

# CORPORATE GOVERNANCE STATEMENT

## **TRANSPARENT MANAGEMENT**

Tessenderlo 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.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance/corporate-governance-charter>.

On October 27, 2020, the Board of Directors of the Company approved the new changes of the Corporate Governance Charter following the conversion of the European Shareholders' Directive II (SRDII) in the Belgian Code of Companies and Associations ('BCCA').

## **CAPITAL & SHARES**

### **Capital**

The capital of Tessenderlo Group nv at December 31, 2020, 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 Tessenderlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

Pursuant to the decision of the extraordinary general meeting of June 6, 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, taking into account the conditions as determined during the extraordinary general meeting of June 6, 2017. Pursuant to this decision the Board of Directors at its meeting on August 25, 2020 approved the proposal to purchase own shares up to a maximum amount of EUR 5 million during a period starting on September 14, 2020 and ending on April 30, 2022.

The company owned on December 31, 2020, in total 132,000 company's shares or 0.306% of the total amount of issued shares (being 43,154,979).

## **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, 2020, is as follows:

Shareholder	Number of voting rights	%
Verbrugge nv (controlled by Picanol)	35,524,356	58.23%
Symphony Mills nv	4,346,200	7.12%
Janus Henderson Group PLC	1,561,002	2.56%
Norges Bank	1,287,899	2.11%
Carmignac Gestion SA	903,687	1.48%
Dimensional Fund Advisors L.P.	891,022	1.46%
Valarc Master Fund, Ltd.	630,402	1.03%
Other	15,861,347	26.00%
<b>Total</b>	<b>61,005,915</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 Tessengerlo 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 Tessengerlo Group nv ([kurt.dejonckheere@tessengerlo.com](mailto:kurt.dejonckheere@tessengerlo.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 realization 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, 2020, 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 bv represented by its permanent representative Mrs. Veerle Deprez	June 6, 2017	May 2021
Philium bv represented by its permanent representative Mr. Philippe Coens	June 2, 2015	May 2023
ANBA bv 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, 2020, 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 seven (7) times during 2020.

During 2020, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy;
- the financial statements and reports;
- the 2020 budget;
- the financial communication and reporting by segment;
- proposals to the general and special shareholders' meetings;
- the remuneration policy and the remuneration of the members of the Executive Committee and directors (decision not to grant remuneration (partially) in the form of shares for the Non-Executive directors and the ExCom for 2020 and until further notice, and the decision not to fix a minimum threshold of the amount of shares to be held by the ExCom for 2020 and until further notice);
- the review of a long-term incentive plan for members of the ExCom;
- the approval of the changes to the services agreements (Management Services Agreements) between the Company and the CEO – CFO-COO with regard to claw-back provisions;
- the discussion on the effects of the COVID-19 crisis on the Company's activities worldwide and the measures taken in this respect;
- the adoption of the extension of the 4 bilateral loan agreements between the Company and the KBC – ING – Belfius and BNP Paribas banks;
- the effectiveness of the Enterprise Risk Management and Compliance framework;
- the approval of various commercial agreements;
- the approval and realization of the take-over and incorporation of a new affiliate in France and the incorporation of various legal entities abroad;
- the discussion on the various law changes relative to Corporate Governance and the approval of the modified Corporate Governance Charter of the Company.
- the discussion on the results of the self-assessment questionnaire with regard to the activities and effectiveness of the Board of Directors and its committees;
- the approval of the capital increase in a UK affiliate;
- the approval of the 2021 budget;
- the approval of the proposal to repurchase own shares.

## 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. In 2020 the Directors received a questionnaire for the assessment of the Audit Committee and the Nomination and Remuneration Committee. The results of both questionnaires were discussed during a meeting of the Board of Directors in 2020.

### **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, 2020, 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, 2020, the Nomination and Remuneration Committee was constituted as follows:

- Mr. Karel Vinck (Chairman)
- Philiium bv represented by its permanent representative Mr. Philippe Coens (Independent)
- Management Deprez bv 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 three (3) times in 2020.

- Activities of the Nomination and Remuneration Committee

In 2020, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The Committee made recommendations regarding the realization of the long-term incentive plan for the ExCom. The Committee also made recommendations with regard to the granting of remuneration in the form of shares to the Non-Executive Directors and ExCom, the determination of a minimum threshold of shares to be held by the ExCom and the determination of claw-back provisions in the agreements with the CEO and the CFO-COO. The Committee also discussed on the changes in the European Shareholders' Directive (SRDII) and more especially on the changes with respect to the remuneration policy and the remuneration report. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2020 annual 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, 2020, the Audit Committee was constituted as follows:

- Philiium bv represented by its permanent representative  
Mr. Philippe Coens (Independent) (Chairman)
- ANBA bv 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. four (4) times during 2020.

The CEO, the COO-CFO, the Vice President 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 programs and the follow-up of cybersecurity within the Company 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 2020, 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 2020 and heard reports from the Internal Control Department on its various findings.

Attendance rate for members of the Board of Directors meetings and members of the committee meetings in 2020:

	Board of Directors	Audit Committee	Nomination & Remuneration Committee
<b>Number of meetings in 2020</b>	<b>7</b>	<b>4</b>	<b>3</b>
Philium bv represented by its permanent representative Mr. Philippe Coens	7/7	4/4	3/3
Mr. Stefaan Haspeslagh	7/7		
Mr. Luc Tack	7/7		
Mr. Karel Vinck	7/7	4/4	3/3
Management Deprez bv represented by its permanent representative Mrs. Veerle Deprez	7/7		3/3
ANBA bv represented by its permanent representative Mrs. Anne-Marie Baeyaert	7/7	4/4	

## **EXECUTIVE COMMITTEE (EXCOM)**

### **Roles and responsibilities**

As per December 31, 2020, the ExCom of Tessengerlo Group was constituted as follows:

- Mr. Luc Tack (CEO)
- Mr. Stefaan Haspeslagh, representative of Findar bv (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 remuneration 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 to 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.

In its meeting of August 25, 2020, the Board of Directors decided not to grant remuneration (partially) in shares for the Non-Executive Directors for 2020 and this until further notice.

## Remuneration received

Member	2020	Earned fees (in EUR)
Philiem bv, 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	12,000.00
	<b>Total remuneration</b>	<b>40,000.00</b>
Management Deprez bv, represented by its permanent representative Mrs. Veerle Deprez (Independent Non-Executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	12,000.00
	<b>Total remuneration</b>	<b>37,000.00</b>
ANBA bv, 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	12,000.00
	<b>Total remuneration</b>	<b>37,000.00</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	12,000.00
	<b>Total remuneration</b>	<b>67,000.00</b>
Luc Tack (Executive Director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	12,000.00
	<b>Total remuneration</b>	<b>37,000.00</b>
Karel Vinck (Non-Executive director)	Fixed annual fee	25,000.00
	Attendance fee per half day attended	12,000.00
	<b>Total remuneration</b>	<b>37,000.00</b>
<b>General total</b>		<b>255,000.00</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 behavior and living according to the group's guiding principles.

In its meeting of August 25, 2020, the Board of Directors decided not to grant remuneration (partially) in shares for the ExCom nor to fix a minimum threshold of the amount of shares to be held by the ExCom, and this for 2020 and until further notice.

### **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. In its meeting of August 25, 2020 the Board of Directors approved the decision to add 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.

#### **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 consists of a target percentage of 45% of the fixed remuneration for the CEO and 40% of the fixed remuneration for the CFO-COO with a pay-out coefficient of 0% up to and including 300% depending on the achievement of the intended objectives.

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 Tessengerlo Group.

The long term variable compensation for the ExCom members consists of a target percentage of 45% of the fixed remuneration for the CEO and 40% of the fixed remuneration for the CFO-COO with a pay-out coefficient of 0% up to and including 200% depending on the achievement of the long term objectives.

75% of the LTI is linked to Tessengerlo Group's Adjusted EBITDA, measured over the calendar years 2019, 2020 & 2021.

25% of the LTI is linked to the definition, roll-out & achievement of the different strategic initiatives & targets/goals within each of the different businesses.

Payout for the ExCom members is based on the average of all the respective businesses and depends of course on the evaluation by the Board of Directors.

## 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 2020

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.

Tessengerlo Group benchmarks the ExCom's compensation against a peer group of companies of similar size with the same type of activities of Tessengerlo 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 2020 is detailed below:

Component	Amount CEO	Amount COO-CFO
Fixed compensation (excluding Director fees) <sup>2</sup>	648,027 EUR	624,370 EUR
Variable compensation Short Term <sup>2/5</sup>	455,812 EUR	607,749 EUR
Variable compensation Long Term <sup>6</sup>	0 EUR	0 EUR
Pension <sup>3</sup>	87,029 EUR	23,657 EUR
Other benefits <sup>4</sup>	44,471 EUR	26,103 EUR
<b>Total (cost to the company)</b>	<b>1,235,339 EUR</b>	<b>1,281,879 EUR</b>

1. The ExCom is composed of the CEO (Luc Tack) and one executive Director (the COO-CFO), Stefaan Haspelslagh/Findar bv represented by Stefaan Haspelslagh.
2. Excluding social security contributions.
3. Pension Plan: annual service cost for 2020, 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 23, 2021.
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.

As far as cyber risks are concerned, a separate control program based on the NIST Cybersecurity Framework has been set up.

### **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 implementation of the cybersecurity program is being followed up by a specific committee which includes among others, the Group Audit Director and the Group Chief Information Security Officer.

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 Company 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.

The Group conducts a risk scan to identify all significant risks (financial and non-financial) and for each risk the potential impact, the probability, and the status of management or mitigation action are described in detail. For each risk a responsible party is identified, as well as its responsibility.

The main consequences that are considered when assessing risks relate to: the market and strategy, the impact on people, the disruption in the supply chain, the Company's operational activities, ethics and compliance, financial results and security (ICT and cybersecurity).

The identified risks are assessed and monitored in the various business units and supporting functions. The various risk management activities are reported on a regular basis to the ExCom and once a year to the Audit Committee.

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**

KPMG Réviseurs d'Entreprises/Bedrijfsrevisoren bv/srl, represented by Patrick De Schutter, was appointed statutory auditor by the shareholders' meeting on 14 May 2019, following an audit tender bid process.

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

	2020			
(Million EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	0.2	0.0	0.0	0.3
KPMG (Outside Belgium)	0.7	-	0.0	0.7
<b>Total</b>	<b>0.9</b>	<b>0.0</b>	<b>0.1</b>	<b>1.0</b>

	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>

## **SUBSEQUENT EVENTS**

No significant subsequent events occurred after the balance sheet date

## **APPLICATION OF ART. 7:96 AND 7:97 OF THE BELGIAN CODE OF COMPANIES AND ASSOCIATIONS (BCCA) (PREVIOUSLY ART. 523/524 OF THE BELGIAN CODE OF COMPANIES)**

In the meeting of the Board of Directors held on March 24, 2020, a conflict of interest was recorded in respect of the ExCom members, who are part of the Board of Directors, in connection with the determination of the short term incentive for 2019 and the remuneration package for 2020. An extract of the minutes of this meeting is included in the statutory annual report.

In the meeting of the Board of Directors held on May 12, 2020, a conflict of interest was recorded on behalf of the ExCom members, who are part of the Board of Directors, in connection with the setting of the targets of the long term incentive as well as on the amendment of the ExCom service agreements with regard to the claw-back provisions. An extract of the minutes of this meeting is included in the statutory annual report.

In 2020, no circumstances triggered the application of article 7:97 of the 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.

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).

In its meeting on August 25, 2020, the Board of Directors approved the proposal to purchase own shares up to a maximum amount of 5 million EUR during a period starting on September 14, 2020, and ending on April 30, 2022.

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 Tessengerlo 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 Tessengerlo 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 Tessengerlo 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 Tessenderlo 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).

## **DIVIDEND POLICY**

Tessenderlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2020. 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 is 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 2020, 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 2020, 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 8.7 of the Corporate Governance Code 2020 with respect to the conclusion of a relationship agreement with its reference shareholder**

The Company has not concluded an agreement with its reference shareholder Picanol nv due to its representation in the Board of Directors of Tessenderlo Group.

Brussels, March 23, 2021

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