

# CORPORATE GOVERNANCE STATEMENT

## **TRANSPARENT MANAGEMENT**

Tessengerlo Group nv follows the Belgian legislation as reference code for Corporate Governance. In case that the Company does not comply with one or more provisions of this code, it shall indicate with which provision it is not complying and give justified reasons for this deviation. The Belgian Corporate Governance Code is available at:

[www.corporategovernancecommittee.be/en/home](http://www.corporategovernancecommittee.be/en/home)

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter"). The Charter is available at

<https://www.tessengerlo.com/EN/about-tessengerlo-group/corporate-governance/corporate-governance-charter>

On 22 October 2019 the Board of Directors of the Company adapted its Corporate Governance Charter to the new Corporate Governance Code 2020.

Through the extraordinary general meeting of shareholders of May 14, 2019 the Company has approved the opt-in, by which the new Belgian Code of Companies and Associations ('BCCA') is applied to the Company at an early stage. The new BCCA offers the Company the possibility of a significant simplification, a far-reaching flexibility, with more attention to the protection of the various stakeholders, linked with more transparency.

## **CAPITAL & SHARES**

### **Capital**

The capital of Tessengerlo Group nv at December 31, 2019, amounts to 216,231,862.15 EUR.

### **Shares**

The share capital is represented by 43,154,979 shares without par value, entitling the shareholder to one vote per share.

By decision of the extraordinary general meeting of shareholders of July 10, 2019 the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.

All Tessengerlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

### **Warrants**

As of December 31, 2019, there are no outstanding warrants. The 8,000 outstanding warrants issued in the context of the 2012 Plan (issue of naked warrants) were exercised in 2019.

## **SHAREHOLDERS & SHAREHOLDERS STRUCTURE**

On the basis of the notifications provided to the Company, the status of the voting rights of the Company at December 31, 2019, is as follows:

Shareholder	Voting rights	%
Verbrugge nv (controlled by Picanol nv)	32,366,144	56.89%
Symphony Mills nv	1,832,200	3.22%
Coltrane Asset Management, L.P.	2,163,000	3.80%
Janus Henderson Group plc	1,561,002	2.74%
Norges Bank	1,287,899	2.26%
Carmignac Gestion SA	903,687	1.59%
Dimensional Fund Advisors L.P.	891,022	1.57%
Valarc Master Fund, Ltd.	630,402	1.11%
Other	15,253,349	26.81%
<b>Total</b>	<b>56,888,705</b>	<b>100.00%</b>

Verbrugge nv is controlled by Picanol nv, which in turn is controlled by Artela nv. Artela nv and Symphony Mills nv are controlled by Mr. Luc Tack. At the date of this report, the Company has no knowledge of any agreements made between the shareholders.

Shareholders whose stake in Tessenderlo Group nv's capital surpasses the threshold of 1%, 3%, 5%, 7.5% and each multiple of 5%, in either direction, are required to notify the Belgian Financial Services and Markets Authority (FSMA) ([TRP.Fin@fsma.be](mailto:TRP.Fin@fsma.be)) and Tessenderlo Group nv ([kurt.dejonckheere@tessenderlo.com](mailto:kurt.dejonckheere@tessenderlo.com)).

## **GOVERNANCE STRUCTURE**

The Company has opted for the monistic structure with a Board of Directors authorized to carry out all acts necessary or useful for the realisation of the Company's objective, with the exception of those reserved by law to the general shareholders' meeting.

## **BOARD OF DIRECTORS**

### **Composition**

At December 31, 2019, the composition of the Board of Directors of Tessenderlo Group nv was as follows:

	<b>Start of initial term</b>	<b>End of term</b>
<b>Non-Executive Directors</b>		
Mr. Karel Vinck	March 17, 2005	May 2023
<b>Independent Non-Executive Directors</b>		
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez	June 6, 2017	May 2021
Philiium BVBA represented by its permanent representative Mr. Philippe Coens	June 2, 2015	May 2023
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert	June 6, 2017	May 2021
<b>Executive Directors</b>		
Mr. Luc Tack	November 13, 2013	May 2023
Mr. Stefaan Haspeslagh – Chairman	November 13, 2013	May 2022

The composition of the Board of Directors fulfils the objective of assembling complementary skills in terms of age, competencies, experience, and business knowledge.

On December 31, 2019, the Board of Directors was in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. All meetings of the Board of Directors were attended by the Secretary of the Board of Directors and the Vice President Finance and Investor Relations.

### **Activities**

The Board of Directors convened according to a previously determined schedule. The Board of Directors met six (6) times during 2019.

During 2019, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy;
- the financial statements and reports;
- the 2019 budget;
- proposals to the general and extraordinary shareholders' meetings;

- approving the proposal to reappoint directors and to reappoint a member of the Audit Committee;
- the approval of the special proxy to Mr. Luc Tack and Mr. Stefaan Haspeslagh with regard to real estate transactions;
- the remuneration policy and the remuneration of the members of the Executive Committee;
- the review of a long-term incentive plan for members of the ExCom and of senior management;
- the financial communication and reporting by segment;
- the effectiveness of the Enterprise Risk Management and Compliance framework;
- the approval of various commercial agreements;
- the approval of various investment files and the incorporation of a new affiliated company in Brazil;
- the approval of the modified Corporate Governance Charter of the Company.

### **Evaluation of the Board of Directors**

Evaluations of the functioning of the Board of Directors, the Nomination and Remuneration Committee and the Audit Committee are performed periodically. In the context of such evaluations, the members can give a scoring (from 1-5) on different subjects relating to the board and committee functioning and can share their views on areas for improvement.

Such evaluations are performed through the use of a self-assessment questionnaire developed by the Secretary of the Board of Directors. The exercise focuses primarily on the following domains: role, responsibilities and the composition of the Board of Directors and the committees, the interactions between Directors, the conduct of the meetings and evaluation of the training and resources used by the Board of Directors and/or the committees.

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement. In 2019 the Directors were invited to complete a self-assessment questionnaire for the evaluation of the Board of Directors. The results will be discussed during a meeting of the Board of Directors in 2020. The evaluation of the Audit Committee and the Nomination and Remuneration Committee has been postponed until 2020 due to the appointment of a new statutory auditor in 2019.

### **Appointment of the members of the Board of Directors**

In its selection process for members of the Board, the Board integrates criteria such as variety of competences, age and gender diversity.

### **Board Committees**

#### **General**

On December 31, 2019, the following Committees were active within the Board of Directors of Tessengerlo Group:

- The Nomination and Remuneration Committee
- The Audit Committee

Please see the Charter for a description of the operations of the various Committees on [www.tessengerlo.com](http://www.tessengerlo.com).

## Nomination and Remuneration Committee

On December 31, 2019, the Nomination and Remuneration Committee was constituted as follows:

- Mr. Karel Vinck (Chairman)
- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent)
- Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez (Independent)

A majority of the members of the Nomination and Remuneration Committee meets the independence criteria set forth by Article 7:87 §1 of the BCCA and the Corporate Governance Charter and the committee demonstrates the skills and the expertise requested in matters of remuneration policies as required by Article 7:100 of the BCCA.

The Nomination and Remuneration Committee met two (2) times in 2019.

- Activities of the Nomination and Remuneration Committee

In 2019, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The Committee made recommendations regarding the reappointment of directors and the review of the long-term incentive plan for the ExCom and senior management. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2018 annual report.

The Committee also discussed the changes in the Corporate Governance Code 2020 and more especially the changes with respect to the remuneration policy and the remuneration report.

In compliance with the Corporate Governance Charter, the majority of the members of the Nomination and Remuneration Committee are independent.

- Evaluation of the Nomination and Remuneration Committee

For information on the evaluation process of the Nomination and Remuneration Committee, please refer to the section "Evaluation of the Board of Directors".

## Audit Committee

At December 31, 2019, the Audit Committee was constituted as follows:

- Philium BVBA represented by its permanent representative Mr. Philippe Coens (Independent) (Chairman)
- ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert (Independent)
- Mr. Karel Vinck

The Audit Committee met according to a previously determined schedule; i.e. five (5) times during 2019.

The CEO, the COO-CFO, the VP Finance and Investor Relations, the Group Internal Auditor as well as the statutory auditor attended the meetings of the Audit Committee. The other Directors were invited to participate to the meetings of the Audit Committee without any voting rights.

As legally required, the Audit Committee has among its members at least one independent Director with the necessary accounting and auditing expertise.

The members of the Audit Committee fulfil the criterion of competence with their own training and by the experience gathered during their previous functions. In compliance with the Charter, the majority of the members are independent Directors.

- Evaluation of the Audit Committee

For information on the evaluation process of the Audit Committee, please refer to the section “Evaluation of the Board of Directors”.

- Activities of the Audit Committee

In addition to monitoring the integrity of the quarterly financial statements and financial results press releases per semester, including disclosures, consistent application of the valuation and accounting principles, consolidation scope, closing process quality and accounting estimates, the Audit Committee heard reports from the external auditors regarding the year-end audit scope, the internal control system, the key audit matters and the valuation and accounting treatment of certain exceptional items.

The Audit Committee also addressed specific topics such as monitoring the effectiveness of the Enterprise Risk and Compliance Management systems and made recommendations regarding the further follow-up of improvement actions. Further, the Audit Committee reviewed the status of the major pending litigations.

The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Group Internal Auditor on the Internal Audit program for 2019, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on the review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department. The Audit Committee also approved the internal control plan for the year 2019 and heard reports from Internal Control on its various findings. In addition, the Audit Committee made recommendations with regard to the appointment of a new statutory auditor.

Attendance rate for members of the Board of Directors meetings and members of the special committees meetings in 2019:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
<b>Number of meetings in 2019</b>	<b>6</b>	<b>5</b>	<b>2</b>
Philiium BVBA represented by its permanent representative Mr. Philippe Coens	6/6	5/5	2/2
Mr. Stefaan Haspeslagh	6/6		
Mr. Luc Tack	6/6		
Mr. Karel Vinck	6/6	5/5	2/2
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez	6/6		2/2
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert	6/6	5/5	

## **EXECUTIVE COMMITTEE (EXCOM)**

### **Roles and responsibilities**

As per December 31, 2019, the ExCom of Tessenderlo Group was constituted as follows:

- Mr. Luc Tack (CEO)
- Mr. Stefaan Haspeslagh, representative of Findar BVBA (COO-CFO)

### **Evaluation of the ExCom**

At least once a year, the ExCom reviews its own performance.

### **Activities of the ExCom**

The Board of Directors has empowered the ExCom to enable it to perform its responsibilities and duties. Taking into account the Company's values, its risk appetite and key policies, the ExCom shall have sufficient latitude to propose and implement the corporate strategy.

The CEO chairs the ExCom and ensures its organization and proper operation. In principle, the ExCom meets every week, and additional meetings may be convened at any time by any of its members. On a monthly basis the ExCom meets with the company's Business Units in order to review and discuss the strategic decisions and the operational performance of the Business Units. A comparable performance dialogue is organized with representatives of the supporting group functions.

The ExCom is responsible for:

- running the Company;
- overseeing the proper organization and operation of the Company, ensuring oversight of its activities, including the introduction of internal control processes for the identification, assessment, management and monitoring of financial and other risks;
- the appointment of senior executives of the Company and determination of the senior executives compensation policies\*;
- the main decisions and investments involving amounts under the thresholds as defined by the Board of Directors;
- preparing the proposals for decisions on those matters under the competence of the Board of Directors, including the complete, timely, reliable and accurate preparation of the Company's annual accounts, in accordance with the applicable accounting standards and policies of the Company, as well as the Company's required disclosure of the financial statements and other material financial and non-financial information;
- presenting the Board of Directors a balanced and understandable assessment of the Company's financial situation;
- providing the Board of Directors in due time with all information necessary for the Board of Directors to carry out its duties;
- executing and implementing the decisions taken by the Board of Directors.

The ExCom tasks are further described in the ExCom terms of reference as set out in Exhibit G of the Corporate Governance Charter.

\*The Senior Executives of the Company are those executives who together with the ExCom manage and determine the strategy of the Businesses as well as the Heads of the Functional departments.

## **REMUNERATION REPORT: DIRECTORS**

### **Remuneration policy**

It is the responsibility of the Board of Directors of the Company to make proposals to the shareholders regarding the remuneration of the Directors.

The Nomination and Remuneration Committee makes proposals to the Board of Directors concerning:

- the remuneration for participating in the Board and the Board's Committees meetings;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies has been performed. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

By decision of the General Shareholders' Meeting of June 7, 2016, each Director receives a fixed annual fee of 25,000 EUR. This remuneration covers the activities as member of the Board of Directors, the Audit Committee and the Nomination and Remuneration Committee. Moreover, the following additional fees are granted:

- an attendance fee of 1,000 EUR per half day attendance;
- an additional annual fee of 30,000 EUR for the chairman of the Board of Directors; and
- an additional annual fee of 3,000 EUR for the chairman of the Audit Committee.

Remuneration is paid during the year in which the meetings were held. The attendance fee of 1,000 EUR is also attributed to the directors who attend the meeting as invitee.

## Remuneration received

Member	2019	Earned fees (in EUR)
Philiium bvba, represented by its permanent representative Mr. Philippe Coens (independent non-executive director)	Fixed annual fee	25,000.00
	Additional fixed fee for Chairman of AC	3,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>36,000.00</b>
Management Deprez bvba, represented by its permanent representative Mrs. Veerle Deprez (independent non-executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>33,000.00</b>
ANBA bvba, represented by its permanent representative Mrs. Anne-Marie Baeyaert (independent non-executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>33,000.00</b>
Stefaan Haspeslagh (executive director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman Board	30,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>63,000.00</b>
Luc Tack (executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>33,000.00</b>
Karel Vinck (non- executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	8,000.00
	<b>Total remuneration</b>	<b>33,000.00</b>
<b>GENERAL TOTAL</b>		<b>231,000.00</b>

# REMUNERATION REPORT: EXECUTIVE COMMITTEE (EXCOM)

## Remuneration policy

This chapter describes the principles underlying Tessengerlo Group’s remuneration policy, management remuneration, structure and philosophy. The Nomination and Remuneration Committee determines the principles of the remuneration policy for the ExCom members (the CEO & CFO-COO) and submits them to the Board of Directors. The aim is to achieve total remuneration packages that are attractive and in line with the market.

Tessengerlo Group annually reviews the positioning of the total remuneration of the ExCom members to direct competitors, quoted companies in the BELMid and other companies active in similar industries as wherein Tessengerlo Group operates. Our remuneration policy and total compensation is positioned on the market median or slightly above the market median, with a strong emphasis on variable compensation. Variable compensation is based for 75% on the financial results of the group (EBIT) and for 25% on the individual performance contributing to the long term sustainable growth of Tessengerlo Group. The individual performance will be assessed based on achieving individual targets as defined by the Nomination and Remuneration Committee and the Board of Directors. In this respect we also refer to the “Code of Conduct” of Tessengerlo Group, which lists the guiding principles and key values.

The internal and external competitive landscape of and around Tessengerlo Group is changing rapidly. In order to realize the group’s ambitions in this challenging environment, the organization needs to perform strongly and focus on the implementation of a sustainable strategy. Talented managers are indispensable in terms of achieving this goal. The remuneration policy aims to link this strategy and the company’s objectives to the performance and remuneration of management.

In this way, the group creates a globally consistent framework for the development, remuneration and empowerment of its people. The group considers commitment, recognition and leadership as important foundations for employee engagement. This enables the group to attract, retain and motivate the best talents to achieve both short-term and long-term objectives. This is all within the context of a globally consistent remuneration policy that rewards the contribution towards and the achievement of company objectives and the generation of shareholder value.

The Group Reward principles are:

Recognition and leadership are key for employee and team engagement.
Our compensation system will serve to attract and retain the talent that the group requires to meet its short and long term goals.
Our remuneration policy will be positioned on or just above the median, and tested annually against a selected basket of relevant industry references and industries in which the group is active.
Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group’s guiding principles.
Our variable remuneration policy links the success of the group to the various business units, departments, teams and individual contributions.
Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data.
Our compensation system will never knowingly discriminate between employees on any grounds.

## Compensation package

The ExCom remuneration package consists of the following items:

- Fixed compensation
- Variable compensation
- Other compensation items

### **Fixed compensation**

The fixed part of the remuneration compensates individual members as per market reference and in line with their level of skill and position within the group combined with the right behaviour and living according to the group's guiding principles.

### **Variable compensation**

The variable compensation of the members of the ExCom is based on short and long term objectives linked to group results and individual performance.

The incentive plans do not explicitly provide any "claw-back" provisions entitling the Company to reclaim the compensation paid on the basis of incorrect financial data. The addition of the necessary documentation and provisions in the agreements with the ExCom members, which enable the company to reclaim variable remuneration, or withhold payment of variable remuneration, in the event of financial misconduct, fraud, deceit, non-compliance with a non-compete obligation and/or gross negligence, will be submitted for approval to the Board of Directors in the first quarter of 2020.

#### **I. Short-term variable compensation**

Tessengerlo Group has developed a short-term variable compensation plan in order to ensure that all ExCom members are compensated according to the overall performance of Tessengerlo Group.

The short term variable compensation for the ExCom members varies between a minimum of 0% and a maximum of 135% of the fixed remuneration for the CEO and between a minimum of 0% and a maximum of 120% of the fixed remuneration for the CFO-COO.

The objectives measured over the calendar year are set on the group financial and strategic objectives with a modifier for personal performance, proposed by the Nomination and Remuneration Committee. The variable compensation is linked for 75% to the financial results of the group (EBIT) and for 25% to individual performance contributing to the long term sustainable growth of Tessengerlo Group. In this respect we also refer to the "Code of Conduct" of Tessengerlo Group.

The personal modifier is linked to progress in strategy execution and business transformation within the group. The evaluations of the CEO target objectives against the realizations are performed by the Nomination and Remuneration Committee after the end of the financial year and submitted for approval towards the Board of Directors. The evaluation for the COO-CFO is performed after the end of the financial year by the CEO and submitted for approval to the Nomination and Remuneration Committee and Board of Directors.

## II. Long-term variable compensation

### Long Term Incentive (LTI) Plan

A long-term incentive plan was approved by the Board of Directors on March 12, 2019. The intention of the LTI Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the Company. This LTI plan covers a 3 year period (calendar years 2019-2021), with pay out in April 2022, based on pre-set performance metrics of the Tessenderlo Group.

The long term variable compensation for the ExCom members varies between a minimum of 0% and a maximum of 135% of the fixed remuneration for the CEO and between a minimum of 0% and a maximum of 120% of the fixed remuneration for the CFO-COO.

85% of the LTI is linked to Tessenderlo Group's Adjusted EBITDA, measured over the calendar years 2019, 2020 & 2021.

15% of the LTI is linked to safety targets, determined for each individual Business unit and measured via the "Tessenderlo Group Lost Time Incident" or "LTA" frequency rate long term trend line.

## III. Other compensation items

The benefits paid to the ExCom members include participation in the extra-legal pension plan of the defined contribution type, a hospitalization insurance, eco-cheques and representation allowance – all under the same conditions applicable to other members of senior management.

The ExCom members also benefit from certain other benefits such as a car allowance.

## Remuneration earned in 2019

Each year, the Nomination and Remuneration Committee evaluates the appropriate compensation of the ExCom. These recommendations result from objective third party market studies, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the ExCom's compensation against a peer group of companies of similar size with the same type of activities of Tessenderlo Group. The actual compensation level for each individual member is set according to the benchmark and takes into account the member's performance and experience in relation to the benchmark.

Compensation of the COO-CFO is reviewed on an annual basis by the Nomination and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed by the Nomination and Remuneration Committee on the recommendation of the Chairman of the Board of Directors.

Annual gross compensation earned by the ExCom<sup>1</sup> in 2019 is detailed below:

Component	Amount CEO	Amount COO-CFO
Fixed compensation (excluding Director fees) <sup>2</sup>	632,221 EUR	632,221 EUR
Variable compensation Short Term <sup>2/5</sup>	300,858 EUR	334,287 EUR
Variable compensation Long Term <sup>6</sup>	0 EUR	0 EUR
Pension <sup>3</sup>	87,029 EUR	0 EUR
Other benefits <sup>4</sup>	44,471 EUR	26,103 EUR
<b>TOTAL (cost to the company)</b>	<b>1,064,579 EUR</b>	<b>992,611 EUR</b>

1 The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspeslagh/Findar BVBA, represented by Stefaan Haspeslagh.

2 Excluding social security contributions.

3 Pension Plan: annual service cost for 2019, as calculated by an actuary.

4 Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%), meal vouchers, company car - all under the same conditions applicable to other members of senior management and the ruling approved by the Belgian tax authorities for representation allowance.

5 Short term incentive realization as proposed by the Nomination and Remuneration Committee of March 24, 2020.

6 No long term incentive pay-out in 2020.

### Agreements on severance pay

The management agreement with the COO-CFO provides for a notice period of maximum 12 months. The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

## **MAIN FEATURES OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK**

### **Internal control framework**

#### **Responsibilities**

The Board of Directors delegated the task of monitoring the effectiveness of the Internal Control System to the Audit Committee.

The ultimate responsibility for the implementation of the Internal Control System is delegated to the ExCom.

The daily management of each Business Unit is accountable for the implementation and maintenance of a reliable Internal Control System.

The Internal Audit & Control department assists the Business Units and the Tessengerlo Group Headquarters functions in the implementation and assessment of the effectiveness of the Internal Control System in their organization.

The levels of internal control are tailored to the residual risk that is acceptable to the management. The ultimate objective is to reduce possible misstatements of the financial statements as published by the group.

#### **Scope of the Internal Control Framework**

The Internal Control System is based on the COSO Internal Control – Integrated Framework with the main focus on the internal control over the financial reporting by mitigating risks through group level controls, entity level controls, process level controls, general IT controls and segregation of duties.

### **Internal Control monitoring**

The Audit Committee is in charge of monitoring the effectiveness of the internal control systems. This includes the supervision of the Internal Audit department about compliance monitoring.

The Internal Audit & Control department conducts a risk based compliance audit program with the objective to validate the internal control effectiveness in the various processes at entity and group level. The ultimate goal of these reviews is to provide reasonable assurance on the reliability of the financial reporting.

The Group Audit Director is invited to the Audit Committee meetings. He informs the Audit Committee of the planning and the results of the internal audits and the proper implementation of the recommendations. A rating is used to indicate the severity of audit recommendations as well as to give an overall appreciation of the audited entity or process.

### **Preparation and Processing of Financial and Accounting Information**

A centralized controlling and reporting department coordinates and controls the financial and accounting information.

Each Business Unit has a controlling department responsible for monitoring the performance of the operational units.

The Financial and Accounting Information System is based on consolidation software that allows the group to produce the required information.

### **Compliance**

The Internal Audit & Control department is responsible for compliance testing of both the Internal Control Framework and the key control procedures on the preparation and processing of financial and accounting information and monitors compliance with internal policies and procedures as well as external laws and regulations.

The group has a Compliance Coordination Committee. This committee, composed of representatives of several headquarter functions, is responsible for the internal and external compliance program of Tessengerlo Group. The committee periodically reports to the Audit Committee.

### **Enterprise Risk Management (ERM) System**

Risks are an essential and inherent aspect of conducting business. The group has developed some policies and procedures with the aim of managing and reducing risks to an acceptable level.

The Enterprise Risk Management policy applies to the entire group and all of its affiliates worldwide. This policy describes the organization and goals of the ERM system including the responsibilities at all levels of management.

A risk management structure has been rolled out, both on group and on Business Unit levels in order for risk management to become an inherent part of daily operations.

Identified risks in various Business Units or general supporting services are evaluated and followed in order to implement risk optimization. The status of these efforts is reported to the ExCom and to the Audit Committee at regular intervals.

The aim of the implemented “Group Crisis Management policy” is to standardize crisis management across the group and all affiliates. The Risk Management department is the owner of this policy and responsible for the coordination at group level and providing assistance and guidance to the various entities in the development of a harmonized crisis plan, clarifying the responsibilities at all levels and establishing the reporting channels.

## **POLICY ON INSIDE INFORMATION AND MARKET MANIPULATION**

The Company has issued a Dealing Code including a set of rules regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors, ExCom members and other designated persons for their own account. Such Dealing Code is included in Exhibit I. of the Charter.

According to the Market Abuse Regulation, the Company has to take all reasonable steps to ensure that any person on its insider list acknowledges in writing the obligations and its awareness of the sanctions applicable to insider trading and the unlawful disclosure of inside information.

The Belgian law of 31 July 2017, with effect as of 21 August 2017, has changed the applicable sanctions. The maximum prison sentences that are possible have significantly increased:

- Abuse of inside info: 4 years (was 1 year)
- Market manipulation: 4 years (was 2 years)
- Unlawful disclosure of inside info: 2 years (was 1 year)

In accordance with the Dealing Code, the Board of Directors has appointed a Compliance Officer. The Compliance Officer is responsible for supervising compliance with the Dealing Code. He/she is also the point of contact for questions about the application of the Dealing Code. Mr. John Van Essche, Legal Counsel, holds the title of Compliance Officer.

## EXTERNAL AUDIT

The mandate of PwC Bedrijfsrevisoren cvba (PwC), represented by Mr. Peter Van den Eynde, ended after the ordinary general shareholders' meeting of the Company of May 14, 2019.

Upon decision of the ordinary general shareholders' meeting of May 14, 2019 KPMG Bedrijfsrevisoren CVBA, with Mr. Patrick De Schutter as authorized representative, has been appointed as statutory auditor of the group.

The fees paid by the group to its auditor amounted to:

	2019			
(Million EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	0.2	0.0	0.0	0.3
KPMG (Outside Belgium)	0.6	-	0.3	0.9
<b>Total</b>	<b>0.9</b>	<b>0.0</b>	<b>0.3</b>	<b>1.2</b>

	2018			
(Million EUR)	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
<b>Total</b>	<b>0.8</b>	<b>-</b>	<b>0.1</b>	<b>0.9</b>

## **SUBSEQUENT EVENTS**

- In December 2019, DYKA Group announced that it had agreed to acquire the production plant of REHAU Tube in La Chapelle-Saint-Ursin (France) from the German REHAU Group. The transaction is scheduled to be completed by May 1, 2020.
- Within the Bio-Valorization segment, PB Leiner inaugurated a new collagen peptides line in February 2020 at its production plant in Santa Fe (Argentina). This additional production facility will allow for a considerable extra production volume of SOLUGEL™ collagen peptides.
- Within the Industrial Solutions segment, S8 Engineering has ceased to exist as a separate Business Unit. The engineering and construction activities were integrated into Tessengerlo Kerley, Inc. during the first quarter of 2020.
- Flooding from Storm Dennis caused disruption at PB Leiner's plant in Treforest (United Kingdom) in February 2020. However, based on the current information, this event is not expected to have a material impact on the results of Tessengerlo Group.
- Tessengerlo Group is currently studying options for the construction of a new gas power plant in the Belgian municipality of Tessengerlo. As the outcome of the study is currently unpredictable, no further details can be disclosed at this stage.

### **Update COVID-19:**

- In light of the latest developments concerning the global spread of the COVID-19 (Coronavirus) disease, Tessengerlo Group is taking all the necessary steps to ensure that it keeps its people safe and keep its plants and businesses running. This is because the group provides support for vital services and the flow of crucial goods. Tessengerlo Group supplies the basic chemicals for the production of drinking water based on side streams in the form of hydrochloric acid from the production of sulfate of potash (SOP). In addition, the group produces gelatin for medical and food applications, crop nutrition and crop protection products for agriculture (for which the season is just starting in the northern hemisphere), and plastic pipe systems for maintaining drinking water supply systems and polluted water evacuation, while Akiolis protects the meat chain (in France).
- All of the plants and activities are running in line with expectations at the moment, except for the current disruption of production at DYKA Group's French plant in Sainte-Austreberthe (segment Industrial Solutions). In February 2020, the COVID-19 disease also disrupted production at the Chinese plant in Nehe (PB Leiner – segment Bio-valorization), which restarted production in early March. Based on current information, the impact of these events on the financial results is expected to be limited.
- Activities could be further impacted in the coming weeks or months if too many employees are impacted by COVID-19 and/or if access to raw materials and auxiliary materials or means of transportation becomes more complicated, or if our customers are no longer able to process our products.

## APPLICATION OF ART. 7:96 OF THE BELGIAN CODE OF COMPANIES AND ASSOCIATIONS (BCCA) (PREVIOUSLY ART. 523 OF THE BELGIAN CODE OF COMPANIES)

### Meeting of the Board of Directors dated March 12, 2019

[...]

*Prior to deliberating and adopting the resolution on the remuneration of Mr Luc Tack and Mr Stefaan Haspeslagh, both members of the Executive Committee indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Code of Companies. It concerns the determination of the short term incentive over 2018, the remuneration package over 2019 and the Long Term Incentive plan.*

*The Chairman of the Nomination and Remuneration Committee Mr Karel Vinck takes the floor and explains to the members of the nomination and remuneration the proposals for Short term incentive pay out/service fee for the year 2018 as well as the proposals for short term incentive pay out for the year 2019.*

*After debate the Board approves with unanimous consent the following resolutions:*

- *To fix the short term incentive pay out at EUR 380,743 for Luc Tack*
- *To fix the short term incentive pay out/ service fee at EUR 406,362 for Findar BVBA, represented by Stefaan Haspeslagh*
- *To increase the fixed component of the remuneration packages with 2.70%, effective 1 January 2019.*

*The 2019 short term incentive/service fees will be based on the following drivers:*

1. *75% based on EBIT*
2. *25% on the individual performance linked to progress realised with respect to the sustainable long term growth of the Company.*

*The Short term Incentive can vary between 0-135% of the fixed remuneration for the CEO and between 0 and 120% of the fixed service fee for the COO/CFO.*

*Also for exceptional performances, the Board can attribute an exceptional bonus.*

....

*The Chairman of the Nomination and Remuneration Committee explains the details of the Long Term Incentive plan. After debate the members of the Board agree to fix the Long Term Incentive Target for the ExCom members at:*

- *45% of Base Remuneration for the CEO and*
- *40% of the Base remuneration for the COO/CFO*

*Based on the following performance criteria*

*Group Adjusted EBITDA (85%)*

*BU Safety performance (15%).*

*The actual Long Term Incentive Target realisation may vary in a pay out between 0% and 200%.*

[...]

## Meeting of the Board of Directors dated May 14, 2019

[...]

*Mr Jan Peeters, partner at Stibbe, is invited into the meeting in order to comment on the various agenda items of the EGM to be convened on July 10, 2019 after the changed articles of association of the Company are published following the early adoption of the New Belgian Code of companies and associations (New BCCA) by the EGM of May 14<sup>th</sup> 2019.*

*On the agenda of the EGM of July 10, 2019, the Board proposes to the shareholders to adopt (i) an additional change of the bye-laws in order align the articles of association with some new mandatory and optional changes of the new BCCA as well as (ii) the introduction of the double voting right for shareholders that are registered for an uninterrupted period of two years in the nominative shareholders' register of the Company. The first resolution has to be approved with 75% of the votes whilst the second resolution with 2/3 of the votes.*

*The directors of the Company who are present or validly represented state that they have neither a direct nor indirect conflict of financial interest with the decisions to be taken in accordance with article 7:96 BCCA except for those decisions summarized in agenda points 4 of the agenda where Mr Luc Tack and Mr Stefaan Haspeslagh declare that they have a conflict of interest in the sense of article 7:96 BCCA.*

*The following prior statements of the directors are made:*

*Mr Luc Tack states that he has an indirect conflict of interest in respect of the resolutions proposed to the EGM. Although strictly spoken article 7:96 of the Belgian Code of companies and associations does not apply on the case at hand, Mr Luc Tack will not participate in the deliberation and vote in respect to the agenda. Mr Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge NV and Symphony Mills NV in the Company, as Mr Luc Tack is the controlling shareholder of Artela NV and Symphony Mills NV, which are the controlling shareholders of Picanol NV. Furthermore, Mr Luc Tack is managing director (gedelegeerd bestuurder) of Picanol NV. The actual use of the authorizations in the proposed resolutions to the shareholders may have an effect on the existing voting rights of Verbrugge NV and Symphony Mills NV in the Company. Mr Luc Tack has requested that the auditor is informed of this conflict of interest.*

*Mr Stefaan Haspeslagh states that he has an indirect conflict of interest in respect of the resolutions proposed to the EGM. Further to Exhibit H of the Corporate Governance Charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he [...] is a member of the Board of Directors or ExCom or holds a similar office with a company with which the Company intends to enter into a material transaction."*

*Mr Stefaan Haspeslagh has requested that the auditor is informed of this conflict of interest. Mr Stefaan Haspeslagh will not participate in the resolution on the the deliberation and vote in respect to the agenda.*

*The financial consequences of the decisions taken in the proposed resolutions are at this stage limited to the fees of the advisors Stibbe incurred to date and which are estimated to be lower than 25 K€.*

*Mr Luc Tack and Mr Stefaan Haspeslagh leave the meeting.*

*Mr Jan Peeters explains the rationale of the Belgian legislator for the introduction of the double voting right into the BCCA, the main features of the new article 7:53 of the Belgian Code of companies and associations and the impact on the governance of the Company.*

*Following questions of board members, Mr Jan Peeters points out that the introduction of the measure could continue to serve the long-term interest of the Company to have a long term stable reference shareholder when it would consider future possible opportunities on capital operations in view of the*

*definition and execution of the long term company strategy.*

*After debate, the Board of Directors approves with unanimous consent the agenda and proposed resolutions of the Extraordinary General Meeting of July 10, 2019. Long term share ownership is to considered as the platform required to build stable companies.*

[...]

In 2019, no circumstances triggered the application of article 7:97 of the new BCCA.

## **INFORMATION REQUIRED BY ART. 34 OF THE ROYAL DECREE OF NOVEMBER 14, 2007**

The share capital of the Company is represented by ordinary shares.

The extraordinary shareholders' meeting of 6 June 2017 decided to authorize the board of directors, for a period of 5 years from the publication of the authorization in the Annex to the Belgian State Gazette, to increase the share capital, in one or more times, up to an amount of EUR 43.160.095 (forty three million one hundred and sixty thousand ninety-five euros), in accordance with the provisions set out in the BCCA and the articles of association of the company. The Board of Directors is allowed to use the authorized capital to take protective measures for the Company through capital increases, with or without limitation or withdrawal of preferential rights, even outside the context of a possible public takeover bid, to the extent that the Company has not yet received a notification of the FSMA with respect to a public takeover bid on its securities.

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 7:202, paragraph 2, 1° of the BCCA, the Board of Directors is authorized, for a period of 3 years from the authorization by the extraordinary general meeting of 6 June 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 7:202, paragraph 2, 2° of the BCCA and the articles of association of the company.

The Board of Directors is also authorized, with right of substitution, to amend the company's articles of association in accordance with the capital increase that was decided within the scope of the authorized capital.

By decision of the extraordinary general meeting of shareholders of July 10, 2019 the loyalty voting right has been introduced. As a consequence, each share which has been fully paid up and which is registered in the name of the same shareholder in the register of registered shares since at least two uninterrupted years, gives right to a double vote in accordance with the BCCA.

Each other share gives right to one vote at the general meeting.

The articles of association of the Company do not contain any restriction on the transfer of the shares.

The rules with respect to the appointment and resignation of Directors and amendments to the articles of association of the Company as set forth in the articles of association of the Company do not deviate from the applicable rules set forth in the BCCA.

The Company may, in accordance with the conditions set by law, acquire its own shares, profit-sharing certificates, or certificates relating thereto, by way of a purchase or an exchange, directly or through

the intermediary of a person acting in its own name but for the account of the company, following a decision of the shareholders' meeting taken in accordance with the applicable requirements on quorum and majority. Such decision in particular determines the maximum number of shares, profit-sharing certificates or certificates relating thereto that can be acquired, the term for which the authorization is granted and which may not exceed five years, as well as the minimum and maximum value of the compensation.

Pursuant to the decision of the extraordinary general meeting of 6 June 2017, the Board of Directors is authorized, for a period of 5 years from the publication of the authorization in the Annex of the Belgian Official Gazette, to repurchase, in accordance with the conditions set by law, the company's shares, profit-sharing certificates or certificates relating thereto for the account of the company of which the accounting par value, including the securities previously acquired by the company and held by it, is not higher than 10% (ten per cent) of the issued capital and at a price ranging between minimum 20% (twenty per cent) below the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, and maximum 20% (twenty per cent) above the average of the closing price of the company's share during the last 30 trading days preceding the Board's resolution to acquire such securities, it being understood that the price will never be lower than EUR 15 (fifteen euro) or exceed EUR 50 (fifty euro).

The Board of Directors is explicitly authorized according to the resolution of the extraordinary general meeting of 6 June 2017 to dispose of the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, without prejudice to the fact that the disposal possibilities of the Board of Directors are further mandatory organized under the new BCCA and these shall thus have to be respected in parallel by the Company for the remaining period of the authorization granted by the general meeting within the framework of the acquisition of own securities.

The aforementioned provisions equally apply to the acquisition or transfer of the Company's securities by the Company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with articles 7:221 and 7:222 of the BCCA.

Tessengerlo Group nv is a party to the following contracts which become effective, undergo changes or terminate in case of a change of control over Messengerlo Group nv after a public takeover bid:

- the bilateral revolving facilities agreements entered into on December 4, 2019, for a total amount of 142.5 million EUR with the Company and Messengerlo USA Inc. as borrowers and KBC Bank NV, ING NV, Belfius Bank NV and BNP Paribas Fortis NV as lenders: according to the terms of these agreements, a "change of control" over Messengerlo Group nv will entitle each lender to ask for termination of the bilateral facility agreement. For purposes of the change of control clause described above, a "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with any person acting in concert) holds more voting rights than such third party);
- the prospectus dated June 15, 2015, of Messengerlo Group nv regarding the issue of and public offer of two series of bonds with a maturity of 7 years (the "2022 Bonds") and 10 years (the "2025 Bonds", and together with the 2022 Bonds, the "Bonds") for an expected minimum amount of 75.0 million EUR for the 2022 Bonds and an expected minimum amount of 25.0 million EUR for the 2025 Bonds and for a combined maximum amount of 250 million EUR: according to the terms and conditions of these Bonds, the Bonds will be redeemable at the option of the bondholders prior to maturity in the case of a change of control. Only the Bonds held by the bondholders who submit put option notices shall be immediately due and

repayable in case of a change of control, with exception of all other bonds. If bondholders submit put option notices in respect of at least 85 percent of the aggregate nominal amount of the outstanding 2022 bonds, all (but not some only) of the 2022 bonds may be redeemed at the option of the Company prior to maturity. If bondholders submit put option notices for at least 85 percent of the aggregate nominal amount of the outstanding 2025 Bonds, all (but not some only) of the 2025 Bonds may be redeemed at the option of the issuer prior to maturity. A “change of control” shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with any person acting in concert) holds more voting rights than such third party);

- terms and conditions of the 2012 Plan of Tessengerlo Group nv: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessengerlo Group nv shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above-mentioned operations at the same conditions as the existing shareholders. As of December 31, 2019, there are no outstanding warrants.

## **DIVIDEND POLICY**

Tessengerlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2019. The Company’s dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company’s earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the BCCA and the articles of association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

## **INFORMATION REQUIRED BY ART. 3:6 BELGIAN CODE OF COMPANIES AND ASSOCIATIONS**

### **Provision 3.12 of the Corporate Governance Code 2020**

The current Chairman of the Company was previously appointed as an executive Director. The Company has carefully considered the positive and negative aspects in favor of such a decision and has concluded that such appointment is in the best interest of the Company given his extensive experience, expertise, in-depth knowledge and proven track-record in relevant business environments. The Board of Directors furthermore clarifies that Exhibit H of the Corporate Governance Charter provides additional conflict of interest procedures in case any material transaction is being considered by the Company with a company in which Directors are also a Director or Executive Director.

### **Provision 7.6 of the Corporate Governance Code 2020 with respect to remuneration of Non-Executive Directors**

The Company does not grant any remuneration in the form of shares to the Non-Executive Directors for 2019, as it is of the opinion that a payment in shares does not have a positive impact on decisions of these Directors that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company.

### **Provision 7.9 of the Corporate Governance Code 2020 with respect to remuneration of Executive Directors**

The Company does not grant any minimum threshold of remuneration in the form of shares to the ExCom in 2019, as it is of the opinion that a payment in shares does not have a positive impact on decisions of the ExCom that support the long term vision of the Company, given the presence of a reference shareholder who aims to create sustainable value within the Company. It was also decided not to modify the remuneration policy as already approved, during the course of the year.

### **Provision 7.12 of the Corporate Governance Code 2020 with respect to remuneration of Executive Directors**

In 2020 the ExCom contracts will be submitted for approval to the Board of Directors, which will include specific provisions with respect to the claw-back of variable remunerations.

### **Provision 9.2 of the Corporate Governance Code 2020**

Each three years the Board of Directors has to evaluate its operation, as well as the functioning of its committees. The last evaluation of the Board of Directors and the committees was carried out in 2016. In 2019 a questionnaire was submitted to the Board of Directors, which will be discussed by the Board in 2020. In 2020 the evaluation of the Nomination and Remuneration Committee will also take place. Taking into account the appointment of a new statutory auditor in 2019, the Company considered it useful to postpone the evaluation of the Audit Committee until 2020.

Brussels, March 24, 2020  
On behalf of the Board of Directors

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Luc Tack  
Director and CEO

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Stefaan Haspeslagh  
Chairman of the Board of Directors