

Statutory annual report 2017



Tessenderlo Group  
EVERY MOLECULE COUNTS

**Tessenderlo Group nv**  
**Rue du Trone 130**  
**1050 Brussels**  
**0412.101.728 (the “Company”)**

**Statutory annual report of the Board of Directors relating to  
the financial year 2017  
(article 96 of the Companies’ Code)**

Dear Shareholders,

In accordance with article 96 of the Companies’ Code, the board of directors reports on the activities of the Company with respect to the financial year 2017.

## OPERATING RESULT, FINANCIAL SITUATION AND CASH FLOWS

Total operating income increased from 403,135,694 EUR in 2016 to 425,549,140 EUR in 2017. The turnover increased from 342,135,411 EUR in 2016 to 381,468,492 EUR, mainly as a result of increased volumes and changed product mix compared to last year. The other operating income, which mainly consists of intragroup recharging of services, has decreased slightly from 46,217,102 EUR in 2016 to 42,717,377 EUR in 2017.

The operating result amounted 2,577,608 EUR in 2017 compared to a profit of 2,006,944 EUR in 2016.

The financial result decreased from 73,758,996 EUR in 2016 to -16,477,418 EUR and can mainly be explained the unrealized foreign exchange result on USD intercompany loans, which are not hedged.

Tessenderlo Group nv recorded a net loss of -13,585,706 EUR compared to a net profit of 75,842,006 EUR in 2016.

Proposal for appropriation of the result.

The board proposes to appropriate:

- the loss of 2017, being	-13,585,706 EUR
- increased by a transfer from untaxed reserve	208,540 EUR
- increased by the result brought forward from previous year	323,706,921 EUR

being a total of: 310,329,755 EUR

as follows:

- legal reserves	0 EUR
- profit to be carried forward	310,329,755 EUR

In accordance with article 554 of the Companies' Code, we request to you to grant discharge for the exercise of our mandate as well as the mandate of the external auditor for the year closed on December 31, 2017.

During the meeting of October 25, 2017 the Board of Directors of Tessenderlo Group nv changed the valuation rules of the group with regard to the recognition of the unrealized foreign exchange gains and this from January 1, 2018 onwards.

Under the old valuation rules applied until December 31, 2017, both the unrealized foreign exchange losses and unrealized foreign exchange profits were included in the profit and loss account. From January 1, 2018 onwards, the unrealized foreign exchange losses will be included in the profit and loss account, while the unrealized foreign exchange profits will be mentioned under the accrued charges within the liabilities. This measure is justified in order to bring the accounting principle applied in the statutory financial statements in line with the principle of prudence imposed by the Belgian accounting rules and more specifically by articles 24 and 32 of the Royal Decree of January 30, 2001.

From January 1, 2018, the rule with regard to the conversion of foreign currency reads as follows:  
"The transactions in foreign currencies are booked during the financial year at the rate of the day. On the balance sheet date, the assets and liabilities in foreign currencies will be converted per currency at the current rate. Unrealized foreign exchange losses will be processed in the profit and loss account of the past financial year. Unrealized foreign exchange gains, however, will be included under the accrued charges of the liabilities of the balance sheet, except for positive conversion differences on cash and cash equivalents that are also taken into the result. "

This year, Tessenderlo Group will launch a sustainability report for the first time, which marks a new step towards making its sustainability efforts more visible to all stakeholders. The sustainability report of the Tessenderlo Group will be available in a digital version on [www.tessenderlo.com](http://www.tessenderlo.com).

# RISK ANALYSIS

## Risk analysis

The company analyzes the risks related to its activities on a regular basis and reports the results to the Audit Committee.

Each year, all Business units are requested to identify and evaluate the significant risks related to their Business unit.

The risk section in the prospectus, dated June 15, 2015, issued in the context of a public offer of two series of bonds, contained a more detailed description of the most significant risks.

The results of the analysis of the major risks for the Company are listed below:

- The Company depends on the availability of sufficient volumes of raw materials, with the required specifications, at competitive prices.
- If the Company is unable to sell, store, reuse or dispose of certain materials that it produces, it may be required to limit or reduce its overall production levels.
- The Company's results are dependent on seasonal weather conditions.
- The Company's current and future investments and/or constructions are subject to the risk of delays, cost overruns and other complications, and they may not achieve the expected returns.
- The Company is exposed to an energy offtake agreement.
- The Company's results are highly sensitive to commodity prices.
- The Company may be exposed to product liability and warranty claims including, but not limited to, liability relating to food safety.
- The Company must comply with environmental and health and safety laws and regulations, and may be subject to changing or more restrictive legislation, as well as incur significant compliance costs.
- The Company may fail to obtain, maintain or renew compulsory licenses and permits, or fail to comply with their terms.
- Changes in legislation may have an adverse impact on the Company's businesses.
- The Company may be subject to misconduct by its employees, contractors and/or joint-venture partners.
- The Company's businesses may suffer from trading sanctions and embargos.
- The Company operates in competitive markets and failure to innovate may have an adverse impact on its business.
- The Company may be at risk of breakdowns, inefficiencies or technical failures which may cause interruption to operations.
- The Company's improvement programs are subject to the risk of delays, cost overruns and other complications, and may not achieve the expected returns.
- The Company may be subject to Force Majeure events.
- Major accidents may result in substantial claims, fines or significant damage to the Company's reputation and financial position.
- The Company may be exposed to labor actions and employee claims or litigation.
- The Company's insurance coverage may not be sufficient.

- The Company may not be able to successfully carry out current business integrations, joint-ventures and/or future acquisitions.
- The Company has incurred significant important losses in recent years as a result of its transformation, which was completed in 2014. Due to the divestment program that was part of the general transformation, the Company may also be exposed to residual liabilities and subject to a range of non-compete provisions.
- The Company is exposed to litigation risks.
- Failure to protect trade secrets, know-how or other proprietary information may adversely affect the Company's businesses.
- A change in underlying economic conditions or adverse business performance may result in impairment charges.
- The Company is exposed to tax risks.
- The Company is exposed to risks relating to its worldwide presence.
- The Company may be affected by macroeconomic trends.
- Information technology failures may disrupt the Company's operations.
- The Company is exposed to pension plan obligations.
- The Company's businesses are exposed to exchange rate fluctuations.
- The Company's results may be negatively affected by fluctuating interest rates.
- The Company is subject to conventions in its financing agreements that may restrict its operational and financial flexibility.
- The Company may not be able to obtain the necessary funding for its future capital or refinancing needs.
- If the Company does not generate positive cash flows then it will be unable to fulfill its debt obligations.
- The Company entered into contracts that are subject to change of control clauses.
- The Company is exposed to liquidity risk and credit risk in relation to its contractual and trading counterparts, and is also exposed to hedging and derivative counterparty risk.
- The Company may not be able to recruit and retain key personnel.

## **Analysis of financial risks<sup>1</sup>**

### **Credit risk**

The Company is subject to the risk that the counterparties with whom it conducts its business (in particular its customers) and who have to make payments to the Company, are unable to make such payment in a timely manner or at all. A large majority of the receivables is covered under a group credit insurance program. The Company is confident that the current level of credit insurance coverage can be sustained in the future.

The Company has no significant concentration of credit risk. However, there can be no assurance that the Company will be able to limit its potential loss of proceeds from counterparties who are unable to pay in a timely manner or at all. The liquidities available at the end of the year are deposited for very short term at highly rated international banks.

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<sup>1</sup> For a more detailed overview of the financial risks related to the situation in 2017 and the Tessengerlo Group policy regarding the management of such risks, please see the Financial Instruments section in the Financial Report (note 26 - Financial instruments).

The maximum exposure to credit risk amounts to 369.7 million EUR as per December 31, 2017 (2016: 355.3 million EUR). This amount consists of current and non-current trade and other receivables (197.4 million EUR), current derivative financial instruments (0.0 million EUR) and cash and cash equivalents (172.3 million EUR).

### **Liquidity risk**

Liquidity risk is defined as the risk that a company may have insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the Company took a series of actions:

- the set-up of a factoring program at the end of 2009, which is put on hold since 2015;
- a capital increase of 174.8 million EUR in December 2014;
- the issuance in July 2015 of two series of bonds with a maturity of 7 years (the “2022 bonds”) and 10 years (the “2025 bonds”). The total issue amount was 250.0 million EUR, of which 192.0 million EUR for the 2022 bonds and 58.0 million EUR for the 2025 bonds;
- the replacement of the syndicated facility agreement (terminated in December 2015) by 5 year committed bilateral agreements for a total amount of 142.5 million EUR (of which part can be drawn in USD) with four banks. These facilities have no financial covenants and ensure maximum flexibility for the different activities.

In addition, the Company uses a commercial paper program of maximum 200.0 million EUR.

The Company regularly projects short and long-term forecasts in order to adapt financial means to forecasted needs.

### **Foreign currency risk**

The Company is exposed to fluctuations in exchange rates which may lead to profit or loss in currency transactions. The Company’s assets, earnings and cash flows are influenced by movements in foreign exchange rates. More in particular, the Company incurs foreign currency risks on, amongst others, sales, purchases, investments and borrowings that are denominated in a currency other than the Company’s functional currency. The currencies giving rise to this risk are primarily USD (US dollar), GBP (British pound), CNY (Chinese yuan), ARS (Argentine peso) and BRL (Brazilian real). Movements in foreign currency therefore may adversely affect the Company’s business, results of operation or financial condition.

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) to Tessengerlo Group nv, the parent company. All the positions are netted at the level of Tessengerlo Group nv and the net positions (long/short) are then sold or bought on the market. The main management tools are the spot purchases and sales of currencies followed by currency swaps.

Group borrowings are generally carried out by the Company’s holding and finance companies, which make the proceeds of these borrowings available to the operating entities. In principle, operating entities are financed in their functional currency. As from March 2015, the Company no longer uses currency swaps to hedge intragroup loans.

In emerging countries, it is not always possible to borrow in local currency because local financial markets are too narrow, funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the Company.

#### **Interest risk**

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they may affect the market value of certain financial assets, liabilities and instruments.

At the reporting date, the financial debt position was mainly funded by fixed interest rate instruments, i.e. issued bonds.



## SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ)

Focusing on Safety, Health, Environment and Quality (SHEQ) remains the top priority for Tessengerlo Group and its subsidiaries. During 2017, we persisted with many initiatives and programs aimed at continuously improving our performance. Our objective is to ensure that our employees understand, participate in and engage with our commitment to the safety and health of everyone and that we preserve, conserve and protect the resources that we use in order to conduct our business.

### Group Safety Performance

During 2017, we continued to focus on the improvement of safety and health within each Business Unit. Management has made this the number one priority and is regularly present in the workplace to conduct audits and inspections to ensure compliance and drive improvements. Safety and health performance is reviewed each month with the senior management of each Business Unit and challenging targets are set each year in terms of realizing a continued reduction in accidents and incidents. We have achieved significant reductions in lost time incidents across the Company as a result of this vigorous focus. The Company is also especially pleased with the exceptional 2017 SHE record during the construction and commissioning of new operating facilities in East Dubuque (US), Billings (US), Rouen (France) and in Loos (France). In this respect we have achieved levels of SHE performance that are significantly below industry benchmarks.





## HUMAN RESOURCES

Tessengerlo Group relies on a team of experienced professionals and this contributes towards our realization of the business and strategic objectives across all areas.

As at December 31, 2017, the total number of employees (FTE) working for the Company amounted to 4,547. Out of this total, 881 employees were active in the Agro business, 2,026 employees were active in the Bio-valorization business and 1,641 employees were active in the Industrial Solutions business. Meanwhile, 3,383 of the Company's total personnel are employed in Europe, 945 are employed in the Americas and 219 are employed in Asia.

We strongly believe that our people are our greatest asset. In a global business where knowledge and expertise are essential, we build on our experienced and motivated employees who have an in-depth knowledge and understanding of both the Company and our products.

HR managers, who make up part of the different management teams, are focused on shaping the organization, defining clear roles and responsibilities, as well as attracting, retaining and developing the right people and building motivated teams that will realize the objectives of the Company. They also guide each company through the changes necessary for the successful implementation of the transformation plans.

Within our annual performance cycle, clear objectives that are in line with our strategy execution are defined internally in each of the different BUs. Each BU has a communication plan to cascade these objectives down to the shop floor and to communicate them into the minds, hearts and hands of our team members.

Talent management is a key process within our organization. As our business is constantly growing, we offer challenging jobs for enthusiastic people with backgrounds in Engineering, Sales and Business Development, as well as Operations and General Management. Furthermore, we offer a lot of opportunities in terms of personal development. We want to have a Personal Development Plan for every employee. On-the-job training and a permanent feedback culture are key factors, but we also organize learning and training programs for all levels of employees. We build on the strength of one another and deploy our people in a complementary manner. Within our Talent Review Process we prepare career paths and carefully develop our talent for the future. Last but not least, HR is also responsible for solid reward systems and benchmarked and competitive salary packages.



## INNOVATION AND R&D

In 2017, Tessenderlo Group further strengthened its innovation capabilities through a continued organizational focus on business development and the enhancement of product line management in all of its businesses. Additional progress was also made in order to embed innovation at the highest levels in the Company and Business Units, and to make it part of the way in which we conduct our day-to-day business by adding key functions and personnel to lead and advance our innovation efforts and focus on the success of our customers. Moreover, Tessenderlo Group utilized the 2016 acquisition of a research farm in Dinuba, California (US) and significantly increased its agro development and testing capabilities as well as state-of-the-art demonstration and education facilities, which led to new developments in agricultural nutrient innovation and customer collaborative partnerships.

In R&D and New Business Development, Tessenderlo Group continued to improve product, process and application technologies, exploring new applications for existing products, as well as enhancing sustainability and environmental protection. For product and technology platforms applied across several Business Units, Tessenderlo Group relies on its research and application development farm in Dinuba (US), the Innovation Center in Phoenix (US) and the Tessenderlo Innovation Center (Belgium). It also relies on its R&D expertise across a broad area of organic and inorganic chemistries at lab and pilot scale, supporting several Agro and Industrial Solutions innovation projects.

Improved intellectual property awareness throughout both the business and business processes led to an increase in intellectual property assets in the form of patents, trademarks, collaborative developments and licensing deals, which resulted in an increased customer-centric innovation and business development focus. Customers recognize Tessenderlo Group's innovative and entrepreneurial strengths. Tessenderlo Group welcomes close collaborations that will lead to unique applications and products.

## BRANCH OFFICES

The company has a branch office in Spain (Tessenderlo Chemie España, Paseo Castellana, num. 137, planta 1, 28046 Madrid, tax identification number W0172729F) and a branch office in Australia (Tessenderlo Chemie, Level 6, 468 St Kilda Road, Melbourne, Australia, with identification number ABN 35924098861001).

# CORPORATE GOVERNANCE STATEMENT

## Transparent Management

Tessengerlo Group nv accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. In the case that the Company does not comply with any provision of this code, this is indicated in this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code is available at: [www.corporategovernancecommittee.be/en/home](http://www.corporategovernancecommittee.be/en/home)

The Company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter") adopted by the Board of Directors and dated August 21, 2017. The Charter is available at:

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

## Capital & shares

### Capital

The capital of Tessengerlo Group nv at December 31, 2017 amounts to 216,140,669.14 EUR.

### Shares

The share capital is represented by 43,136,779 shares without par value, entitling the shareholder to one vote per share. All Tessengerlo Group nv's shares are admitted for listing and trading on Euronext Brussels.

### Warrants

As of December 31, 2017, 18,200 outstanding warrants were exercisable. These warrants have been issued in the context of the 2002-2006 Plan (issue of bonds cum warrant) and the 2012 Plan (issue of naked warrants).

The detail of the outstanding warrants on the date of this statement (December 31, 2017) is as follows:

Tranche	Exercise period	Number of warrants	Exercise price
Tranche 5 (2006)*	2010-2018	8,000	28.20 EUR
Tranche 2012	2016-2019	10,200	20.76 <sup>2</sup> EUR
TOTAL		18,200	
* Exercise period prolonged by 5 years			

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 18,200.

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<sup>2</sup> 20.95 EUR for US residents

## Shareholders & shareholders structure

On the basis of the notifications provided to the Company, the shareholders of the Company at December 31, 2017, are as follows:

Shareholder	Number of shares	%
Verbrugge nv (controlled by Picanol nv)	15,841,547	36.7%
Symphony Mills nv	1,694,774	3.9%
Coltrane Asset Management, L.P.	1,413,200	3.3%
Norges Bank	1,411,579	3.3%
Carmignac Gestion SA	903,687	2.1%
Dimensional Fund Advisors L.P.	891,022	2.1%
Intrinsic Value Investors (IVI) L.P.	880,300	2.0%
KBC Asset Management nv	744,813	1.7%
Capfi Delen Asset Management nv	698,000	1.6%
Janus Henderson Group PLC	679,312	1.6%
Valarc Master Fund, Ltd.	630,402	1.5%
Goldman Sachs Group, Inc.	571,752	1.3%
Sessa Capital (Master), L.P.	527,511	1.2%
Blocked shares by personnel or former personnel	30,389	0.1%
Free float	16,218,491	37.6%
<b>Total</b>	<b>43,136,779</b>	<b>100.0%</b>

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

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

## Board of Directors

### Composition

At December 31, 2017, the composition of the Board of Directors of Tessenderlo Group nv was as follows:

<b>Non-Executive Directors</b>	<b>Start of initial term</b>	<b>End of term</b>
Karel Vinck (Mr.)	March 17, 2005	May 2019
<b>Independent Non-Executive Directors<sup>3</sup></b>		
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez	June 6, 2017	May 2021
Philium BVBA represented by its permanent representative Mr. Philippe Coens (Mr.)	June 2, 2015	May 2019
ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert	June 6, 2017	May 2021
<b>Executive Directors</b>		
Luc Tack (Mr.)	November 13, 2013	May 2019
Stefaan Haspeslagh (Mr.) – Chairman	November 13, 2013	May 2018

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

On December 31, 2017, the Board of Directors is in full compliance with the Law of July 28, 2011, requiring that as of January 1, 2017, one-third of the members of the Board of Directors should be of the opposite gender. In the Board selection process, the necessary attention will further be given to the implementation of this rule.

All meetings of the Board of Directors were attended by the Secretary of the Board of Directors and the Group Controlling and Consolidation Director.

For the newly appointed directors, an induction program has been executed whereby Company governance, strategy, operational and financial insights and knowledge have been shared.

### Activities

The Board of Directors convened according to a previously determined schedule. The Board of Directors met seven (7) times during 2017.

During 2017, the Board's main areas of discussion, review and decision were:

- the group's long-term strategy and 2017 budget;
- the financial statements and reports;
- proposals to the Shareholders' Meetings,

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<sup>3</sup> Pursuant to Exhibit A of the Corporate Governance Charter of Tessenderlo group, a Director is considered to be independent if he or she at least complies with the independence criteria provided for under art. 526ter of the Companies' Code. When assessing the independence of a Director, the requirements set out under appendix A of the Belgian Corporate Governance Code are also taken into account. According to the information available to the Board of Directors, the independent Directors of Tessenderlo Group all comply with the aforementioned independence criteria. No exceptions were reported to the Board.

- proposals to the Extraordinary Shareholders' meeting with respect to the name change of the Company, the date and hour of the General Meeting, the decrease of the transparency thresholds, the authorized share capital and acquisition of own shares of the Company;
- the approval of the update of the corporate governance charter;
- approval of new members in the Audit Committee and Nomination and Remuneration Committee;
- the remuneration policies and packages for the Directors and Executive Committee members;
- the financial communication and segment reporting;
- the effectiveness of the enterprise risk management framework;
- various commercial supply and distribution agreements;
- various investment files ;
- change of accounting principles of the Company with respect to unrealized exchange gains;

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

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

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

Where appropriate, the individual Directors also share their view on how the Board of Directors and the committees could improve their operation. The Chairman and the Secretary of the Board of Directors share the results of the evaluation with the Directors and formulate initiatives for improvement.

### **Board Committees**

#### *General*

On December 31, 2017, the following Committees are active within the Board of Directors of Tessenderlo Group nv :

- The Nomination and Remuneration Committee
- The Audit Committee

Please see the Charter for a description of the operations of the various Committees on

<http://www.tessenderlo.com/EN/about-tessenderlo-group/corporate-governance>

#### *Nomination and Remuneration Committee*

On December 31, 2017, the Nomination and Remuneration Committee was constituted as follows:

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



A majority of the members of the Nomination and Remuneration Committee meet the independence criteria set forth by Article 526ter of the Belgian Companies Code and the committee demonstrates the skills and the expertise required in matters of remuneration policies as required by Article 526 quater §2 of the Belgian Companies Code.

The Nomination and Remuneration Committee met four (4) times in 2017.

- **Activities of the Nomination and Remuneration Committee**

In 2017, the Nomination and Remuneration Committee discussed and made recommendations regarding the Executive Committee remuneration package. The committee made recommendations for the appointment of new Directors and new members of the Nomination and Remuneration Committee and of the Audit Committee, and for the Directors fees. The Nomination and Remuneration Committee also prepared the remuneration report, as included in the 2016 annual report. Based on the results of the self-assessment questionnaire regarding the valuation of the functioning of the Board and Committees, the Nomination and Remuneration Committee has agreed to undertake additional efforts and actions in order to improve the effectiveness of the Board and Committees' meetings.

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

- **Evaluation of the Nomination and Remuneration Committee**

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

#### *Audit Committee*

At December 31, 2017, the Audit Committee was constituted as follows:

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

The Audit Committee met according to a previously determined schedule; i.e. five (5) times during 2017.

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

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

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

- **Evaluation of the Audit Committee**

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

▪ **Activities of the Audit Committee**

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

The Audit Committee also addressed specific topics such as GDPR compliance, legislative updates on IFRS and accounting law and cybersecurity. The Audit Committee also followed up on the findings and recommendations of the external auditors, reviewed their independence and approved requests for non-audit services.

The Audit Committee also heard the Group Internal Auditor on the Internal Audit program for 2017, the risk assessment analysis and the activity reports of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the Company to remedy certain weaknesses identified by the Internal Audit Department.

The Audit Committee also approved the internal control plan for the year 2017 and heard reports from Internal Control on its various findings. Further, the Audit Committee reviewed the status of the ongoing litigations. Other activities of the Audit Committee include the quality review of the services rendered by the external auditor.

Attendance rate for the Board of Directors meetings and the special committees meetings in 2017:

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Nomination &amp; Remuneration Committee</b>
<b>Number of meetings in 2017</b>	<b>7</b>	<b>5</b>	<b>4</b>
Ms. Véronique Bolland <sup>4</sup>	5/7	3/5	
Philiium BVBA represented by its permanent representative Mr. Philippe Coens (Independent) (as of June 2, 2015)	7/7	5/5	4/4
Ms. Dominique Zakovitch-Damon <sup>5</sup>	4/7		2/4
Mr. Stefaan Haspeslagh	7/7		
Mr. Luc Tack	7/7		
Mr. Karel Vinck	6/7	5/5	4/4
Management Deprez BVBA represented by its permanent representative Mrs. Veerle Deprez <sup>6</sup>	1/7		

<sup>4</sup> Member of the Board of Directors and of Audit Committee until 6.6.2017

<sup>5</sup> Member of the Board of Directors and of the Nomination and Remuneration Committee until 6.6.2017

<sup>6</sup> Member of Board of Directors since 6.6.2017 and of Nomination and Remuneration Committee since 21.8.2017



ANBA BVBA represented by its permanent representative Mrs. Anne-Marie Baeyaert <sup>7</sup>	2/7	2/5	
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## **Executive Committee (ExCom)**

### **Roles and responsibilities**

As per December 31, 2017, the ExCom of Tessengerlo Group nv was constituted as follows:

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

### **Evaluation of the ExCom**

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

### **Activities of the ExCom**

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

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

The ExCom is responsible for:

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

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

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<sup>7</sup> Member of Board of Directors since 6.6.2017 and of Audit Committee since 21.8.2017.

## Remuneration Report Directors

### Remuneration policy

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

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

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

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

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

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

The non-Belgian Directors receive a 500 EUR reimbursement of travel expenses per attended meeting. Remuneration is paid during the year in which the meetings were held.

### Remuneration received

Member	2017	Earned fees (in EUR)
Véronique Bolland <sup>8</sup> (independent non-executive director)	Fixed annual fee Variable fee per half day attended <b>Total remuneration</b>	12,500.00 6,000.00 <b>18,500.00</b>
Philiium bvba, represented by its permanent representative Mr. Philippe Coens (independent non-executive director)	Fixed annual fee Additional fixed fee for Chairman of AC Variable fee per half day attended <b>Total remuneration</b>	25,000.00 3,000.00 10,000.00 <b>38,000.00</b>
Dominique Zakovitch-Damon <sup>9</sup> (independent non-executive director)	Fixed annual fee Variable fee per half day attended Travel fee <b>Total remuneration</b>	12,500.00 5,000.00 1,000.00 <b>18,500.00</b>
Management Deprez bvba, represented by its permanent	Fixed annual fee Variable fee per half day attended	12,500.00 2,000.00

<sup>8</sup> Member of the Board of Directors and of Audit Committee until 6.6.2017

<sup>9</sup> Member of the Board of Directors and of the Nomination and Remuneration Committee until 6.6.2017

representative Ms. Veerle Deprez <sup>10</sup> (independent non-executive director)	<b>Total remuneration</b>	<b>14,500.00</b>
ANBA bvba, represented by its permanent representative Ms. Anne-Marie Baeyaert <sup>11</sup> (independent non-executive director)	Fixed annual fee	12,500.00
	Variable fee per half day attended	4,000.00
	<b>Total remuneration</b>	<b>16,500.00</b>
Stefaan Haspeslagh (executive director)	Fixed annual fee	25,000.00
	Additional fixed annual fee for Chairman BoD	30,000.00
	Variable fee per half day attended	10,000.00
	<b>Total remuneration</b>	<b>65,000.00</b>
Luc Tack (executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	10,000.00
	<b>Total remuneration</b>	<b>35,000.00</b>
Karel Vinck (non- executive director)	Fixed annual fee	25,000.00
	Variable fee per half day attended	9,000.00
	<b>Total remuneration</b>	<b>34,000.00</b>
<b>GENERAL TOTAL</b>		<b>240,000.00</b>

<sup>10</sup> Member of the Board of Directors since 6.6.2017 and of the Nomination and Remuneration Committee since 21.8.2017

<sup>11</sup> Member of the Board of Directors since 6.6.2017 and of the Audit Committee since 21.8.2017

# Remuneration Report Executive Committee (ExCom)

## Remuneration policy

This section describes the guiding principles of the group reward policies relating to executive compensation. It aims to provide an overview of the executive compensation structure. The Nomination and Remuneration Committee defines the remuneration policy principles of the ExCom members and submits them to the Board of Directors. The principle is to target remuneration in line with market practice in order to provide an attractive reward program.

Tessengerlo Group’s competitive internal and external landscape is changing fast. For the group to achieve its ambitions in such a challenging environment, it needs to be a high performance organization focused on strategy execution, resulting in a need for talented executives. The reward is designed to align performance of the individual members with the business goals of Tessengerlo Group. By doing this, the group creates a globally consistent framework for developing, rewarding and empowering its people. The Group sees involvement, recognition and leadership as the key foundation for employee engagement. Our compensation system allows the group to attract, retain and motivate the best talent to meet its short and long term goals, while operating a globally consistent reward framework that rewards the achievement of business objectives and that encourages the delivery of shareholder value.

The Group Reward principles are:

Recognition and leadership are key for employee and team engagement.
Our compensation system will serve to attract and retain the talent that the group requires to meet its short and long term goals.
Our compensation system will be positioned at the appropriate and defined local reference point, where the group combines market competitiveness with an affordable employee cost structure.
Our base salary will drive and reward growing competencies, showing the right corporate attitudes and living according to the group's guiding principles.
Our variable pay will link the success of the enterprise to the rewards enjoyed by employees, as a team, taking into account the individual contributions to the Company’s success.
Our job grading and our compensation system for external/internal appointments are based on an objective methodology and measurable market data.
Our compensation system will never knowingly discriminate between employees on any grounds.
Our benefits plans are designed to provide a safety net for our employees and their families. In many cases, they are a key element of deferred compensation.

## Compensation package

The ExCom compensation packages consist of the following items:

- Fixed compensation
- Variable compensation
- Other compensation items

### *Fixed compensation*

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

### *Variable compensation*

The variable compensation of the members of the ExCom is set at 45% (CEO) and 40% (COO-CFO) of the overall yearly compensation based upon annual objectives entirely linked to group results and individual objectives. As such, the variable compensation of the ExCom members is considered through the obligation set forward in the Company Code (article 520ter).

The incentive plans do not explicitly provide any "claw-back" provisions entitling the Company to reclaim the compensation paid on the basis of incorrect financial data.

### I. Short-term variable compensation

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

The short term variable compensation for all current ExCom members varies between 0% and 90% of the base salary. The objectives measured over the calendar year are set on the group financial objectives and individual objectives with a modifier for personal performance, proposed by the Nomination and Remuneration Committee.

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

### II. Long-term variable compensation

#### Share Options (Warrants)

The Board of Directors decided not to allocate share options (warrants) for 2017 nor any other long-term incentive.

#### Long Term Incentive (LTI) Performance Cash Plan

A long-term incentive plan for (some) key personnel was approved by the Board of Directors on March 7, 2016. The intention of the LTI Performance Cash Plan is to create an incentive for senior management (including ExCom members) to further drive increased shareholder value and the sustainable growth of the company.

This LTI plan covers a 3 year period (2016-2018), with an expected pay out in April 2019, based on pre-set performance metrics of the Tessenderlo Group.

### *Other compensation items*

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

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

### **Remuneration earned in 2017**

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

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

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

Annual gross compensation earned by the ExCom<sup>1</sup> in 2017 is detailed below:

<b>Component</b>	<b>Amount CEO</b>	<b>Amount COO-CFO</b>
Fixed compensation (excluding Director fees) <sup>2/5</sup>	600,000 EUR	600,000 EUR
Variable compensation <sup>2/6</sup>	345,728 EUR	345,728 EUR
Pension <sup>3</sup>	47,072 EUR	0 EUR
Other benefits <sup>4</sup>	38,193 EUR	26,223 EUR
<b>TOTAL (cost to the company)</b>	<b>1,030,993 EUR</b>	<b>971,951 EUR</b>

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

(2) Excluding social security contributions.

(3) Pension Plan: annual service cost for 2017, as calculated by an actuary.

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

(5) Exchange rate used: 1.00 EUR = 1.20 USD (for all conversions related to the US package).

(6) Short term incentive realization as determined by Nomination and Remuneration Committee of March 12, 2018

### *Stock options (warrants) granted to ExCom members<sup>12</sup>*

During 2017, no stock options were awarded to ExCom members.

<sup>12</sup> Findar bvba, represented by Stefaan Haspeslagh, and Luc Tack, have never received stock options of Tessengerlo Group nv.

### *Agreements on severance pay*

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

The management agreement with the CEO does not provide for a notice period. The CEO will therefore not be entitled to termination protection.

## **Main features of the group's Internal Control and Risk Management Framework**

### **Internal control framework**

#### *Responsibilities*

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

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

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

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

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

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

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

### **Internal Control monitoring**

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

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

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

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

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

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

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

### **Compliance**

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

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

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

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

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

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

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

### **Policy on Inside Information and Market Manipulation**

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

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

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

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



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

## External audit

PwC Bedrijfsrevisoren bcvba (PwC), represented by Peter Van den Eynde, was re-appointed as group statutory auditor by the shareholders meeting of the company on June 7, 2016.

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

(Million EUR)	2017			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
<b>Total</b>	<b>0.8</b>	<b>-</b>	<b>0.1</b>	<b>0.9</b>

(Million EUR)	2016			
	Audit	Audit related	Other	Total
PwC (Belgium)	0.3	-	-	0.3
PwC (Outside Belgium)	0.5	-	0.1	0.6
<b>Total</b>	<b>0.8</b>	<b>-</b>	<b>0.1</b>	<b>0.9</b>

## Subsequent Events

No significant subsequent events occurred after the balance sheet date.

## **Application of Art. 523 of the Companies Code**

### **Meeting of the Board of Directors dated 27 February 2017**

[...]

*Prior to deliberating and adopting the resolution on the 2016 short term incentive/success fee of the Executive Committee, both Mr. Luc Tack and Mr. Stefaan Haspeslagh indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Companies' Code since it concerns the determination of the short term incentive 2016 (for Luc Tack) and the service/success fee with Findar BVBA, a company in which Stefaan Haspeslagh is also managing director.*

*Mr. Stefaan Haspeslagh and Mr. Luc Tack declare that they will inform the company auditors of this conflict of interest of a proprietary nature and they leave the meeting for this specific agenda item.*

*After hearing the proposal and recommendation of the Nomination and Remuneration Committee presented by its chairman Mr. Karel Vinck and upon recommendation of the Nomination and Remuneration Committee, the Board members present approve with unanimous consent the 2016 short incentive pay-out for Mr. Luc Tack at EUR 232,830 and the success fee for Findar BVBA, represented by Mr. Stefaan Haspeslagh, at EUR 221,156.*

*Mr. Luc Tack and Mr. Stefaan Haspeslagh re-enter the meeting.*

[...]"

### **Meeting of the Board of Directors dated 26 April 2017**

[...]

*The directors of the Company who are present or validly represented state that they have neither a direct nor indirect conflict of financial interest with the decisions to be taken in accordance with article 523 BCC except for those decisions summarized in agenda points 4 and 6 of the agenda where Mr. Luc Tack and Mr. Stefaan Haspeslagh declare that they have a conflict of interest in the sense of article 523 BC.*

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

*Mr. Luc Tack states that he has an indirect conflict of interest in respect of resolutions proposed to the EGM. Although strictly spoken article 523 of the Companies Code does not apply on the case at hand, Mr. Luc Tack will not participate in the deliberation and vote in respect to the agenda.*

*Mr. Luc Tack is the ultimate beneficial owner of the shareholding of Verbrugge NV and Symphony Mills NV in the Company, as Mr. Luc Tack is the controlling shareholder of Artela NV and Symphony Mills NV, which are the controlling shareholders of Picanol NV. Furthermore, Mr. Luc Tack is managing director (gedelegeerd bestuurder) of Picanol NV.*

*The actual use of the authorizations in the proposed resolutions to the shareholders may have an effect on the existing shareholding of Verbrugge NV and Symphony Mills NV in the Company.*

*Mr. Luc Tack has requested that the auditor is informed of this conflict of interest.*

*Mr. Stefaan Haspeslagh states that he has an indirect conflict of interest in respect of the resolutions to the EGM.*

*Further to Exhibit H of the corporate governance charter, a member of the Board of Directors shall be considered to have a conflict of interest of the Belgian Companies Code in case "he [...] is a member of the Board of Directors or ExCom or holds a similar office with a company with which the Company intends to enter into a material transaction."*

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

*The financial consequences of the decisions taken in the proposed resolutions are at this stage limited to the fees of the advisors Stibbe incurred to date and which are estimated to be lower than 35 K€.*

*Before deliberating, Mr. Stefaan Haspeslagh and Mr. Luc Tack do no longer participate in the meeting.*

*The members of the Board debate on the rationale, the agenda and various proposals to the EGM of June 6th 2017.*

*The Board agrees that various proposals are made in the long term interest of the Company. The various techniques allow the Company to act quickly in case any of the events as mentioned in the special report would occur.*

*After debate, the Board agrees with unanimous consent with the special report of the board of directors to the EGM with respect to the authorized share capital, the agenda of the EGM and the proposed resolutions to the EGM.*

....

*Prior to deliberating and adopting the resolution on the salary package of Mr. Luc Tack and on the service fee with Findar BVBA, Mr. Luc Tack and Mr. Stefaan Haspeslagh indicate that they have a conflict of interest regarding the decisions to be taken in compliance with article 523 of the Belgian Code of Companies since it concerns the determination of the remuneration for 2017 of Mr. Luc Tack and remuneration and/or service fee with Findar BVBA, a company in which Mr. Stefaan Haspeslagh is also managing director.*

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

*The Chairman of the nomination and remuneration committee takes the floor and proposes to fix the salary package for each of the CEO and COO at 600,000 euros. The package can be attributed to the various salary components and the Short Term Incentive Bonus and Long Term Incentive Bonus will be adjusted accordingly.*

*Full details on the packages are detailed in the attachment of the meeting of the nomination and remuneration committee.*

*The proposal is accepted by unanimous consent by all the directors present. Both Mr. Luc Tack and Mr. Stefaan Haspeslagh re-enter the meeting room.*

[...]

## **Information Required by Art. 34 of the Royal Decree of November 14, 2007**

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

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

Without prejudice to the possibility to realize the commitments that were validly entered into before receipt of the notification of the FSMA pursuant to article 607 paragraph 2, 1° of the Belgian Companies Code, the board of directors is authorized, for a period of 3 years from the authorization by the extraordinary general meeting of 6 June 2017, to proceed to a capital increase within the framework of authorized capital, with or without limitation or withdrawal of preferential rights as the case may be in favor of one or more persons, following receipt of a notification of the FSMA with respect to a public takeover bid on the company's securities, in accordance with the conditions set out in article 607, paragraph 2, 2° of the Belgian Companies Code and the articles of association of the company.

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

Each share entitles the holder to one vote. The articles of association of the Company do not contain any restriction on the transfer of the shares. Please also refer to the sections above on Shareholder structure.

In accordance with the applicable provision of the Companies Code, the shares issued for the benefit of the personnel of Tessengerlo Group cannot be transferred during a period of five years from the date of subscription of the shares.

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

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

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

The board of directors is explicitly authorized to transfer the acquired securities that are listed, on or outside the stock exchange, without the need for a prior consent or other intervention by the general meeting, in accordance with article 622 §2, second paragraph, 1° of the Belgian Companies Code. The aforementioned provisions equally apply to the acquisition or transfer of the company's securities by the company's directly controlled subsidiaries or through the intermediary of a person acting in its own name but for the account of these subsidiaries, in accordance with article 627 of the Belgian Companies Code.

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

- the bilateral revolving facilities agreements entered into on December 23, 2015, for a total amount of 142.5 million EUR with the Company and Tessengerlo USA, Inc. as borrowers and KBC Bank NV, ING NV, Belfius Bank NV and BNP Paribas Fortis NV as lenders: according to the terms of these agreements, a "change of control" over Tessengerlo Group nv will entitle each lender to ask for termination of the bilateral facility agreement. For purposes of the change of control clause described above, a "change of control" shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);

- the prospectus dated June 15, 2015, of Tessengerlo Group nv regarding the issue of and public offer of two series of bonds with a maturity of 7 years (the “2022 Bonds”) and 10 years (the “2025 Bonds”, and together with the 2022 Bonds, the “Bonds”) for an expected minimum amount of 75.0 million EUR for the 2022 Bonds and an expected minimum amount of 25.0 million EUR for the 2025 Bonds and for a combined maximum amount of 250 million EUR including: according to the terms and conditions of these Bonds, the Bonds will be redeemable at the option of the bondholders prior to maturity in the case of a change of control. Only the Bonds held by the bondholders who submit put option notices shall be immediately due and repayable in case of a change of control, with exception of all other bonds. If bondholders submit put option notices in respect of at least 85 percent of the aggregate nominal amount of the outstanding 2022 bonds, all (but not some only) of the 2022 bonds may be redeemed at the option of the Company prior to maturity. If bondholders submit put option notices for at least 85 percent of the aggregate nominal amount of the outstanding 2025 Bonds, all (but not some only) of the 2025 Bonds may be redeemed at the option of the issuer prior to maturity. A “change of control” shall occur if a third party (i.e. any party other than Verbrugge nv or any person acting in concert with Verbrugge nv) acquires 30% or more of the voting rights of the Company (unless Verbrugge nv (alone or together with or any person acting in concert) holds more voting rights than such third party);
- terms and conditions of the bond loan with warrants issued under the 2002-2006 Plan, and the 2012 Plan of Tessengerlo Group nv: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessengerlo Group nv shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above mentioned operations at the same conditions as existing shareholders. As of December 31, 2017, 18,200 warrants were outstanding. The clauses described above have been approved by the General Shareholders’ Meeting of Tessengerlo Group nv and a copy of the resolutions has been filed promptly thereafter at the registry of the court of commerce.
- the purchase and supply agreement between the Company and Fujifilm Manufacturing Europe B.V. and Fujifilm Manufacturing USA provides in its clause 17.3 (2) that the agreement can be terminated with immediate effect if a third party competing with Fujifilm acquires a stake in the Company. The clause described hereabove has been approved by the General Shareholder’s Meeting of Tessengerlo Group NV and a copy of the resolution has been filed promptly thereafter at the register of the court of commerce.

## **Dividend Policy**

Tessengerlo Group nv has not declared or paid dividends for the financial year ending on December 31, 2017. The Company's dividend policy may be amended from time to time, and each dividend distribution remains subject to the Company's earnings, financial condition, share capital requirements and other important factors subject to proposal and approval by the competent corporate body of the Company and subject to the availability of distributable reserves as required by the Company Code and the Articles of Association. Any distributable reserves of the Company have to be computed in respect of its statutory balance sheet prepared in accordance with Belgian GAAP, which may differ from the consolidated financial statements in IFRS reported by the Company.

## **Information required by Art. 96, §2, 2° Companies Code**

### **Provision 4.7 of the Corporate Governance Code**

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

### **Provision 4.13 of the Corporate Governance Code**

Currently, no formal evaluation procedure exists regarding individual Directors (deviation from 4.13 Corporate Governance Code). The Company is of the opinion that the individual evaluation of the Directors is only feasible to the extent that the evaluation process is entrusted to an external company, an option which is not retained by the Company. However, the Company is convinced that the formal evaluation of the Board of Directors, for which the Company uses a standard questionnaire as developed by Guberna (Belgian Institute of Directors) as described under section Activities of Board of Directors is sufficient in order to ensure the active and proper contribution of each member of the Board.

Brussels – March 12, 2018

On behalf of the Board of Directors

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Luc Tack  
Director and CEO

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Stefaan Haspeslagh  
Chairman of the Board of Directors