

**APPENDIX 1 TO THE CORPORATE GOVERNANCE CHARTER**



**TERMS OF REFERENCE OF THE BOARD OF DIRECTORS OF  
DIRECTORS**

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## **Introduction**

These terms of reference are part of the CG Charter of the Company. These terms of reference supplement the provisions relating to the Board of Directors and its members, as contained in the applicable legislation and regulations and in the articles of association of the Company.

In these terms of reference a number of terms are used, some printed in capitals, which are not defined in these terms of references. A definition of these terms is provided in the glossary contained in article 1 of the CG Charter.

### **1. COMPOSITION**

**1.1** The Board of Directors has a minimum of 5 and a maximum of 11 members. The Board of Directors must be composed of executive directors and non-executive directors who can also be independent directors.

**1.2** At least half of the Board of Directors must comprise non-executive directors. At least three directors must be independent directors.

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

Independent of the decision of the shareholders, the Board of Directors decides which non-executive directors are to be regarded as independent. In assessing independence, the criteria set out in Appendix A of the CGC should be taken into account, as well as article 526ter of the Belgian Companies Code and any other relevant law or regulation.

Any independent director who ceases to satisfy the requirements of independency of article 526ter of the Belgian Companies Code must immediately inform the Board of Directors.

**1.3** A list of the members of the Board of Directors must be disclosed in the CG Statement in the Annual Report. This list states which members are independent. The composition of the Board of Directors is also available on the corporate website, where each amendment is included without any delay.

### **2. APPOINTMENT**

**2.1** The members of the Board of Directors are appointed by the general meeting. If a position of director becomes vacant, the remaining members of the Board of Directors may provisionally fill the vacancy.

**2.2** The Nomination- and Remuneration Committee recommends one or several candidates, taking into account the needs of the Company and following the articles of association, the appointment procedure and the selection criteria drawn up by the Board of Directors for that purpose.

**2.3** The composition of the Board of Directors is determined based on the necessary diversity and complementary skills, experience and knowledge.

**2.4** Executive and non-executive directors are appointed each time for a period not exceeding four years.

### **3. POWERS OF THE BOARD OF DIRECTORS**

#### **3.1 Role of the Board of Directors**

The Board of Directors is entrusted with the management of the Company with a view to ensuring the long-term success of the Company by providing entrepreneurial leadership and at the same time assessing and managing the risks of the Company.

The Board of Directors accounts to the general meeting in this respect. The responsibility for the management of the Company rests with the Board of Directors as a collegial body.

### **3.2 Duties of the Board of Directors**

In this respect, the main duties of the Board of Directors are as follows:

- The Board of Directors decides on the Company's strategy, its risk appetite, its values and key policies.
- The Board of Directors ensures that the necessary financial and human resources are in place for the Company to meet its objectives.
- The Board of Directors supervises and evaluates the financial and operational performance and the development of the group's corporate results.
- When turning values and strategies into key policies the Board of Directors takes account of corporate social responsibility, gender diversity and diversity in general.
- The Board of Directors approves a framework of internal controls and risk management composed by the Executive Committee. This framework must be comprehensible, define the meaning of 'internal control' and 'risk management' and be of aid to the Executive Committee in the introduction of internal control and risk management systems. It shall also describe and disclose the main features of these internal control and risk management systems of the Company in the CG Statement.
- The Board of Directors assesses the effectiveness of the Board of Directors' Committees.
- The Board of Directors is responsible for the quality and completeness of the disclosed financial notices. The Board of Directors also specifically guarantees the integrity and prompt disclosure of the Annual Accounts and of the other material financial and non-financial information issued to the shareholders and to the potential shareholders.
- The Board of Directors is responsible for the Corporate Governance structure of the Company and compliance with the CGC provisions. The Board of Directors ensures the Company complies with its obligations towards its shareholders and in doing so considers the relevant interests of the parties concerned.
- The Board of Directors promotes effective dialogue with the shareholders and potential shareholders, based on mutual understanding of objectives and expectations.
- On the recommendation of the Nomination- and Remuneration Committee the Board of Directors approves the contracts for the appointments of the CEO and of other members of the Executive Committee. The contracts specify the criteria on the basis of which the variable remuneration is determined. The contract contains specific provisions regarding a premature termination of the contract.

- The Board of Directors decides upon the structure of the Executive Committee of the Company, defines its competencies and obligations and supervises and evaluates the performance of the Executive Committee.
- The Board of Directors selects the Statutory Auditor on the proposal of the Audit Committee and supervises its performance and is responsible for the supervision of the internal audit function (if an independent internal audit function is set up), taking the evaluation of the Audit Committee into account.

When performing its duties, the Board of Directors must act in accordance with the interests of the Company.

### **3.3 Delegation of powers**

The Board of Directors has, in accordance with article 24 of the articles of association of the Company, delegated the most extensive powers in daily management as well as the special powers described in the terms of reference of the Executive Committee, to the Executive Committee to the extent that these powers are being executed within the limits of the general and strategic policy as set out by the Board of Directors and where not expressly reserved to the Board of Directors according to the Belgian Companies Code.

## **4. OPERATION OF THE BOARD OF DIRECTORS**

### **4.1 Meetings of the Board of Directors**

- (a) The Board of Directors meets as many times as required for the interest of the Company, as well as on each request by two directors and this within a fortnight following such a request.

The number of meetings of the Board of Directors and the individual attendance record of the directors to these meetings are disclosed in the CG Statement.

The Board of Directors can meet validly by using telephone or video conferencing facilities. In exceptional cases, when required by the urgent necessity and in the interest of the Company, decisions of the Board of Directors can be taken by unanimous written consent of the directors (by e-mail or by fax).

- (b) The non-executive directors must meet at least once a year without the CEO and the other executive directors.
- (c) Board of Directors' meetings must be convened in the manner laid down in the Company's articles of association.

Except where urgent issues have arisen (as determined by the Chairman of the Board of Directors), the agenda of the meeting will be sent to all members of the Board of Directors at least five calendar days prior to the meeting. Where possible a written explanation and additional information is provided with respect to each item on the agenda. The items on the agenda always state whether these are to be discussed for the purpose of information, deliberation or decision-making.

- (d) Board of Directors' meetings are chaired by the Chairman of the Board of Directors. In the absence of the Chairman of the Board of Directors, the meeting is chaired by the eldest director present at the meeting.

- (e) Each member of the Board of Directors is entitled to have another member of the Board of Directors represent him or her by proxy, given either by e-mail, letter, telegram, telex, fax or in any other written way.
- (f) The Board of Directors can only deliberate validly if at least half of its members are present or represented. If this quorum is not present, a new meeting may be convened with the same agenda, which may deliberate and adopt resolutions validly if at least two directors are present or represented. The resolutions of the Board of Directors will be adopted by a majority of the votes cast. If the votes are tied, the proposal will be rejected.
- (g) The secretary of the Company or another person designated by the chairman of the meeting, draws up minutes of the deliberations of a meeting of the Board of Directors. The minutes must sum up the discussions, specify the decisions taken and state any reservations voiced by directors. The minutes are approved by the Board of Directors in the same or at the next meeting.

## **4.2 Committees**

With a view to the efficient performance of its duties, the Board of Directors has set up specialised Committees to analyse specific issues and advise the Board of Directors on those issues. Regardless of the right to set up other Committees, the Board of Directors has set up an Audit Committee, and a Nomination- and Remuneration Committee.

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

In addition, the Board of Directors has set up an Executive Committee, to which it has delegated part of its powers.

The Board of Directors must determine the terms of reference for each Committee, in which the role, composition and operation of the relevant Committee are specified. The Board of Directors also specifies the composition and operation of each Committee in the CG Statement.

The Board of Directors must pay particular attention to the composition of each of the Committees. It must ensure that in appointing the members of each Committee, consideration is given to the needs and qualifications required for the optimal functioning of the Committee.

## **4.3 Secretary of the Company**

The Board of Directors must appoint a Secretary, who assists the Board of Directors, the Chairman, the Committee chairmen and the members of the Board of Directors in the performance of their duties. All the Board of Directors' members have access to the Secretary of the Company for advice and services.

The Secretary must ensure that the corporate bodies of the Company comply with the laws and with the articles of association, the CG Charter and the terms of reference of the Company. The Secretary reports to the Board of Directors.

The Secretary of the Company assists the Chairman of the Board of Directors in the organisation of matters relating to the Board of Directors and its Committees (preparing meetings, reporting on meetings, information, etc.).

The Secretary ensures there is a good flow of information, both within the Board of Directors and its Committees and between the Executive Committee and the non-executive directors. He facilitates the initial induction and assists, as required, in the professional development.

The Secretary reports regularly to the Board of Directors, under the direction of the Chairman of the Board of Directors, on how procedures, rules and regulations of the Board of Directors are being followed and complied with.

The Secretary of the Company may delegate his or her duties arising under the CG Charter, or parts thereof, to a substitute appointed by him or her following consultation with the Chairman of the Board of Directors.

## **5. CHAIRMAN OF THE BOARD OF DIRECTORS**

### **5.1 Appointment**

The Board of Directors appoints one of its non-executive members as Chairman of the Board of Directors.

The Board of Directors appoints its Chairman on the basis of knowledge, expertise, experience and ability to mediate. If the Board of Directors is considering appointing the former CEO as Chairman the pros and cons of such an appointment must be carefully weighed against each other and the reason why this decision is in the best interests of the Company must be explained in the CG Statement.

### **5.2 Role of the Chairman**

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

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

The Chairman should promote effective interaction between the Board of Directors and the Executive Committee. He or she should establish a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.

### **5.3 Duties of the Chairman**

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

- Setting the agenda of the Board of Directors' meetings, after consultation with the CEO.
- Supervision of the correct course of the procedures concerning the preparation, deliberation, approval and execution of the resolutions.
- Ensuring that the directors receive accurate, timely and clear information before the meetings and, where necessary, between meetings, and that all directors receive the same information.
- Chairing the meetings of the Board of Directors and ensuring that the Board of Directors operates and takes decisions as a collegial body.

- Monitoring the implementation of decisions taken and determining whether further consultation within the Board of Directors with regard to the implementation is necessary.
- Ensuring a regular review of the corporate structure and the corporate governance of the Company and assessing whether operation is satisfactory.
- Ensuring that newly appointed directors receive an appropriate induction.
- Leading the appointment process of directors, in consultation with the Nomination- and Remuneration Committee, and ensuring that the Board of Directors appoints Committee members and chairmen of the Committees.
- Being accessible to the directors, the members of the Executive Committee and the head of the internal audit function (if an independent internal audit function is set up) to discuss issues relating to the management of the Company.

The Board of Directors may decide to entrust the Chairman of the Board of Directors with additional responsibilities, however this should not detract from the non-executive nature of this mandate.

With regard to shareholders and third parties the Chairman is mainly responsible for:

- Chairing the general meeting and ensuring that relevant questions from shareholders are answered.
- Representing the Company at road shows, meetings with analysts, professional organisations, socio-economic groups, the government, etc. The Chairman has the right to delegate these responsibilities to the CEO.

## **6. PROFESSIONAL DEVELOPMENT OF THE BOARD OF DIRECTORS**

### **6.1 Training and professional development**

- (a) Newly appointed directors should receive an appropriate induction after joining the Board of Directors.

The purpose of the induction process is:

- To help the new directors grasp the fundamentals of the Company, including its governance, strategy, key policies, financial and business challenges; and
- To advise the new directors on their rights and duties as directors.

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

The Chairman of the Board of Directors of Directors will prepare a general induction programme assisted by the Company Secretary, which is aimed to provide a general induction to each new director, as provided for above, so that they can speedily make an actual contribution to the Board of Directors of Directors.

- (b) The directors are individually responsible for developing and updating the knowledge and qualifications that are required to perform their duties in the Board of Directors and in the



Committees of which they are members. The Company will provide the directors with the necessary means, including financial means, to achieve this.

## **6.2 Advice**

Directors are entitled to seek external professional advice, at the Company's expense, about issues that fall within their powers, having first obtained approval to this end from the Chairman of the Board of Directors.

## **6.3 Evaluation**

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

In this respect, every two years, under the lead of its Chairman, the Board of Directors must assess its size, composition and performance and those of its Committees as well as its interaction with the Executive Committee.

This evaluation has four objectives

1. to assess the operation of the Board of Directors and of the Committees;
  2. to review whether important issues are thoroughly prepared and discussed in detail;
  3. to review the actual contribution made by each director to the work of the Board of Directors and to assess his or her attendance record at Board of Directors and committee meetings and his or her constructive involvement in discussions and decision-making;
  4. to assess the current composition of the Board of Directors and the Committees in light of the desired composition of the Board of Directors or of the Committees.
- (b) In order to make a periodic evaluation possible, the directors must give their full assistance to the Nomination- and Remuneration Committee and any other persons, whether internal or external to the Company, entrusted with the evaluation of the directors.
- (c) The Board of Directors must assess the operation of the Committees every two years. For this assessment, the results of the individual evaluation of the directors must be taken into consideration. The Chairman of the Board of Directors and the performance of his or her duties within the Board of Directors must also be carefully evaluated.
- (d) Based on the results of this evaluation, the Nomination- and Remuneration Committee should, where appropriate and possibly in consultation with external experts, submit a report commenting on the strengths and weaknesses to the Board of Directors and make proposals to appoint new directors or to not re-elect directors.
- (e) The non-executive directors must annually assess their interaction with the Executive Committee.
- (f) Once a year, the CEO must discuss both the operation and performance of the Executive Committee with the Nomination- and Remuneration Committee. The evaluation criteria should be clearly specified. The CEO must not be present at the discussion on his or her own evaluation.
- (g) The CG Statement contains information on the main features of the evaluation process of the Board of Directors, of its Committees and of its individual directors.

## **7. REMUNERATION**

The Nomination- and Remuneration Committee, set up by the Board of Directors, is responsible for outlining a remuneration policy for the executive and non-executive directors.

The currently applicable remuneration policy of the Company for the executive and non-executive directors is set out in Appendix 5 and is also included in the CG Statement in the Annual Report, which is also made available on the Company's corporate website.

## **8. CODE OF CONDUCT**

- (a) Each member of the Board of Directors of the Company is expected to perform his or her duties in an honest, ethical and justified manner.

The first priority for all directors is to protect the interests of the Company. Independence of judgement is required in the decisions of all directors, executive and non-executive alike, irrespective of whether they are independent.

- (b) All members of the Board of Directors are expected to commit themselves entirely to the performance of their duties.

The directors must ensure that they receive detailed and accurate information, which they must study carefully so as to acquire and maintain a strong command of the key issues relating to the Company's business. They seek clarification whenever they deem it necessary.

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

However, a member of the Board of Directors is authorised to disclose the information described above to staff members of the Company and of companies in which the Company has an interest, who need to be informed of such information in view of their activities for the Company or for the companies in which the Company has an interest.

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

- (d) Each member of the Board of Directors undertakes not to develop any conflicts of interests with the Company, either directly or indirectly and regardless in which position, during the term of his or her mandate.

All directors inform the Board of Directors of any conflict of interest when it occurs and, in accordance with the relevant stipulations in the Belgian Companies Code, they refrain themselves from voting about these matters.

Any abstention due to a conflict of interest will be made public in accordance with the relevant provisions of the Company Code.

- (e) Each member of the Board of Directors is expected to comply with the Company's policy concerning transactions and other contractual ties between the Company and its directors as set out in Appendix 2.
- (f) The rules mentioned above also apply to the Secretary of the Company.