



# **Corporate Governance Charter ("Charter")**

23/11/2023



## LOTUS BAKERIES – CORPORATE GOVERNANCE CHARTER

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# 1 INTRODUCTION

Lotus Bakeries pledges to follow the ten principles laid out in the Belgian Corporate Governance Code announced on 9 May 2019 by the Corporate Governance Commission chaired by Thomas Leysen and which applies to the financial years commencing on or after 1 January 2020 ("Code"). The Company did not decide to implement the new Code early.

This Corporate Governance charter ("**Charter**") envisions a rigorous and transparent procedure concerning the corporate governance policy of Lotus Bakeries and shall be updated to take into account any such policy developments and any amendments to the relevant legislation. The current Charter has been approved by the Board of Directors on 8 May 2020 and amended in order to make it compliant with the CAC. The Charter can be consulted on the website of Lotus Bakeries.

In the declaration concerning corporate governance in the annual report ("**Corporate Governance Declaration**"), Lotus Bakeries describes the concrete applications of the Code according to the comply-or-explain principle. If Lotus Bakeries has deviated from any stipulation in the Code, it will state the reasons thereof.

# 2 DEFINITIONS

The following definitions shall apply in this Charter:

**Audit and Sustainability committee** means the combined audit and sustainability committee established by the Board of Directors, further explained in article 5 of this Charter.

**Charter** has the meaning given to this term in article 1 of this Charter.

**Code** has the meaning given to this term in article 1 of this Charter.

**Code of Conduct** means the code of conduct approved by the Board of Directors on 2 April 2020 and published on the website of the Company.

**Committee** means the Remuneration and Nomination Committee, the Audit and Sustainability Committee or any other specialised committee established by the Board of Directors.

**Auditor** means the auditor of the Company according to the terms of article 3:72 of the CAC.

**Dealing Code** means the trading regulations approved by the Board of Directors on 2 April 2020 and published on the website of the Company.

**Subsidiary** has the meaning given to this term in article 1:15 of the CAC.

**EXCO** means the managing Executive Committee of the Group.

**Group** means the Company as well as the companies which the Company (collectively) controls according to the terms of article 1:14 of the CAC.

**Board of Directors or Board** means the board of directors of the Company.

**Remuneration and Nomination Committee** means the combined remuneration and nomination committee established by the Board of Directors, further explained in article 5 of this Charter.

**Company or Lotus Bakeries** means Lotus Bakeries NV, located at Gentstraat 1, 9971 Lembeke with enterprise number 0401 030 860.

**Related Company** has the meaning given to this term in article 1:20 of the CAC.

**Corporate Governance Statement** has the meaning given to this term in article 1 of this Charter.

**Chairman** means Chairman of the Board of Directors.

**CAC** means the Belgian Companies and Associations Code.

### 3 GOVERNANCE STRUCTURE

The Company has a unitary governance structure.

The Board of Directors has chosen to perpetuate its current unitary governance structure, as the functioning of the Board is very effective and transparent. Moreover, the powers concerning daily management as opposed to supervision/monitoring are clearly defined. The Board is always extensively informed by the CEO and EXCO, and all necessary decisions are approved and/or ratified.

As such, there is no immediate need to adjust the governance structure. The Board will evaluate the chosen governance structure at regular intervals and at least once every five years.

### 4 BOARD OF DIRECTORS

#### Responsibilities

The Board is responsible for the general company policy and strategy. The Board envisions sustainable value creation and therefore prioritises the long-term vision of the Company at all times. It will do so by providing entrepreneurial leadership and at the same time assessing and managing the risks of the Company.

Unabated the general character of the aforementioned powers, the main tasks of the Board of Directors are as follows:

a) Corporate Governance

The Board defines the corporate governance rules and will make these known by means of adjustments to this Charter.

The Board is also entitled to call the general meeting and propose resolutions to be put to a vote.

b) Strategy & implementation

The EXCO shall propose a company strategy as well as a medium-term and long-term Company vision based on internal skills, the company's position compared to the competition, analysis of strengths and weaknesses and the company's possibilities.

The Board of Directors shall pass judgement on the Company's medium-term and long-term strategy selected, and shall evaluate on a regular basis.

The Board also guards the implementation of the strategy:

- Financial:
  - The Board shall approve big divestments and investments, as well as annual business plans and budgets.

- The Board shall define the financial structure: the capital structure (incl. suggestions for capital increase), debt structure, dividend policy of the Company and suggestions for the payment of concrete dividends.
- The Board shall approve the annual accounts as prepared by the EXCO.
- Other
  - The Board shall approve crucial projects developed by the EXCO to carry out the approved strategy, including (i) stock option policy, (ii) R&D policy, (iii) marketing policy, (iv) communication policy, (v) fusions, acquisitions and important partnerships.

#### c) Organisation

The Board shall determine the general organisation structure and is entitled to appoint and to release (i) the Chairman, (ii) the CEO, (iii) the other members of the EXCO, (iv) the secretary of the Board, (v) the members of the Audit and Sustainability Committee, (vi) the members of the Remuneration and Nomination Committee, as well as any other Committee that would be established by the Board. The Board ascertains itself of a succession plan for the CEO and the other members of the EXCO.

The Board makes suggestions to the general shareholders' meeting concerning appointment and dismissal of the Auditor.

The Board shall also define the responsibilities of and the remuneration policy for the EXCO and supports the EXCO at all times during the execution of its tasks.

#### d) Corporate values

The Board is responsible for defining the mission, vision and corporate values of the Company. Attention is given, among others, to corporate social responsibility themes.

The Board has adopted a Code of Conduct, in which it clearly formulates its expectations towards the management of the Company, as well as all its other employees. It will yearly evaluate this Code of Conduct and, where necessary, further adjust.

#### e) Risk management

The Board carries out a risk analysis, generates a risk profile and approves a framework for internal control and risk management. The Board also ensures compliance procedures are in place for the Company to adhere to applicable laws and regulations. The Board guards the implementation of this framework and these procedures, supported by the Audit and Sustainability Committee.

#### f) Control of operations

The Board yearly evaluates the performance of the CEO and the EXCO and the implementation of the company's strategy; enough freedom of movement is given to the CEO and the EXCO to implement the strategy. The Board also monitors the operation of the Committees.

In addition, the Board monitors the operation of the Auditor and the internal audit function, supported herein by the Audit and Sustainability Committee.

The Board ensures the reliability and timely publication of the annual account and all other financial and non-financial information that is part of the annual report and which is made available to the current and potential shareholders. In doing so, the Board gives sufficient attention to matters of societal importance, relevant environmental and social indicators.

#### g) Dialogue shareholders

The Board shall encourage an effective dialogue with the shareholders. When performing its duties, the Board must act in accordance with the interests of the Company.

The Board immerses itself in the interests and intentions of the reference shareholder. At all times, the reference shareholder is represented by at least 4 directors at the Board of Directors of the Company. Moreover, the CEO is present at two board meetings organised by the reference shareholder.

## Composition

### Effective and balanced Board

Pursuant article 7:85 CAC, the Board of Directors will always consist of at least three members. The statutes of the Company contain no further rules regarding the amount of Directors.

The majority of the board consists of non-executive directors. At all times, a minimum of three members have the status of independent director, in accordance with the criteria defined in § 3.5 of the Code. The Board can raise the number of independent directors in so far as this benefits the effectiveness and balance of the Board. Pursuant article 7:86 CAC, the Board also ensures that at least one third of the directors is of a different gender than that of the other members.

A list of the members of the Board must be disclosed in the annual report.

The Board of Directors tries to limit the number of members in order to ensure efficient consultation and decision-making. With regard to its composition, the Board is, however, attentive to take into account the necessary expertise of its members, as well as ensuring diversity in competencies, background, age and gender.

### (Re)appointment

#### *General*

The members of the Board are appointed by the general shareholders' meeting. If a position of director becomes vacant, the remaining board members may provisionally fill the vacancy.

Members of the Board of Directors are appointed, at every turn, for a period not exceeding four years.

Director's mandates shall automatically expire on the date of the Ordinary General shareholders meeting after the year during which the director reaches the age of 70.

## *Selection*

The Remuneration and Nomination Committee heads the nomination process and recommends suitable candidates to the Board. For the directors representing the controlling shareholder, the Stichting Administratiekantoor Lotus Bakeries will recommend candidates.

The selection process is carried out 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, on recommendation of the Remuneration and Nomination policy. For each appointment in the Board, an evaluation of the present or required competencies, knowledge and experience is carried out. A profile is constructed in light of this evaluation. When capturing the nomination procedure and selection criteria for candidate-directors, the following principles are in any case taken into account:

- The candidate-director must be an expert in a field that touches the activities of the Company;
- The competencies, knowledge and/or experience of the candidate-director must be an addition compared to the already available competencies in the Board;
- To ensure diversity in the Board, the Board will consider different candidates, taking into account diversity in gender, age and background;
- Every candidate-director must be sufficiently available to properly fulfil his or her duties, where non-executive directors among other can occupy no more than five directorships in listed companies.

On recommendation of the Remuneration and Nomination Committee, the Board of Directors will finally select one candidate per directorship who will be presented to the ordinary shareholders' meeting. All relevant information will be shared concerning (i) professional qualifications of the candidate, (ii) a list of functions already occupied by the candidate and, where relevant (iii) the independence requirements met by the candidate.

## *Independent directors*

The decision to appoint the independent directors must state the reasons why the director is considered independent.

In assessing independence, the criteria set out in § 3.5 of the Code should be taken into account, as well as article 7:87 CAC and any other relevant law or regulation.

Any independent director who ceases to meet the requirements of independence must immediately inform the Board.

## *Succession*

The Board drafts a succession plan that foresees a timely start of the selection procedure for (re)appointment. For the benefit of stability during the change in composition of the Board, the Board at all times guarantees that the size of the Board is as such that said changes do not disrupt the operation of the Board.



## Operation

### Meetings of the Board of Directors

In principle, the Board meets at least six times a year. These meetings are scheduled at the end of each financial year for the next one. In addition, the Board convenes in as far as necessary as many times as is deemed necessary for the proper functioning of the Board.

The decisions of the Board of Directors can be made by unanimous written consent of all directors, with the exception of the decisions for which the statutes exclude this possibility.

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

Except where urgent issues have arisen (as determined by the Chairman), the agenda of the meeting will be sent to all members of the Board at least three calendar days prior to the meeting. Every agenda item is accompanied by as much written information as possible and any relevant documents are appended in advance.

Board meetings are chaired by the Chairman. In the absence of the Chairman, the meeting is chaired by another Board member designated by a majority of the votes cast by the Board members present or represented at the meeting.

Every Director will in principle participate in the meeting in person. If this is not possible, a director can participate to the Board meeting by means of telephone, video conference or any other comparable means of telecommunication. The directors who participate to a meeting by means of such technical devices are considered to be present in person at that meeting. Each member of the Board is entitled to have another member of the Board represent him or her by proxy.

Save for force majeure, no decision is valid if not half of the members of the Board are present or represented. The Board strives to take decisions by unanimous consent. However, if no consensus is reached, the Board members present or represented at the meeting will decide by majority of votes.

In principle, the members of the EXCO are always invited to the Board meetings. A third person may be allowed to the meeting of the Board of Directors by invitation of a board member. The members of the Board of Directors are free to obtain, where necessary, independent professional advice at the expense of the Company.

The non-executive directors must meet at least once a year in absence of the CEO and the other members of the EXCO.

The Secretary of the Company, or another person designated by the chairman of the meeting, draws up minutes of the deliberations of a meeting of the Board. The minutes sum up the discussions, specify the decisions taken and state any reservations voiced by directors. The minutes are approved by the Board in the next meeting and are kept at the seat of the Company.

## **Chairman of the Board**

### *Appointment*

The Board appoints one of its non-executive members as Chairman on the basis of his knowledge, expertise, experience and intermediation skills.

### *Role of the Chairman*

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

The Chairman takes 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 should promote effective interaction between the Board and the EXCO. He or she establishes a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO for leading the operational activities.

### *Duties of the Chairman*

Within the Board of Directors, the Chairman is primarily responsible for:

- Setting the agenda of the Board meetings, after consultation with the CEO and supported by the secretary.
- Ensuring that procedures relating to 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 by the secretary.
- Ensuring that newly appointed directors receive an appropriate induction.
- Leading the recommendation process of directors to the general shareholders' meeting, in consultation with the Remuneration and Nomination Committee, and ensuring that the Board appoints Committee members and chairmen.
- Being accessible to the directors, the members of the EXCO and the head of the internal audit function to discuss issues relating to the management of the Company.
- The Board may decide to entrust the Chairman with additional responsibilities.
- With regard to shareholders and other important stakeholders, the Chairman is mainly responsible for an effective communication, as well as for chairing the general shareholders' meeting.

## **Secretary of the Company**

The Board of Directors has appointed the Corporate Secretary as secretary of the Company. The role of the Corporate Secretary is as follows:

- To advise the directors on the legal and administrative aspects of all board matters and to explain the Company's rights and obligations.
- The Corporate Secretary shall report to the Board of Directors in matters of application of and compliance with the procedures, rules and regulations of the Board of Directors.
- Under the guidance of the chairman, the Corporate Secretary shall ensure a good flow of information within the Board of Directors and its Committees. In these matters, the directors shall have access to the secretary of the Company.
- The Corporate Secretary ensures a regular evaluation of (i) the chosen governance structure, (ii) the working of its governance model, among which the size, composition and operation of the Board and its Committees, as well as its relationship with the EXCO, (iii) the strategy and (vi) the Code of Conduct.
- Finally, the Corporate Secretary prepares the Corporate Governance Charter and the Corporate Governance Declaration.

### **Code of conduct concerning conflicts of interest**

It is expected of all Board members and of all members of the EXCO that they avoid acts, positions or interests that conflict with or seem to conflict with the interests of the Company.

Where members of the Board or the EXCO or their permanent representatives are confronted with possible conflicting interests arising from a decision or transaction of the Company, they must inform the Chairman of the Board respectively the CEO as soon as possible.

If article 7:96 or 7:97 CAC is applicable, the board member involved must abstain from participating in the deliberations and in the vote.

The directors that represent an important shareholder, shall make sure the interests and intentions of that shareholder are sufficiently clear and, taking into account applicable legislations, shall communicate such intentions and interests to the Board in a timely fashion.

### **Other rules of conduct**

Each member of the Board of the Company is expected to perform his or her duties in an honest, ethical and justified manner. The first priority of all directors is to protect the interests of the Company. Independence of judgement is required in the decisions of all directors, executive and non-executive alike, irrespective of whether they are independent.

All members of the Board are expected to commit themselves entirely to the performance of their duties. The directors must ensure that they receive detailed and accurate information, which they must study carefully so as to acquire and maintain a strong command of the key issues relating to the company's business. They seek clarification whenever they deem it necessary.

Each member of the Board undertakes, both during his or her membership of the Board and afterwards, not to disclose to anyone in any manner any confidential information relating to the business of the Company and/or companies in which the Company has an interest that came to his or her knowledge within the normal scope of his or her activities for the Company and that he or she knows is, or should know is, confidential,

unless he or she has a legal obligation to disclose that information. However, a member of the Board may disclose the information described above to staff members of the Company, or of Companies in which the Company has an interest, who need to be informed of such information in view of their activities for the Company or for the companies in which the Company has an interest. In their capacity as board member, members of the Board may only use available information in the context of their mandate.

Each member of the Board undertakes not to develop, either directly or indirectly, during the term of his or her mandate, any activities nor perform any actions that conflict with the activities of the Company or its Subsidiaries. In this respect, the directors must abstain from the following actions:

- attempting to encourage staff members of the Company or its Subsidiaries to terminate their relationship with the Company or its Subsidiaries;
- attempting to encourage a buyer, customer, supplier, agent, franchisee, 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 Subsidiaries.

Each member of the Board must comply with the internal policy and procedures communicated by the Company, including, though not limited to, internal procedures preventing market abuse as included in the Company's Dealing Code.

The above code of conduct also applies to the Secretary of the Company and the members of the EXCO.

## **Professional development of the Board**

### *Training and professional development*

Newly appointed directors should receive, on initiative of the Chairman, an appropriate induction after joining 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;
- to advise the new directors on their rights and duties as director.

If a newly appointed director is also a member of a Committee, the induction will include a description of the operation and objectives of that Committee, including a description of the specific role and duties of the Committee.

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.

### *Advice*

Each director may propose that certain subjects be examined by an external expert. The Board of Directors shall judge whether such measures are necessary and, if so deemed, shall decide upon the expert, the scope and the budget of his/her assignment.

### *Evaluation*

The Board is responsible for a periodic evaluation of its own effectiveness with a view to ensuring continuous improvement in the governance of the Company.

In this respect, every three years, under the lead of its Chairman, the Board must carry out an assessment. This assessment has the following objectives:

- assessing the operation of the Board and Committees, including making sure that the important issues are thoroughly prepared and discussed;
- evaluating the actual contribution of each director to the work of the Board, his or her attendance at the Board and Committee meetings and his or her constructive involvement in discussions and decision-making;
- evaluating the Board's current composition against the Board's desired composition and size.

Based on the results of the evaluation, the Remuneration and Nomination Committee should, where appropriate and possibly in consultation with external experts, submit a report commenting on the strengths and weaknesses to the Board and make proposals to appoint new directors or to not re-elect directors.

Once a year, the non-executive members discuss the interaction of the Board of Directors with the EXCO and, if applicable, they make recommendations to the Chairman for the improvement of this interaction.

Once a year, the CEO discusses both the operation and performance of the EXCO with the Remuneration and Nomination Committee. The evaluation criteria should be clearly specified. The CEO will not be present at the discussion on his or her own evaluation.

## **Remuneration policy directors**

The Board of Directors, therein advised by the Remuneration and Nomination Committee, shall make concrete proposals to the shareholders for the remuneration policy. The proposed remuneration policy for the Directors of the Company includes a fixed remuneration, which is paid out partly in cash and partly in Company shares, and which is determined in relation to the responsibilities and time commitment of the Director and his or her specific role as either Chairman or chairman or member of a Committee.

The non-executive director shall keep any shares received by means of remuneration for at least one year after leaving the Board and at least three years after allocation.

The non-executive director does not receive performance-related remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits or benefits related to pension schemes.

The Company and its Subsidiaries do not grant personal loans, guarantees and the like to members of the Board.

In addition to the remuneration, board members receive a compensation for all reasonable expenses incurred with the permission of the Chairman of the Board.

Every two years, the directors' remuneration is benchmarked against a random sample of listed companies in order to ensure that the Company can continue to attract the relevant skills to achieve its ambitions.

## 5 COMMITTEES

With a view to the efficient performance of its duties and responsibilities, the Board can set up specialised Committees. The Board has at present set up an Audit and Sustainability Committee as well as a Remuneration and Nomination Committee to analyse specific issues and advise the Board on those issues.

These Committees merely have an advisory role, the actual decision-making remains the responsibility of the Board.

The members of the Committees are appointed and can at any time be dismissed by the Board of Directors. The Board pays particular attention to the composition of each of the Committees. It ensures that in appointing the members of each Committee, consideration is given to the needs and qualifications required for the optimal functioning of that Committee. The Board shall make sure that a director is appointed for each Committee.

### The Audit and Sustainability Committee

#### Composition

The Audit and Sustainability Committee must be composed of at least three directors, all of them non-executive directors. At least one member must be an independent director.

The Audit and Sustainability Committee must be chaired by one of the members of the Audit and Sustainability Committee.

The members of the Audit and Sustainability Committee must have sufficient relevant expertise, particularly in financial matters, to fulfil their duties in an efficient manner.

#### Responsibilities

The Audit and Sustainability Committee assists the Board in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

The Audit and Sustainability Committee is charged with carrying out a long-term audit plan covering all Company activities and, in particular, must see to the following:

- a) Risk Management
  - Verify that a proper risk analysis has been performed;
  - Verify that an appropriate policy has been applied based on the risk analysis;
  - In particular, following up the company policy relating to following topics:
    - Safety and environment;
    - ICT & cyber attacks;
    - Intellectual property & copycats
  - Evaluate the procedure by which personnel can confidentially express their concern about possible irregularities.

- b) Internal audit and control
- Check whether there is an internal audit plan that is carried out covering:
    - internal control;
    - risk management;
    - financial reliability;
    - compliance with laws and regulations and with internal rules such as the Code of Conduct.
  - Handle internal audit problems and possible conflicts with management;
  - Evaluate internal audit performance, including recommendations for the selection, appointment, reappointment or dismissal of the head of internal audit and the budget for this department;
  - Control of follow-up by management of the findings and recommendations of the Audit and Sustainability Committee.
- c) Quality and reliability of the financial and non-financial statements
- Evaluate internal and external financial and non-financial statements;
  - Evaluate the relevance and consistency of important accounting rules and important modifications to accounting principles;
  - Review and apply the requirements under the Act of 2 December 2024 on disclosure of sustainability information by certain companies and groups and assurance of sustainability information and containing various provisions;
  - Evaluate transactions and relations with non-consolidated companies or individuals not included in normal activities and that can have an effect on Lotus Bakeries;
  - Evaluate the half-yearly and yearly financial statements in order to convey a true image of the position of Lotus Bakeries.
- e) External audit
- Make proposals to the Board of Directors to appoint the Auditor, evaluate and, if necessary, complete the audit plan and approve his/her remuneration;
  - Evaluate the report and management guidelines of the Auditor, as well as the implementation by management of the recommendations by the external auditor;
  - Handle possible conflicts between the Auditor and executive management;
  - Evaluate the performance and independence of the Auditor;
  - Control the scope and nature of non-audit services performed by the Auditor.
- f) ESG Policy
- Evaluate ESG strategy and projects as proposed by the group's Sustainability Steering.

## Operation

### *Meetings*

The Audit and Sustainability Committee meets whenever a meeting is required for a proper operation of the Audit and Sustainability Committee:

- The Audit and Sustainability Committee meets at least four times a year. Whenever possible, the date of the meeting is fixed at the end of each financial year for the next and the meetings take place as close as possible to the date of the meetings of the Board.

- In principle, meetings of the Audit and Sustainability Committee are convened by the secretary of the Audit and Sustainability Committee in consultation with the chairman of the Audit and Sustainability Committee. Each member of the Audit and Sustainability Committee can convene an Audit and Sustainability Committee meeting.
- Except where urgent issues have arisen (as determined by the chairman of the Audit and Sustainability Committee), the agenda of the meeting must be sent to all Audit and Sustainability Committee members at least three calendar days prior to the meeting. Every agenda item must be accompanied by as much written information as possible and relevant documents must be appended.
- The quorum is two members attending the meeting in person or by video, telephone or internet based means of communication. Decisions must be taken by a majority of the votes cast by the members of the Committee.
- In the event that the Chairman of the Board is not a member of the Audit and Sustainability Committee, he/she shall have a permanent invitation to attend the meetings of the Committee. The Committee may invite other persons to attend its meetings.
- At least twice a year, the Audit and Sustainability Committee must meet the Auditor and the head of the internal audit function to discuss matters relating to its terms of reference, issues falling within the powers of the Committee and any issues arising from the audit process.
- The Auditor may request the chairman of the Audit and Sustainability Committee to be authorised to attend a meeting of the Audit and Sustainability Committee.
- The Audit and Sustainability Committee is automatically entitled to receive all information required for the performance of its duties from the Board, the EXCO and the Company staff. The Audit and Sustainability Committee can request any senior employee of the Company, the CEO, the head of the internal audit function, its external legal advisors or the Auditor to attend a meeting of the Audit and Sustainability Committee or to consult with members or advisors of the Audit and Sustainability Committee.
- The Audit and Sustainability Committee may seek external professional advice, at the company's expense, about issues that fall within its powers, after informing the Chairman.
- Each member of the Audit and Sustainability Committee has access to the books, data and offices of the Company and may have conversations with executives and employees of the Company if this might be useful for the proper performance of its duties. A member of the Audit and Sustainability Committee exercises this right in consultation with the chairman of the Audit and Sustainability Committee.

Every three years the Audit and Sustainability Committee will review its internal procedures, evaluate its appropriateness and make recommendations in this respect to the Board of Directors.

### *Reporting to the Board*

The secretary of the Audit and Sustainability Committee must draw up a report of the findings and recommendations of the meeting of the Audit and Sustainability Committee. This report shall be discussed during the meeting of the Board of Directors following the Audit and Sustainability Committee meeting.

The Audit and Sustainability Committee reports to the Board annually or, if necessary, more frequently on the developments in the relationship with the Auditor, and in particular on the viewpoint of the Audit and Sustainability Committee on the Auditor's independence (including the advisability of rotation of responsible partners in the office of the Auditor and the advisability of the Auditor entrusted with the controls also providing non-audit services to the Company).



The chairman of the Audit and Sustainability Committee (or any other member of the Audit and Sustainability Committee) is available during the annual general shareholders' meeting to answer questions about the activities of the Audit and Sustainability Committee.

## The Remuneration and Nomination Committee

### Composition

The members of the Remuneration and Nomination Committee are appointed and may at any time be dismissed by the Board.

The Remuneration and Nomination Committee must be composed of at least three directors. All members of the Remuneration and Nomination Committee must be non-executive directors and a majority of them must be independent directors.

The Remuneration and Nomination Committee must be chaired by a member of the Remuneration and Nomination Committee.

### Responsibilities

The Remuneration and Nomination Committee makes recommendations to the Board of Directors on the remuneration and nomination policy of the Company.

#### *Duties concerning remuneration:*

- Making and evaluating proposals to the Board of Directors on the remuneration policy for directors and the resulting proposals to be submitted to the shareholders.
- Making and evaluating proposals to the Board of Directors on the remuneration policy for the EXCO, at least with regard to:
  - the main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
  - the key elements of the remuneration, including:
    - the relative importance of each component of the remuneration;
    - the performance criteria applicable to the variable elements;
    - fringe benefits.
- Making recommendations on the individual remuneration of directors and of the members of the EXCO. Including, for the latter, bonuses and long-term incentives in the form of stock options or other financial instruments; and
- At least once a year, discussing with the CEO the operation and performance of the EXCO. The CEO should not be present at the discussion of his or her own evaluation.

#### *Duties concerning nomination*

- The Remuneration and Nomination Committee must ensure, that the appointment and re-election process of the members of the Board and of the EXCO is organised objectively and professionally and, in particular, has the following duties:

- Drafting appointment procedures for Board members.
- Drafting the selection criteria for the appointment of the Board members. This will be based on an assessment of the knowledge and experience already existing in the Board of Directors and of those that are needed.
- Selecting and nominating, for approval by the Board, candidates for any vacancies of Board members.
- Making proposals for reappointments.
- Periodically assessing the size and composition of the Board and, if applicable, making recommendations with regard to any changes.
- Analysing the aspects relating to the succession of directors.
- Advising on proposals for removal of directors.
- Advising the CEO on proposals made by the CEO for appointment and removal of executive directors and of members of the EXCO.
- Making sure that sufficient and regular attention is given to the succession of members of the EXCO.
- Making sure that there are appropriate programmes for language development and the improvement of diversity in leadership.

## Operation

### *Meetings*

The Remuneration and Nomination Committee meets whenever a meeting is required for a proper operation of the Remuneration and Nomination Committee:

- The Remuneration and Nomination Committee meets at least two times a year. The dates of the meetings are fixed at the end of each financial year for the next.
- In principle, meetings of the Remuneration and Nomination Committee are convened by the chairman of the Remuneration and Nomination Committee. Each member of the Remuneration and Nomination Committee may convene a meeting of the Remuneration and Nomination Committee.
- Except where urgent issues arise (to be determined at the discretion of the chairman of the Remuneration and Nomination Committee), the agenda of the meeting will be sent to all Remuneration and Nomination Committee members at least three calendar days prior to the meeting. Every agenda item must be accompanied by as much written information as possible and relevant documents must be appended.
- The quorum is two members, attending the meeting in person or by video, telephone or internet based means of communication. Decisions must be taken by a majority of the votes cast by the members of the Remuneration and Nomination Committee.
- The Chairman of the Board should not be present at the meetings of the Remuneration and Nomination Committee at which his or her own remuneration or reappointment or dismissal is discussed.
- The Remuneration and Nomination Committee may invite other persons to attend its meetings
- The CEO participates in the meetings of the Remuneration and Nomination Committee when it deals with the remuneration or the nomination of the other members of the EXCO. The CEO should not be present at the discussion of his or her own evaluation.
- The Remuneration and Nomination Committee may seek external professional advice, at the company's expense, about issues that fall within its powers, after informing the Chairman.

### *Reporting to the Board*

The chairman of the Remuneration and Nomination Committee must draw up a report of the findings and recommendations of the meeting of the Remuneration and Nomination Committee. This report shall be discussed during the meeting of the Board of Directors following the Remuneration and Nomination Committee meeting.

The chairman of the Remuneration and Nomination Committee (or any other member of the Remuneration and Nomination Committee) must be available during the annual general shareholders' meeting to answer questions about the activities of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee must, every three years, check and review the adequacy of its own appropriateness and report the results of this review to the Board and may recommend any necessary changes.

The Remuneration and Nomination Committee shall present a remuneration proposal to the Board of Directors.

## **6 CEO & EXCO**

The Board of Directors relies on the EXCO for the implementation of its policy.

### **Composition**

The CEO, who is the chairman of the EXCO, shall be appointed by the Board of Directors based on recommendations of the Remuneration and Nomination Committee. The other members of the EXCO shall be appointed by the Board of Directors based on the CEO's nominations and further on the recommendations of the Remuneration and Nomination Committee.

The members of the EXCO are entitled to be a member of the boards of companies in which the Company does not have participations, provided this mandate does not create conflicts of interest such as or otherwise conflicts with the code of conduct foreseen in this Charter.

### **Powers**

The EXCO is responsible for implementing the Company's strategic, operational and financial objectives and directs the management of the Group.

### **Role of the CEO**

The CEO is responsible for the development of the company's mission, vision and strategy and implements the strategy as approved by the Board. The CEO further takes care of the daily execution of the Company and is chairman of the EXCO, which supports the CEO in his or her tasks.

## Duties of the EXCO

Under supervision of the CEO, the EXCO has the following tasks:

### a) Prepare the strategy

The EXCO works out strategy proposals and submits them to the Board of Directors for implementation.

The principle elements making up the strategy are as follows:

- internal Company skills;
- company strengths and weaknesses;
- the competition;
- specific external factors;
- the company's possibilities.

### b) Execute the strategy

The strategy and other decisions of the Board of Directors must be executed by and/or under supervision of the EXCO.

In this regard, the EXCO shall have the following tasks:

- transposition of the strategy into concrete objectives:
  - market shares;
  - margins;
  - financial results;
  - qualitative elements: quality, brand notoriety, personnel satisfaction, corporate values.
- provide the means to meet these objectives:
  - organisation: clear sharing of authority within the organisation;
  - action plans;
  - investment plans;
  - remuneration and personnel policy;
  - financial structure and means.

### c) Financial and non-financial reporting

- Ensure an accurate and reliable system of internal financial reporting;
- Reliable and accurate preparation of the external financial reporting and publication.
- Publication of material non-financial information.

### d) Risk management

There is a permanent risk management system in place, the aim of which is to ensure that the organisation's potential risks are not only identified, but also assessed, managed and followed up in such a way that these can be kept at an acceptable level. The EXCO, under the responsibility of the Board of Directors, is completely in charge of the Company's risk management process.

### e) Control and internal audit

Internal control must be organised within all activities by the various corporate departments within their respective field of expertise.

In addition, an internal audit must be organised to evaluate, in particular, internal control. These controls shall examine the following:

- compliance with laws and regulations;
- compliance with internal rules;
- risk management optimisation;
- company procedures: improvement and verification of application;
- reporting: reliability.

f) Communication

Application of the communication policy and ensuring good internal and external communication.

## Operation

### Meetings

The EXCO meets whenever a meeting is required for a proper operation of the EXCO:

- In principle, the EXCO meets twice per month.
- In principle, meetings of the EXCO are convened by the CEO. Each member of the EXCO can convene a meeting of the Committee.
- Except where urgent issues have arisen (as determined by the CEO), the agenda of the meeting must be sent to all EXCO members at least three calendar days prior to the meeting. Every agenda item is accompanied by as much written information as possible and relevant documents are appended.
- The quorum is half the members of the EXCO attending the meeting in person or by video, telephone or internet based means of communication.
- Given their responsibilities at group level and their duties, as described above, any decisions taken by the EXCO are taken by consensus whenever possible. In the absence of a consensus, the CEO shall decide.
- The chairman of the EXCO appoints a member of the EXCO to act as the secretary.
- The EXCO may invite other persons to attend its meetings.

### *Reporting to the Board*

The Chairman and CEO shall prepare the Board of Directors meetings. They shall decide which subjects must be submitted to the Board of Directors for decision or for informational purposes.

### *Managing Director/CEO*

The Board of Directors delegates the daily management of the Company to Mercur Consult BVBA, represented by Mr. Jan Boone, executive director/CEO, and also appoints him as managing director to be able to represent the board alone. This power has been appointed for the duration of the current mandate and future mandates as director of the Company.

As managing director/CEO, he/she shall be able to take decisions concerning the management of the Company brands and its Subsidiaries, the Company recipes and know-how.

In legal and non-legal matters, the Company shall be represented by two directors acting jointly or by one managing director.

## **Remuneration of the members of the EXCO**

The Remuneration and Nomination Committee puts forward concrete proposals to the Board of Directors concerning the remuneration of the members of the EXCO. The Board then approves the remuneration policy that is put forward to the general shareholders' meeting. The remuneration policy describes the different components of the remuneration and determines the appropriate balance between fixed and variable remuneration, and monetary and deferred remuneration.

The level and structure of the remuneration of the EXCO should be such that qualified and expert professionals can be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities. To that end, every two years an investigation will be conducted into remunerations in Belgium in order to facilitate an external comparison of the most important functions. When the actual calculation per function is done then account will be taken of the actual function content and implementation in the Company, so that there is an internal logic between the remuneration levels.

The EXCO not only benefit from fixed remuneration but also variable remuneration depending on the Company results and based upon individual performance. The variable remuneration is based on very specific criteria and an evaluation period of one year as well as an evaluation period of two and three years.

There is an accompanying pension plan provided on the basis of a predefined contribution.

In addition, there shall be an option plan with a number of options for the members of the EXCO. The Board has decided that the members of the EXCO each have to possess at least EUR 250.000 worth of Company shares within a period of 3 years as of their appointment, which have to be kept during their mandate as member of the EXCO.

As a rule, options should not be regarded as acquired within less than three years following their allocation and should not be exercised. Upon early departure, the options not yet exercisable at that time, can no longer be exercised.

Those members of the EXCO who work through a management company are entitled to leaving pay equivalent to a maximum of twelve months of the fixed and variable remuneration. The other members of the EXCO are subject to a contract of employment (unless he or she is also director).

If a member of the EXCO is also an executive director, his or her remuneration takes into account the compensation received in his or her capacity as executive director.

## 7 SHAREHOLDERS

### Communication with shareholders

The Board takes care to treat all shareholders equally and respects their rights.

The Company has a communications policy that promotes effective dialogue with shareholders and potential shareholders. Feedback about this policy is given at least once a year in the Board of Directors.

The Company is controlled by the Stichting Administratiekantoor van Aandelen Lotus Bakeries. The Board will examine the interests and intentions of this controlling shareholder. The controlling shareholder is already closely involved with the Board because it is entitled to suggest board members for appointment and is further involved by the presence of the managing director on two board meetings organised by the controlling shareholder. On such occasions, the controlling shareholder is encouraged to explain strategic objectives.

The Board has evaluated whether a relationship agreement with the Stichting Administratiekantoor van Aandelen Lotus Bakeries is beneficial for the Company. Given the close relationship and clear agreements between the Company and the Stichting Administratiekantoor van Aandelen Lotus Bakeries, a relationship agreement was not deemed necessary at this point.

### Shareholders' meeting

The Company encourages shareholders to participate in the annual general shareholders' meeting. The notice occurs in accordance with legal and statutory provisions. The notice is sent to all registered shareholders and is published simultaneously via the customary channels, such as the corporate website. All useful documents that help the shareholder to exercise his or her rights are published on said website, including:

- The (consolidated) annual account and the (consolidated) annual report;
- The (consolidated) Auditor's report;
- Power of Attorney: every shareholder that meets the legal conditions for participation, may be represented by a proxy holder that does not have to be a shareholder;
- Explanations as to the shareholders' right to add agenda items and the right to ask questions;
- Where relevant, reports of the Board of Directors.

At the annual shareholders' meeting, under the lead of the chairman of the general shareholders' meeting, all agenda points are extensively explained, the shareholders are invited to ask questions and to vote. The minutes are published via the customary channels, such as the corporate website, without delay after closing.

## 8 MISCELLANEOUS

This Charter may be amended by the Board from time to time and without prior notification.

The Company may decide to derogate from this Charter with regard to specific items, provided that the applicable rules are complied with.

At least once a year, on initiative of the Corporate Secretary, these derogations are described to the Board so as to ascertain the quality of each explanation. The Board approves the given reasons and validates the content.

These explanations are presented to the general shareholders' meeting when the Corporate Governance Declaration is presented and is mentioned in the Corporate Governance Declaration.

Any amendment or derogation must be published on the corporate website of the Company ([www.lotusbakeries.com](http://www.lotusbakeries.com)) without delay. A third party will not be entitled to derive any rights from any such amendment or derogation.