Board. At the same time, the Regulations of the Management Board, reiterating partially the provisions of the Commercial Companies Code, provide that a Member of the Management Board may not, without the Company's consent, participate in a competitive company as a member of its corporate body or participate in another competitive legal person as a member of its corporate body. The consent is granted by the Supervisory Board on behalf of the Company.

- 2.8. Supervisory board members should be able to devote the time necessary to perform their duties.

The principle is applied.

- 2.9. The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board.

The principle is applied.

- 2.10. Companies allocate administrative and financial resources necessary to ensure efficient functioning of the supervisory board in a manner adequate to their size and financial standing.

The principle is applied.

- 2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.1. information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;

The principle is applied.

2.11.2. summary of the activity of the supervisory board and its committees;

The principle is applied.

2.11.3. assessment of the company's standing on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function, and information about measures taken by the supervisory board to perform such assessment; such assessment should cover all significant controls, in particular reporting and operational controls;

The principle is applied.

2.11.4. assessment of the company's compliance with the corporate governance principles and the manner of compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, and information about measures taken by the supervisory board to perform such assessment;

The principle is applied.

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

The principle is not applied.

Comments of the Company: The Company does not apply Principle 1.5. The annual amount of expenses referred to in Principle 1.5 was not disclosed so far due to its low value relative to annual revenue.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

The principle is not applied.

Comments of the Company: This principle is not applied because the Company does not have a diversity policy.

3. INTERNAL SYSTEMS AND FUNCTIONS

Efficient internal systems and functions are an indispensable tool of exercising supervision over a company.

The systems cover the company and all areas of activity of its group which have a significant impact on the position of the company.

- 3.1. Listed companies maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity; the management board is responsible for their functioning.
The principle is applied.
- 3.2. Companies' organisation includes units responsible for the tasks of individual systems and functions unless it is not reasonable due to the size of the company or the type of its activity.
The principle not applicable.
Comments of the Company: *Due to the size of the Company, the units responsible for the tasks of individual systems within the Company have not been separated. The Company's finance department oversees the processes in the Company and the Group for the preparation of the financial statements and verification of the financial and non-financial information disclosed in the financial statements or quarterly reports. Furthermore, the finance department analyses processes and verifies the effectiveness of the control environment in the Company and the Group, which allows for potential irregularities and risks to be addressed on an ongoing basis.*
- 3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.
The principle is applied.
- 3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.
The principle is not applied.
Comments of the Company: *This principle does not apply to the Company, as risk management and compliance are the responsibility of the Management Board, which does not receive any separate remuneration in this respect. The internal audit function in particular areas of the Company's activity is outsourced to specialized external entities.*
- 3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.
The principle is not applied.
Comments of the Company: *This principle does not apply to the Company, as risk management and compliance are the responsibility of the Management Board.*
- 3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.
The principle is not applied.
Comments of the Company: *The principle does not apply to the Company - the internal audit function for individual areas of the Company's operations is outsourced to specialized external entities.*
- 3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.
The principle not applicable.
Comments of the Company: *This principle does not apply to the Company - the Company does not apply principles 3.4. - 3.6. as explained in the commentary to these principles.*
- 3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.
The principle is applied.
- 3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.
The principle is applied.
- 3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.
The principle not applicable.
Comments of the Company: *This principle does not apply to the Company - the Company is not a member of the WIG20, mWIG40 or sWIG80 indexes.*

4. GENERAL MEETING, SHAREHOLDER RELATIONS

The management board and the supervisory board of listed companies should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting, either in person or through a proxy.

The general meeting should proceed by respecting the rights of all shareholders and ensuring that passed resolutions do not infringe on legitimate interests of different groups of shareholders.

Shareholders who participate in a general meeting exercise their rights in accordance with the rules of good conduct. Participants of a general meeting should come prepared to the general meeting.

- 4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.
The principle is not applied.
Comments of the Company: *The Company's shareholders have not expressed to the Company any expectation that the General Meeting be held using electronic communication means.*
- 4.2. Companies set the place and date and the form of a general meeting so as to enable the participation of the highest possible number of shareholders. For that purpose, companies strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings take place only if justified and do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.
The principle is applied.
- 4.3. Companies provide a public real-life broadcast of the general meeting.
The principle is not applied.
Comments of the Company: *In the opinion of the Company, providing real-time transmission of the General Meeting is not justified due to the Company's shareholding structure. Moreover, the Company's shareholders have not expressed to the Company any expectation that the General Meetings be broadcast in real time.*
- 4.4. Presence of representatives of the media is allowed at general meetings.
The principle is not applied.
Comments of the Company: *Since the time of holding the Company's general meetings in Poland there was no case of arrival of representatives of the media at the Company's general meeting or notification by a representative of the media of their intention to attend the general meeting.*
- 4.5. If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 - 4 of the Commercial Companies Code, the management board immediately takes steps which it is required to take in order to organise and conduct the general meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.
The principle is applied.
- 4.6. To help shareholders participating in a general meeting to vote on resolutions with adequate understanding, draft resolutions of the general meeting concerning matters and decisions other than points of order should contain a justification, unless it follows from documentation tabled to the general meeting. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board requests presentation of the justification of the proposed resolution, unless previously presented by such shareholder or shareholders.
The principle is applied.
- 4.7. The supervisory board issues opinions on draft resolutions put by the management board on the agenda of the general meeting.
The principle is not applied.
Comments of the Company: *So far the Supervisory Board has provided opinions on or evaluated matters subject to resolutions of the general meeting, such as: the Company's financial statements, the Management Board's report on the Company's operations, the Management Board's motion regarding the distribution of net profit. Starting next year, the Company's Supervisory Board will provide opinions on all draft resolutions submitted by the Management Board to the agenda of the General Meeting of Shareholders.*
- 4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.
The principle is not applied.
Comments of the Company: *In this respect the Company applies the provision of Article 401 par. 5 of the Commercial Companies Code, according to which each shareholder may, during a general meeting, propose draft resolutions on the issues included in the agenda.*
- 4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:
- 4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;
The principle is applied.
- 4.9.2. candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.
The principle is applied.
- 4.10. Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper

functioning of the governing bodies of the company.

The principle is applied.

- 4.11.** Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.

The principle is not applied.

Comments of the Company: *At least one member of the Company's Management Board shall participate in the Company's general meeting. The decision of the members of the Supervisory Board to participate in the general meeting is in each case an individual decision of a given member of the Supervisory Board. Due to the generally small number of attendees at the Company's general meetings, management does not make a presentation of the financial results and other material information contained in the financial statements, but only responds to questions from shareholders or their proxies in this regard.*

- 4.12.** Resolutions of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent body to set the price prior to the subscription right record date within a timeframe necessary for investors to make decisions.

The principle is applied.

- 4.13.** Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:

- a)** the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;
- b)** the persons granted the pre-emptive right are to be selected according to objective general criteria;
- c)** the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.

The principle is applied.

- 4.14.** Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:

- a)** the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;
- b)** the company reports uncovered losses from previous years and the earnings are used to reduce such losses;
- c)** the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;
- d)** the company generates insufficient cash flows to pay out dividends;
- e)** a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;
- f)** retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

The principle is not applied.

Comments of the Company: *In view of the uncertain economic situation due to the as yet unknown full economic impact of the COVID-19 pandemic and rising land prices, and keeping in view the business objectives set by the Management Board, the Company's Management Board is taking a cautious approach to profit distribution, preferring to leave it with the Company. This was also the recommendation of the Company's Management Board with respect to the net profit for 2020 (recommendation contained in Current Report No. 17/2021 dated May 27, 2021).*

5. CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS

For the purpose of this section, 'related party' is defined within the meaning of the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Companies and their groups should have in place transparent procedures for managing conflicts of interest and for related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify and disclose such cases and the course of action in the event that they occur.

Members of the management board and members of the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

- 5.1. Members of the management board and members of the supervisory board notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and refrain from discussions on the issue which may give rise to such a conflict of interest in their case.
The principle is applied.
- 5.2. Where a member of the management board or a member of the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she should request that the minutes of the management board or supervisory board meeting show his or her dissenting opinion.
The principle is applied.
- 5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.
The principle is applied.
- 5.4. Companies may buy back their own shares only in a procedure which respects the rights of all shareholders.
The principle is applied.
- 5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.
The principle is applied.
Comments of the Company: Pursuant to the Company's Procedure for the Assessment of Related Party Transactions, in the event that a transaction between the Company and a related party requires the approval of the Supervisory Board, the Supervisory Board may seek an opinion of an external entity with respect to the assessment whether the planned transaction would be concluded on an arm's length basis. In the practice to date, such an assessment has provided a basis for analyzing the potential economic effects of the transaction.
- 5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.
The principle is applied.
- 5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.
The principle is applied.

6. REMUNERATION

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and non-discriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

- 6.1. The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
The principle is applied.
- 6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.
The principle is not applied.
Comments of the Company: The Company has in force only individual motivation programmes concerning remuneration of the Company's Management Board members, understood in such a way that a part of the remuneration is of variable character, related to the economic situation of the Company and indicators such as financial results, sales results or share price. Key managers are not covered by any incentive schemes.
- 6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.
The principle is not applied.
Comments of the Company: The principle does not currently apply to the Company - there is no stock option programme

currently in force at the Company.

- 6.4.** As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is not applied.

Comments of the Company: *The remuneration of members of the Supervisory Board is partly dependent on the number of meetings held. Remuneration of members of committees (except for remuneration as a member of the Supervisory Board) depends exclusively on the number of meetings of a given committee. At the same time, the Chairman of the Supervisory Board, Mr. Amos Luzon, does not receive any direct remuneration from the Company or any of its subsidiaries.*

- 6.5.** The level of remuneration of supervisory board members should not depend on the company's short-term results.

The principle is applied.