

# Global Tessenderlo Group Remuneration Policy

## 1 Remuneration Policy 2020

In accordance with the 2020 edition of the Belgian Code of Corporate Governance ('2020 Code'), Tessenderlo Group NV, a Belgian listed company, has established a remuneration policy which describes the remuneration structure and philosophy of the board members (executive and non-executive directors) and of the Executive Committee.

This Remuneration Policy is overseen by the Nomination and Remuneration Committee, whose role and responsibilities are described in the Corporate Governance Charter adopted by our Board of Directors. The Remuneration Policy 2020 describes the rationale on how Tessenderlo Group has developed its remuneration structure and principles, considering relevant market practices and in line with the requirements of its corporate governance framework.

The Remuneration Policy was approved by the Board of Directors upon recommendation of the Nomination and Remuneration Committee on 23 March 2021. It will be submitted to the General Meeting of Shareholders on 11 May 2021. and will be applicable as from the financial year starting on January 1<sup>st</sup>, 2021. This policy is intended to be applicable until December 31, 2021. The policy may be amended from time to time where and when considered appropriate by the Board of Directors upon recommendation of the Nomination and Remuneration Committee and subject to submission of the revised policy for approval by the General Meeting of Shareholders.

## 2 Remuneration Policy for the Directors

Directors are compensated for their services through a cash-based compensation program.

The level of remuneration is benchmarked regularly with a selected number of comparable Belgian companies (Bel 20 & BEL Mid), in order to ensure that the people with competences matching the Tessenderlo Group's international ambitions can be attracted.

The actual level of remuneration of the Directors is determined and approved by the General Meeting of Shareholders. The remuneration per Director consists of the following 2 elements:

- **A fixed annual fee**
- **An attendance fee per half meeting day**

The fixed annual fee is to be pro-rated according to the number of months served as an active Director during the financial year and covers the activities to be performed as a member of the Board of Directors, the Audit Committee or the Nomination and Remuneration Committee. The only exceptions to this are:

- An additional annual fee for the chairman of the Board of Directors;
- An additional annual fee for the chairman of the Audit Committee.

If the Board of Directors requests assistance of a Director in a specific matter on account of his or her independence and/or competence and/or requests the Director to oversee/manage a project or committee, the Director will be entitled to a fee.

Non-executive directors are **not** entitled to performance related remuneration such as bonuses, long-term incentive schemes, fringe benefits or pension benefits, nor to any other type of variable remuneration. Nor will any remuneration in the form of shares be granted to the directors. It is of the opinion that a payment in shares does not have a positive impact on decisions of the 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.

Expenses incurred in the performance of their duties will not be reimbursed unless approved by the Nomination and Remuneration Committee and upon submission of suitable justification.



Appointments are made for a term of four years, and, as a rule, for a maximum of three consecutive terms. In the interest of Tessenderlo Group NV, in order to avoid losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into Tessenderlo Group NV and its operations and, therefore, provide an increasingly valuable contribution to the Board of Directors as a whole, the Board of Directors may, by unanimity of votes, grant exceptions to this policy, provided that the reasons for the exception are explained to the General Meeting of Shareholders.

Any Director may resign at any time by giving notice in writing to the chairman of the Board of Directors. Such resignation shall take effect upon receipt thereof or at any later time specified therein. The acceptance of such resignation shall not be necessary to make it effective. To the extent that the resignation of a Director would result in the composition of the Board of Directors to be no longer compliant with mandatory provisions of the BCAC, the resigning Director will remain in office for a reasonable period until he or she is replaced. In case Directors were elected to the Board of Directors based upon a certain quality, which has been specifically mentioned in the nomination decision, they should immediately inform the Board of Directors when they lose that quality. The Board of Directors through the Nomination and Remuneration Committee shall review the continued appropriateness of membership of the Board of Directors under the circumstances.

Directors can be revoked at will by a simple majority vote at the General Meeting of Shareholders without any right to severance payments.

### 3 Remuneration Policy for the Executive Committee (EXCOM)

To enable Tessenderlo Group's Pay for Performance culture to be deeply rooted and to stimulate the entrepreneurial spirit, Tessenderlo Group continuously reviews how its remuneration policy, structure and philosophy support its strategy and long-term sustainable growth ambition. The following reward principles serve as a backbone to the design of the Tessenderlo Group's rewards offering across its entire workforce:

- Recognition and leadership are key for employee and team engagement.
- The reward structure will serve to attract and retain the talent that the Tessenderlo Group requires to meet its short and long-term goals.
- Remuneration level will be positioned on or just above the median, and will be tested annually against a selected basket of relevant industry references and industries in which the Tessenderlo Group is active.
- Base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the Tessenderlo Group's guiding principles.
- Variable remuneration is linked the success of the Tessenderlo Group, the various business units, departments, teams and individual contributions.
- Job grading and the compensation system for external/internal appointments are based on an objective methodology and measurable market data.
- The reward structure should support & contribute to the sustainable long term growth of the Tessenderlo Group.

The Nomination and Remuneration Committee ensures that the reward programs applicable to the members of the Executive Committee are:

- aligned to the Tessenderlo Group reward principles
- consistent with the overall remuneration framework of Tessenderlo Group
- fair
- appropriate to attract, reward, retain & motivate the right executives.

#### Benchmark

The internal and external competitive landscape of and around Tessenderlo 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.

In line with the reward principles and in the context of a globally consistent remuneration policy, the form and level of the executive remuneration should be aligned to the contribution towards and the achievement of company objectives and the generation of shareholder value.

The Nomination and Remuneration Committee annually reviews the positioning of the total remuneration of the ExCom members to direct competitors, listed companies in the BELMid & BEL20 and other companies active in similar industries wherein Tessenderlo Group operates. The Tessenderlo Group's remuneration policy and total compensation are positioned on the market median or slightly above the market median, with a strong emphasis on variable remuneration.

Under exceptional and isolated circumstances which serve the long-term interests of the Tessenderlo Group, the Board of Directors may deviate from this Remuneration Policy in relation to any remuneration component in view of market pressures. In case this would be required, the Nomination and Remuneration Committee would make special recommendations to the Board of Directors.

### **Compensation Elements**

#### **1. Fixed Remuneration**

The fixed base remuneration component is defined in relation to the median level of base salary of the benchmark described above.

The actual base salary level of the individual depends on its level of skill and position within the Tessenderlo Group combined with the right behavior according to the Tessenderlo Group's guiding principles.

#### **2. Variable remuneration**

Target variable compensation levels are set considering the median market level of the benchmark. These targets are subject to the application of performance multipliers determined based on short and long term objectives linked to Tessenderlo Group results and individual performance.

The variable remuneration is by default paid out in cash, but the Board of Directors, upon reasoned advise of the Nomination and Remuneration Committee, may decide to provide for (full or partial) payment in individual pension commitments, shares, share options or OTC products.

### Short-Term variable compensation

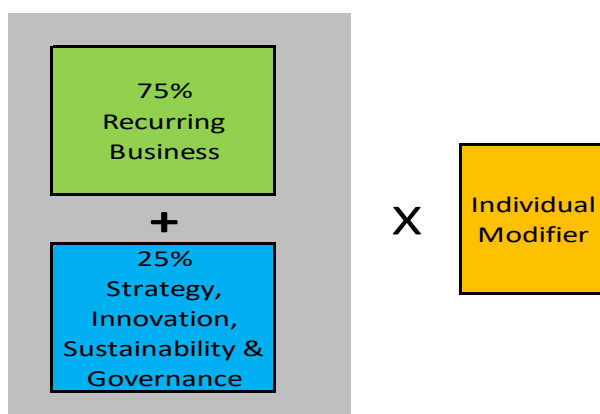
Tessengerlo Group has developed a short-term incentive plan in order to ensure that all ExCom members are compensated according to the overall performance of Messengerlo Group (see details below).

The target bonus is set at 45% of the annual base salary for the CEO and 42.5% for CFO & COO.

The overall bonus opportunity is capped at 300% of the target.

The key performance indicators entitling to the short-term incentive payout and their target values, are set annually by the Board of Directors upon recommendation of the Nomination and Remuneration Committee. They are measured over a period of one financial year.

Tessengerlo Group has developed a globally standardized incentive framework for all eligible leadership positions within the company, which also applies to the Excom members, and consists of the following 3 components:



In line with this global standardized framework, please note that the short term incentive plan of the ExCom members consists of the following components:

- **75%** linked to the financial results of the company with Earnings Before Interest & Tax (EBIT) as the current applicable metric.
- **25%** is linked to the progress in strategy execution, business transformation, sustainability & governance within the group.
- **Individual Modifier:** this is linked to the individual performance contribution of the ExCom member towards the long-term sustainable growth of Messengerlo Group. This individual modifier accommodates an adjustment of up to -50% or +50% of the total incentive payout resulting from the above 2 components.

The targets are set at a level considered to be suitably challenging while the payout curve is balanced to incentivize high performance. A threshold is set at a level that is deemed to be the minimum acceptable level of performance, and as the target is stretched, the maximum can be reached only if truly exceptional performance is attained. The payout curve for the financial metric(s) is currently set as follows:

	Payout
Maximum	200%
Target	100%
Threshold	0%

The evaluations of the CEO and COO + CFO target objectives against the realizations are performed by the Nomination and Remuneration Committee after the end of the financial year and are submitted for approval to the Board of Directors.

The Board of Directors may decide to include additional financial and/or cash flow metrics in any future short term incentive plan to make sure that this accurately reflects the annual performance of the Tessenderlo Group.

### **Long Term variable compensation**

Tessengerlo Group has developed a LTI plan for senior management (including the ExCom members) to further drive increased sustainable growth of the company. The LTI plan covers a 3 year period, with payout in April of the 4th year, based on pre-set performance metrics of the Tessenderlo Group. The current LTI plan for the period 2019 - 2021 (payout in April 2022) has been approved by the Board of Directors on March 12, 2019. A new future LTI plan will be created for the following 3 years and approved by the Board of Directors, upon reasoned advise of the Nomination and Remuneration Committee.

The target LTI is set at 45% of the annual fixed base remuneration for the CEO and 40% for CFO & COO. The overall LTI opportunity is capped at 200% of the target.

The key performance indicators entitling to the long-term incentive payout and their target values, have been set by the Board of Directors upon recommendation of the Nomination and Remuneration Committee.

The long-term incentive plan is built on the principle of profit participation. When the company does well, the participants are rewarded with a “piece of the pie” of the long term added value created.



In line with the LTI plan for senior management, the LTI plan for the ExCom members consist of the following two components:

**1. Tessenderlo Group Financial Achievement (75%)**

75% of the incentive will be linked to the Tessenderlo Group's financial performance measured over a cumulative 3-year period.

Adjusted EBITDA is the financial metric being used in the 2019 – 2021 LTI plan.

The Board of Directors may decide to include additional financial and/or cash flow metrics in this component of any future LTI plans to make sure that this accurately reflects the true long term performance of the Tessenderlo Group. The payout curve for the financial metric is currently set as follows:

	Payout
Maximum	200%
Target	100%
Threshold	0%

**2. Strategic Component (25%)**

The strategic component of the 2019-2021 LTI plan will be 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.

**3. Pensions**

Excom members participate in the applicable Tessenderlo Group extra-legal pension plan (defined contribution plan in Belgium & United States).

**4. Other Benefits**

Excom members also participate in the Tessenderlo Group hospitalization insurance.

ExCom members are also provided with certain executive perquisites such as a company car allowance, eco-cheques and representation allowances.



All above benefits and perquisites are under the same conditions applicable to other members of senior management.

The value of these other benefits do not exceed 10% of the fixed base remuneration of the Excom members.

#### **“Claw-Back” Provision**

The variable compensation plans do not provide any “claw-back” provisions entitling the company to reclaim the compensation paid on the basis of incorrect financial data. However, a “claw-back” clause has been added to the management services agreements of the ExCom members which enables the company to reclaim all or a part of the yearly variable compensation, or withhold payment of variable compensation, in the event of proven fraud and this in a period of two years preceding the year of discovery of the fraud and/or termination of the management services agreement.

#### **Termination Agreement**

Belgian corporate governance requirements are strictly followed for all management agreements and these agreements are governed by Belgian law.

The management agreement of the CEO does not provide for a notice period.

The management agreement of the COO&CFO provides for a notice period of maximum 12 months.

#### **Conflict of Interest**

Based on the fact that all ExCom members are currently also part of the Board of Directors, Art. 7:96 of the Belgian Code of Companies and Associations is strictly applied.