

# Corporate Governance Charter

## LOTUS BAKERIES NV



# LOTUS BAKERIES – CORPORATE GOVERNANCE CHARTER

## TABLE OF CONTENTS

A.	Introduction.....	4
B.	Definitions.....	5
<b>1.</b>	<b>Mission and corporate values .....</b>	<b>5</b>
1.1	Mission .....	5
1.2	Corporate values .....	5
<b>2.</b>	<b>Structure and organisation.....</b>	<b>6</b>
2.1	Legal structure.....	6
2.2	Group structure .....	7
2.3	Governance structure .....	8
2.4	Business organisation .....	8
2.5	Company website.....	10
<b>3.</b>	<b>Shareholders.....</b>	<b>10</b>
3.1	Communication with shareholders .....	10
3.2	Agenda of the shareholders meeting.....	11
3.3	Shareholding and control structure of the Company .....	11
3.4	Cross shareholding .....	11
<b>4.</b>	<b>Transactions between the Company and its board members .....</b>	<b>12</b>
<b>5.</b>	<b>Transactions involving shares of the Company .....</b>	<b>12</b>
<b>6.</b>	<b>Miscellaneous .....</b>	<b>12</b>
	<b>Appendix 1 Terms of reference of the Board.....</b>	<b>14</b>
1.	Composition .....	14
2.	Powers of the Board.....	15
3.	Operation of the Board .....	17
4.	Chairman of the Board .....	18
5.	Professional Development of the Board .....	19
6.	Remuneration.....	21
7.	Code of Conduct .....	21
	<b>Appendix 2 Policy for transactions and other contractual relationships between the Company and its Board members and members of the Executive Committee.....</b>	<b>23</b>
	<b>Appendix 3 Rules for the prevention of market abuse .....</b>	<b>24</b>
1.	Policy statement .....	24
2.	Code of conduct .....	24
	<b>Appendix 4 Terms of reference of the Audit Committee .....</b>	<b>28</b>
1.	Composition .....	28
2.	Powers .....	28
3.	Operation.....	30

<b>Appendix 5 Terms of reference of the Remuneration- and Nomination Committee.....</b>	<b>32</b>
1. Composition .....	32
2. Powers .....	32
3. Operation.....	33
<b>Appendix 6 Terms of reference of the Executive Committee .....</b>	<b>36</b>
1. Composition .....	36
2. Powers .....	36
3. Operation.....	38
4. Code of conduct .....	39
<b>Appendix 7 Remuneration Policy.....</b>	<b>41</b>
1. Remuneration of non-executive directors .....	41
2. Remuneration of the members of the Executive Committee .....	41

## **A. INTRODUCTION**

Lotus Bakeries pledges to follow the nine principles laid out in the Belgian Corporate Governance Code announced on 12 March 2009 by the Corporate Governance Committee presided by Herman Daems:

- 1) The Company adopts a clear governance structure.
- 2) The Company has an effective and efficient Board of Directors that will make decisions for the interest of the company.
- 3) All directors show integrity and dedication.
- 4) The Company has a rigorous and transparent procedure for the appointment and the evaluation of its board and the members thereof.
- 5) The Board of Directors creates specialised committees.
- 6) The Company develops a clear structure for executive management.
- 7) The Company compensates the directors and the members of the Executive Management in a fair and responsible manner.
- 8) The Company enters into dialogue with shareholders and potential shareholders, based on mutual understanding of each others' objectives and expectations.
- 9) The Company guarantees suitable disclosure of its corporate governance.

In accordance with the afore-mentioned Code, the Lotus Bakeries Board of Directors approved this Corporate Governance Charter on 11 September 2009. The Corporate Governance Charter shall be updated based on evolutions in corporate governance policy.

A Corporate Governance Statement describing a number of concrete applications of this Code will be published in the annual report.

To this Corporate Governance Charter have been added a number of appendices that are an integral part thereof:

- Appendix 1: Terms of reference of the Board of Directors
- Appendix 2: Policy for transactions and other contractual relationships between the Company and its Board members and members of the Executive Committee
- Appendix 3: Rules for the prevention of market abuse
- Appendix 4: Terms of reference of the Audit Committee
- Appendix 5: Terms of reference of the Remuneration and Nomination Committee
- Appendix 6: Terms of reference of the Executive Committee
- Appendix 7: Remuneration Policy

## B DEFINITIONS

The following definitions shall apply in this Charter:

**Charter** means this Corporate Governance Charter and all its appendices.

**Code** means the Belgian Corporate Governance Code.

**Subsidiary** has the meaning given to this term in article 6 of the Companies Code.

**Executive Committee (EXCO)** means the Corporate Executive Committee of the Group.

**Board** means the Board of Directors of the Company.

**Company** means Lotus Bakeries NV.

**Group** means the Company as well as the companies which the Company (collectively) controls according to the terms of article 5 of the Companies Code.

**Related Company** has the meaning given to this term in article 11 of the Companies Code.

## 1 MISSION AND CORPORATE VALUES

### 1.1 Mission

Lotus Bakeries will base its **sustainable growth and profitability** on:

- a focus on **authentic products** from the biscuit and cake world: caramelized biscuits, gingerbread, waffles and galettes, bakery specialties and pepparkakor biscuits. Products that are distinctive in terms of both quality and customer satisfaction. Customers are entitled to expect the very best from Lotus Bakeries in these specialty areas.
- a targeted **brand policy**: building brands with real content. Lotus, Peijnenburg and Annas are strong brands, which radiate pride and in which consumers have constant trust and feel good when consuming.
- clear leadership in its specialties.

The **size and organization** of Lotus Bakeries must be adapted to the volume and foreseeable evolution of **its market**.

### 1.2 Corporate Values

**1.2.1** The values of Lotus Bakeries are the standards that help in achieving the objectives. These values are team spirit, open dialogue and passion.

- Team spirit means working together constructively with respect for one other and being able to build in mutual trust and in good consultation.
- Open Dialogue means listening with an open mind, using proactive communication and giving respectful feedback that can help people develop further.

- Passion means that drivenness and enthusiasm give our employees energy, and that commitment and pride make every employee give the best of him or herself every day. The Lotus Bakeries employees are our ambassadors.

**1.2.2** The core competencies of Lotus Bakeries are: vision of one's work, out-of-the box thinking, ownership and daring. Core competencies are those competencies that give the organization a distinctive strength.

- Out-of-the-box thinking

For Lotus Bakeries it is important that employees be creative in their thinking, acting and dealing with others. In implementing the strategy it is essential that employees use new approaches and find original solutions to problems relating to their immediate functions, but also outside them, invent innovative ways of working to replace existing ones, and draw inspiration from elsewhere.

- Vision of one's work

In thinking about what they want to achieve in their function, employees are asked to be critical in defining their vision of their work and how this contributes to the implementation of the strategy. The objective is to create distinctive market strengths. There is room here for intuition and feeling alongside rational thinking.

- Ownership

Lotus Bakeries believes it is important that employees take responsibility, and out of this commitment do things for customers and consumers as if for themselves. Taking ownership is an important element in achieving and securing results.

- Daring

For Lotus Bakeries it is important that its employees want to broaden their horizons, be ready to stick their necks out and question things in a constructive way. Spontaneity, collegiality and trust play an important role here.

This ensemble of values and core competencies forms the core of the Lotus Bakeries culture.

## **2. Structure and organisation**

### **2.1 Legal structure**

Lotus Bakeries NV is a "Naamloze Vennootschap" under Belgian law which has made public offerings of securities.

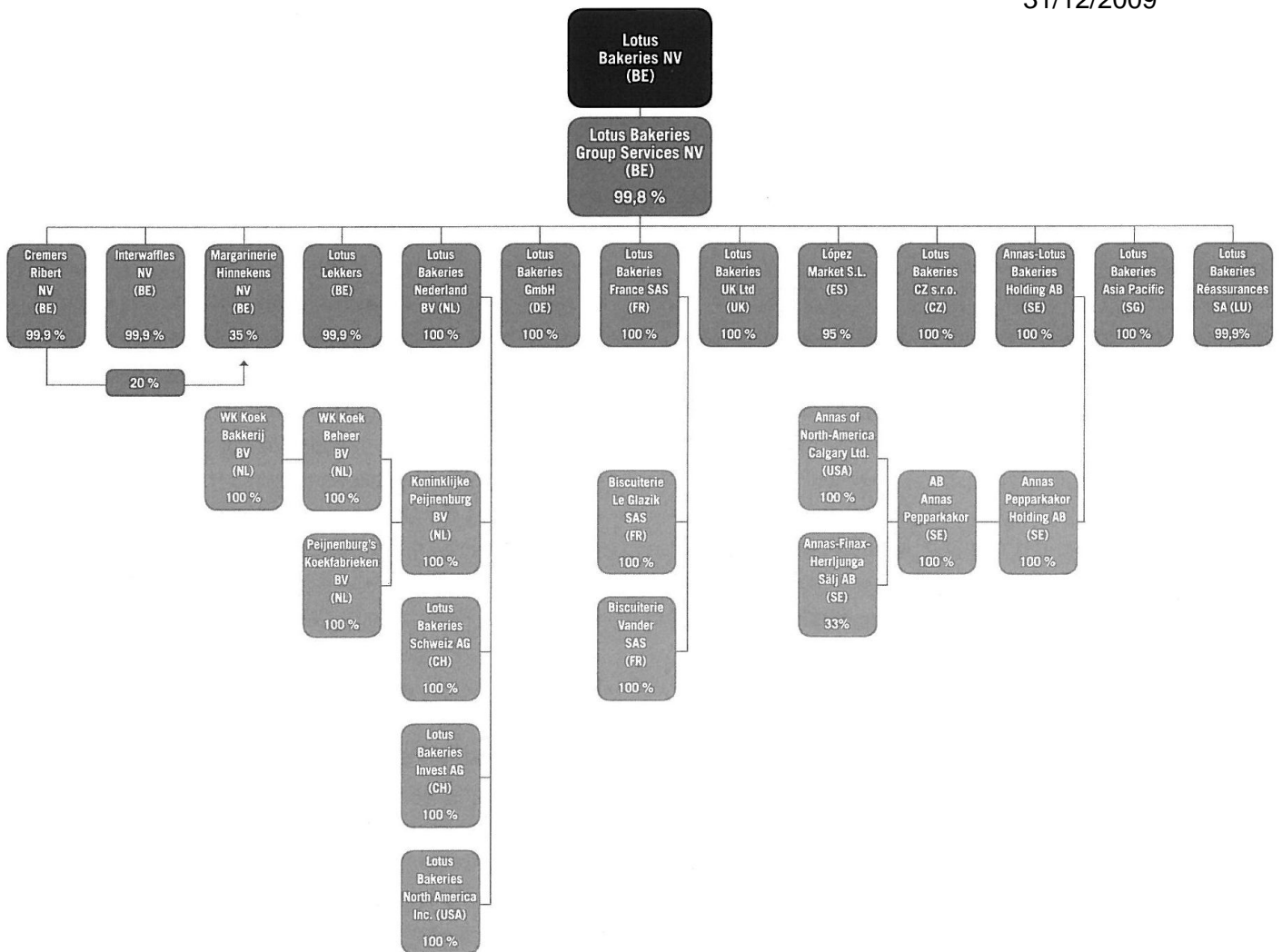
The Company's shares are listed on the First Market (Continuous Market) of Euronext Brussels.

The Company's articles of association are available on its web site [www.lotusbakeries.com](http://www.lotusbakeries.com).

## 2.2 Group structure

The Company has several direct and indirect subsidiaries in Belgium and abroad. The group structure can be represented as follows:

31/12/2009



## **2.3 Governance structure**

The Board is the main decision-making body of the Company and has the power to perform all acts that are necessary or useful to accomplish the Company's objects, save those for which only the general meeting has the required powers according to law and the powers which the Board transferred to the Managing Director and to the Executive Committee.

The composition, powers and operation of the Board are described in the terms of reference of the Board (see appendix 1).

The Board has set up an Executive Committee. The composition, powers and operation of the Executive Committee are described in the terms of reference of the Executive Committee (see appendix 6).

The Board has set up an Audit Committee, and a Remuneration and Nomination Committee. These committees are advisory bodies. They assist the Board in specific matters, which they monitor closely and with regard to which they formulate recommendations for the Board. The final decision is taken by the Board. The composition, powers and operation of the committees are described in their respective terms of reference (see appendices 4 and 5). The committees report to the Board after each meeting.

The Board has delegated the Company's daily management to the CEO.

## **2.4 Business organisation**

The Group is organised as follows:

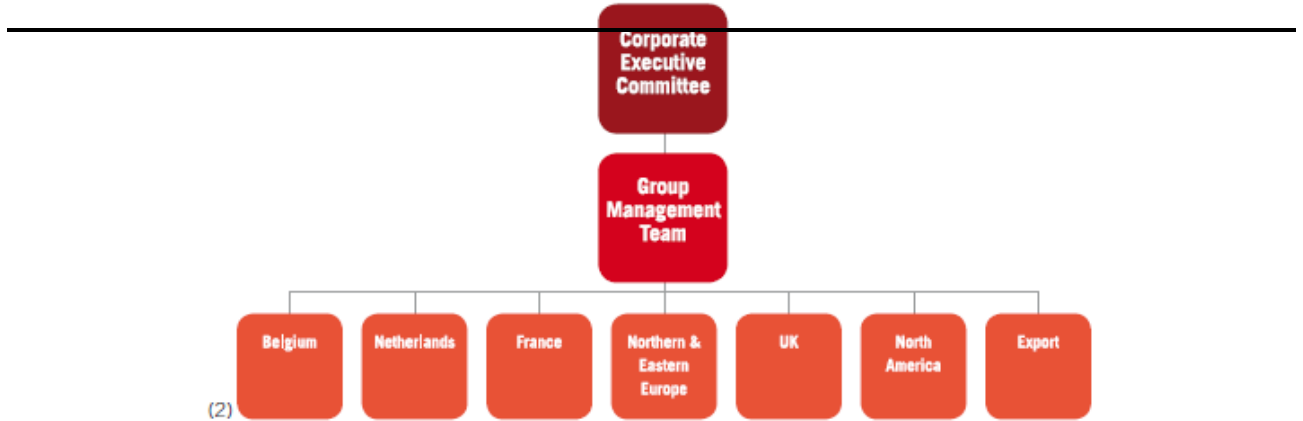
### **1) Group functions and country organization**

In order to be able to implement its group strategy as coherently and efficiently as possible, Lotus Bakeries has opted for a country-based organization with an integrated corporate policy.

The Group's Corporate Executive Committee consists of the chief executive officer, two managing directors, a corporate director finance & human resources and a corporate director ICT, tax, legal & risk. In this way we now have a series of group-level departments providing general management, bringing expertise or delivering services to the entire Group or to the country and regional organizations (corporate HR, corporate controlling, corporate treasury, ICT, corporate tax, corporate secretary, quality & research, central engineering, food law & nutrition, buying coordination).

The Group Management Team consists of the members of the Executive Committee plus seven country or regional managers (Belgium, Netherlands, France, North America, Northern & Eastern Europe, UK and export regions). The country and regional organizations play a very important role of adapting to the commercial specificities of each market and the culture of each country.

It is crucially important that the commercial policy of each country and/or region reflect its own particular market and that production facilities also think in a market-directed way. This is part of the Lotus Bakeries group policy, and is integrated into the policy lines that are set at group level.



## 2) Sales organizations

Lotus products are consumed both at home and away from home. Lotus has specialist sales teams working intensively in each market: retail, catering (schools and clinics) and food service (hotels, restaurants, cafés and petrol stations).

Lotus Bakeries has its own sales organizations for Belgium, the Netherlands, France, Germany/Austria/Switzerland, the Czech Republic/Slovakia, the United Kingdom, Spain, Sweden and the United States.

The Lotus Bakeries Group looks after export countries from Belgium. In each country we work closely with specialist importers who sell the products of Lotus Bakeries in a professional way. The main export areas are South Korea, Japan, Israel, Italy, the Balkans, Cyprus, Taiwan, Lebanon, Greece, China and Kuwait.

### 3) Production facilities

Lotus Bakeries' product range involves it in a wide range of different production technologies. Understanding, mastering and further developing these product technologies is a constant challenge. This makes it important to concentrate the products and production processes in specialized plants.

Our production sites are:

#### Belgium

- At Lembeke in East Flanders we produce the full range of caramelized biscuits, as well as frangipane.
- In Oostakker in East Flanders, we produce madeleine, Amico, Zebra and Midi. This production plant also specializes in snack cakes (Marshmallow, Bimbo, Caramallow) and carré confiture.
- The production of waffles and galettes is split between Meise in Flemish Brabant and Courcelles in Hainault.

#### France

- Our plant at Comines, Le Nord, specializes in filled waffles, coconut products, frangipane and Pommeline.
- In Briec-de-l'Odet, Brittany, Le Glazik produces the Breton butter products: 4/4 bars, mini 4/4s, madeleine, gâteaux bretons, galettes bretonnes, palets and luxury butter biscuits (almond biscuits, hearts).

#### Netherlands

- Geldrop, North Brabant, where the famous Peijnenburg gingerbread is produced.
- Sintjohannesga, Friesland. The Sintjohannesga site produces Frisian cookies under the Wieger Ketelapper brand and gingerbread under the Peijnenburg brand.
- Enkhuizen, North Holland, produces Glacés, battenbergs and Enkhuizer cookies.

#### Sweden

- Tyresö, close to Stockholm, produces the Annas fine pepparkakor biscuits for Sweden and export markets.

#### Canada

- High River, Alberta, produces Annas fine pepparkakor biscuits for the United States and Canada.

### 4) Logistics centre

The logistics centre at Lokeren (East Flanders, Belgium) delivers products produced in the Belgian and French plants. Products from other plants (the Netherlands, Sweden and Canada) are delivered by outside logistics partners.

## 2.5 Company website

The Board must ensure that all information which the Company must publish pursuant to legal provisions, the Code or this Charter is posted on and updated in a separate and clearly recognisable part of the Company's website, notably in the "Investor Relations" section.

Any amendments to this Charter will be reported on the Company's web site without delay.

## 3. SHAREHOLDERS

### 3.1 Communication with shareholders

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

The Company has a communications policy that promotes effective dialogue with shareholders and potential shareholders.

### 3.2 Agenda of the shareholders' meeting

Shareholders who, individually or jointly, represent at least 5% of capital, may propose subjects for the agenda of the general meeting of shareholders, providing that such proposals are sent to the Board of Directors at least 90 days before the general meeting.

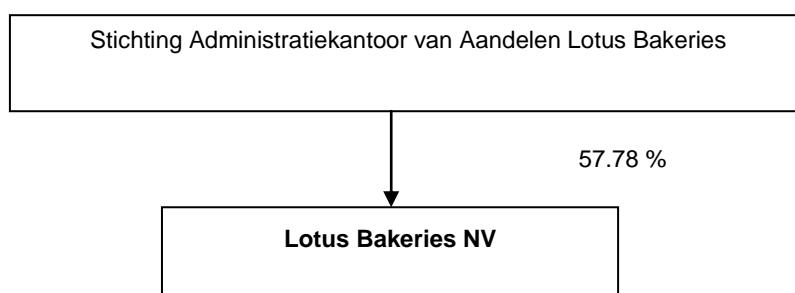
The relevant information is available on the website in advance of the general shareholders meeting.

### 3.3 Shareholding and control structure of the Company

The Company is controlled by the Stichting Administratiekantoor van Aandelen Lotus Bakeries that holds 446,378 shares in the Company's capital or a stake of 57.78%.

On 30 April 2010, pursuant to Article 29§1, 1 of the Law of 2 May 2007 on disclosure of mayor holdings, the Stichting Administratiekantoor has announced the above mentioned percent stake as of 27 April 2010 to the Company and to the CBFA (Belgian Banking, Finance and Insurance Commission). The announcement in question was made public on 3 May 2010.

Diagram:



The most important rules that apply to the Stichting Administratiekantoor regarding Lotus Bakeries are as follows:

- over a period of three years, no selling of Lotus Bakeries certificates may occur, other than between members of the same family branch. After that period, they may be sold with a right of pre-emption, with the restriction that unpurchased certificates may be decertified only to a limited extent
- voting rights associated with Lotus Bakeries shares are transferred to the Board of Directors of the Stichting Administratiekantoor
- the manner in which the directors of the Stichting Administratiekantoor are appointed
- the manner in which the candidate directors of Lotus Bakeries that represent the controlling shareholder are appointed

The Board of Directors of the Stichting Administratiekantoor shall respect the authority and activities of the Company's Board of Directors.

### **3.4 Cross-shareholdings**

As of 27 April 2010, Lotus Bakeries Group Services NV had 26,457 shares of Lotus Bakeries NV. These shares were acquired since December 1999 to safeguard the Company's obligations as part of the stock option plans.

#### **4. TRANSACTIONS BETWEEN THE COMPANY AND ITS BOARD MEMBERS**

The Board has formulated a policy on transactions and other contractual relationships between the Company (including its Related Companies) and its board members and members of the Executive Committee to whom the regulations with regard to conflicting interests do not apply. These regulations are attached to this Charter as appendix 2.

#### **5. TRANSACTIONS INVOLVING SHARES OF THE COMPANY**

The Board has drawn up a set of rules with regard to transactions involving shares or other financial instruments of the Company carried out by board members, members of the Executive Committee and of the Group Management Team and other designated persons for their own account (the "Rules").

The current Rules with regard to transactions in shares of the Company are set out in appendix 3.

The Board must appoint a compliance officer who will monitor the board members' and other designated persons' compliance with the Rules. The compliance officer will also perform all other duties assigned to him or her pursuant to the Rules.

#### **6. MISCELLANEOUS**

##### **6.1 Acceptance by Board members**

Anyone who is appointed as a member of the Board must declare in writing to the Company, upon accepting the membership, that he or she accepts and endorses the contents of this Charter, and undertakes to comply with the provisions of this Charter.

##### **6.2 Amendment**

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

The Board may decide to derogate from this Charter with regard to specific items, provided that the applicable rules are complied with and that such departures are disclosed in the pertinent section of the annual report.

Any amendment or derogation must be published on the Company's web site without delay. A third party will not be entitled to derive any rights from any such amendment or derogation.

##### **6.3 Partial invalidity**

If one or several provisions of this Charter are or become invalid, this invalidity will not affect the validity of the remaining provisions. The Board can replace the invalid provisions by valid provisions the effect of which, given the contents and the purpose of this Charter, corresponds to the largest possible extent, to that of the invalid provisions.

#### **6.4 Conflict with legal or statutory provisions**

In the case of a discrepancy between a provision of this Charter and a (stricter) legal provision or provision of the articles of association, the latter provision shall prevail.

## **APPENDIX 1 TERMS OF REFERENCE OF THE BOARD**

### **1 COMPOSITION**

#### **1.1 Composition**

- a) The Board of the Company currently has eleven members.
- b) There are three executive directors and eight non-executive directors, of which four are 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 decides which non-executive directors are to be regarded as independent. In assessing independence, the criteria set out in Appendix A of the Code should be taken into account, as well as article 526 ter of the Companies Code and any other relevant law or regulation.

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

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

#### **1.2 Appointment**

- a) The members of the Board are appointed by the general meeting. If a position of director becomes vacant, the remaining board members may provisionally fill the vacancy.
- b) Candidates to be directors representing the controlling shareholder are nominated as follows: the Stichting Administratiekantoor shall nominate four candidate directors.

For the directors who do not represent the controlling shareholder, the Remuneration and Nomination Committee recommends one or several candidates, taking into account the needs of the Company and following the appointment procedure and the selection criteria drawn up by the Board for that purpose.

- c) The composition of the Board is determined based on the necessary diversity and complementary skills, experience and diversity of knowledge.
- d) Members of the Board are appointed for a period not exceeding four years.
- e) Director's terms shall automatically expire on the date of the Ordinary General shareholders meeting after the year during which the director reaches the age of 70.

## **2. POWERS OF THE BOARD**

### **2.1 Role**

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

### **2.2 Duties**

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

a) Corporate Governance

Define the application of corporate governance rules and attitudes for the company.

b) Make a performance-driven strategy possible

① Define the strategy

Management shall propose a long-term company strategy: based on internal skills, the company's position compared to the competition, analysis of strengths and weaknesses and the company's possibilities.

The Board of Directors shall pass judgement on the long-term strategy selected.

② Means to carry out this strategy

• Financial:

- define the financial structure: including the debt structure, suggestions to the general shareholders meeting for capital increases
- suggestions to the general shareholders meeting concerning dividend policy and concrete dividends
- approval of the budgets

• Organisation:

- define the general organisation and powers of the Executive Management
- appointment of the members of the executive committee
- approval of the pay policy
- suggestions to the general shareholders meeting concerning the stock option policy

• Investments

- investment policy
- concrete investment plans

• Important decisions such as mergers, take-overs, important disinvestments, partnerships

• Important driving forces:

- R&D policy
- marketing policy

- c) Defining the corporate values
- d) Risk management
  - create a risk profile based on a risk analysis
- e) Control of operations
  - assess the performance of executive management and the implementation of the company's strategy
  - data reliability:
    - draft balance sheets and annual statements: proposition to the general shareholders meeting
    - annual report
  - ensure the timely publication of the same
    - approving an internal control and risk management framework
  - suggest an auditor for appointment to the general shareholders meeting and monitor his performance.
- f) Communication policy
  - define the communication policy
  - define the communication organisation
- g) Proper functioning
  - set up committees, define their tasks and judge their appropriateness, appoint the members and chairman of each committee
  - suggest directors for appointment to the general shareholders meeting
  - define internal procedures
- h) Encourage effective dialogue with shareholders. Making sure that the controlling shareholder complies with this Code.

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

### **3 OPERATION OF THE BOARD**

#### **3.1 Meetings of the Board**

- a) In principle, the Board meets at least six times a year or as many times as is deemed necessary or advisable by one or several members of the Board for the proper functioning of the Board.
- b) The non-executive directors must meet at least once a year without the CEO and the other executive directors.

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

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

- d) Board meetings are chaired by the Chairman of the Board. In the absence of the Chairman of the Board, the meeting is chaired by another Board member designated by a majority of the votes cast by the Board members present or represented at the meeting.
- e) Each member of the Board is entitled to have another member of the Board represent him or her by proxy.
- f) The members of the Board present or represented at the meeting decide by majority vote on the admission to the meeting of persons other than the members of the Board and the Secretary of the Company or his or her substitute.
- 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. The minutes sum up the discussions, specify the decisions taken and state any reservations voiced by directors. The minutes are approved by the Board in the next meeting.

### **3.2 Committees**

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

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

The Board has determined the terms of reference for each Committee, in which the role, composition and operation of the relevant Committee are specified (see appendices **4 en 5**).

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

### **3.3 Secretary of the Company**

The Board of Directors has appointed the Corporate Secretary as secretary of the Company. He shall report to the Board of Directors in matters of application of and compliance with the procedures, rules and regulations of the Board of Directors. Under the guidance of the chairman, he shall ensure a good flow of information within the Board of Directors and its committees. In these matters, the directors shall have access to the secretary of the Company.

## **4. CHAIRMAN OF THE BOARD**

### **4.1 Appointment**

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

### **4.2 Role of the Chairman**

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

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

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

### **4.3 Duties of the Chairman**

Within the Board, the Chairman is primarily responsible for:

- setting the agenda of the Board meetings, after consultation with the CEO;
- ensuring that procedures relating to preparatory work, deliberations, passing of resolutions and implementation of decisions are properly followed;
- ensuring that the directors receive accurate, timely and clear information before the meetings and, where necessary, between meetings, and that all directors receive the same information;
- chairing the meetings of the Board and ensuring that the Board operates and takes decisions as a collegial body;
- monitoring the implementation of decisions taken and determining whether further consultation within the Board with regard to the implementation is necessary;
- ensuring a regular review of the corporate structure and the corporate governance of the Company and assessing whether their operation is satisfactory;
- ensuring that newly appointed directors receive an appropriate induction;
- leading the nomination process of directors, in consultation with the Remuneration and Nomination Committee, and ensuring that the Board appoints Committee members and chairmen;
- being accessible to the directors, the members of the Executive Committee and the head of the internal audit function to discuss issues relating to the management of the Company;

The Board may decide to entrust the Chairman of the Board with additional responsibilities.

With regard to shareholders and third parties, the Chairman is mainly responsible for chairing the general shareholders meeting and ensuring that relevant questions from shareholders are answered

## **5. PROFESSIONAL DEVELOPMENT OF THE BOARD**

### **5.1 Training and professional development**

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

The purpose of the induction process is:

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

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

The Chairman of the Board prepares a general induction programme. The purpose of this programme is to provide each new director with a general induction, as stated above, to ensure their early contribution to the Board.

- b) The directors are individually responsible for developing and updating the knowledge and qualifications that are required to perform their duties in the Board and in the Committees of which they are members.

### **5.2 Advice**

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

### **5.3 Evaluation**

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

In this respect, every three years, under the lead of its Chairman, the Board must assess its size, composition, operation and interaction with the Executive Committee. This evaluation has four objectives:

- assessing the operation of the Board;
- checking that the important issues are thoroughly prepared and discussed;

- evaluating the actual contribution of each director to the work of the Board, his or her attendance at the Board and Committee meetings and his or her constructive involvement in discussions and decision-making;
  - checking the Board's current composition against the Board's desired composition.
- b) The Board assesses the operation of the Committees every three years.
- c) Based on the results of the evaluation, the Remuneration and Nomination Committee should, where appropriate and possibly in consultation with external experts, submit a report commenting on the strengths and weaknesses to the Board and make proposals to appoint new directors or to not re-elect directors.
- d) The non-executive directors annually assess their interaction with the Executive Committee and, where appropriate, make proposals to the Chairman of the Board with a view to improving this interaction.
- e) Once a year, the CEO discusses both the operation and performance of the Executive Committee with the Remuneration and Nomination Committee. The evaluation criteria should be clearly specified. The CEO will not be present at the discussion on his or her own evaluation.

## **6. REMUNERATION**

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

The Company's current remuneration policy for the executive and non-executive directors is set out in appendix 7.

## **7. CODE OF CONDUCT**

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

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

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

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

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

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

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

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

- attempting to encourage staff members of the Company or its subsidiaries to terminate their relationship with the Company or its subsidiaries;
- attempting to encourage a buyer, customer, supplier, agent, franchisee, network supplier or any other contracting party to terminate a relationship with the Company or its subsidiaries or to change the terms of any such relationship in a way that is detrimental to the Company or its subsidiaries.

- e) Each member of the Board must comply with the policy relating to transactions and other contractual relationships between the Company and its board members, as included in appendix 2.
- f) Each member of the Board will comply with the rules concerning market abuse set out in appendix 3.
- g) The above code of conduct also applies to the Secretary of the Company.

## **APPENDIX 2 POLICY FOR TRANSACTIONS AND OTHER CONTRACTUAL RELATIONSHIPS BETWEEN THE COMPANY AND ITS BOARD MEMBERS AND MEMBERS OF THE EXECUTIVE COMMITTEE**

- It is expected of all Board members and of all members of the Executive Committee that they avoid acts, positions or interests that conflict with or seem to conflict with the interests of the Company.
- All transactions between the Company and members of the Board or of the Executive Committee or their representatives require the approval of the Board. They can only take place at arm's length.

For instance, members of the Board and of the Executive Committee may not conclude contracts with the Company, either directly or indirectly, relating to the delivery of goods or paid services (other than in the context of their director's or executive mandate), other than with the express authorisation of the Board.

- If members of the Board or of the Executive Committee or their permanent representatives are confronted with possible conflicting interests arising from a decision or transaction of the Company, they must inform the Chairman of the Board respectively the CEO as soon as possible. Conflicting interests include conflicting proprietary interests, functional or political interests or interests involving family members (up to the second degree).

If article 523 of the Companies Code is applicable, the board member involved must abstain from participating in the deliberations and in the vote.

If article 523 of the Companies Code does not apply, the existence of a possible conflict of interest shall be recorded (but not published) and the board member is expected to abstain from voting.

In the event of possible conflicts of interest on the part of a member of the Executive Committee who is not a director, this possible conflict of interest shall be noted (but not published) and the Executive Committee member in question shall refrain from the vote.

## APPENDIX 3 RULES FOR THE PREVENTION OF MARKET ABUSE

### 1. POLICY STATEMENT

The internal market abuse prevention policy of the Company is laid down in these terms of reference.

The Board of the Company has established the following Rules (the “Rules”) to prevent the illegal use of Insider information or the appearance of such use by board members, shareholders, management members, employees and certain third parties.

These prohibitive provisions and the supervision of compliance with these provisions are in the first place intended to protect the market.

To ensure that the legal provisions are respected and to uphold the reputation of the Company, it is therefore advisable to take a number of preventive measures in the form of a code of conduct. However, compliance with the Rules included in this code of conduct does not exempt the Insider in question from his or her individual liability.

The Rules apply to all Insiders. Insiders providing services on behalf of the Company for the first time are required to abide by these Rules and are bound by them.

### 2. CODE OF CONDUCT

The Rules constitute a code of conduct for the Company Insiders with regard to the prevention of market abuse but does not exempt individuals from their personal criminal and civil liability.

The Insider Rules are accompanied by specifications (the “Specifications”) designed for internal use.

The following definitions shall apply for these Rules:

**“Insider”** shall mean any director of the Company, any Group employee or any individual who, by virtue of his/her work, job or function, has access to information and who knows or should reasonably know that the information in question can be qualified as Insider information and to which the Rules are applicable and who has signed the Rules.

**“Persons with executive responsibilities”** are persons which are member of the Board of Directors, the Executive Committee or the Group Management Team of the Company.

**“Closely Related Person”** shall mean any person related to a director of the Company or to any other person who, by virtue of his/her function within the Group or of an assignment given to him/her, is (plausibly) obliged to receive Insider information regularly, namely:

- a) the spouse or partner
- b) children supported
- c) any other person who, on the date of the transaction in question, is a member of the actual family of the person in question

- d) any legal entity managed by a director of the Company or a person who, by virtue of his/her function within the Group or of an assignment given to him/her, (plausibly) receives Insider information on a regular basis, either via a person as defined in point a), b) or c) or is directly or indirectly controlled by this person.

**“Insider information”** shall mean: any information (cumulatively):

- a) that has not been made public;
- b) that is accurate, meaning that it reports an existing situation or event or one that can reasonably be expected to occur and that is sufficiently complete to allow a conclusion to be drawn about the possible consequence of this situation or event on the share price;
- c) directly or indirectly concerning Lotus Bakeries or Lotus Bakeries shares;
- d) and that, if made public, could have a considerable effect on the Lotus Bakeries share price.

## **2.1 Compliance with the Law**

As a result of his or her work, profession or duties each Insider has access to information he or she knows or should reasonably know to be Inside information. Pursuant to the relevant legal provisions, it is forbidden to Insiders and Closely Related Persons:

- to use this Inside information by acquiring or alienating the shares to which this Inside information relates or similar shares or by attempting to acquire and alienate such shares for one’s own account or for the account of third parties;
- to disclose the Inside information to third parties, unless within the normal scope of one’s work, profession or duties;
- to recommend a third party to acquire or alienate the shares to which this Inside information relates or similar shares or to have such shares acquired or alienated by other persons on the basis of the Inside information.

The provisions above do not affect the duty to report as mentioned in 2.5 below.

## **2.2 Compliance Officer**

The Board has appointed a compliance officer, namely the Corporate Secretary of the Company, (the "Compliance Officer") pursuant to the procedure established for that purpose by the Company. The duties of this Compliance Officer include the supervision of Insiders' compliance with the Rules.

The Compliance Officer must also ensure that every new board member, manager and employee of the Company or of its subsidiaries considered to be an Insider signs or has signed these Rules.

## **2.3 Closed and Prohibition Periods**

Insiders and Closely Related Persons are not authorised to realise transactions relating to the Company’s shares during the “Closed Period” or during the “Prohibited Period”.

The **Closed Period** shall be defined as the period running from the 1<sup>st</sup> of January or, respectively, the 1<sup>st</sup> of July until immediately following the disclosure of the annual or, respectively, half-year results for the Company.

The **Prohibited Period** shall be defined as the period announced by the Compliance Officer as instructed by general management or the Board of Directors and that shall begin on the date on which the Insider information is announced by the Board of Directors or the Executive Committee and shall last until immediately after the disclosure of the Insider information or up to and including the date on which the Insider information shall no longer be considered to be possibly sensitive for the share price.

The following Company share transactions shall be considered as exceptions to the ban described in article 2.3 § 1 and shall, thus, be permitted (thus, also when such transactions occur during Closed or Prohibited Periods):

- transactions ordered before the Closed and Prohibited Periods but for which the order cannot be modified during the Closed and Prohibited Periods;
- transactions as part of execution of an obligation dating before the Closed and Prohibited Periods;
- exercising of Company stock options granted as part of a stock option plan. The sale of Company shares obtained through the exercise of options shall, however, be prohibited during the Closed and Prohibited Periods.

## **2.4 Preventive measures**

### **a) Limitations on speculative trading**

The Company is of the opinion that speculative trading by Insiders in its shares promotes unlawful conduct or at least creates the appearance of such conduct. It is hence agreed that Insiders will not perform the following actions with regard to the shares of the Company:

- Successively acquiring and alienating shares within a period of less than 6 months, with the exception of the sale of shares acquired by execution of warrants or share options.

### **b) Obligation of the Insider to inform Closely Related Persons**

The Insider must inform Closely Related Persons of the contents of the Rules and must ensure that these Closely Related Persons ask him/her whether a Company share transaction is possible in accordance with the Rules.

### **c) Guidelines to maintain the confidential character of Insider information**

A series of concrete guidelines have been prepared to protect the confidential nature of Insider information. These guidelines are included in the Specifications.

## **2.5 Notification of market transactions**

### **a) Notification of the intention to trade**

A member of the Board wishing to acquire or alienate shares of the Company must notify the Chairman of the Board in writing before the actual transaction. The member of the Board must mention in the notification that he or she does not have any Inside information.

All other Insiders (non director) wishing to obtain or transfer Company shares must notify the Compliance Officer thereof in writing before the transaction. In his/her statement, this Insider must confirm that he/she is not privy to any Insider information.

**b) Advice of the Chairman respectively the Compliance Officer**

In reply to the notification by the Insider, the Chairman respectively the Compliance Officer may give a negative advice in relation to the intended transaction. In that case the Insider must regard this advice as an express rejection of the transaction by the Company.

A Company share transaction shall only be possible with the approval of the Chairman respectively the Compliance Officer. The opinion of the Chairman respectively the Compliance Officer must be provided within, at most, two stock market days.

**c) Notification of the actual transaction**

If the transaction takes place, the Insider must inform the Chairman respectively the Compliance Officer in writing within three working days after the transaction with an indication of the nature and date of the transaction, the number of shares traded and the price at which the shares were traded.

Persons with executive responsibilities and as the occasion arises, Closely Related Persons with Persons with executive responsibilities shall notify the CBFA the operations executed for their own account in shares of the Company or in thereto related financial instruments and this within a term of five working days following the execution of the operation. This notification shall be done with the foreseen form which is available on the website of the CBFA.

**2.6 Publication of the transactions**

The CBFA shall as soon as possible make public on her website the received notifications of transactions by persons with executive responsibilities as above-mentioned in the second paragraph of article 2.5 c).

**2.7 Control of the finances by third parties**

If an Insider asks a third party to control his or her finances, the Insider must impose the obligation on this third party to respect the same stock trading limitations that apply to the Insider for transactions involving shares of the Company.

The above provision does not apply if the third party is responsible for discretionary control on the basis of a written agreement and the Insider does not exert any influence on the policy followed by the third party.

**2.8 Duration**

Insiders are bound by these Rules up to six months after the end of their relationship with the Company or, for third parties, up to six months following the end of the assignment in question.

## **APPENDIX 4 TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **1. Composition**

- a) The members of the Audit Committee are appointed and may at any time be dismissed by the Board.
- b) The Audit Committee must be composed of at least three directors, all of them non-executive directors. The majority of the Audit Committee must be independent directors.
- c) The Audit Committee must be chaired by one of the members of the Audit Committee. The Chairman of the Board may not be the chairman of the Audit Committee.
- d) The members of the Audit Committee must have sufficient relevant expertise, particularly in financial matters, to fulfil their duties in an efficient manner.
- e) The duration of the mandate of a member of the Audit Committee may not exceed the duration of his or her mandate as a director.
- f) A secretary will be appointed, who is not a member of the Committee.

### **2. Powers**

#### **2.1 Role of the Audit Committee**

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

#### **2.2 Duties of the Audit Committee**

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

- a) Risk Management
  - Verify that a proper risk analysis has been performed.
  - Verify that an appropriate policy has been applied based on the risk analysis.
  - Evaluate the company's safety and environmental policy.
  - Verify the safety, authorisations and reliability of computer exchanges.
  - Evaluate the procedure by which personnel can confidentially express their concern about possible irregularities.

- b) Internal audit and control
- Verify that systematic internal controls are performed.
  - Check whether there is an internal audit plan covering all areas (internal control, risk management, financial dependability, compliance with laws and regulations and with internal rules and the code of conduct).
  - Handle internal audit problems and possible conflicts with management.
  - Evaluate internal audit performance, including recommendations for the selection, appointment, reappointment or dismissal of the head of internal audit and the budget for this department.
  - Control of follow-up by management of the findings and recommendations of the Audit Committee.
- c) Quality and reliability of the financial statements
- Evaluate internal and external financial statements.
  - Evaluate the relevance and consistency of important accounting rules and important modifications to accounting principles.
  - Evaluate transactions and relations with non-consolidated companies or individuals not included in normal activities and that can have an effect on Lotus Bakeries.
  - Evaluate the half-yearly and yearly financial statements in order to convey a true image of the position of Lotus Bakeries.
- d) Compliance with laws and regulations
- Evaluate the efficacy of systems implemented to ensure Lotus Bakeries' compliance with laws and regulations.
- e) External auditor
- Make proposals to the Board of Directors to appoint the external auditor, evaluate and, if necessary, complete the audit plan and approve his/her remuneration.
  - Evaluate the report and management guidelines of the external auditor.
  - Handle problems the auditor may have and possible conflicts between the external auditor and management.
  - Evaluate the performance and independence of the external auditor.
  - Control the scope and nature of non-audit services performed by the external auditor.

### **3. OPERATION**

#### **3.1 Meetings**

- a) The Audit Committee meets whenever a meeting is required for a proper operation of the Audit Committee, but at least four times a year. Whenever possible, the date of the meeting is fixed in advance each year and the meetings take place as close as possible to the date of the meetings of the Board.
- b) In principle, meetings of the Audit Committee are convened by the secretary of the Audit Committee in consultation with the chairman of the Audit Committee. Each member of the Audit Committee can convene an Audit Committee meeting.

Except where urgent issues have arisen (as determined by the chairman of the Audit Committee), the agenda of the meeting must be sent to all Audit Committee members at least five calendar days prior to the meeting. Every agenda item must be accompanied by as much written information as possible and relevant documents must be appended.

If all members are present, the Committee can deliberate validly and compliance with the formalities for convening the meeting need not be verified.

- c) The quorum is two members attending the meeting in person or by telephone conference.
- d) Decisions must be taken by a majority of the votes cast by the members of the Committee.
- e) In the event that the Chairman of the Board is not a member of the Audit Committee, he/she shall have a permanent invitation to attend the meetings of the Committee.

The Committee may invite other persons to attend its meetings.

- f) At least twice a year, the Audit Committee must meet the External auditor and the head of the internal audit function to discuss matters relating to its terms of reference, issues falling within the powers of the Committee and any issues arising from the audit process.

The External auditor may request the chairman of the Audit Committee to be authorised to attend a meeting of the Audit Committee.

- g) The Audit Committee is automatically entitled to receive all information required for the performance of its duties from the Board, the Executive Committee and the Company staff. The Audit Committee can request any senior employee of the Company, the CEO, the head of the internal audit function, its external legal advisors or the External Auditor to attend a meeting of the Audit Committee or to consult with members or advisors of the Audit Committee.
- h) The Audit Committee may seek external professional advice, at the company's expense, about issues that fall within its powers, after informing the chairman of the Board.

- i) Each member of the Audit Committee has access to the books, data and offices of the Company and may have conversations with executives and employees of the Company if this might be useful for the proper performance of its duties. A member of the Audit Committee exercises this right in consultation with the chairman of the Audit Committee.
- j) Any member of the Audit Committee must inform the Audit Committee of :
- any personal financial interest (except in his capacity as shareholder) in any matter on which the Audit Committee decides; or
  - any possible conflict of interests which may arise as a consequence of any other mandates he or she holds.

This member cannot participate in the deliberations and the vote relating to decisions of the Audit Committee involving such an interest or conflict of interests and, if required by the Board, this member must resign as a member of the Audit Committee.

- k) Every three years it will review its internal procedures, evaluate its appropriateness and make recommendations in this respect to the Board of Directors.

### **3.2 Reporting to the Board**

- a) The secretary of the Audit Committee must draw up a report of the findings and recommendations of the meeting of the Audit Committee. This report shall be discussed during the meeting of the Board of Directors following the Audit Committee meeting.
- b) The Audit Committee must report regularly to the Board on the exercise of its duties and on any matters in respect of which the **Audit Committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.**
- c) The Audit Committee reports to the Board annually or, if necessary, more frequently on the developments in the relationship with the External auditor, and in particular on the viewpoint of the Audit Committee on the External auditor's independence including the advisability of rotation of responsible partners in the office of the External auditor and the advisability of the External auditor entrusted with the controls also providing non-audit services to the Company.
- d) The chairman of the Audit Committee (or any other member of the Audit Committee) must be available during the annual general shareholders meeting to answer questions about the activities of the Audit Committee.

## **APPENDIX 5 TERMS OF REFERENCE OF THE REMUNERATION AND NOMINATION COMMITTEE**

### **1. COMPOSITION**

- a) The members of the Remuneration and Nomination Committee are appointed and may at any time be dismissed by the Board.
- b) The Remuneration and Nomination Committee must be composed of at least three directors. All members of the Remuneration and Nomination Committee must be non-executive directors and a majority of them must be independent directors.
- c) The Remuneration and Nomination Committee must be chaired by a member of the Committee.
- d) The duration of the mandate of a member of the Remuneration and Nomination Committee may not exceed the duration of his or her mandate as a director.
- e) The Committee shall appoint its secretary.

### **2. POWERS**

#### **2.1 The Role of the Remuneration and Nomination Committee**

The Remuneration and Nomination Committee makes recommendations to the Board on the remuneration policy of the Company and the remuneration of board members, members of the Executive Committee, and is responsible for the selection of appropriate candidate directors.

#### **2.2 Duties concerning remuneration**

The Remuneration and Nomination Committee has the following duties:

- a) making and evaluating proposals to the Board on the remuneration policy for non-executive directors as well as the proposals to be submitted to the shareholders;
- b) making and evaluating proposals to the Board on the remuneration policy for the Executive Committee, at least with regard to
  - the main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
  - the key elements of the remuneration, including:
    - the relative importance of each component of the remuneration;
    - the performance criteria applicable to the variable elements;
    - fringe benefits.

- c) making recommendations on the remuneration of directors and of the members of the Executive Committee, including, depending on the situation, on bonuses and long-term incentives – whether or not stock-related – in the form of stock options or other financial instruments; and
- (d) at least once a year, discussing with the CEO the operation and performance of the Executive Committee. The CEO should not be present at the discussion of his or her own evaluation.

### **2.3 Duties concerning nomination**

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

- a) drafting appointment procedures for Board members;
- b) drafting the selection criteria for the appointment of the independent Board members. This will be based on an assessment of the knowledge and experience already existing in the Board of Directors and of those that are needed;
- c) selecting and nominating, for approval by the Board, candidates for any vacancies of Board members;
- d) making proposals for reappointments;
- e) periodically assessing the size and composition of the Board and, if applicable, making recommendations with regard to any changes;
- f) analysing the aspects relating to the succession of directors;
- g) advising on proposals for removal of directors;
- h) advising the CEO on proposals made by the CEO for appointment and removal of executive directors and of members of the Executive Committee.

## **3. OPERATION**

### **3.1 Meetings**

- a) The Remuneration and Nomination Committee meets whenever a meeting is required for a proper operation of the Remuneration and Nomination Committee, but at least two times a year. Whenever possible, the dates of the meetings are fixed in advance each year.
- b) In principle, meetings of the Remuneration and Nomination Committee are convened by the secretary of the Remuneration and Nomination Committee in consultation with the chairman of the Remuneration and Nomination Committee. Each member of the Remuneration and Nomination Committee may convene a meeting of the Remuneration and Nomination Committee.

Except where urgent issues arise (to be determined at the discretion of the chairman of the Remuneration and Nomination Committee), the agenda of the meeting will be sent to all Remuneration and Nomination Committee members at least five calendar days prior to the meeting. Every agenda item must be accompanied by as much written information as possible and relevant documents must be appended.

- c) The quorum is two members, attending the meeting in person or by telephone conference.
- d) Decisions must be taken by a majority of the votes cast by the members of the Committee.

However, the Chairman of the Board may not attend the meetings of the Remuneration and Nomination Committee at which his or her own remuneration or reappointment or dismissal is discussed.

The Remuneration and Nomination Committee may invite other persons to attend its meetings.

The CEO participates in the meetings of the Remuneration and Nomination Committee when it deals with the remuneration or the nomination of the members of the Executive Committee.

- e) Each member of the Remuneration and Nomination Committee must inform the Remuneration and Nomination Committee of:
  - any personal financial interest (except in his or her capacity as shareholder) in any matter on which the Remuneration and Nomination Committee decides; or
  - any possible conflict of interest which may arise as a consequence of any other mandates he or she holds

This member may not participate in the deliberations and the vote relating to decisions of the Remuneration and Nomination Committee in respect of which such an interest or conflict of interests exists and, if required by the Board, this member must resign as a member of the Remuneration and Nomination Committee.

- f) The Remuneration and Nomination Committee may seek external professional advice, at the company's expense, about issues that fall within its powers, after informing the Chairman of the Board.

### **3.2 Reporting to the Board**

- a) The secretary of the Remuneration and Nomination Committee must draw up a report of the findings and recommendations of the meeting of the Remuneration and Nomination Committee. This report shall be discussed during the meeting of the Board of Directors following the Remuneration and Nomination Committee meeting.
- b) The Remuneration and Nomination Committee must promptly and clearly inform the Board of all developments in areas that fall within the scope of its responsibilities.

- c) The chairman of the Remuneration and Nomination Committee (or any other member of the Remuneration and Nomination Committee) must be available during the annual general shareholders meeting to answer questions about the activities of the Remuneration and Nomination Committee.
- d) The Remuneration and Nomination Committee must exercise the utmost discretion when drawing up documents about its deliberations and recommendations.
- e) The Remuneration and Nomination Committee must, every three years, check and review the adequacy of these terms of reference and its own appropriateness and report the results of this review to the Board and may recommend any necessary changes.
- f) The Remuneration and Nomination Committee shall present a remuneration proposal to the Board of Directors.

## **APPENDIX 6 TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE**

### **1. Composition**

The CEO, who is the Chairman of the Executive Committee, shall be appointed by the Board of Directors based on recommendations of the Remuneration and Nomination Committee.

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

### **2. Powers**

#### **2.1 The role of the Executive Committee**

The Executive Committee is responsible for the management of the Company.

#### **2.2 Duties of the Executive Committee**

The Executive Committee has the following tasks:

a) Prepare the strategy

The Executive Committee shall submit the strategy and regular modifications thereto to the Board of Directors.

The principle elements making up the strategy are as follows:

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

b) Execute the strategy

The strategy and other decisions of the Board of Directors must be executed by and/or under the leadership of the Executive Committee.

In this regard, the Executive Committee shall have the following tasks:

- transposition of the strategy into concrete objectives:
  - market shares
  - margins
  - financial results
  - qualitative elements: quality, brand notoriety, personnel satisfaction, corporate values

- provide the means to meet these objectives
  - organisation: clear sharing of authority
  - action plans
  - investment plans
  - remuneration and personnel policy
  - financial structure and means
- general coordination

c) Financial reporting

- Ensure an accurate and reliable system of internal financial reporting.
- Reliable and accurate preparation of the external financial reporting and publication.

d) Risk management

The risks must be identified and proposals must be made to permit appropriate risk management.

e) Control

Internal control must be organised within all activities.

In addition, an internal audit must be organised to evaluate, in particular, internal control.

These controls shall examine the following:

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

f) Communication

Application of the communication policy:

- as a stock market listed company
- company communication outside of the realm of stock market listed company requirements

Ensure good internal communication.

## **2.3 The role of the CEO**

The CEO:

- shall lead the Executive Committee meetings: draw up the agenda, ensure that preliminary documents are prepared, guarantee a good decision-making process and ensure that decisions are applied;
- prepares interventions before the Board of Directors and ensures that these decisions are carried out;
- prepares the strategy with the Executive Committee or an ad hoc steering group. This strategy presents the long-term objectives and important means (financial and organisation, for example) necessary to meet these objectives;
- oversees concrete sharing of tasks by Executive Committee members and the concrete organisation of management of the Group;
- presents the composition and concrete interpretation of the Executive Committee to the Remuneration and Nomination Committee;
- presents the remuneration system to the Remuneration and Nomination Committee and carries out all related decisions;
- ensures a sound internal audit organisation;
- is responsible for internal and external communication.

## **3. OPERATION**

### **3.1 Meetings**

- a) The Executive Committee meets whenever a meeting is required for a proper operation of the Executive Committee, and, in principle, twice per month.
- b) In principle, meetings of the Executive Committee are convened by the CEO. Each member of the Executive Committee can convene a meeting of the Committee.
- c) Except where urgent issues have arisen (as determined by the chairman of the Executive Committee), the agenda of the meeting must be sent to all Executive Committee members at least three calendar days prior to the meeting. Every agenda item is accompanied by as much written information as possible and relevant documents are appended.
- d) The quorum is half the members of the Executive Committee attending the meeting in person or by conference call.
- e) Decisions of the Executive Committee must be made by consensus as much as possible. In the absence of a consensus, the CEO shall decide.
- f) The Corporate Secretary is the secretary of the Executive Committee.
- g) The Chairman of the Board receives Executive Committee meeting reports.

- h) The Executive Committee may invite other persons to attend its meetings.

### **3.2 Reporting to the Board**

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

### **3.3 Managing Director**

One or several members of the Executive Committee shall also be Managing Directors. Without detriment to organisation of the Group, the Managing Director shall be responsible for daily management of the Company.

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

## **4. CODE OF CONDUCT**

- 4.1 Each member of the Executive Committee is expected to act honestly, ethically and responsibly. The first priority of all Executive Committee members is to protect the interests of the Company.
- 4.2 Each member of the Executive Committee undertakes, both during his or her membership of the Executive Committee and afterwards, not to disclose to anyone in any manner any confidential information with regard to the Company 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 or should know to be confidential, unless he or she has a legal obligation to disclose this information.

However, a member of the Executive Committee 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 Executive Committee is allowed to use the information described above to his or her own advantage.

- 4.3 Each member of the Executive Committee undertakes not to develop, either directly or indirectly, during the term of his or her mandate, any activities nor perform any actions that conflict with the activities of the Company or its subsidiaries. In this respect, the members of the Executive Committee must abstain from the following actions:
- any attempt to encourage staff members of the Company or its Subsidiaries to terminate their relationship with the Company or its Subsidiaries;

- any attempt to encourage a buyer, customer, supplier, agent, franchisee, network supplier or any other contracting party to terminate a relationship with the Company or its Subsidiaries or to change the terms of this relationship in a way that is detrimental to the Company or its Subsidiaries.
- 4.4 Each member of the Executive Committee is expected to comply with the policy relating to transactions and other contractual relationships between the Company and its Board members and Executive Committee members as determined in appendix 2 to the Charter.
- 4.5 Each member of the Executive Committee shall comply with the rules concerning market abuse set out in Appendix 3.

## **APPENDIX 7 REMUNERATION POLICY**

The Remuneration and Nomination Committee shall make concrete proposals to the Board of Directors for the remuneration policy and the application thereof.

### **1. REMUNERATION OF NON-EXECUTIVE DIRECTORS**

- The remuneration takes into account the responsibilities and time commitment of the non-executive director;
- The non-executive director receives a fixed remuneration, which excludes performance-related remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits or benefits related to pension schemes;
- The Company and its subsidiaries do not grant personal loans, guarantees and the like to members of the Board;
- In addition to the remuneration, board members receive a compensation for all reasonable expenses incurred with the permission of the Chairman of the Board.

The provisions on the remuneration of non-executive directors also apply to the executive directors in their capacity as board members.

### **2. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE COMMITTEE**

- The Remuneration and Nomination Committee of the Board of Directors defines the remunerations of the members of the Executive Committee and approves the remuneration structure for the other senior managers, higher management staff and other management levels.
- the level and structure of the remuneration of the Executive Committee should be such that qualified and expert professionals can be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities. To that end, every two years an investigation will be conducted into remunerations in Belgium and neighbouring countries in order to facilitate an external comparison of the most important functions. When the actual calculation per function is done then account will be taken of the actual function content and function filling-in in Lotus Bakeries, so that there is an internal logic between the remuneration levels;
- an appropriate proportion of the remuneration package of the members of the Executive Committee should be linked to corporate and individual performance, thereby aligning the interests of the Executive Committee with the interests of the Company and its shareholders;

- If members of the Executive Committee are eligible for a bonus, its grant should be subject to relevant and objective performance criteria designed to enhance corporate value. In specific, in addition to the fixed pay, there shall be a variable component attributed to Executive Directors depending on Lotus Bakeries results as evaluated based on well-defined criteria. For the other members of senior management the variable component is based on the results of Lotus Bakeries, and the objectives achieved in the department;
- There is an accompanying pension plan provided on the basis of a predefined contribution. This pension scheme has been placed with an insurance company.
- In addition, there shall be an option plan and/or a warrant plan with a number of options or warrants for each category of functions. This plan shall be presented to the annual general shareholders meeting for approval;
- as a rule, shares or other forms of deferred remuneration should not be regarded as acquired and options should not be exercised within less than three years after their allocation;
- commitments of the Company in the event of early termination are considered carefully so as to avoid rewarding poor performance;
- if a member of the Executive Committee is also an executive director, his or her remuneration takes into account the compensation received in his or her capacity as executive director.