

# smartphoto group NV/SA

## Corporate Governance Charter

Updated version d.d. 10 September 2014

# **Corporate Governance Charter smartphoto group NV/SA**

**Updated version d.d. 10 September 2014**

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## **INTRODUCTION**

smartphoto group NV commits itself to comply with all the relevant statutory provisions concerning Corporate Governance. The Belgian Royal Decree of 5 June 2010, published in the Belgian Official Gazette on 28 June 2010, stipulates that the 2009 Belgian Code on Corporate Governance, the 'Code', applies to reporting years beginning on 1 January 2009 or later, as the only code within the meaning of Section 96:2 of the Belgian Company Code.

smartphoto group NV uses this Code as its reference code. The Code is available on the website of the Belgian Corporate Governance Committee, [www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be).

The main aspects of the Corporate Governance policy of smartphoto group NV are presented in the Corporate Governance Charter ("the Charter").

Where there are deviations from the Code due to the company's specific structure and nature of its activities, these deviations are explained in accordance with the "comply or explain" principle in the Corporate Governance Statement.

Stef De corte  
Chief Executive Officer

Tonny Van Doorslaer  
President of the Board of Directors

## **CHAPTER I : CORPORATE STRUCTURE**

### **I.1. SMARTPHOTO GROUP N.V./S.A.**

SMARTPHOTO GROUP NV/SA (the "Company") is a public limited liability company ("naamloze vennootschap" / "société anonyme"), incorporated in accordance with the laws applicable in Belgium.

The Company was incorporated for an indefinite period of time on 23 December 1964 under the name D.B.M. Color NV by the execution of a deed before Notary Luc Verstraeten of Assenede, and published in the appendices to the Belgian Official Gazette of 15 January 1965.

The Articles of Association were last amended by a deed executed before notary M. Bernard Van Steenberghe on 8 May 2013, published in the Belgian Official Gazette of 30 May 2013.

Its registered offices are located in Belgium, 9230 Wetteren, Kwatrechtsteenweg 160.

### **I.2. THE GROUP**

SMARTPHOTO GROUP NV/SA is the mother company of the group. The operational segments are aggregated to one operational segment, named E-commerce.

### **I.3. GOVERNANCE STRUCTURE**

#### **I.3.1. Board of Directors**

The Board of Directors (the "Board") is the main decision-making body of the Company, disposing of all the powers that are not reserved by law or the articles of association to the General Shareholders Meeting. smartphoto group NV/SA opted for a one-tier board structure, and consequently did not install a Management Committee ("directiecomité") as meant in article 524bis of the Belgian Companies Code. For the Terms of Reference of the Board of Directors, see Chapter III.

The Board has established three committees to assist it in the execution of its main tasks. These are the Audit Committee, the Nomination Committee and the Remuneration Committee. For the Terms of Reference of these Committees, see Chapter IV.

### **I.3.2. The Chief Executive Officer**

In conformity with article 19 of the Articles of Association, the Board of Directors has delegated the daily management of the Company to the Managing Director, the Chief Executive Officer. In accordance with article 18 of the Articles of Association, the company is validly represented by two directors acting jointly or by the Managing Director, in the framework of the daily management of the Company.

## **I.4. BUSINESS SUMMARY**

### **I.4.1. Mission**

The mission of the smartphoto group is to make people share beautiful moments together as in helping socially active, internet savvy young moms and families create affordable high quality personal photo products through smart and simple designed apps and websites.

smartphoto group is passionate about people's family photos. Every day smartphoto tries to find smart ways to help people get the most out of these special moments of life.

smartphoto makes it simple for everyone to enjoy their photos by creating affordable high quality personal products.

smartphoto group's mission has succeeded when a smile appears on the face of the people as they rediscover their photos in new and exciting ways.

### **I.4.2. Values**

In pursuing its mission, smartphoto group will embrace the following values:

- to offer affordable, high quality solutions (smart)
- in an easy, fast and accessible way (simple)
- being fun to make, fun to receive/share and inspirational (smile).

### **I.4.3. Business Organisation**

smartphoto group has one operational segment, E-commerce.

The development of new products, new marketing concepts and campaigns, Internet and IT platforms and product strategy are centralized, while implementation remains local.

General support functions are as much as possible delegated to the operational businesses. Corporate functions are limited to Corporate Consolidation and Reporting, Company Secretary and Internal Audit.

## **CHAPTER II : COMPANY SHARES AND SHAREHOLDERS**

### **II.1. CAPITAL AND SHARES**

#### **II.1.1. Capital and shares**

The fully subscribed share capital of smartphoto group NV (the "Company") amounts to EUR 64,193,915.72.

This share capital is represented by 36,619,505 shares without nominal value. The par value amounts to € 1.7530 per share.

All shares carry exactly the same rights and obligations from a corporate legal view (one vote, equal preference right at the occasion of capital increases, equal dividend right, equal share in liquidation, etc.).

For these 36,619,505 shares, there are 31,874,597 VVPR strips in circulation. VVPR strips entitle a special fiscal treatment of the dividend, paid out to the shareholders. Shares accompanied by a VVPR strip benefit from a reduced withholding tax ("verminderde voorheffing/précompte réduit") of 15% (compared to 25% for ordinary shares), thus leading to a higher net dividend.

#### **II.1.2. Form**

The Company shares are dematerialised shares or registered shares, at the discretion of the shareholders.

The name and address of registered shareholders are recorded in the Company Shareholder Register. Any changes must be notified to the Company, for the attention of the Company Secretary. Registered shareholders may at all times request a certificate regarding their holding.

Shareholders may at any time apply to have their shares converted at their own cost into dematerialised or registered shares.

#### **II.1.3. Listing**

All the Company shares have been admitted to the "Eurolist by Euronext" in Brussels.

The ordinary share is traded under the symbol SMAR and has the ISIN number BE0003663748.

Information on the Company's share price can be found on the corporate website ([www.smartphotogroup.com](http://www.smartphotogroup.com)) or on the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)).



#### **II.1.4. Capital increase and reduction**

The capital may be increased or reduced in one operation or from time to time by resolution of the General Meeting of Shareholders taken in the conditions prescribed for an amendment of the Articles.

In case of an increase of capital, the new shares which are to be subscribed in cash shall first be offered to the existing shareholders in proportion to the number of shares in their holding. However, notwithstanding the foregoing, the General Shareholders Meeting may by resolution taken in the interest of the company and in the conditions prescribed for an amendment of the Articles, resolve that some or all of the new shares to be subscribed in cash shall be issued without a shareholder's preference right. The meeting may restrict or disapply this right in favour of one or more identified individuals other than employees of the company or its subsidiaries, in the conditions prescribed by article 596 et seq. of the Companies' Code.

If the preference right is restricted or disappplied, the General Shareholders Meeting or the Board of Directors, acting as may be within the limits of the authorized capital, may also provide for preference to be given to former shareholders in the allotment of the new shares. In such a case the subscription period shall be minimum five days.

The Board of Directors may in every case enter into agreements on such terms and conditions as it may notify, with the intention of ensuring that all or part of the shares to be issued are taken up.

#### **II.1.5. Authorised Capital**

By resolution of the Extraordinary General Shareholders Meeting of 14 June 2011, the Board of Directors was authorized to increase the capital in one or more installments by maximum EUR 64,193,915.72.

The present authorisation remains valid for five years, starting as of the publication in the appendices to the Belgian Official Gazette of the decision of the General Shareholders Meeting dd. 14 June 2011. It is renewable in accordance with the provisions of law.

Within the legal limits and within the above-mentioned resolution of the Extraordinary Shareholders Meeting of 14 June 2011, the Board of Directors may decide to increase the capital through contributions in cash or through contributions in kind, as well as through the incorporation of reserves and/or share premiums, with or without the issuing of new corporate shares. Within the same framework, the Board of Directors may also decide to issue, in one or more installments, convertible bonds, bonds with warrants or warrants that may or may not be related to other securities.

Based on the decision taken in accordance with the regulations of article 560 of the Belgian Company Law Code, the Board of Directors is authorised within the framework of the issuing of shares within the authorized capital, to modify the respective rights of the existing types of shares or securities that do or do not represent the capital. This

authorisation is valid in so far as it is in conformity with the applicable legal regulations. The Board of Directors will under no circumstances apply this authorisation in a way that would have the objective or the result of disadvantaging the rights of the existing shareholders.

During a three years period starting from the time of publication of the decision of the General Shareholders Meeting of 14 June 2011, the Board of Directors is explicitly authorized to apply the current authorization to increase the capital in the cases, under the conditions and within the restrictions of article 607 of the Company Law Code.

*According to Article 607 §1 of the Belgian Company Law Code, from the time a company has been informed by the Financial Services and Markets Authority that the latter has been notified of a launch of a public take-over bid on the securities of the company, the board of directors of the company may not, until the end of the bid, increase the share capital while restricting or excluding the shareholders' preferential subscription right.*

*Nevertheless, pursuant Article 607 §2 of the Belgian Company Law Code, the aforementioned prohibition does not apply to increases of the share capital of a company to which the board of directors of such company has been expressly authorised prior thereto by a resolution of the shareholders' meeting adopted in the manner required for an amendment of the articles of association of the company, and taking place within three years from the receipt of that communication, insofar:*

- a) the shares issued on account of such capital increase will be paid up in full at the time of their issue;*
- b) the issue price of the shares issued on account of such capital increase will not be less than the public take-over bid price; and*
- c) the number of shares issued on account of such capital increase will not exceed 10% of the shares constituting its capital issued prior to such capital increase.*

The Board specifies the dates and the conditions for the capital increases that it orders in application of the above-mentioned paragraphs, including the possible payment of share issue premiums. The Board specifies the conditions of the bond loans to which it decides in the framework of what is described in the paragraphs above.

When the specifications of the above-mentioned paragraphs are being applied, the Board of Directors specifies in accordance with the articles 592 and subsequent of the Company Law Code, the term and other conditions for the execution of preferential shareholder rights, when these rights are granted by law. According to the same article 592 and subsequent articles, if in the interest of the Company and under the legally specified conditions, the Board is entitled to restrict or cancel the preferential rights of the shareholders in favour of one or more persons that are selected by the Board, regardless whether these persons are staff member of the Company or one of its subsidiaries.

When a share issue premium is being paid as a consequence of the current measure, these premiums are transferred by right to a unavailable account, named "issue premiums", and can only become available under the conditions that are required for a capital reduction. However, the premiums can at all times be incorporated in the share capital; this decision can be taken by the Board in accordance with the specifications of paragraph 3 of this text section.

At the occasion of a proposal for renewal of the above mentioned authorisations, the Board drafts a special report for the benefit of the General Shareholders Meeting explaining why such a renewal is requested.

## **II.1.6. Acquisition of own shares**

The Board of Directors has been authorised by the General Shareholders Meeting of 14 June 2011 to acquire through purchase or exchange, or to alienate the Company's own shares without a resolution of the General Shareholders Meeting, if such acquisition or alienation is necessary to avoid serious and imminent harm to the Company.

This authorisation is valid for a three years period starting as of the moment of publication of the above-mentioned decision in the Supplements to the Belgian Official Gazette, and is renewable in accordance with article 620 paragraph 1 of the Company Law Code.

The General Shareholders Meeting of 14 June 2011 has moreover authorised the Board, in accordance with article 620 of the Company Law Code, to acquire the maximum allowed number of own shares through purchase or exchange at a price that is equal to at least 85% and at most 115% of the last closing rate of these shares as listed on Eurolist by Euronext on the day preceding the purchase or the exchange.

This authorisation is valid for a five years period, starting as of the moment of publication of the above-mentioned decision in the Supplements to the Belgian Official Gazette, and is renewable in accordance with article 620 paragraph 1 of the Company Law Code.

Information on purchases or disposals of the Company's own shares is published in the annual report of the Company.

The Company has adopted a Code of Conduct for acquisition and alienation of own shares (cf. VII.3. in this document).

## **II.2. GENERAL SHAREHOLDERS MEETINGS**

### **II.2.1. Date and place**

The annual General Shareholders Meeting takes place each on the second Wednesday of the month of May at 14.00 hours in the registered offices of the Company, or any other place in Wetteren as determined in the convocation.

Special and Extraordinary General Meetings of the Shareholders may be called by the Board of Directors if deemed necessary. The Board is obliged to convene a Special or Extraordinary General Shareholders Meeting at the request of one or more Shareholders representing 20% of the issued capital. The request shall specify the agenda items to be included in the convocation.

### **II.2.2. Preparation of the meeting**

- Convocation

The meeting shall be convened by the Chairman of the Board, the Board of Directors, the Managing Director or the auditors.

The period for convening the meeting is minimum 30 days. If the attendance quorum for the first meeting is not reached, and provided the date of the second meeting has been

mentioned in the first convocation, the second general meeting with the same agenda can be convened with a convocation period of at least 17 days before such meeting.

Invitations to attend the General Shareholders Meeting are sent to all registered Shareholders at least 30 (17) days before the General Shareholder Meeting. Relevant information is sent 15 days before the General Shareholder Meeting, as well as made accessible through the Company website.

In accordance with the Belgian Code on Companies and the articles of association of the Company, an announcement is published in a Belgian newspaper as well as in the Belgian Official Journal ("Belgisch Staatsblad/Moniteur Belge") at least 30 days (17) before the General Shareholder Meeting.

Also, the convocation must be issued via such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European economic Area and which is easily accessible on a non-discriminatory basis.

#### - Agenda

Agenda items may include typically :

- the appointment or re-election of members of the Board of Directors;
- the proposal of the Audit Committee as regarding the renewal of the auditor's mandate
- the review of the annual report of the Board of Directors and the report of the Company's External Auditor;
- the approval of the annual accounts and the appropriation of the result, including the dividend payment;
- the approval of the remuneration report;
- the discharge in respect of the exercise of their duties of the Board members and the External Auditor;
- authorisations to the Board to increase the capital, acquire own shares, etc.;
- capital increases or reductions;
- Clear and accurate description of formalities to be complied with in order to be allowed to participate to the meeting (use of proxies, voting per letter, delays, etc.)
- Explanation of the rights available for shareholders, such as
  - possibility for shareholders having at least 3% of the share capital to have the right to put additional items on the agenda
  - how to use the right to ask questions to the directors and auditors
  - procedure regarding the use of proxies

#### - Registration

Participation and voting in the general meeting of shareholders will be dependent on the accounting registration of shares of the shareholder, on the 14th day before the general meeting, at midnight (the so called "registration date"), either by registration of the

shareholder's name in the register of shareholders; either by registration on the accounts of a certified account holder or settlement institute; or either by presentation of the bearer shares to a financial intermediary, irrespective the amount of shares held by the shareholder.

Irrespective who holds shares after that date, the shareholders registered on the registration date may participate in the general meeting of shareholders, provided that he notifies his intention to attend the general meeting to the company or appointed person in time, in any case no later than 6 days before the general meeting concerned.

## **II. 2. 3 Requirements for participation**

### **- Proxies**

Any shareholder may, by a document that bears his signature (including the digital signature mentioned in Article 1322, paragraph 2 of the Civil Code) that has been notified by letter, fax, email or any other means specified in Article 2281 of the Civil Code, give proxy to represent him at the General Shareholders Meeting. The proxy should not be a shareholder. Proxies must be lodged at the Company no later than six days before the meeting. The provisions of the Companies Act are applicable.

Proxies given to a director or employee of the Company must contain clear voting instructions.

The Board of Directors may require in the invitation to attend the General Shareholder Meeting that proxies must be lodged at the Company at least 3 business days before the General Shareholder Meeting.

### **- Joint ownership**

In case of joint ownership of shares, in the broadest possible sense, the owners must appoint a single individual to represent them.

### **- Remote voting/participation**

The Company has chosen not to use the possibility to allow their shareholders to cast their votes remotely before the general meeting of shareholders takes place.

Also, the Company has chosen not to use the possibility for shareholders to participate remotely in the general meeting by electronic means

### **- Procedure**

The General Shareholders Meeting shall be chaired by the Chairman of the Board of Directors, or, failing him or her, by another Board member appointed by the Board for the role.

The Chairman of the General Shareholders Meeting appoints the secretary of the Meeting. The secretary should not necessarily be a shareholder or a member of the Board. The attending members of the Board shall complete the Office for the Meeting. The Meeting shall appoint two scrutineers on a motion by the Chairman.

The Board of Directors may adjourn the decision regarding the approval of the annual accounts during the session for a maximum period of five weeks. Such adjournment does not affect the other decisions taken at the meeting unless the meeting decides otherwise. The next meeting is entitled to permanently adopt the annual accounts.

An attendance list that shows the name of the shareholders and the number of shares participating in the meeting is signed by each of the shareholders or their proxy before the meeting is opened.

The General Shareholders Meeting cannot deliberate nor decide on items that are not included in the agenda.

Directors (and the statutory auditors) are obliged to answer questions raised by the shareholders, provided that the answer is not detrimental to the business interests of the company or the confidentiality to which the company, its directors or statutory auditors are bound. Formerly the criterion was that the answer may not cause serious harm to the company, its shareholders or its personnel.

The chairman is responsible to keep order and a proper conduct of the deliberations. The chairman shall determine in consultation with the other members of the bureau the moment when the debate on an agenda point is closed and move to the vote, and ensures the completion of the agenda.

Except as otherwise provided by legal or statutory provisions, decisions shall be adopted by a simple majority of the votes cast, regardless of the number of shares represented at the meeting. Blank and invalid votes are not counted in the votes cast.

When for the appointment as Director or statutory auditor no candidate achieves an absolute majority of the votes, one proceeds to a second vote between the two candidates achieving the most votes. If the number of votes is equal, the oldest candidate is elected.

Voting will be by show of hands or by call-over, unless the general shareholders meeting decides otherwise with a simple majority of votes cast. The postal voting is not allowed.

The minutes of General Shareholders Meetings shall be signed by the members of the meeting and any shareholders wishing to do so.

Official copies to be issued to any third party shall be signed by two directors or by the Managing Director. This power of authorization can be dedicated to a proxy.

## II.2.4 Website

All relevant information regarding convocation, agenda, participation requirements, use of proxy, shareholders' rights will be available on the Company's website and will remain accessible for at least 5 years.

## II.3. SHAREHOLDER STRUCTURE – MAJOR SHAREHOLDERS

In accordance to article 9 of the articles of association of smartphoto group NV/SA, each physical or legal person who acquires 3% of the total shares with voting rights, should notify this with a confirmed-receipt letter to the Board of Directors within the legally specified time period, and should repeat such transparency declarations when the threshold of 5% of the voting rights has been reached and at each subsequent tranche of 5% of the voting rights.

All transparency declarations are communicated on the Company website as soon as the Company has been notified. Also all other obligations of issuers of financial instruments admitted to trading on a regulated market are communicated on the Company website.

The shareholders' structure, based on transparency declarations that the Company has received up till May 31, 2014, and taking the denominator as per 31.12.2013 into account, is as follows:

| <b>Shareholder</b>  | <b>Number of shares</b> | <b>% of total</b> |
|---|-------------------------|-------------------|
| Consortium VIT NV, Vobis Finance NV, Creatio Invest NV, Midelco NV, Cecan Invest NV, Isarick NV en Philippe Vlerick | 6 914 244               | 18.88%            |
| Shopinvest/Etienne Kaesteker  | 4 269 471               | 11.66%            |
| Gerard Groes  | 1 835 000               | 5.01%             |
| Koramic Finance Company NV  | 1 827 314               | 4.99%             |
| Spector Coördinatiecentrum NV   | 1 075 275               | 2.94%             |
| Partimage CVA   | 84 044                  | 0.23%             |
| Alexander Photo SA  | 54 526                  | 0.15%             |
| smartphoto group NV   | 77 271                  | 0.21%             |
| Free float  | 20 482 360              | 55.93%            |

Major shareholders do not have different voting rights than other shareholders ("one share, one vote").

Each amendment in the shareholders' structure is updated on the Company website. This information is also included in the Corporate Governance Statement of the annual report.

## II.4. COMMUNICATION WITH SHAREHOLDERS AND POTENTIAL SHAREHOLDERS

A specific section of the Company's website is dedicated to Investor Relations. This section includes a description of the shareholders' rights to participate and vote at the General Shareholder Meeting and a timetable on periodic information and shareholders' meetings. This section also includes the articles of association of the Company, the Corporate Governance Charter and the Corporate Governance Statement. Further, the Company publishes all information pursuant to legal provisions.

## **CHAPTER III : TERMS OF REFERENCE OF THE COMPANY'S BOARD OF DIRECTORS**

### **III.1. COMPOSITION**

#### **III.1.1. Size**

The Board of Directors of the Company (the "Board") has a minimum of three members, who should not necessarily be shareholders of the Company.

While no formal maximum number of members has been set for the Board, a number of six to ten members is considered to be adequate for efficient decision-making and large enough for its members to contribute experience and knowledge from the different fields, while this size also allows to deal with changes to the Board's composition without undue disruption.

Each individual Board member has identical powers of decision-making, taking into account the particular roles of the Chairman of the Board as set forward in III.4.2.

At least half of the Board comprises non-executive directors; at least three of them should meet the criteria of independency as specified in article 523 §4 of the Company Law Code as well as in Appendix A of the Belgian Corporate Governance Code 2009.

While executive and non-executive directors are part of the same collegial body, they each have a specific and complementary role to play on the Board.

Executive directors should provide all relevant business and financial information for the Board to function effectively. Non-executive directors should constructively challenge and help develop strategy and key policies proposed by the executive management. The non-executive directors should also scrutinise the performance of the executive management in meeting agreed goals.

The list of the members of the Board shall be disclosed in the Corporate Governance Statement in the annual report and on the corporate website.

#### **III.1.2. Term of office**

In accordance with the Corporate Governance Code, the Board has decided to limit the term for a Director under normal conditions to maximum three years, although the Articles of Association of the Company allow a six years mandate.

Independent Directors can serve for a maximum of twelve years in total, starting November 2005 or in the year of their first appointment, whichever comes later. The Board may however grant exceptions to this rule in the general interest of the Company.

Non-executive Directors must retire at the first General Shareholders Meeting after their 70<sup>th</sup> birthday, unless the Board grants an exception in the interest of the Company.

Executive Directors retire on the first General Shareholders Meeting after their 65<sup>th</sup> birthday.



### **III.1.3. Criteria for membership**

The Nomination Committee, when giving its recommendations to the Board, and the Board of Directors, when proposing candidates for membership, shall apply the following principles :

- a) Each candidate must be selected on the basis of gender diversity and diversity in general, as well as on the basis of his or her particular skills, knowledge and/or experience, in order to guarantee that the Board as a whole shall have the necessary competences and qualifications to fulfil its duties;
- b) The Nomination Committee and the Board must ensure that the candidates demonstrate their willingness and availability to the extent required to fulfil his or her responsibilities as a Board or Committee member.

### **III.1.4. Appointment**

The Board of Directors submits its proposals regarding the appointment or re-election of Directors to the General Shareholders Meeting. The Nomination Committee recommends one or several candidates to the Board, taking into account the needs of the Company and following the appointment procedure and the selection criteria drawn up by the Board for that purpose. The composition of the Board is determined based on the necessary diversity and complementary skills, experience and knowledge.

The General Shareholders Meeting appoints the Directors of their choice with a simple majority of the votes cast. Directors can likewise be dismissed "ad nutum" by the General meeting with a majority of the votes cast, before the normal expiry of his or her term of office.

If a position of Director becomes vacant as a result of resignation, incapacity or death, the Board may provisionally fill the vacancy, upon recommendation from the Nomination Committee, until the first coming General Shareholders Meeting.

The decision to appoint the independent Directors must state the criteria why the Director is considered independent by the Board. In assessing independence, the criteria set out in Appendix A of the Corporate Governance Code shall be taken into account, following the criteria of article 526ter of the Company Law Code and any other relevant law or regulation.

Any independent Director who ceases to satisfy the requirements of independence must immediately inform the Chairman of the Board.

## **III.2. ROLE AND RESPONSIBILITIES**

### **III.2.1. Role**

The Board is entrusted with the general management of the Company with a view to ensure its long-term success. It provides entrepreneurial leadership and at the same time assesses and manages the risks of the Company. It takes the interests of all the stakeholders of the Company, essential to its sustainable development under consideration : its customers, its shareholders, its employees and the society as a whole.

The Board is accountable to the General Shareholders Meeting in this respect. The responsibility for the management of the Company rests with the Board as a collegial body, in a one-tier Board structure.

### **III.2.2. Responsibilities**

The primary task of the Board is to decide on the strategic direction for the group and to monitor its business affairs.

The main responsibilities of the Board are as follows :

- Identifying and understanding the strategic challenges and related risks facing the group;
- Deciding on the Company's strategy, its risk appetite and key policies;
- Evaluate the Company's actual market position, and monitoring and evaluating the Company's performance compared to its strategic objectives, plans and budget;
- Setting the values, policies and standards allowing the strategic objectives to be met;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its strategic objectives;
- Reviewing the existence and functioning of the internal control system, including appropriate processes for conducting business in compliance with legislation, regulations, and internal policies and procedures, and ensuring the adequate identification and management of risks;
- Describing the main features of the Company's internal control and risk management systems, to be disclosed in the Corporate Governance Statement.
- Determining the role and responsibilities of the CEO and reviewing his performance;
- Maintaining continuous interaction and dialogue with the CEO, in order to ensure a climate of trust and transparency;
- Ensuring the quality and completeness of the disclosed financial information and in particular ensuring the integrity and timely disclosure of the financial statements and other material financial and non-financial information;
- Deciding on the candidate external auditor to be nominated by the General Shareholders Meeting and supervising the performance of the external auditor and the Internal Audit function, taken into account the review made by the Audit Committee;

- Performing the role of Audit Committee as specifically provided for in article 133, par. 6 of the Company Law Code , whereby exceptions may be granted to the External Auditor regarding the level of fees for non-audit services, which in principle should not exceed the fees for audit services after approval of the majority of the independent Board members;
- Setting and reviewing the Corporate Governance structure of the Company and regularly reviewing its compliance with the provisions of the Corporate Governance Code;
- Monitoring and reviewing the effectiveness of the Board’s committees;
- Deciding on all proposals to be submitted to the ordinary, special and extraordinary General Meetings of the Shareholders;
- Deciding on major business policies including the approval of the strategic plan and the annual budget;
- Deciding on any transaction, regardless of the amount, which in view of the Managing Director should be decided by the Board, based on the nature and/or importance of the risk involved;
- Deciding on the accounting principles used, and the determination of all financial information to be published;
- Fostering an effective dialogue with the shareholders and potential shareholders based on a mutual understanding of objectives and concerns;
- Ensuring that its obligations to all shareholders are understood and met;
- Accounting to the shareholders for the discharge of its responsibilities;
- Evaluate its own performance.

When performing its duties, the Board must at all times act in the interest of the Company. The Board as a whole is accountable to the Company for adequately exercising its powers and responsibilities.

The Board’s responsibilities are also defined in the articles of association of the Company.

### **III.3. REMUNERATION**

The Remuneration Committee is responsible to the Board for outlining a remuneration policy for the executive and non-executive Directors, as well as for the Chief Executive Officer, to be decided by the Board.

The Company’s current remuneration policy for the executive and non-executive Directors and for the Chief Executive Officer is set out in the Remuneration Policy of the Company, annexed as Appendix 2 to the Terms of Reference of the Remuneration Committee (Chapter IV.2. of this Charter).

### **III.4. CHAIRMAN**

#### **III.4.1. Appointment**

The Board appoints one of its members as Chairman of the Board.

#### **III.4.2. Role and responsibilities**

The Chairman is responsible for the leadership of the Board and for the efficiency of the Board in all its aspects.

The Chairman shall take the necessary measures to develop a climate of trust within the Board which promotes open discussion, constructive dissent and support for the Board's decisions.

The Chairman shall promote effective interaction between the Board and the Executive management.

Within the Board, the Chairman is primarily responsible for :

- Setting the agenda of the Board meetings;
- Ensuring that procedures relating to the preparatory work, deliberations, passing of resolutions and implementation of decisions are properly followed;
- Ensuring that the Directors receive accurate, timely and clear information before the meetings and, where necessary, between meetings, and that all Directors receive the same information;
- Chairing the meetings of the Board and ensuring that the Board operates and takes decisions as a collegial body;
- Monitoring the implementation of decisions taken and determining whether further consultation within the Board with regard to the implementation is necessary;
- Ensuring a regular review of the corporate structure and the corporate governance of the Company and assessing whether their operation is satisfactory;
- Ensuring that newly appointed Directors receive an appropriate introduction;
- Ensuring that the Board appoints Committee members and chairmen;
- Being accessible to the Directors, the Executive management and the Group Internal Auditor to discuss issues relating to the management of the Company.

The Board may decide at all times to entrust the Chairman of the Board with additional responsibilities, including executive responsibilities (such as assigning the role of Managing Director) in which case the Chairman carries the title of Executive Chairman.

With regard to shareholders and third parties, the Chairman is mainly responsible for chairing the General Shareholders Meeting and ensuring that relevant questions from shareholders are answered.

## **III.5. ORGANISATION**

### **III.5.1. Board meetings**

In principle, the Board meets minimum four times a year. Additional meetings may be called at any time with appropriate notice, when deemed necessary or advisable by one or several members of the Board, to address specific needs for the Company.

Directors are required to attend the Board meetings in person as much as possible, and to devote the required amount of time to their office. Directors who cannot attend are encouraged to give a power of attorney to one of their colleagues.

The Company will organise – where necessary – board and committee meetings using video, telephone or internet-based means.

The number of Board meetings and the individual attendance record of the Directors are disclosed in the Corporate Governance Statement of the annual report.

At least half the Directors must be present or represented in order to have a valid meeting of the Board. Board members can be represented by a signed proxy, sent by mail or fax to the Chairman. A Director can only represent one other Director in this way.

The non-executive Directors must meet at least once a year without the Managing Director and the other executive Directors, if applicable.

Board meetings must be convened in the manner laid down in the Company's articles of association.

Except where urgent issues have arisen (as determined by the Chairman of the Board), the agenda of the meeting will be sent to all members of the Board at least two calendar days prior to the meeting. Every agenda item is accompanied by as much written information as possible of the votes cast by the Board members present or represent at the meeting.

Board meetings are chaired by the Chairman of the Board. In the absence of the Chairman of the Board, the Board members present shall designate another Board member to chair the meeting by a simple majority of the votes cast.

The Company Secretary, or his substitute, prepares minutes of the deliberations of a meeting of the Board. The minutes must reflect the discussions, specify the decisions taken and state any reservations voiced by Directors. The minutes are approved by the Board at the next meeting.

### **III.5.2. Board Committees**

In order to ensure and improve the efficient execution of its duties, the Board of Directors has created specialised Committees to analyse specific issues and advise the Board on those issues. Regardless of the right to create other Committees, the Board has created an Audit Committee, a Nomination Committee and a Remuneration Committee.

The role of the Committees is strictly advisory, as the actual decision-making remains at all times the responsibility of the Board.

The Board determines the terms of reference for each Committee, in which the composition, the role and responsibilities and the operation of the relevant Committee are specified. These terms of reference are included in this Charter under Chapter IV.

The Board shall pay particular attention to the composition of each Committee. It must ensure that in appointing the members of each Committee and their Chairmen, consideration is given to the needs and qualifications required for the optimal functioning of that Committee. The Board may revoke Committee members at all times.

### **III.5.3. Company Secretary**

The Board appoints a Company Secretary, who assists the Board and the Chairman in the performance of their duties and to advise the Board on all governance matters. All Board members have access to the Company Secretary for advice and services. Where necessary, the Company Secretary is assisted by the Company's legal advisor(s).

The role of the Company Secretary includes:

- Ensuring, under the direction of the Chairman, good information flow within the board and its committees and between the executive management and non-executive directors, as well as facilitating induction and assisting with professional development as required;
- Regularly reporting to the Board, under the direction of the Chairman, on how board procedures, rules and regulations are being followed and complied with.

## **III.6. INDUCTION AND EVALUATION**

### **III.6.1. Induction**

Newly appointed Directors shall receive an appropriate induction to ensure their early contribution to the Board.

The purpose of the induction process is to help the new Directors grasp the fundamentals of the Company, including its governance, strategy, key policies, financial and business challenges.

For Directors joining Board Committees, the induction process will include a description of the specific role and duties of the Committee.

For Directors joining the Audit Committee, the induction covers the Audit Committee's Terms of Reference and provides an overview of the company's internal control organisation and risk management systems. They are provided in particular with full information on the Company's specific accounting, financial and operational features. This induction also includes a meeting with the external auditor and with the relevant corporate officers.

The Directors are individually responsible for developing and updating the knowledge and qualifications that are required to perform their duties in the Board and in the Committees of which they are members. For that purpose, the Company shall make the necessary (financial) resources available, if required.

### **III.6.2. Evaluation**

In order to promote the continuous improvement of the governance of the Company, the Board shall assess regularly (e.g. every two or three years), under the lead of its Chairman, its size, composition, operation and interaction with the Executive management.

This evaluation has four objectives :

- a) assessing the operation of the Board;
- b) checking that the important issues are thoroughly prepared and discussed;
- c) evaluating the actual contribution of each Director's work, the Director's presence at the Board and Committee meetings and his constructive involvement in discussions and decision-making;
- d) evaluating the Board's current composition.

Although the evaluation is a responsibility of the Board as a whole, the Board will be assisted in this evaluation by the Nomination Committee and the Remuneration Committee.

If required or desired, an evaluation by external experts can be considered.

The non-executive directors assess regularly their interaction with the executive management. In this respect, non-executive directors meet at least once a year in the absence of the executive directors.

The Chairman of the Board will also be evaluated in this process.

In the same process, the Board shall also assess the operation of the Committees every two years. For this assessment, the results of the individual evaluation of the Directors

will be taken into consideration. Again, specific attention will be given to the evaluation of the Chairmen of the Committees.

The evaluation will be based on a question list to be filled in by each Board member. The answer forms shall be processed and the results of the evaluation shall be discussed by the Nomination Committee, and consequently by the Board as a whole on the basis of the Committee's report, commenting on the strengths and weaknesses of the Board and, when appropriate, making proposals to appoint new Directors or to not re-elect Directors.

Information on the main features of the evaluation process of the board, its committees and its individual directors is disclosed in the Corporate Governance Statement.

### **III.7. CODE OF CONDUCT**

Directors shall adhere to the General Code of Business Conduct as established in Chapter VII of this Corporate Governance Charter.

Each Director shall demonstrate integrity and commitment, and perform his or her duties in an honest, ethical and justified manner.

The Directors shall act at all times in the interest of the Company. Independence of judgement is required in the decisions of all Directors, executive and non-executive alike, whether the non-executive Directors are independent or not.

The Directors are entitled to receive pertinent and detailed information, which they will study carefully so as to acquire and maintain a strong command of the key issues relevant to the Company's business. The Directors shall ask clarification whenever they deem it necessary.

The Directors shall avoid any action, position or interest that conflicts or appears to conflict with the Company's interest. When faced with a conflict of interest, the legal provisions shall apply and the Director in question shall immediately inform the Chairman of the Board. Directors in such a position shall abstain from participating in the Board discussion and decision in accordance with the legal requirements, and the event shall be disclosed accordingly. Transactions between the Company and its board members take always place at arms' length.

Each Director has an obligation to handle the confidential information received in his or her capacity as Director with extreme caution. The Directors undertake not to disclose any confidential information relating to the Company or its affiliates, obtained in the execution of their responsibilities as Director, to third parties, unless he or she has a legal obligation to disclose the information. Disclosure to members of the management of the Company or its affiliates is allowed on a need-to-know basis.

No member of the Board may use the information described above to his or her own advantage.



## **CHAPTER IV : BOARD COMMITTEES**

### **IV.1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **IV.1.1. Composition**

The Audit Committee (the "Committee") shall consist of at least three (non-executive) directors, The majority of the members of the Committee should be independent directors. At least one of the members must have accounting and auditing experience in accordance with the Belgian Companies' Code and the Belgian Code on Corporate Governance.

The members shall be elected by the Board of Directors, on recommendation of the Nomination and Remuneration Committee, for renewable three-year terms. They hold office until their successors shall be elected or until their earlier death, removal or resignation from the Committee, or termination of their respective mandate as member of the Board of Directors. Members must dispose of the relevant expertise in the comprehension of general accounting principles & procedures, and general corporate finance.

The Board elects the Chairman among the members who are independent directors. The offices of Chairman of the Audit Committee and Chairman of the Board of Directors cannot be combined.

#### **IV.1.2. Role & Responsibilities**

The Committee is an advisory committee. It assists the Board in the specific areas mentioned hereafter, which are covered in detail and for which they make recommendations to the Board as a whole. Only the Board of Directors has the power to take decisions. The Committee discusses significant financial reporting issues with both the Executive Committee and the external auditor.

The Committee shall monitor, review and make recommendations to the Board of Directors regarding :

##### ***Financial reporting***

- the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company and the Group, including the criteria for the consolidation of the accounts of the companies in the Group;
- the assessment of the correctness, completeness and consistency of the Company's yearly and half-yearly statutory and consolidated financial information;
- the periodic information before it is made public, i.e. the draft press releases containing the annual and semi-annual results;
- the impact of new accounting rules, and eventual prognoses;
- The methods used to account for significant and unusual transactions where the accounting treatment may be open for different approaches.

### ***Internal control and risk management***

- at least once a year, the internal control and risk management systems set up by the Executive management, thus ensuring that the main risks (including those relating to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- the statements included in the Corporate Governance Statement on internal control and risk management.
- the specific arrangements made, by which staff of the company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters;
- the arrangements made for proportionate and independent investigation of such matters, for appropriate follow-up action and arrangements whereby staff can inform the chairman of the Committee directly.

### ***Internal audit process***

- the internal auditor's work programme, having regard to the complementary roles of the internal and external audit functions. At least once a year, the Group Internal Auditor is heard by the Committee and it receives his internal audit reports or a periodic summary thereof;
- the effectiveness of the internal audit;
- the internal audit budget;
- the responsiveness of management to the committee's findings and recommendations
- the selection, appointment, reappointment and removal of the Group Internal Auditor.

### ***External audit process***

- the selection, appointment and reappointment of the external , as well as the terms of his or her engagement. The board should submit a proposal to the shareholders for approval. The Audit Committee's proposal shall be included on the agenda of the shareholders' meeting. The same applies for the renewal of this appointment;
- the external auditor's independence, in particular in view of the provisions of the Code on Companies (article 526 bis §6) and the Royal Decree of 4 April 2003. The external auditor shall : (i) annually confirm, in writing, to the Audit Committee, its independence from the company; (ii) annually inform the Audit Committee about the additional services provided to the company; (iii) examine with the Audit Committee the risks relating to the independence and the safety measures taken to decrease these risks as documented by him (article 526 bis §6);
- the nature and extent of non-audit services;
- the formal policy specifying the types of non-audit services a) excluded, b) permissible after review by the committee, and c) permissible without referral to the audit committee, taking into account the specific requirements under the Code on Companies.
- the work programme of the external auditor;
- all issues and key matters arising from the statutory audit;

- the effectiveness of the external audit process, and the responsiveness of management to the recommendations made in the external auditor's management letter;
- in case the external auditor resigns, the issues giving rise to this resignation;

#### **IV.1.3. Operation**

The Committee meets a minimum of four times a year, and whenever a meeting is required for the proper operation of the Committee. It should regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the board.

In principle, the meetings of the Committee are called by the Committee Chairman. Each member however may request the convening of a special meeting.

The agenda of the meetings must be sent to all the Committee members at least seven calendar days prior to the date set for the meeting. Every agenda item must be accompanied by the relevant documents and information.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, one of which at least must be an independent director.

Members can give a proxy to another member of the Committee. No member can however represent more than one other member this way.

The Committee may invite any person to attend its meetings.

The Committee Chairman will take the necessary measures to develop a climate of trust within the Committee, contributing to open discussion, constructive dissent and support for the Committee's decisions.

Decisions must be taken by a simple majority of the members present or represented. In case of an equality of votes, the Chairman of the Committee has the casting vote.

The Committee discusses significant financial reporting issues with both the executive management and the external auditor.

The Committee shall meet at least twice yearly with the external auditor and the Group Internal Auditor to discuss all issues falling within the powers of the Committee and any key issues arising from the audit process, and in particular any material weaknesses in the internal control, in accordance with article 526 §5 Belgian Code on Companies.

The external auditor and the internal auditor can at all times request the Chairman of the Audit Committee to be heard.

The Committee is entitled to receive all information required for the performance of its duties from the Board and the Executive management and the company staff. It can request the presence of any senior employee of the Company, the Chief Executive Officer, the Group Internal Auditor, and/or the external auditor.

The Committee is allowed to seek external professional advice, at the Company's expense, about issues that fall within its responsibilities.

The Audit Committee has access to the books, data and offices of the Company and may have conversations with executives and employees of the Company.

Any member of the Audit Committee must immediately inform the Committee of :

- any personal financial interest (except as shareholder) in any matter on which the Committee decides;
- any possible conflict of interest which may arise as a consequence of any other mandates he or she holds.

This member cannot participate in the deliberations and the vote relating to those issues involving such an interest or conflict of interests.

After each meeting, the Company Secretary or his/her substitute drafts a report on the findings and recommendations of the Audit Committee to be submitted to the Board of Directors. All members of the Committee are to be provided with this draft as soon as possible after the meeting in order to allow remarks and corrections to be made, before the report is submitted to the Board of Directors.

The Audit Committee reports regularly to the Board on the exercise of its duties and on any other matters in respect of which the Audit Committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.

The Audit Committee reports annually, or, if necessary, more frequently to the Board on the developments in the relationship with the external auditor, and in particular on the viewpoint of the Committee on the external auditor's independence.

Each member of the Board of Directors shall have unlimited access to the data provided for the Audit Committee and may exercise his right through the Secretary of the Committee.

The Audit Committee shall annually check and review the adequacy of these terms of reference and of its own effectiveness and shall report thereon to the Board of Directors, and make recommendations for changes.

The Board of Directors may modify these terms of reference at all times.

It is hereby specifically confirmed that the Audit Committee has no authority to conduct audits itself nor to determine whether the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. These duties are the responsibility of the external and internal auditor, and the Chief Executive Officer respectively.

In addition to maintaining an effective working relationship with executive management, the internal and external auditors shall be guaranteed free access to the board. The Audit Committee should act as the principal point of contact for the internal and external auditors. The external and the internal auditor should have direct and unrestricted access to the chairman of the Audit Committee and the Chairman of the board.

## **IV.2. TERMS OF REFERENCE OF THE NOMINATION COMMITTEE**

### **IV.2.1. Composition**

The Nomination Committee (the "Committee") shall be composed of at least three Directors. The majority should be independent non-executive Directors in accordance with the Belgian Code on Corporate Governance.

The members shall be elected by the Board of Directors, for renewable three-year terms. They hold office until their successors shall be elected or until their earlier death, removal or resignation from the Committee, or termination of their respective mandate as member of the Board of Directors. Members must dispose of the relevant expertise in the matters treated by the Committee.

A non-executive director should chair the Committee.

Meetings are usually attended by the Managing Director – even when he is not a member of the Committee – except when his personal situation is the subject of the deliberation with the Committee. The Committee may invite any other relevant non-member to attend its meetings.

### **IV.2.2. Role & responsibilities**

The Committee is an advisory committee. It assists the Board in the specific areas mentioned hereafter, which are covered in detail and regarding which they make recommendations to the Board as a whole. Only the Board of Directors has the power to take decisions.

The Committee shall ensure that the appointment and re-election process of Board members and senior executive managers is organised objectively and professionally.

The Committee shall monitor, review and make recommendations to the Board of Directors regarding :

- procedures and selection criteria (independence requirements, competence and qualification) to be implemented for the appointment of Board members, Board Committee members and the Managing Director ;
- procedures to be implemented for the re-election of Board members and Board Committee members;
- the size and composition of the Board and eventually desired changes;

- the identification of candidates, to be selected by the Board, to fill Director vacancies as they arise;
- proposals for Director appointments submitted by shareholders;
- proposals for Director appointments submitted by existing Directors or the Chief Executive Officer;
- issues related to succession planning of the Managing Director;
- procedures and selection criteria to be implemented for the appointment of the Chief Executive Officer;
- the evaluation procedure for the Board, the Board Committees and individual Directors.

The Committee shall advise the Managing Director on proposals made by him or her for appointment and dismissal of executive Directors.

#### **IV.2.3. Operation**

The Committee meets at least twice a year, and whenever a meeting is required for the proper operation of the Committee, or whenever changes to the composition of the Board or the Chief Executive Officer are necessary. The dates of the meetings will be fixed as much as possible in advance each year.

In principle, the meetings of the Committee are called by the Chairman of the Committee in consultation with the Managing Director when appropriate. Each member however may request the convening of a special meeting.

The agenda of the meetings must be sent to all Committee members at least seven calendar days prior to the date set for the meeting. Every agenda item must be accompanied by the relevant documents and information.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, one of which at least must be an independent director.

Members can give a proxy to another member of the Committee. No member can however represent more than one other member this way.

The Committee Chairman will take the necessary measures to develop a climate of trust within the Committee, contributing to open discussion, constructive dissent and support for the Committee's decisions.

Decisions must be taken by a simple majority of the members present or represented. In case of an equality of votes, the Chairman of the Committee has the casting vote.

The Chairman of the Board, if not a member of the Committee, may at all times attend its meetings, except when his evaluation, re-election or removal is discussed.

The Committee may invite any person to attend its meetings.

The Committee is entitled to receive all information required for the performance of its duties from the Board, the members of the Executive management and the company staff. It can request the presence of any senior employee of the Company.

The Committee is allowed to seek external professional advice, at the Company's expense, about issues that fall within its responsibilities, in agreement with the Managing Director or the Chairman of the Board.

Any member of the Committee must immediately inform the Committee of :

- any personal financial interest (except as shareholder) in any matter on which the Committee decides;
- any possible conflict of interest which may arise as a consequence of any other mandates he or she holds.

This member cannot participate in the deliberations and the vote relating to those issues involving such an interest or conflict of interests.

After each meeting, a person appointed by the Committee as Committee Secretary drafts the minutes and a report on the findings and recommendations of the Nomination Committee to be submitted to the Board of Directors. All members of the Committee are to be provided with this draft as soon as possible after the meeting in order to allow remarks and corrections to be made, before the report is submitted to the Board of Directors.

The Nomination Committee reports regularly to the Board on the exercise of its duties and on any other matters in respect of which the Committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.

If requested by the Board, the Committee Chairman must provide more detailed information on the findings and recommendations or the discussions of the Nomination Committee during the meetings of the Board.

Each non-executive member of the Board of Directors shall have unlimited access to all data of the Nomination Committee and may exercise his right after consultation with the Committee Chairman and the Managing Director.

The Nomination Committee shall regularly (at least every two to three years) check and review the adequacy of these terms of reference and of its own effectiveness and shall report thereon to the Board of Directors, and make recommendations for changes.

The Board of Directors may modify these terms of reference at all times and revoke the powers granted to the Committee as it sees fit.

### **IV.3. TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

#### **IV.2.1. Composition**

The Remuneration Committee (the "Committee") shall be composed of at least three Directors, all non-executive. The majority should be independent Directors in accordance with the Belgian Code on Companies and the Belgian Code on Corporate Governance.

The members shall be elected by the Board of Directors, for renewable three-year terms. They hold office until their successors shall be elected or until their earlier death, removal or resignation from the Committee, or termination of their respective mandate as member of the Board of Directors. Members must dispose of the relevant expertise in the matters treated by the Committee.

A non-executive director should chair the Committee.

Meetings are usually attended by the Managing Director – even when he is not a member of the Committee – except when his personal situation is the subject of the deliberation with the Committee. The Committee may invite any other relevant non-member to attend its meetings.

#### **IV.2.2. Role & responsibilities**

The Committee is an advisory committee. It assists the Board in the specific areas mentioned hereafter, which are covered in detail and regarding which they make recommendations to the Board as a whole. Only the Board of Directors has the power to take decisions.

The Committee shall advise the Board on the remuneration policy of the Company.

The Committee shall monitor, review and make recommendations to the Board of Directors regarding :

- the remuneration policy for non-executive directors as well as the proposals in relation thereto, to be submitted to the shareholders;
- the remuneration policy for the Chief Executive Officer, including :
  - the main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
  - the key elements for determining the remuneration, including :
    - the relative importance of each component of the remuneration;
    - the performance criteria applicable to the variable elements;
    - the fringe benefits.
- the individual remuneration of directors and of the members of the Chief Executive Officer, relating to bonuses and long-term incentives – whether or not stock-related – in the form of stock options or other financial instruments;
- the disclosure of the remuneration of Directors and the members of the Chief Executive Officer in the Company's annual report.



Each year, the Committee shall discuss and set the goals and objectives for the Managing Director, and, on the basis of a proposal by the Managing Director, of the Chief Executive Officer, which will allow the performance evaluation later on, as well as the determination of the variable part of their remuneration.

The Committee prepares the remuneration report that is included in the Corporate Governance Statement according to Article 96 §2 of the Belgian Company Law.

The Committee presents the remuneration report to the Annual General meeting of Shareholders.

When discussing the evaluation and/or remuneration of the Managing Director, the latter may not be present.

The Committee shall regularly submit a remuneration report to the Board on the exercise of its duties.

#### **IV.2.3. Operation**

The Committee meets at least twice a year, and whenever a meeting is required for the proper operation of the Committee, or whenever changes to the composition of the Board or the Chief Executive Officer are necessary. The dates of the meetings will be fixed as much as possible in advance each year.

In principle, the meetings of the Committee are called by the Chairman of the Committee in consultation with the Managing Director when appropriate. Each member however may request the convening of a special meeting.

The agenda of the meetings must be sent to all Committee members at least seven calendar days prior to the date set for the meeting. Every agenda item must be accompanied by the relevant documents and information.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, one of which at least must be an independent director.

Members can give a proxy to another member of the Committee. No member can however represent more than one other member this way.

The Committee Chairman will take the necessary measures to develop a climate of trust within the Committee, contributing to open discussion, constructive dissent and support for the Committee's decisions.

Decisions must be taken by a simple majority of the members present or represented. In case of an equality of votes, the Chairman of the Committee has the casting vote.

The Chairman of the Board, if not a member of the Committee, may at all times attend its meetings, except when his evaluation, re-election or removal is discussed.

The Committee may invite any person to attend its meetings.

The Committee is entitled to receive all information required for the performance of its duties from the Board, the Executive management and the company staff. It can request the presence of any senior employee of the Company.

The Committee is allowed to seek external professional advice, at the Company's expense, about issues that fall within its responsibilities, in agreement with the Managing Director or the Chairman of the Board.

Any member of the Committee must immediately inform the Committee of :

- any personal financial interest (except as shareholder) in any matter on which the Committee decides;
- any possible conflict of interest which may arise as a consequence of any other mandates he or she holds.

This member cannot participate in the deliberations and the vote relating to those issues involving such an interest or conflict of interests.

After each meeting, a person appointed by the Committee as Committee Secretary drafts the minutes and a report on the findings and recommendations of the Remuneration Committee to be submitted to the Board of Directors. All members of the Committee are to be provided with this draft as soon as possible after the meeting in order to allow remarks and corrections to be made, before the report is submitted to the Board of Directors.

The Remuneration Committee reports regularly to the Board on the exercise of its duties and on any other matters in respect of which the Committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.

If requested by the Board, the Committee Chairman must provide more detailed information on the findings and recommendations or the discussions of the Remuneration Committee during the meetings of the Board.

Each non-executive member of the Board of Directors shall have unlimited access to all data of the Remuneration Committee and may exercise his right after consultation with the Committee Chairman and the Managing Director.

The Remuneration Committee shall regularly (at least every two to three years) check and review the adequacy of these terms of reference and of its own effectiveness and shall report thereon to the Board of Directors, and make recommendations for changes.

The Board of Directors may modify these terms of reference at all times and revoke the powers granted to the Committee as it sees fit.

## **Appendix 1**

### **PROCEDURE AND SELECTION CRITERIA FOR THE APPOINTMENT AND RE-ELECTION OF DIRECTORS**

#### **PROCEDURE**

The nomination process is initiated and lead by the Chairman of the Board or one of the non-executive Directors.

Based upon an evaluation of the skills, expertise, knowledge, and qualifications already present on the Board, and those still needed, the Nomination Committee prepares a profile that describes the required skills, experience and qualifications required for the new Director function.

The board shall appoint its chairman on the basis of its knowledge, skills, experience and mediation strength. If the board envisages to appoint a (former) CEO as chairman, it shall carefully consider the positive and negative aspects in favour of such a decision and disclose in the Corporate Governance Statement why such appointment is in the best interest of the company.

The Committee launches a search for suitable candidates and reviews whether the candidates meet the requirements of the profile and the Director function.

The candidates are interviewed by the Committee, at which occasion they are made aware of the extent of the non-executive directors' duties at the time of their application, in particular regarding the time commitment involved in carrying out those duties.

Non-executive Directors may serve as Director in other (listed) companies if such a position does not conflict or interfere with his mandate as Director of the Company. At the occasion of an individual evaluation of a Director, the Nomination Committee and the Board shall review the number of listed and non-listed company boards of which the Director is a member, to make sure that such other mandates do not impair the Director's service to the Company.

Executive Directors may serve as director of other (listed) companies if the Board allows it.

As a general rule, Directors must not hold more than five directorships in listed companies, including the Company. However, at the request of the Director, the Board may grant a waiver to this rule, taking into account the effective time the Director has undertaken to devote to the Company.

In order to be retained on the shortlist, the candidates must confirm they have sufficient time available to meet what is expected of them, taking into account the number and importance of their other commitments.

Any changes in other relevant commitments and any new commitments outside the Company must be promptly reported to the Chairman of the Board.

Subsequently, the Nomination Committee recommends the suitable candidates to the Board.

The Chairman of the Board must ensure that the Board has sufficient information about the candidate, such as the candidate's résumé, the assessment by the Nomination Committee based on an initial interview with the candidate, a list of the positions already held by the candidate and any other information necessary for assessing the candidate's independence.

In agreement with the Managing Director, the Committee is entitled to seek external professional advice, at the company's expense, regarding Director's nominations, should this prove necessary or useful.

Prior to the appointment by the General Shareholders Meeting, the Board must notify the works councils of the Company of the proposals for appointment of the candidates as independent directors.

Regarding re-elections, the Nomination Committee shall evaluate the past performance of the Director concerned, and may invite him for an interview. If the evaluation is positive, the

Committee will propose the re-election to be approved by the Board for presentation to the General Shareholders Meeting.

After having been informed of the recommendations, the Board must make a proposal to the General Shareholders Meeting to appoint or re-elect the selected directors. This proposal shall be included in the agenda of the meeting, and shall be made public at least 30 days before the General Shareholders Meeting takes place.

The proposal of appointment or re-election by the General Shareholders Meeting must be accompanied by the relevant information on the candidate's professional qualifications, together with a list of the positions the candidate already holds. The Board must indicate whether a candidate meets the independence criteria and must also state the proposed term of the mandate, which typically shall be three years.

The annual report of the Board must contain summary information on the professional expertise and qualifications of newly appointed or potential directors.

## **SELECTION CRITERIA**

Each member of the Board of Directors is nominated on the basis of the specific contribution in terms of personality, qualifications, knowledge and experience he or she may make to the operation, efficiency and success of the Board of Directors in fulfilling its role and responsibilities.

The Board of Directors is hence composed of Directors from broad professional backgrounds, in order to achieve the best possible mix of experience, qualities and educational background in its composition.

The aim is to have a Board of Directors which, as a whole, shall reflect the following core qualities :

### **Personality**

- High ethical standards, integrity, character and responsibility;
- Respect, openness, transparency;
- Confidence, trust and candour;
- Leadership, strategic vision;
- Constructive criticism.

### **Management**

- Experience in managing a multi-country organisation;
- Profound understanding of management issues and best practices, and their application in always changing, complex and challenging business environments;
- Specific attention for risk assessment and risk management;
- Familiarity with reading and interpreting financial statements and with international accounting principles;

### **Industrial knowledge**

- Experience in and an in-depth knowledge of the photo imaging sector as well as of the consumer electronics sector
- Experience in and in-depth knowledge of the main commercial channels in which the Company is active, i.e. Retail, Mail Order, E-commerce;
- Knowledge of the risks inherent in the above mentioned business fields;

### **Society**

- Social responsibility;
- Familiarity with the governmental policy-making bodies insofar as they may have an effect on the business of the Company;
- Attention for sustainable development.

## **Appendix 2**

### **GROUP REMUNERATION POLICY**

#### ***Introduction***

Upon recommendation of the Remuneration Committee, the Board of Directors of smartphoto group, determines the remuneration of Directors and the Chief Executive Officer.

To assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors relevant to the Committee's evaluation of compensation matters, the Committee may retain the services of internationally recognized compensation consultants.

The Company shall set up a remuneration report, which shall form a well defined part of the Corporate Governance Statement.

The Company shall disclose in its remuneration report: a description for its internal procedure for developing (i) a remuneration policy for non-executive directors and executive managers and (ii) for setting the level of remuneration for non-executive directors and executive managers.

The Company shall also disclose in its remuneration report, a statement of the adopted remuneration policy for the executive managers. Any significant changes to this remuneration policy occurred since the end of the financial reported year shall be explicitly emphasized in the remuneration report.

#### ***Remuneration of Directors***

The Company's executive directors are not remunerated for their mandates as director.

The Company's non-executive directors are equally remunerated for their mandates as director. The remuneration consists of a fixed amount per annum, reflecting the number of Board meetings and the required time investment. This fixed remuneration is determined by the Board but may not exceed the maximum amounts set by the annual General Shareholders Meeting for the following year.

Non-executive directors who are also member of the Audit committee receive a 20% surplus of their annual remuneration as non-executive director, to compensate for their additional work and responsibilities as member of the Audit Committee.

If the Chairman of the Board is a non-executive director, he or she shall receive a fee equal to 200% of the individual fee determined for the other non-executive Board members.

If the Chairman of the Board is an executive director, he or she will not be remunerated for the function of Chairman of the Board.

Non-executive directors of the Company do not receive any remuneration, benefits or equity-linked or other incentives from the Company and its subsidiaries other than their remuneration for their service as director of the Company. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any Board member.

#### ***Remuneration of the Chief Executive Officer***

The remuneration of the members of the Chief Executive Officer is designed in such a way as to :

- Ensure that the Company can continuously attract, motivate and retain high calibre and high potential executive talent for which the Company competes in each region and internationally ;
- Promote the achievement of Board-approved performance targets, aligned with building shareholder value over the short, medium and long-term ; and,
- Stimulate, recognize and reward strong individual contribution and solid team performance.

Both the amount and the structure of the compensation of the Chief Executive Officer are analyzed on an annual basis.

The amount of the remuneration and other benefits granted directly or indirectly to the Managing Director, by the company or its subsidiaries shall be disclosed on an individual basis in the remuneration report.

If the company has materially deviated from its remuneration policy during a financial year, it shall be explained in the remuneration report.

For the Managing Director, the remuneration report shall disclose, on an individual basis, the number and key features of shares, share options or any other rights to acquire shares, granted, exercised or lapsed during the financial year.

The compensation package for the Chief Executive Officer combines three integrated elements that are collectively referred to as the "total direct compensation". Those integrated elements are base salary, annual incentive bonus and long-term incentive compensation. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to the Chief Executive Officer.

When determining the compensation levels for the Executive Committee, the compensation of executives in Belgian multinationals and medium-sized companies is taken into account along with internal factors.

### **Base salary**

Base salary levels are designed to compensate the members of the Chief Executive Officer for their position responsibilities, a particular set of competencies and their experience in the position. Market median levels for comparable positions are targeted for the base salary and these levels are subject to regular annual reviews.

Except for obligatory annual cost of living adjustments, regardless of the economic position the Company finds itself in, there is no mechanism for automatic adjustment.

### **Annual Incentive**

The annual incentive bonus recognizes and rewards individual performance of the Chief Executive Officer. The annual incentive bonus plans are dependent upon Company achievement against budgeted financial targets. Bonus payments are limited to a certain percentage of the Base Salary, as determined from time to time by the Board of Directors. Currently, annual incentive bonuses shall never exceed the Base Salary.

The targets are divided into two categories. The financial targets are linked to the consolidated net profit of the group (EAT), the EBITDA and to elements of working capital such as receivables, payables and stock level management. The non-financial targets are linked to individual objectives which the Chief Executive Officer is supposed to achieve during the year.

The weight between the financial targets and the non-financial targets may differ and should be decided each year by the Board.

### **Long-Term Incentive Plans**

The Company also offers a long-term incentive plan to the Chief Executive Officer and other Group managers. The Company's long-term incentive plan shall be designed to :

- Encourage and support the creation of long-term shareholder value and ensure that the Chief Executive Officer, like the shareholders, share in the successes and shortcomings of the Company and the group ;
- Provide the opportunity for the Executive Officer to receive, within his total compensation package, competitive rewards as a result of sustained Company performance over longer periods of time and from the growth in value of the Company's shares.

The long-term incentive plan for Chief Executive Officer shall be comprised of warrants.

The annual status of the Warrant Plan (editions, exercises, stock options left, conditions,...) will be published in the Corporate Government Statement in the annual report.

### ***Other Remuneration Components – Including Retirement and Severance***

The Chief Executive Officer and other managers participate in the retirement plans and pension plans in effect in the manager's home country or region.

The plans provide for retirement and post-retirement benefits at levels that are in line with the predominant plans of their kind in each country or region where they are in effect. Other benefits, such as medical and other insurance coverage, and the use of company vehicles, are provided in line with competitive practices in the market where the manager in question is based.

#### ***Severance pay***

Any contractual arrangement made with the Company or its subsidiaries on or after 1 July 2009 concerning the remuneration of the Managing Director or any other executive manager specifies that severance pay awarded in the event of early termination shall not exceed 12 months' basic and variable remuneration.

The Board may consider higher severance pay further to a recommendation by the Remuneration Committee. Such higher severance pay shall be limited to a maximum of 18 months' basic and variable remuneration. The contract shall specify when such higher severance pay may be paid. The Board justifies such higher severance pay in the remuneration report.

Basic remuneration component is based on the monthly remuneration paid the last month before termination. Variable remuneration component is contractually determined. It is based on on variable compensation effectively paid during the contract.

The contract shall specify that the severance package shall neither take account of variable remuneration nor exceed 12 months' basic remuneration if the departing of the Managing Director did not meet the performance criteria referred to in the contract.

## **CHAPTER V : TERMS OF REFERENCE OF THE CHIEF EXECUTIVE OFFICER OF THE COMPANY**

### **V.1. INTRODUCTION**

The Managing Director is in charge of the daily management of the Company and the representations of the Company in this respect. Upon decision by the Board, he or she may from time to time be entrusted with other general or specific duties and responsibilities. He is assisted in all his tasks by the Executive management, chaired by the Managing Director, which has a strictly advisory role. There is no Management Committee ("Directiecomité") as meant in article 524bis of the Belgian Company Law Code.

Where the Managing Director is entrusted with the function of Chairman of the board, his title will be Executive Chairman.

### **V.2. MANAGING DIRECTOR**

#### **V.2.1. Role and Responsibilities**

The Board delegates the daily management of the Company and the representation relating to the daily management to the Managing Director and vests him or her with the adequate and necessary authority to the proper exercise of his responsibilities. The Board may from time to time delegate additional powers and responsibilities to the Managing Director. The Managing Director is accountable to the Board for properly discharging the duties and responsibilities entrusted to him.

The daily management of the Company and the representation of the Company in that respect comprises, amongst others :

- Studying, drafting and preparing proposals to the Board regarding the strategic options (long-term targets, mergers & acquisitions, investments and divestments) that will help in ensuring the future development of smartphoto group, and reporting on progress compared to earlier defined strategic plans;
- Reviewing and approving annually the financial budget planning supporting the long-term growth strategy, including the annual budget, multi-year financial plans and related capital expenditure plans, to be presented for decision to the Board of Directors;
- Preparing the yearly and half-yearly financial statements of the Company in accordance with applicable accounting standards and Company policies, and the related press releases to be issued by the Company, and ensuring that they are timely, reliably and accurately prepared;
- Preparing proposals to the Board to ensure that the proper human resources are available and allocated as needed to realise the Company strategy;



- Making recommendations to the Board with respect to matters within its competency, notably due to their materiality or because of the nature of the risks involved ;
- Reporting to the Board on the performance of the Group;
- Ensuring that the daily management of the Company is appropriately managed by creating the right organisation to execute the strategy and ensuring compliance with applicable laws, regulations and the Company's policies and standards ;
- Ensuring that the Company achieves and maintains a satisfactory competitive position by setting targets for the Chief Executive Officer and group performance ;
- Giving direction, guidance and support to the Company's business lines ;
- Monitoring and managing the Company's results and performance against strategic and financial plans ;
- Formulating and overseeing the implementation of major corporate policies ;
- Approving the entry into, revision or termination of any transaction, investment or divestitures, which are not reserved to the Board;
- Managing the Company's corporate support functions;
- Setting up adequate risk management systems, internal controls and internal audit systems taking into consideration the size and risk profile of smartphoto group;
- Developing recommendations to the Nomination Committee and the Remuneration Committee regarding hiring, termination and compensation of, among others, the members of the Management Committee and deciding on hiring, termination and compensation for other levels of management ;
- Ensuring that the Company has an effective management team by reviewing regularly an active plan of development and succession planning for the Chief Executive Officer of the Company and making appropriate recommendations to the Nomination & Remuneration Committee ;
- Clearly communicating and embodying the corporate culture and thus promoting the Company values, ethics, diversity, individual integrity and social responsibility in order to ensure sustainable development;
- Acting as the main spokesperson for the Company towards the outside world;
- Communicating the strategy, vision and values of the Company both internally and externally;
- Maintaining continuous interaction and dialogue and open communication channels with the Board and providing the Board with the information that it needs to carry out its duties in a climate of respect, trust and candour;
- Regularly meeting with the Chairman of the Board to review and discuss the items on the Board and Board committee agendas and any other relevant issues and to involve the Chairman from the outset in any major initiatives ; and
- Providing guidance, direction and support to the Executive management in the performance of their individual responsibilities as determined by Chief Executive Officer.

The Managing Director/Chief Executive Officer is appointed by the Board of Directors on the basis of a report prepared by the Nomination Committee. The Nomination Committee also prepares a plan for the succession of the Managing Director, and recommends to the Board the selection and replacement, if necessary, of the Managing Director.

### **V.2.2. Remuneration**

The remuneration of the Managing Director is decided by the Board based on a recommendation from the Remuneration Committee, and in accordance with the Group Remuneration Policy, which can be found in annex to Chapter IV.2. Terms of Reference of the Remuneration Committee.

The amount of the remuneration and other benefits granted directly or indirectly to the Managing Director, by the Company or any other entity of the smartphoto group, shall be disclosed on an individual basis in the Corporate Governance Statement of the annual report.

### **V.2.3. Evaluation**

Each year, the Remuneration Committee sets the goals and objectives to be met by the Managing Director in the year ahead and evaluates the performance of the Managing Director in the preceding year. The performance evaluation will allow the determination of the performance-linked part of Managing Director's remuneration. The Managing Director shall not be allowed to attend the meeting when the Remuneration Committee and/or the Board discusses and decides on his or her compensation.

## **CHAPTER VI : SUPERVISION**

### **VI.1. Legal framework**

SMARTPHOTO GROUP N.V./S.A. is a public limited company and has the status of a company that has publicly issued listed securities.

As an issuer of listed securities, the Company is subject to the listing requirements of Euronext Brussels.

It is also subject to supervision by the Belgian Financial Services and Markets Authority.

### **VI.2. Internal Audit**

The Company disposes of a professional internal audit department, reporting directly to the Managing Director.

The Group Internal Auditor also reports to the Audit Committee, which reviews the internal audit's work programme, their internal audit reports or a periodic summary thereof, and the internal audit budget.

### **VI.3 External Audit**

The 2014 General Shareholders Meeting commissioned the external audit of SMARTPHOTO GROUP N.V./S.A.'s annual parent-company and consolidated financial accounts to the Statutory Auditor, BDO Bedrijfsrevisoren Burg. Ven. BVBA. The name of the representative of the Statutory Auditors, its mandate terms and its annual fee for audit as well as for non-audit fees are mentioned in the Corporate Governance Statement of the annual report.

The Statutory Auditors conducts its audit in accordance with the standards of the Belgian Institute of Registered Company Auditors, and certifies whether the company's financial statements give a true and fair view of the assets, financial position and results of the Company.

## **CHAPTER VII. CODES OF CONDUCT**

### **VII.1. GENERAL CODE OF BUSINESS CONDUCT**

#### **VII.1.1. Introduction**

The Belgian Code on Companies provides a means of settling conflicts of interest that arise within the context of a Director's mandate. This procedure is briefly explained hereafter in point VII.1.2. Legal framework.

In the interest of the Company, the Board of Directors has decided to impose additional obligations on its members and on the corporate officers of the Company and its affiliates. These additional obligations have been written out in point VII.1.3. General Code of Conduct.

Furthermore, the Board of Directors decided to set-up some guidelines for Directors on their interaction with the Executive management and with investors, media and others. These guidelines are explained in point VII.1.4. Interaction.

#### **VII.1.2. Legal framework**

Article 523 of the Belgian Code on Companies provides that a Director who is faced, directly or indirectly, with an interest of a financial nature that conflicts with a decision or a transaction belonging to the competence of the Board, is required to notify the other members of the Board before the Board takes its decision.

The notification, including the justification of the conflict of interest, is inserted into the minutes of the meeting, and the Director shall inform the external auditor of the Company, with the assistance of the Company Secretary. The financial consequences of the decision shall likewise be mentioned in the minutes.

The Board describes the nature of the decision or transaction and justifies the decision taken, in order to allow the publication in the annual report. The annual report shall comprise the minutes of the meeting regarding the conflict of interest, in extenso.

The Director in question cannot participate in the discussions and the vote concerning the proposed decision or transaction.

The above mentioned legal obligations are not applicable to decisions or transactions arisen between companies, whereby one of the companies owns –directly or indirectly - 95 % or more of the actual voting rights of the other company, nor in case another company owns 95% or more of the actual voting rights in both companies between which a transaction is contemplated.

The legal obligations likewise are not applicable in case the decision regards usual transactions that occur under the conditions and collateral that are customary in the market for such transactions (“arm’s length”).

### **VII.1.3. General Code of Conduct**

#### **VII.1.3.1. Business integrity and ethics**

The group has implemented an internal Corporate Manual to establish effective and uniform business policies and procedures. These policies and procedures apply to all group managers and employees, and will also apply to Directors, if appropriate.

The key principles of the Corporate Manual are listed below:

In order to achieve its business objectives, the group expects its Directors, the Chief Executive Officer and employees to adhere to the highest standards of business integrity and ethics, and to respect and comply at all times with all applicable national and international laws and regulations.

No Company officer has the right or the authority to request the execution of any action that would violate compliance with such applicable national or international laws and regulations.

This basic principle is not subject to waiver nor exceptions for competitive or commercial reasons, industry customs or other exigencies.

Relationships with customers, suppliers, competitors, employees and governmental authorities and officials must always be based on compliance with all applicable national and international laws.

In this framework, specific attention must be addressed to anti-trust and competition laws, which truly affect daily business life, and which must be respected at all times.

All group managers and employees must at all times aim to achieve the highest standards of honesty, objectiveness and diligence in the performance of their respective duties and responsibilities. Respect and loyalty should be inherent in all their actions. Knowingly taking part in any illegal or improper activity shall not be accepted.

In order to ensure the integrity, accuracy and reliability of the group’s books and financial statements, no transaction shall be entered into with the intention of it being documented or recorded in a deceptive manner. No false or artificial documentation or entry shall be made for any transaction.

All funds, assets and transactions must be disclosed and recorded in the appropriate books in accordance with all national and international laws and regulations.

Gifts or favors of any kind, given in order to obtain a personal advantage, or to sell products or services or – in general – to influence business, labour or governmental

decisions is strictly prohibited. Reasonable gifts or gratuities consistent with laws and regulations and accepted business practices shall be allowed, provided they are properly recorded in the Company's (or its affiliates') books and records.

### **VII.1.3.2. Whistle Blowing procedure**

The 'Company's Whistle Blowing Procedure' allows all employees to report possible malpractices within the Group.

This 'Whistle Blowing Procedure' covers in particular possible improprieties in matters of financial reporting, but also serious malpractices relating to any of the following: fraud, corruption, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual, damage of the environment or concealment of any of the above.

#### **Aims of the procedure**

- Support its values based on the principles of fairness, honesty, integrity and respect
- Ensure that employees can raise concerns without fear of suffering retribution
- Provide a transparent and confidential process for dealing with concerns

#### **Principles**

- All concerns raised will be treated fairly and properly
- Any individual making a disclosure:
  - will not be harassed or victimized
  - will retain anonymity unless agreed otherwise
  - is aware of who is handling the matter
  - will not risk any retribution even if they are mistaken
- All concerns must be raised in good faith.

The Whistle Blowing procedure includes the procedure of how to raise a concern and the related obligations of the Management.

The Group Internal Auditor keeps the Chairman of the Audit Committee informed via periodic summary reports.

### **VII.1.3.3. Additional obligations**

Directors and corporate officers undertake not to develop, either directly or indirectly, during the term of his or her mandate or employment, any activities nor perform any actions that conflict with the activities of the Company or its affiliates.

In this respect, the Directors and corporate officers must abstain from the following actions :

- Start-up or enter into activities that compete with the activities of the group;
- Attempting to encourage staff members of the Company or its affiliates to terminate their relationship with the Company or its affiliates;

- Attempting to encourage a buyer, customer, supplier, agent, franchise, network supplier or any other contracting party to terminate a relationship with the Company or its subsidiaries or to change the terms of any such relationship in a way that is detrimental to the Company or its affiliates.

Non-executive Directors may not enter into material agreements with companies belonging to the group for the provision of paid services (e.g. consulting, accounting, legal services) without express authorisation of the Board of Directors.

Related party transactions shall at all times be conducted at arm's length. It is the responsibility of each Director and corporate officer to promptly notify the Company Secretary of any proposed related party transaction as soon as such Director or officer becomes aware of it, and regardless of whether the Director and/or officer is involved in it. Related party transactions are transactions between the Company or any of its affiliates on one side and any Director of the Company, any corporate officer of the Company, any close relative (being someone that could have a decisive influence on the Director or corporate officer, such as the partner, children, parents, close friends, etc.) of a Director or corporate officer and/or any legal entity in which a substantial interest in the voting power is owned, directly or indirectly by one of the above mentioned persons, or that have a member of the Board of Directors in common.

Any proposed related party transaction, or a series of similar transactions involving the same related parties, and involving an amount of at least hundred thousand Euros (€ 100.000,-), must be approved by the Board of Directors if it involves Directors. If it involves other corporate officers or employees, the approval must come from the Managing Director.

Related party transactions involving lower amounts do not require prior approval as such, but remain of course subject to legal regulations and the Company policies on conflict of interests.

Related party transactions involving amounts above one million Euros (€ 1.000.000,- ) shall be disclosed in the annual report, in accordance with legal requirements.

#### **VII.1.4. INTERACTION**

##### **VII.1.4.1. Interaction with management**

Non-executive Directors have at all times direct access to the Company Secretary. In other cases, non-executive Board members are asked to consult the Managing Director prior to contacts with other corporate officers and to use common sense to ensure that these contacts do not detract the contacted officers from their business operations and responsibilities.

#### **VII.1.4.2. Interaction with investors, media and others**

Directors and corporate officers must refrain from independently contacting investors, analysts or journalists regarding issues concerning the Company or its affiliates. This belongs to the exclusive responsibilities of the Managing Director and the Company Secretary. Discretion is the key obligation in this regard.

However, Directors may, on invitation from the Managing Director, participate in communication activities undertaken by the group.

Furthermore, Directors and corporate officers are requested to support, in private and in public, the position of the group regarding strategy, policies and actions.

### **VII.2. CODE OF CONDUCT ON THE PREVENTION OF INSIDER DEALING AND MARKET ABUSE**

#### **VII.2.1. Introduction**

The Board of Directors of the Company has drawn up a set of rules (the "Rules") regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors and other designated persons for their own account.

The purpose of these Rules is to prevent the illegal use – or the appearance thereof – of insider information by members of the Board of Directors, the Chief Executive Officer, employees, shareholders and other designated persons.

These Rules contain preventive measures helping to respect the legal provisions and to preserve the Company's reputation in the market. Indeed, insider dealing will affect the liquidity of the share and could endanger the optimal financing of the Company.

It is to be noted that compliance with the Rules of this Code does not exempt the insider in question from his or her individual liability.

#### **VII.2.2. Definitions**

##### ***Insider***

Any member of the Board of Directors or the Chief Executive Officer of the Company, anyone who participates in the share capital or other financial instruments of the Company or has access to information as a result of his or her employment, profession or duties and is or should reasonably be aware of the fact that the information in question represents inside information and is subject to the Rules, and must sign these Rules. The legal term for these Insiders is "primary insiders".



### ***Secondary Insider***

Any person who is not an Insider but who holds information of which he or she should know that it is inside information coming directly or indirectly from an Insider.

### ***Inside information***

According to Belgian legislation, information is considered "inside information" when the information has the following four characteristics :

- a) The information has not been publicly disclosed.**
- b) The information is accurate.**
- c) The information relates directly or indirectly to the Company or the Company's financial instruments.**
- d) If disclosed, the information would or could have a major influence on the price of the Company's financial instruments.**

Based on the above guidelines, mere rumours can not be considered insider information. However, the information must not necessarily refer to events or facts that have already occurred or that will definitely occur. The probability or the possibility that events or facts could occur can be sufficiently accurate.

Examples of information relating to the Company or its financial instruments are : information relating to the Company results, important contracts, R&D developments, mergers, acquisitions or divestments, movements in the capital, dividend or shareholdership, issuances of financial instruments, reorganisations, management changes, strategy changes, non-compliance with regulations or contractual obligations, and so on.

The fact that the price was actually influenced or not when the information was later disclosed is irrelevant.

### **Prohibited actions**

The following actions are forbidden for Insiders and Secondary Insiders, in Belgium and abroad.

#### **a) Trading**

Acquiring or alienating – directly or indirectly – (or ordering the purchase or sale of) financial instruments of the Company for one's own account or for the account of a third party. Also trading Inside information is prohibited.

**b) Communicating**

Communicating insider information to third parties outside the normal scope of one's work, profession or function.

**c) Tipping-off**

Recommending a third party to acquire or alienate financial instruments of the Company.

It is to be noted that a causal connection must (be proven to) exist between holding the Inside information and the performance of the actions defined above. The Inside information must actually have been used for trading in the financial instruments of the Company.

Any attempt to trade financial information on the basis of Inside information is also punishable.

**Criminal penalties**

Persons violating these legal provisions may be sentenced to a prison (for a period up to one year) and/or a fine (which can, in specific circumstances amount up to 2.500.000 EUR).

In addition, the person in question may be sentenced to a fine equal to maximum three times the amount of the profit directly or indirectly realised by the illegal transaction(s).

Whether a profit was made is irrelevant for the purposes of determining liability and punishment.

**VII.2.3. BASIC PRINCIPLE**

If a person has access or is given access to inside information within the scope of the normal performance of his or her duties, this person has the important obligation to treat this information confidentially and is not allowed to trade in Financial Instruments of the Company to which this inside information relates, or to communicate this information to others, or to tipp-off others.

**VII.2.4. CODE OF CONDUCT**

The following regulations form the code of conduct for the Company Insiders with regard to Insider dealing and in order to prevent market abuse.

#### **VII.2.4.1. Compliance with the Law**

In the framework of their professional activities, Company Insiders have access to information he or she knows or should reasonably know to be Inside information.

Pursuant to the relevant Belgian legal provisions it is forbidden :

- To use this Inside information by acquiring or alienating Financial Instruments to which this Inside information relates or similar financial instruments or by attempting to acquire or alienate such instruments for one's own account or for the account of third parties;
- To disclose the Inside information to third parties outside the normal scope of one's work, profession or duties ;
- To recommend a third party to acquire or alienate the Financial Instruments to which this Inside information relates or similar financial instruments or to have such instruments acquired or alienated by other persons on the basis of the Inside information.

#### **VII.2.4.2. Compliance Officer**

The Board of Directors has appointed the Company Secretary as compliance officer (the "Compliance Officer") of the Company. The Compliance Officer will supervise the compliance of the Company Insiders with this Code. He will further ensure that every new board member, manager and relevant employee of the Company or of its subsidiaries signs or has signed this Code.

#### **VII.2.4.3. Closed and Prohibited periods**

It is absolutely forbidden for Insiders to realise transactions relating to the Company's Financial Instruments during a "closed period" or during any other period (a "prohibited period") that may be considered sensitive and that is indicated as such by the Board.

During the following closed periods no stock-related transactions may be carried out by the Insider :

- a) the period of one month preceding the publication of the annual results as well as one working day following the publication; and
- b) the period of one month preceding the publication of the semi-annual results as well as one working day following the publication.

#### **VII.2.4.4. Preventive measures**

##### ***No speculative trading.***

- Speculative trading by Insiders in Financial Instruments of the Company could lead to unlawful conduct and/or – if revealed - creates the appearance of such conduct. It is hence prohibited.

##### ***Guidelines to maintain the confidential character of insider information.***

In order to maintain as much as possible the confidential character of Insider information, the following non-exhaustive guidelines should be followed by all Insiders :

- Refuse to comment on behalf of the Company on external research by analysts or journalists ;
- Use code names for delicate projects ;
- Use passwords on the computer systems so as to limit access to the documents in which insider information could be found ;
- Limit access to offices where insider information could be found or where insider information is discussed ;
- Always safely store insider information ;
- Do not discuss confidential information in public areas ;
- Mark sensitive documents with the word "Confidential" and use sealed envelopes marked "Personal & Confidential" ;
- Limit as much as possible the copying of sensitive documents and clearly indicate on the copies for who they are intended ;
- If appropriate, require people who consult confidential information to sign a register;
- Never leave insider information without supervision ;
- Always point out the confidential character of the information and the fact that the confidentiality has to be respected to employees who come in contact with insider information ;
- Always check the fax number when faxing insider information and verify that someone with access to this information is present to receive this information ;
- Avoid sending insider information by e-mail as much as possible or, if not practical, limit the number of addressees, indicate that the e-mail contains confidential information, use encryption, or ways to prevent the printing, forwarding or copying of the e-mail.

In any given circumstances all other suitable measures also have to be taken. In case of doubt the Insider should contact the Compliance Officer.

#### **VII.2.4.5. Notification of market transactions (intention and effective trade)**

##### ***Notification of the intention to trade***

Each Insider wishing to acquire or alienate Financial Instruments of the Company must notify the Compliance Officer in writing (by letter, fax or e-mail) no later than three

business days before the actual transaction. In this notification, the Insider confirms that he or she does not possess any Inside information.

#### ***Advice of the Compliance Officer***

If there is no indication that the intended transaction violates this Code, the Compliance Officer shall give a positive advice. Should the Compliance Officer have indications that the transaction is not in conformity with this Code or Belgian legislation, he shall consult the Chief Executive Officer, and issue a negative advice, which is to be regarded as an express rejection by the Company of the intended transaction. A copy of the advices shall also be provided to the Chairman of the Board of Directors. The absence of an advice from the Compliance Officer can not be (mis)taken as an approval of the intended transaction. Nor does a positive advice preclude the application of the Belgian legal provisions in this regard, as also referred to in this Code. A positive advice hence does not liberate the person intending a transaction, of his sole responsibility to comply at all times with the law and regulations in this regard.

#### ***Notification of the actual transaction***

If the transaction takes place, the Insider must inform the Compliance Officer no later than three business days after the transaction took place, with an indication of the number of Financial Instruments traded and the price at which the trade was executed.

#### **VII.2.4.6. Publication of trade**

Each transaction of the type described above that was communicated to the Compliance Officer shall be disclosed on the Company website within two months after the 30<sup>th</sup> of June and the 31<sup>th</sup> of December respectively, whereby :

- the purchase and sale of Company shares will be published as total per category (Non-executive Directors, the Chief Executive Officer, Other persons);
- the awarding of options and or the exercise of warrants or share options will be published individually for Non-executive Directors and in total for Executive Managers.

Transactions that can reasonably be expected to have an influence on the price of the Company shares must be published immediately pursuant to the rules on occasional information distribution.

The annual report of the Company shall also contain an overview of the transactions in the Company Financial Instruments that were communicated to the Compliance Officer pursuant to this Code or of which the Compliance Officer otherwise became aware.

#### **VII.2.4.7. Permitted transactions**

Certain transactions are always allowed, even if performed during closed or prohibited periods. Exercising warrants or share options is allowed, but the shares resulting from the exercise may of course not be sold during the closed or prohibited periods, not even to cover the exercise price and/or taxes. The acquisition of shares within the context of a distribution of dividends is also allowed, as are transactions executed within the context of a discretionary management of capital outsourced to third parties on the basis of a written agreement and for as much as the Insider does not exert any influence on the policy followed by the third party.

#### **VII.2.4.8. Duty to report with regard to major participating interests**

The Insiders undertake to comply with article 9 bis of the Articles of Association of the Company regarding the transparency declarations to be made when passing thresholds by acquiring or disposing of Company shares. It is to be noted that the Company has instauraed a system of 3% thresholds on top of the legally obligatory 5% thresholds.

#### **VII.2.4.9. Duration**

Insiders undertake to comply with this Code up to six months after the end of their relationship with the Company.

#### **VII.2.4.10. Changes**

The Board reserves the right to change this Code. The Company will inform the Insiders about any changes and will provide copies of the revised regulations, that will take effect upon receipt.

#### **VII.2.4.11. Privacy regulations**

The information provided by the Insider pursuant to this Code will be processed by the Compliance Officer pursuant to the law of 8 December 1992 on the protection of personal data, as amended by the law of 11 December 1998 ("Data protection law") with a view to the prevention of insider dealing. On the basis of the Data protection law, every Insider has access to his or her personal data and has the right to correct eventual errors.

### **Appendix 3**

Articles 2, 1° and 14°, 25 and 40 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, *Belgian Official Gazette* 4 September 2002.

## **VII.3. CODE OF CONDUCT FOR ACQUISITION AND ALIENATION OF OWN COMPANY SHARES**

### **VII.3.1. Responsibilities**

The prime responsibility for acquiring or alienating shares of the Company lies with the Board, who makes sure that there is a valid statutory authorization for these transactions (cf. II.1.6. in this document).

The Board can delegate its responsibility to the Managing Director, who can in turn assign a team to execute the decision.

No Company affiliate is authorized to take any initiative in this area.

### **VII.3.2. Principles**

All acquisitions and alienations of own Company shares should be executed in full compliance with all relevant laws and regulations (i.e. statutory authorisation, transparency legislation, prevention against insider trading,...).

All transactions re. own shares should take place on the stock exchange (Eurolist by Euronext).

### **VII.3.3. Procedure**

Transactions pertaining to own Company shares should be executed according to the following procedure:

- Assure the availability of a formal proposal to acquire or alienate own Company shares from the Board (i.e. included in the official minutes of the Board meeting)
- Assure that the above-mentioned proposal is formally submitted to a General Shareholders Meeting
- Assure that a formal approval is obtained from a General Shareholders Meeting
- In order to avoid any legal dispute, any transaction or transaction programme should always be executed by a broker who is given a discretionary mandate in the form of a written contract, signed by two Board members.
- Throughout the entire purchase program, there should be no interference with the assigned broker from neither management nor board.
- The Belgian Banking, Financing and Insurance Commission "BFIC" should be promptly informed as soon as a mandate to acquire or alienate own shares has been granted.
- No transaction and no transaction program can be launched prior to having a properly filled-out check-list, of which a model is included in the internal Corporate Manual.
- Copy of each filled-out checklist should be distributed to: the Chief Executive Officer, the Group Manager Internal Audit, all members of the Board, and the statutory auditors of the Company
- Assure monthly status reports (of actual transactions within a transaction programme) to the BFIC.