

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Atrium European Real Estate Limited ("Atrium") was established under the laws of Jersey, Channel Islands, in 1997. Atrium has been listed on the Vienna Stock Exchange ("ATRS") since November 2002 and on the Euronext Amsterdam Stock Exchange since August 2009.

As a certified Jersey Listed Fund Atrium must comply at all times, and operate in accordance with, the Jersey Listed Fund Guide and the detailed provisions of the Jersey Codes of Practice for Certified Funds (the "Codes"). The Codes are arranged under a number of fundamental principles which include corporate governance, internal systems and controls, AML Procedures and financial reporting. Jersey law also imposes general fiduciary duties and duties of care, diligence and skill on directors, who are also under a statutory obligation to act in good faith and in the best interest of Atrium. In addition and as agreed with the Jersey Financial Services Commission ("JFSC"), Atrium must remain materially compliant with the AIC Code and the UK Combined Code as set down in the AIC's Corporate Governance Guide for Investment Companies in matters pertaining to the independence of directors and the composition of the board.

During 2016, the Board consisted of eight Directors, as set out below:

Name	Audit Committee	Compensation and Nominating Committee	Special Standing Committee	Operations Committee	Investment Committee	Date of birth	Mandate start
Chaim Katzman		✓	✓			04.11.1949	01.08.2008
Rachel Lavine	✓		✓		✓	09.12.1965	01.08.2008
Noam Ben-Ozer	✓	✓				22.06.1963	24.11.2009
Peter Linneman	✓	✓	✓			24.03.1951	01.08.2008
Karine Ohana	✓					27.12.1964	24.06.2015
Simon Radford	✓			✓	✓	03.02.1957	06.03.2008
Thomas Wernink	✓	✓				10.12.1945	01.08.2008
Andrew Wignall	✓			✓	✓	11.05.1964	06.03.2008

The mandate of each Director then in office ends at the shareholders' annual general meeting ("AGM") held following the date of appointment. Provision is made for each Director to retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed or it is expressly resolved not to fill the office being vacated or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected. The current mandate of each Director in office ends at the AGM to be held in April 2017.

The Austrian Code of Corporate Governance (as amended in January 2015) (the "Austrian Code") sets out rules and regulations for responsible management and guidance of companies listed in Austria. The Austrian Code applies primarily to Austrian stock market-listed joint stock corporations that undertake to adhere to its principles and obliges those companies that have committed to adhere to it to either comply or explain any deviations from its applicable rules. Atrium currently submits voluntarily to the Austrian Code, which is available on the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at). Explanations for deviations from the applicable rules are provided on page 43.

BOARD AND MANAGEMENT STRUCTURE

The management structure of Atrium is a one-tier Board of Directors.

Pursuant to Atrium's articles of association (the "Articles"), at least half of the Directors are required to be independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2016, six of the eight Directors were independent in accordance with those rules, namely Mr. Ben-Ozer, Mr. Linneman, Mr. Radford, Ms. Ohana, Mr. Wernink and Mr. Wignall. The independent Directors do not have shareholdings of more than 10% in Atrium. They also do not represent the interests of a shareholder with an investment of more than 10% in Atrium.

The business of Atrium is managed by the Directors, who may exercise all powers of Atrium that are not required by applicable corporate law or the Articles to be exercised by the shareholders in a general meeting. The power and authority to represent Atrium in all transactions relating to real and personal property and all other legal or judicial transactions, acts and matters before all courts of law is vested in the Directors.





CHAIM KATZMAN

Non-executive director and Chairman
Chairman, Special Standing Committee
Member, Compensation and Nominating Committee

Chaim Katzman is the founder, controlling shareholder and Chairman of Gazit-Globe, a leading international real estate company listed on the Tel Aviv Stock Exchange (TASE: GZT) and the New York Stock Exchange (NYSE: GZT) and the Toronto Stock Exchange (TSX: GZT).

Mr. Katzman is also the founder, controlling shareholder and Chairman of Norstar Holdings (formerly Gazit Inc.), the parent company of Gazit-Globe; Vice Chairman of Regency Centers Corporation (NYSE: REG); the Chairman of Citycon (OMX: CTY) and a director of First Capital Realty (TSX: FCR). Mr. Katzman is a member of the International Council of Shopping Centers (ICSC), the National Association of Real Estate Investment Trusts (NAREIT), the Urban Land Institute (ULI), the Real Estate Roundtable and the Association of Foreign Investors in Real Estate (AFIRE).

He received a LL.B. degree from Tel Aviv University Law School and in 2011, founded the Gazit-Globe Real Estate Institute at Israel's Interdisciplinary Center (IDC) Herzlya.



RACHEL LAVINE

Non-executive director and Vice-Chairman
Member, Audit Committee, Special Standing Committee and Investment Committee

Rachel Lavine was appointed as Vice Chairman of the Board on 1 December 2014 having previously been Chief

Executive Officer from August 2008 to November 2014 and a member of the Board of Directors throughout that time. Mrs. Lavine currently serves as a member of the Board of Directors of Citycon and as a member of the Advisory Board of EPRA. Mrs. Lavine was formerly CEO of Gazit-Globe; President and CEO of Plaza Centres (Europe) BV; President and CEO of Elscint Ltd; and a director on several boards of directors throughout her career. Mrs. Lavine graduated from the Tel Aviv College of Management with BA (Bachelor of Business) in accounting, has been a CPA (Certified Public Accountant) since 1995 and holds an Executive MBA from the Kellogg School of Management (Northwestern University)/ Reccanati School of Management (Tel Aviv University) graduating in 2008



NOAM BEN-OZER

Non-executive director
Chairman, Compensation and Nominating Committee and
Member, Audit Committee

Noam Ben-Ozer is an independent non-executive director appointed to the Board in November 2009. He is a founder and managing director of Focal Energy, a company which develops and invests in renewable energy projects. He is also the founder and proprietor of Focal Advisory, a strategic and finance-related advisory firm in Boston. Mr. Ben-Ozer has extensive experience in financial and business planning, fund raising, deal structuring and project financing. Mr. Ben-Ozer holds a MBA from the Harvard Business School.



PETER LINNEMAN

Non-executive director
Chairman, Audit Committee
Member, Compensation and Nominating Committee and Special Standing Committee

Peter Linneman is an independent non-executive director appointed to the Board in August 2008. Mr. Linneman is a principal of Linneman Associates and the Albert Sussman Emeritus Professor of Real Estate, Finance and Public Policy at the Wharton School of Business, University of Pennsylvania. He has served as a director of a number of NYSE-listed companies and currently is an independent director of Paramount Group Inc. (NYSE: PGRE), Regency Centers Corporation, AG Mortgage Investment Trust, Inc. (NYSE: MITT) and Equity Commonwealth (NYSE: EQC). Mr. Linneman has a PhD in Economics.



KARINE OHANA

Non-executive director
Member, Audit Committee

Karine Ohana is an independent non-executive director appointed to the Board in June 2015. Ms. Ohana is currently a Managing Partner at Ohana & Co., and was previously with Société Générale, after beginning her career at Merrill Lynch. Ms. Ohana served as a Director of Citycon from 2013 to 2015, is the author of a book written under the supervision of the Banking Regulation Committee of the French central bank "Les Banques de Groupe en France" (Corporate-owned banks in France) and holds a Master's degree in Finance from Université Paris-Dauphine.



SIMON RADFORD

Non-executive director

Member, Audit Committee, Investment Committee and Operations Committee

Simon Radford is an independent non-executive director appointed to the Board in March 2008. Based in Jersey, he serves as a non-executive director on a number

of alternative investment strategy funds, as well as a multi-national trust and corporate services business.

Mr. Radford was the Chief Financial Officer of an alternative investment fund administration business for 11 years until March 2016 and prior to that was senior partner of Deloitte & Touche in Jersey where he was in charge of the assurance and advisory business. Mr. Radford is a Fellow of the Institute of Chartered Accountants in England and Wales. In the years 2006 to 2008, he also served as Chairman of the Institute of Directors in Jersey.



THOMAS WERNINK

Non-executive director

Member, Audit Committee and Compensation and Nominating Committee

Thomas Wernink is an independent non-executive director appointed to the Board

in August 2008. He has been serving as a non-executive director of Green Reit PLC in Dublin since July 2013, until April 2016 he was non-executive Chairman of MAF Properties in Dubai and previously served as a non-executive director of a number of European based property and investment companies, including stock exchange listed companies Segro plc, Citycon and European Direct Real Estate Fund (SICAF). Formerly, he was also Chief Executive of Corio and Chairman of the European Public Real Estate Association.



ANDREW WIGNALL

Non-executive director

Chairman, Operations Committee

Member, Audit Committee and Investment Committee

Andrew Wignall is an independent non-executive director appointed to

the Board in March 2008. Mr. Wignall is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Ernst & Young in 1988, where he worked as an auditor primarily with financial services clients. In 1996 he was a founding director of Moore Management Limited ("Moore") and since leaving Moore in 2007, Mr. Wignall has acted as an independent non-executive director of a number of private equity, real estate and other alternative fund structures. Mr. Wignall is authorised by the Jersey Financial Services Commission to act as a director of such structures and from 2004 to 2011 was a committee member of the Jersey Funds Association.

COMMITTEES OF THE BOARD OF DIRECTORS

The Directors may delegate any of their powers to committees consisting of a Director/Directors or any officers or persons they deem fit. Any committee so formed, or officer or person to whom powers are delegated, shall in the exercise of such powers conform to any regulations or restrictions that may be imposed on them by the Directors from time to time.

As at 31 December 2016, five permanent committees had been established: (i) the Audit Committee; (ii) the Compensation and Nominating Committee; (iii) the Special Standing Committee; (iv) the Operations Committee; and (v) the Investment Committee. During 2016, there were also two temporary committees established to address specific strategic issues. The Board of Directors and committees hold meetings and can also pass written resolutions.

In the year ended 31 December 2016, the Board of Directors held nine meetings.

AUDIT COMMITTEE

In 2016, the members of the Audit Committee were Peter Linneman, Rachel Lavine, Noam Ben-Ozer, Karine Ohana, Simon Radford, Thomas Wernink and Andrew Wignall. The Chairman of the Audit Committee was Peter Linneman.

The Audit Committee undertakes customary functions, predominantly concerned with preparations for the audit of the annual financial statements and compliance therewith, the auditors' activities, audit of the internal control and risk management, and the presentation of the annual financial statements.

The Audit Committee is required to meet at least four times annually before publication of Atrium's annual financial statements and the interim reports. In the year ended 31 December 2016, the Audit Committee held six meetings.

COMPENSATION AND NOMINATING COMMITTEE

In 2016, the members of the Compensation and Nominating Committee were Noam Ben-Ozer, Chaim Katzman, Peter Linneman and Thomas Wernink. The Chairman of the Compensation and Nominating Committee was Noam Ben-Ozer.

The Compensation and Nominating Committee deals with all material aspects of the remuneration of senior executives. The committee is empowered to select, appoint and remove senior executives, other than the Group CEO who is appointed by the Board of Directors, and to take decisions on the award of bonuses, variable compensation components and other such benefits payable to senior executives.

In the year ended 31 December 2016, the Compensation and Nominating Committee held five meetings.

SPECIAL STANDING COMMITTEE

In 2016, the members of the Special Standing Committee were Chaim Katzman, Rachel Lavine and Peter Linneman. The Chairman of the Special Standing Committee was Chaim Katzman.

The principal activity of the Special Standing Committee is to consider and make decisions on behalf of the Board (within the remit of the Committee's €50 million authority, as delegated to it by the Board) on certain business proposals for the Group.

In the year ended 31 December 2016, the Special Standing Committee held four meetings and passed five written resolutions.



OPERATIONS COMMITTEE

During 2016, the members of the Operations Committee were Andrew Wignall and Simon Radford. The Chairman of the Operations Committee was Andrew Wignall.

The principal activity of the Operations Committee is to consider and make decisions on behalf of the Board for the purpose of addressing operational requirements of the Company in Jersey including office and employee matters, treasury functions, day to day sanction of operational needs of the Company and incidental commitments.

In the year ended 31 December 2016, the Operations Committee held eight meetings.

INVESTMENT COMMITTEE

In 2016, the Investment Committee's members were Rachel Lavine, Andrew Wignall and Simon Radford.

The Investment Committee was established for the purpose of addressing preliminary matters relating to proposed transactions prior to submission for approval by the Board of Directors or the Special Standing Committee, as appropriate.

In the year ended 31 December 2016, the Investment Committee held four meetings.

All members of the Board of Directors, and all persons in Group executive positions, have been appointed on the basis of their professional and personal qualifications. The Atrium Group maintains an equal opportunities policy for the purposes of recruitment at all levels. As at 31 December 2016, the ages of the members of the Board of Directors ranged from 51 to 71 and the Directors represented five different national backgrounds. Of the eight Directors, two are women, although Atrium does not take any specific measures to promote women to the Board of Directors, or to top Group executive positions, other than on merit.

GROUP EXECUTIVE TEAM

As at 31 December 2016, the Group Executive Team, which has day to day responsibility for Atrium Group operations, was as set out below. Each member of the Group Executive Team is appointed for, and has a mandate throughout, the duration of his/her employment agreement.

JOSIP KARDUN

Group Chief Executive Officer (left the Group on 22 February 2017)

Josip was appointed as Group Chief Executive Officer in December 2014. Prior to joining the Atrium Group, Josip was Chief Investment Officer and Head of Mergers and Acquisitions and Transaction Management Group at European retail property specialists ECE Projektmanagement GmbH & Co KG ("ECE"), where he worked for seven years in a number of senior positions. Prior to ECE, Josip was General Manager at Sierra Management Germany GmbH, Düsseldorf, part of the international shopping centre development and management group Sonae Sierra, with responsibility for leasing activities and centre management.

Josip has a law degree from the Goethe University Frankfurt and sits on the Executive Board of ICSC Europe.

He left the Atrium Group on 22 February 2017.

LIAD BARZILAI

Group Deputy Chief Executive Officer (Group Chief Executive Officer with effect from 23 February 2017)

Liad was appointed as Group Deputy Chief Executive Officer on 21 December 2016 following the Company's announcement that Josip Kardun was leaving the Atrium Group, and took over the role of Group Chief Executive Officer with effect from 23 February 2017.

Liad was previously with the Atrium Group from 2008 until November 2014, latterly in the position of Group Chief Investment Officer responsible for the Group's pipeline of potential acquisition and divestment opportunities, before leaving to take up the role of Chief Investment Officer with Gazit-Globe.

Liad has a B.A. in Business Economics & Management from Guilford Glazer School of Business & Management, Ben-Gurion University and an MBA from Reccanati Business School, Tel Aviv University.

Name	Position	Date of birth	Mandate start
Josip Kardun	Group Chief Executive Officer	11.04.1974	30.11.2014 ¹
Liad Barzilai	Group Deputy Chief Executive Officer	25.11.1978	21.12.2016 ¹
Ryan Lee	Group Chief Financial Officer	19.08.1968	01.04.2015
Rolf Rüdiger Dany	Group Chief Operating Officer	28.02.1963	01.10.2014
Geraldine Copeland-Wright	Group General Counsel	25.03.1971	14.06.2013
Ljudmila Popova	Group Head of Assets Management & Investor Relations	03.04.1980	07.10.2013

¹ Liad Barzilai was appointed as Group Deputy Chief Executive Officer on 21 December 2016 and took over the role of Group Chief Executive Officer with effect from 23 February, following Josip Kardun's departure.

RYAN LEE

Group Chief Financial Officer, responsible for HR and IT

Ryan was appointed as Group Chief Financial Officer in April 2015. A chartered accountant with 25 years of international financial experience, Ryan joined Atrium Group from Central European Distribution Corporation (CEDC), CEE's largest integrated spirit beverage business, where he spent two years as group Chief Financial Officer.

Prior to joining CEDC Ryan spent over three years as Vice President, Finance at Eldorado. In addition, he previously held various senior and board level financial roles over a nine year period with Japan Tobacco International, including Vice President - Finance, Vice President - Corporate Tax and CFO of Russia. He also spent ten years at Unilever plc and its group subsidiaries in a number of senior financial roles across a number of different territories.

Ryan has a Bachelor's degree in Law and Italian from the University of Wales, Cardiff.

ROLF RÜDIGER DANY

Group Chief Operating Officer, responsible for development

Rüdiger Dany joined the Atrium Group as Group Chief Operating Officer in October 2014.

He was previously Chief Executive Officer at Auxideico Gestión, a member of the ECE group of companies. He held several senior roles within ECE, including three years as ECE's Managing Director Poland, Czech Republic, Slovakia and Romania. Prior to joining ECE, Rüdiger was Managing Director at Dany Fachhandel GmbH, Germany.

Rüdiger studied retail specialised economics at Lehranstalt des deutschen Textilhandels Nagold, Germany.

THOMAS SCHOUTENS

Group Chief Development Officer (left the Group on 30 September 2016)

Thomas joined the Atrium Group in February 2010 and was Group Chief Development Officer, with responsibility for overseeing the Group's development activity until September 2016 when the role of Group Chief Development Officer was restructured.

GERALDINE COPELAND-WRIGHT

Group General Counsel and Compliance Officer

Geraldine joined the Atrium Group in June 2013 as Group General Counsel. Prior to joining the Atrium Group, Geraldine was Regions Senior Legal Advisor to Qatari Diar, the real estate development arm of the Qatar sovereign wealth fund, specializing in international real estate investment and development of large scale, mixed use assets. Previously, Geraldine was European General Counsel and a managing director of Tishman Speyer Properties, a leading global real estate developer, operator and fund manager, where she gained significant experience in European cross-border real estate transactions.

Geraldine graduated from the University of Reading with LLB (Hons) and from the College of Law with First Class Honours in 1993. Geraldine was admitted to the Roll of Solicitors of England and Wales in 1995.

LJUDMILA POPOVA

Group Head of Asset Management & Investor Relations

Ljudmila joined the Atrium Group in April 2009 as the Group's Financial Analyst working alongside the Group CEO and Group CFO and was initially responsible for valuations. Since then she has had a number of additional responsibilities and currently oversees the Group's asset management function and investor and bondholder relations. Ljudmila also heads the Group's research department.

Prior to joining the Atrium Group, Ljudmila was an equity research analyst at Kempen & Co, a specialist merchant bank in the Netherlands, where she focused on real estate companies with large exposures in Central and Eastern Europe, including Atrium.

Ljudmila has both a Bachelor's and Master's degree in Econometrics from the University of Amsterdam.

COMPENSATION REPORT**DIRECTORS' COMPENSATION**

The Board of Directors has discretion to set annual Director's ordinary remuneration, in their capacity as Directors, up to an aggregate limit of €2 million per annum. If the Board wishes to increase this limit it would require prior shareholder approval by ordinary resolution.

In 2016, non-executive Directors, other than those Directors nominated by Gazit-Globe, were entitled to receive remuneration in two components: a fixed cash remuneration of €65,000 per annum together with meeting attendance fees of €1,500 per meeting and telephonic meeting attendance fees of €1,000 per meeting; and ordinary shares in the Company in the value of €65,000 per annum, which shares are allocated semi-annually and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €130,000. Any Director who acts as Chairman of the Audit Committee or the Compensation and Nominating Committee was also entitled to receive additional remuneration of €25,000 per annum and any member of either committee was entitled to receive additional remuneration of €10,000 per annum. The Chairman of the Operations Committee was entitled to additional remuneration of €20,000 per annum and any member of the Operations Committee, additional remuneration of €15,000 per annum.

A non-executive Director nominated by Gazit-Globe is not entitled to receive director's ordinary remuneration. Consequently, as at the end of the financial year ended 31 December 2016, neither Mr. Katzman as Chairman of the Board nor Mrs. Lavine as Vice Chairman were entitled to Directors' compensation.

The cash component of ordinary remuneration may, at the election of eligible Directors, be taken as ordinary shares in the Company in lieu of all or part of their ordinary cash remuneration. The remuneration payable to Directors accrues from day to day.

In addition, the Board of Directors may award special pay to any Director who holds any executive post or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director, such as participation in committees. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. Other than Mr. Katzman and Mrs. Lavine, in the year ended 31 December 2016



special pay awards were made to Mr. Ben-Ozer, Mr. Linneman, Ms. Ohana, Mr. Radford, Mr. Wernink and Mr. Wignall in connection with special committee activity.

In relation to Mr. Katzman, under a consultancy agreement he provides certain consultancy services, including (inter alia) advice on and review of proposed acquisitions, advice on capital markets strategy, advice on the level and content of development activities of the Group and strategic advice on the future direction of the Group. The consultancy agreement had an initial term of one year commencing on 1 August 2008 and continues on a rolling basis, with further extensions of one year unless terminated by either party. The annual fee for 2016 was €550,000.

Mrs. Lavine provides consultancy services to the Group through Paragon Management Company Limited. The consultancy arrangement was for an initial period of 16 months and thereafter is automatically renewed for further periods of 12 months unless terminated by either party. The annual consultancy fee is €475,000 per annum.

The other Directors (in their capacity as Directors) were entitled to an aggregate remuneration in 2016 of €970,000 (2015: €598,000).

OVERVIEW OF REMUNERATION OF THE DIRECTORS IN 2016

Name	Directors Fixed Fees € '000	Directors other fees (including attendance fees) € '000	Consultancy fees € '000	2016 Total € '000	2015 Total € '000
Chaim Katzman ¹	-	-	550	550	550
Rachel Lavine ¹	-	-	475	475	455
Noam Ben-Ozer	65	145	-	210	111
Peter Linneman	65	176	-	241	126
Simon Radford	65	152	-	217	86
Thomas Wernink	65	123	-	188	87
Andrew Wignall	65	161	-	226	113
Karine Ohana	65	111	-	176	60
Aharon Soffer ¹	-	-	-	-	15
TOTAL	390	868	1,025	2,283	1,603

¹ Gazit-Globe nominated board member

GROUP EXECUTIVE TEAM COMPENSATION

Under the general compensation policy of Atrium, each member of the Group Executive Team is entitled to a base salary, a performance based annual cash bonus, which in some cases includes a guaranteed amount, and participation in Atrium's Employee Share Option Plan ("ESOP") and long term incentive program.

The annual remuneration paid or payable to each member of the Group Executive Team for the year ended 31 December 2016, including base salary, annual guaranteed bonus, allowances and benefits is set out below:

Name	Annual remuneration for 2016 in €	Annual bonus for 2015 in € (including any minimum guaranteed bonus amounts)
Josip Kardun	918,545 ¹	425,000
Liad Barzilai ²	11,432	-
Ryan Lee	532,540	206,250
Rolf Rüdiger Dany	468,297	225,000
Thomas Schoutens	477,468 ³	55,000
Geraldine Copeland-Wright	406,523	137,500
Ljudmila Popova	267,207	78,000
TOTAL	3,082,012	1,126,750

¹ This amount includes Josip Kardun's full bonus for 2016 in the amount of €355,000

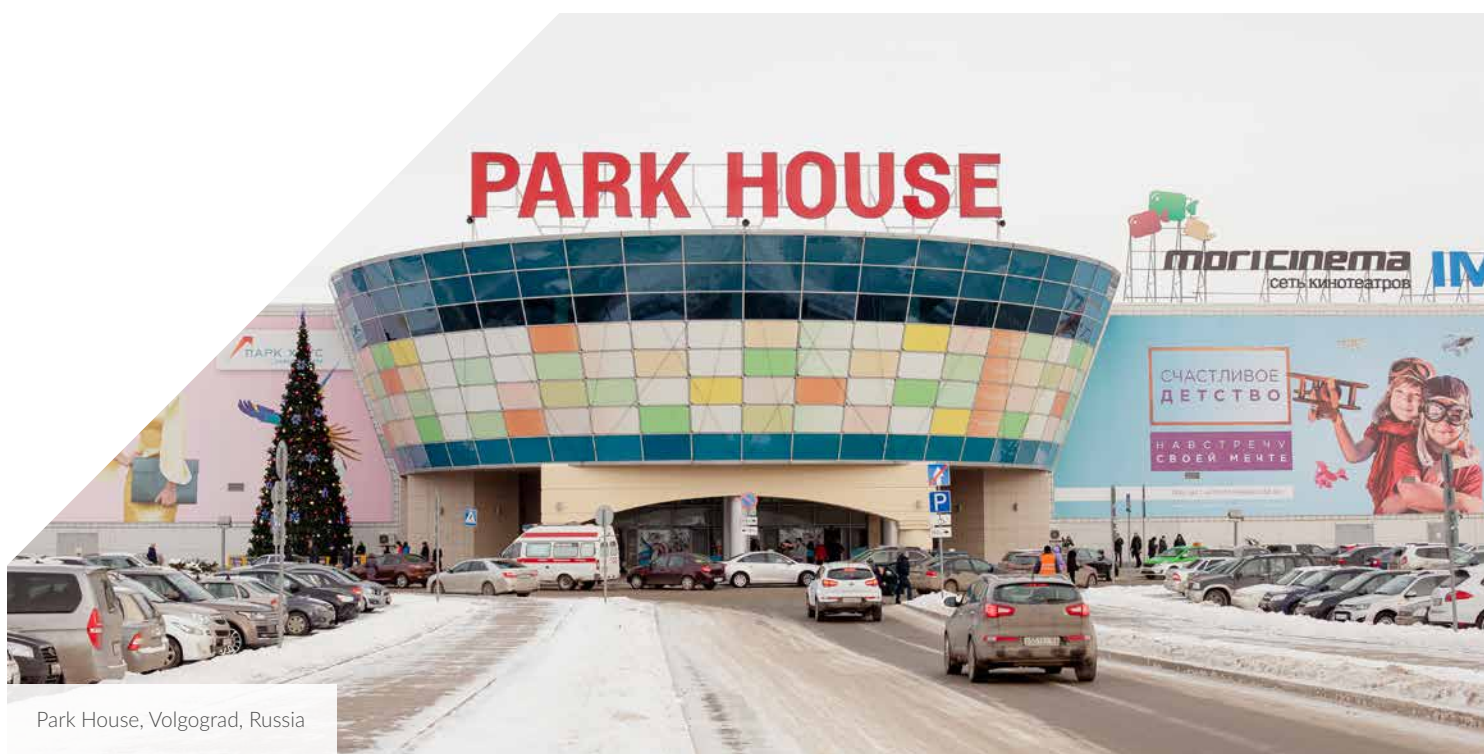
² Liad Barzilai was appointed as Group Deputy Chief Executive Officer on 21 December 2016

³ This amount includes an amount of €248,850 paid to Thomas Schoutens on termination of his employment with the Group in September 2015.

The annual bonus awards for the year ended 31 December 2016 will be determined by the Board in due course based on the Group's overall performance and taking into account the individual's performance in respect of a number of specified elements within each executive's responsibilities and function. The annual guaranteed bonus payable to the Group Executive Team (excluding those that have left the Group) for the financial year ended 31 December 2016, which forms part of the annual bonus award, amounts to €195,000.

As part of his remuneration, Josip Kardun was entitled to an award of shares equal to €400,000 which were to be issued, free of any lock-up period, in four equal tranches on each of the first, second, third and fourth anniversaries of commencement of employment. The first issue of 15,329 ordinary shares was made in February 2015; the second issue in February 2016 for 19,515 ordinary shares; and the third issue in February 2017 for 16,157 ordinary shares, in each case equal to €100,000 on a net of tax basis. Following Mr. Kardun's resignation from the Atrium Group on 22 February 2017, the fourth tranche which would otherwise have been made in February 2018 has lapsed and will not be issued.

For each of the four years following the commencement of his employment in December 2016, Laid Barzilai is entitled to an annual grant of shares in a minimum amount by value of €60,000.



Park House, Volgograd, Russia

EMPLOYEE SHARE OPTION PLAN AND LONG TERM INCENTIVE PROGRAM

The Employee Share Option Plan ("ESOP") provides for the grant of options to key employees, executives, Directors and consultants of Atrium and its subsidiaries. There are currently two plans in operation, the ESOP, as approved by shareholders on 23 May 2013 ("ESOP 2013") and the ESOP, as approved by shareholders on 6 April 2009 ("ESOP 2009") although no further grants may be made under either

plan. The Directors may amend ESOP 2009 and ESOP 2013 as they consider appropriate, but shall not make any amendment that would materially prejudice the interests of existing option holders, except with the consent in writing of 75% of all such option holders.

Options have been granted to and exercised by the Directors and members of the Group Executive Team (including those employees who left the Group in 2016) as follows:

OPTIONS GRANTED AND EXERCISED UNDER ATRIUM'S ESOP 2009 AND ESOP 2013

Name	Grant date	Number of options granted	Exercised in prior years	Vested but unexercised as at 31.12.2016	Option price of unexercised options as of 31.12.2016
Chaim Katzman	21.08.2012	127,119	-	127,119	2.415
Chaim Katzman (second grant)	29.11.2013	200,000	-	150,000	4.38 ¹
Rachel Lavine	09.03.2009	1,500,000	1,500,000	-	N/A
Rachel Lavine (second grant)	16.03.2010 ³	1,000,000	-	1,000,000	2.97
Rachel Lavine (third grant)	29.11.2013 ³	1,600,000 ²	-	533,330	4.38 ¹
Thomas Schoutens	16.03.2010	300,000	300,000	-	N/A
Thomas Schoutens (second grant)	29.11.2013	186,666 ⁴	-	93,332	4.38 ¹
Geraldine Copeland-Wright	01.07.2013	397,163	-	297,873	4.34 ¹
Liad Barzilai	09.03.2009	30,000	30,000	-	N/A
Liad Barzilai (second grant)	20.08.2010	20,000	20,000	-	N/A
Liad Barzilai (third grant)	29.11.2013	133,333 ⁵	-	66,667	4.38 ¹
Ljudmila Popova	01.04.2009	20,000	20,000	-	N/A
Ljudmila Popova (second grant)	20.08.2010	15,000	15,000	-	N/A
Ljudmila Popova (third grant)	29.11.2013	120,000	-	90,000	4.38 ¹

¹ These grants were made under ESOP 2013. No options granted under ESOP 2013 have yet been exercised.

² Out of this amount, 1,066,670 options were cancelled when Mrs. Lavine became Vice Chairman on 1 December 2014.

³ As part of the arrangements for the termination of Mrs Lavine's employment contract and appointment as a consultant, with effect from 1 August 2015, the period for exercise of these options was extended to, in the case of the ESOP 2009 grant, the date seven months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, or in the case of the ESOP 2013 grant, 18 months after the later of the last day of her engagement as a consultant or as a member of the Board of Directors, but in either case with a maximum period of ten years from the options' original grant date.

⁴ Out of this amount, 93,334 options were cancelled when Mr. Schoutens left the Group in 2016.

⁵ Out of this amount, 66,666 options were cancelled when Mr. Barzilai left the Group in 2015.

In August 2015, the Compensation and Nominating Committee reviewed the long term incentive program ("LTI") of the Group. The LTI is designed as a framework within which members of the Group Executive Team, and other key senior executives, can be rewarded by reference to mid to long term performance of the Group, aligning the interests of shareholders and key senior executives whilst promoting the long term retention of senior executives. The program operates through the participants being granted a right to the allotment of ordinary shares in the Company which vest after a 3 year period, subject to specific conditions, including continued employment in the

Group. As at 31 December 2016, 4 grants have been made under the LTI each with effect as at 1 June 2015, including to Josip Kardun who has since left the Group and accordingly his grant has lapsed.

The Atrium Group does not operate a pension scheme. Unless provided otherwise, base salaries include compensation in lieu of participation in a pension scheme.

Atrium has in place Directors' and Officers' Insurance in respect of the members of the Board of Directors, the costs of which are borne by Atrium.

DEVIATIONS FROM THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

Atrium's management structure is a one-tier Board of Directors. The Rules of the Austrian Code otherwise applying to the supervisory board and/or the management board in a typical Austrian joint stock corporation will be applied in each case to the Board of Directors. Consequently, in relation to all Rules where the Austrian Code refers to an interaction or cooperation between the supervisory board and the management board in a typical Austrian joint stock corporation, Atrium deviates from such Rules as such function is already fulfilled by the Board of Directors. This applies in relation to the Rules L-9, C-10, L-11, L-14, C-18a, L-23, L-24, L-26a, L-32, L-33, L-34, L-35, C-37, C-38, C-41, C-43, L-60 and C-82a.

In addition, where a company is subject to the company law of a country that is not a member of the EU or EEA and is listed on the Vienna Stock Exchange, as is the case with Atrium (a Jersey registered company with its shares listed on the Vienna Stock Exchange and on the Euronext Amsterdam Stock Exchange), the Austrian Code provides that the L-rules of the Austrian Code are interpreted as C-rules ("Comply or Explain" Rules). Consequently, the following explanations are given in respect of deviations from L- and C-rules:

L-rule 1: Atrium is party to a relationship agreement which grants certain rights (including rights to appoint Directors) to its substantial shareholders. During 2016 the only substantial shareholder for this purpose was Gazit-Globe. For a description of these special rights please refer to part III of the shareholder circular of 17 September 2009 published on Atrium's website www.aere.com.

In addition, Gazit-Globe were granted certain rights under the Articles of Association of the Company. These rights are set out in Articles 24, 25 and 29 of the Articles, which are published on Atrium's website www.aere.com.

L-rule 3: Pursuant to an official statement of the Austrian Takeover Commission of 31 March 2009, the Austrian Takeover Act is not applicable to Atrium as of the date of the official statement. Accordingly, and in particular, the pricing rules regarding a mandatory offer as set forth under section 26 of the Austrian Takeover Act do not apply to Atrium.

There are no mandatory takeover offer provisions under Jersey or Dutch law applicable to Atrium.

Finally, pursuant to the Articles, a mandatory cash offer is required to be made to all Atrium shareholders if any person other than Gazit-Globe (or any person acting in concert) acquires 30% or more of the voting rights or, if already holding between 30% and 50% of the voting rights, acquires additional voting rights. Any such offer must be conditional only upon the offeror having received such acceptances as will give him 50% of the voting rights. The offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the offeror during the offer period and within 12 months prior to its commencement. See Article 42 of the Articles, which are published on Atrium's website: www.aere.com.

L-rule 4: The Articles provide for a notice period of at least 14 days regarding all general meetings, as permitted by Jersey law.

L-rule 8: Atrium is required to comply with Jersey law. Under Jersey law there is no limit on the number of shares that can be repurchased so long as at least one share that is not redeemable or a treasury share remains in issue. Shareholders' approval is required by way of special resolution (66% majority of those voting) to sanction such repurchases. Where shares are purchased off market, they must be purchased pursuant to a contract approved in advance by an ordinary resolution of shareholders (in relation to which the holders of the shares to be purchased do not have the right to vote those shares). Where shares are bought on market, authority can be granted by the shareholders to Atrium to permit it to purchase shares for a period of up to 5 years from the giving of the authority. The Company currently has authority to make market purchases of up to 50 million shares within the limitations imposed by shareholders in the relevant special resolution, which authority is renewed annually at the AGM.

C-rule 12: In 2016, the materials and documents required for the Board of Directors' quarterly meetings were distributed at least 5 days before the respective meeting, which is in compliance with Jersey law and Atrium's internal regulations.

L-rule 13: Atrium's management structure is a one-tier Board of Directors. The Board of Directors bears sole responsibility for managing the Company and as a matter of Jersey law is required to comply with a statutory duty to act honestly, in good faith and in the best interests of the Company which, in the case of solvent companies, is interpreted as the shareholder body as a whole. There is, however, no specific obligation to take into account the interests of the employees and the public good.

C-rule 16: Atrium's management structure is a one-tier Board of Directors. The business of Atrium is managed by the members of the Board of Directors. Other than as disclosed in this Corporate Governance Report and save for the participation in the various committees, there is no specific division of responsibilities among the members of the Board of Directors.

C-rule 18: Atrium's internal audit function is currently outsourced and reports directly to the Audit Committee of the Board of Directors on at least a quarterly basis.

L-rule 25: Atrium requires from its Directors full disclosure regarding their additional professional activities. However, Atrium's Directors are not required to seek Board approval in order to run an enterprise or assume a mandate on the board of a company which is not part of the Atrium Group. Atrium believes that those individuals appointed to serve as members of the Board of Directors are well equipped (in terms of relevant experience and/or expertise) to contribute to the activities of the Board so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 26: Atrium's Directors may hold more than four board mandates in stock corporations that are not part of the Atrium Group. Atrium is fully aware of the additional mandates held by its Directors and believes that those individuals appointed to serve on the Board are best equipped (in terms of relevant experience and expertise)



to contribute to the activities of the Board, so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 27: We refer to the explanation given in respect of C-rule 30 below. With the exception of Mr. Katzman and Mrs. Lavine, the compensation payable as ordinary remuneration to the Directors consists of a fixed cash component which, at the election of eligible Directors, may be taken in ordinary shares in the Company in lieu of their ordinary cash remuneration, and a grant of ordinary shares in the Company which vest after two years. In addition the Board of Directors may award special pay to any Director who holds any executive post or performs any other services which the Directors consider to extend beyond the ordinary duties of a Director, such as participation in committees. Special pay can take the form of fees, commission or other benefits or can be paid in some other way decided by the Board of Directors. Such special pay may either be in addition to or instead of other fees, expenses or other benefits that the Director is entitled to receive. However there are no specific performance criteria in place for the award of such special pay.

C-rule 28: Atrium has currently two employee share option plans in operation, ESOP 2009 and ESOP 2013, although no further grants may be made under either plan. Options under both ESOP 2009 and ESOP 2013 were granted unconditionally. Generally, options granted under ESOP 2009 are exercisable in three equal and annual tranches from the date of grant and lapse on the fifth anniversary of the date of grant. Options granted under ESOP 2013 are generally exercisable in four equal and annual tranches from the date of grant and lapse on the tenth anniversary of the date of grant. Subject to the terms of the ESOPs, option holders are entitled to exercise their options upon vesting. Details of share options awarded to Directors and members of the Group Executive Team under ESOP 2009 and ESOP 2013 are provided on page 42.

Non-executive Directors, other than those Directors nominated by Gazit-Globe, received, as part of their ordinary remuneration, ordinary shares in the Company in the value of €65,000 per annum. These shares are allocated semi-annually, in arrears, and vest after two years. Shares issued to non-executive Directors as part of their ordinary remuneration are subject, after vesting, to restrictions on disposal such that following any disposal, the remaining shareholding of the non-executive Director must have an aggregate deemed value of at least €130,000.

C-rule 30: Other than in relation to meeting attendance fees, Atrium has not established specific performance criteria applied by the Company for granting the Directors variable remuneration, which is assessed on a case by case basis which the Directors consider is in the best interests of Atrium.

L-rule 33: As Atrium's management structure is a one-tier Board of Directors, Directors are appointed by the AGM or its substantial shareholders. The mandate of each Director then in office ends at the AGM following the date of appointment. Provision is made for each Director to

retire at each AGM and for the shareholders (by ordinary resolution) to re-elect that retiring Director (if eligible for re-election). In the absence of such resolution, a retiring Director shall be deemed to have been re-elected, except where (a) a resolution to re-elect the Director has been put to the AGM but has not been passed, or it is expressly resolved not to fill the office being vacated, or (b) such Director is ineligible for re-election or has given notice in writing to Atrium that he or she is unwilling to be re-elected.

C-rule 38: As regards the appointment of the Directors we refer to the explanation given in respect of L-rule 33 above.

C-rule 39: As set out in the Articles, Atrium has adopted the test of independence set out in the rules of the New York Stock Exchange for the purposes of assessing the independence of its Directors. As at 31 December 2016, six of the seven members of the Audit Committee, three of the four members of the Compensation and Nominating Committee, one of the three members of the Special Standing Committee, all members of the Operations Committee and two of three members of the Investment Committee were independent, as defined in the rules of the New York Stock Exchange. Those individuals appointed to serve as members of Committees are those Directors who are regarded by the Board of Directors as well equipped (including as a consequence of prior experience and/or expertise) to contribute to the deliberations of the Committees and, accordingly, Atrium believes that the current composition of the Committees is in the best interests of Atrium.

C-rule 41: The Compensation and Nominating Committee fulfils the function of both a nominating and remuneration committee.

C-rule 43: In 2016, the Chairman of the Compensation and Nominating Committee was not the same person as the Chairman of the Board of Directors.

C-rule 45: We refer to the explanation in respect of L-rule 25 above.

L-rule 52: Specific measures have not been implemented in relation to the aspect of diversity with respect to the representation of both genders, the age structure and the internationality of the members of the Board of Directors as the Company is of the view that any such specific measures would not be in the best interests of Atrium. Atrium believes that those individuals appointed to serve as members of the Board of Directors are best equipped in terms of relevant experience and/or expertise to fulfil their roles and maintains an equal opportunities policy for the purposes of recruitment and promotion at all levels within the Group. During 2016, of the eight Directors: two were women (including the Vice Chairman); the ages of the Directors ranged from 50 to 71; and the Directors represented five different national backgrounds.

C-rule 53: In accordance with the Articles, at least half of the Directors were independent in accordance with, and as defined in, the rules of the New York Stock Exchange. As at 31 December 2016, six of Atrium's eight Directors were independent, in accordance with said rules.

L-rule 56: Atrium applies this rule to its independent Directors only. Atrium believes that non-independent Directors should be allowed to assume more than eight mandates because they may be required by their employers or principals to serve on multiple boards.

C-rule 57: Atrium's Directors may hold more than four board mandates in stock corporations that are not part of the Atrium Group. Atrium is fully aware of the additional mandates held by its Directors and believes that those individuals appointed to serve on the Board are best

equipped (in terms of relevant experience and expertise) to contribute to the activities of the Board, so that any restrictions under this rule would not be in the best interests of Atrium.

C-rule 62: Compliance with the provisions of the Austrian Code was, to date, reviewed internally. External review is planned for future years

THE BOARD OF DIRECTORS



CHAIM KATZMAN
Chairman of the Board



RACHEL LAVINE
Vice-Chairman and Director



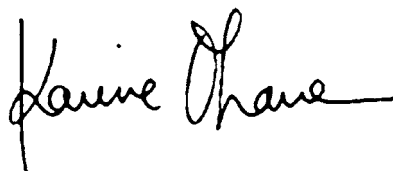
PETER LINNEMAN
Director



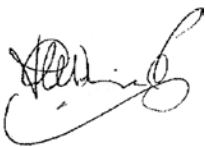
NOAM BEN-OZER
Director



SIMON RADFORD
Director



KARINE OHANA
Director



THOMAS WERNINK
Director



ANDREW WIGNALL
Director

