

# RECTICEL Corporate Governance Charter

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## INTRODUCTION

## CHAPTER I: RECTICEL CORPORATE STRUCTURE

### I.1. RECTICEL N.V./S.A.

RECTICEL N.V./S.A. (the “Company”) is a public limited liability company (“naamloze vennootschap” / “société anonyme”), incorporated in accordance with the laws of the Kingdom of Belgium.

The legal entity was founded by notarial deed on 19 June 1896 under the name of “Poudrerie de Casteau”, but built further on business activities of which the origin went back to patent letters from Empress Maria-Theresa of Austria of 27 April 1776 and King William I of The Netherlands of 5 March 1822.

Its registered offices are located in Belgium, 1200 Brussels (Sint-Lambrechts-Woluwe/Woluwe-Saint-Lambert), Plejadenlaan, 15, avenue des Pléiades.

### I.2. THE RECTICEL GROUP

Recticel N.V./S.A. is the parent company of the Recticel Group, the European leader in the production and transformation of polyurethane foam (“PUR-Foam”), used in its four business lines: Flexible Foams, Bedding, Insulation and Automotive.

In all its business segments, Recticel is a European market leader with close to €1.3 billion in net sales. It has more than one hundred and twenty legal entities operating in twenty-eight different countries (mainly in Western, Central and Eastern Europe, but also in the USA and Japan), employing ±12,000 people worldwide, as at 31 December 2004.

### I.3. GOVERNANCE STRUCTURE

#### I.3.1. Board of Directors

The Board of Directors (the “Board”) is the main decision-making body of the Company, disposing of all the powers that are not reserved by law or the articles of association to the General Meeting of Shareholders. Recticel N.V./S.A. opted for a one-tier board structure, and consequently did not install an Executive Committee within the meaning of Article 524bis of the Belgian Code on Companies. For the Terms of Reference of the Board of Directors, see Chapter III.

The Board has established two committees to assist it in the execution of its main tasks. These are the Audit Committee and the Nomination & Remuneration Committee. For the Terms of Reference of these Committees, see Chapter IV.

### I.3.2. The Executive Management

The Board of Directors has delegated the daily management of the Company and the representation of the Company in this regard, to its Managing Director and Chief Executive Officer. In the execution of his or her tasks, the Managing Director and Chief Executive Officer is assisted by the Management Committee, composed of the most important corporate officers of the Company. The Managing Director and the members of the Management Committee are jointly referred to as the "Executive Management". The Terms of Reference of the Executive Management can be found in Chapter V.

### I.3.3. The Recticel Group International Headquarters

As Recticel N.V./S.A. is the parent company of a large group of companies in many different countries and regions, the Company provides support and coordination services to all members of the Recticel Group.

Centralised services that are provided to Group members relate to Finance, Reporting, Tax, Legal & Risk Management, Communications & Investor Relations, Human Resources, Internal Audit and Information & Communication Technology.

## I.4. BUSINESS SUMMARY

### I.4.1. Mission

The mission of the Recticel Group is:

- to meet everyone's desire for greater comfort in everyday life;
- to be a coherent Group consisting of four business lines (Flexible Foams, Bedding, Insulation and Automotive), strengthened by long common experience in comfort marketing and technology and by outstanding knowledge of PUR-foam, materials and production processes;
- to create added value for its customers and its shareholders;
- to offer the people working at Recticel the opportunity to develop their individual talents, within the framework of the Group strategy;
- to assume its responsibilities as an organisation within the community, with a strong emphasis on quality, safety, health and environmental protection.

### I.4.2. Business Strategy

The Recticel Group's global strategy focuses on three important components, Volume, Brand Policy and Technology.

For a more detailed explanation of these components, reference is made to the annual report.

### I.4.3. Business Synergies

Recticel operates in four different sectors. Nevertheless, there are a number of areas where these various activities overlap, enabling the Group to derive significant synergy benefits.

These synergies are likewise described in the annual report.

### I.4.4. Business Line Organisation

As mentioned, the Recticel Group is organised along four business lines, which are linked by the fact that they depend on expert knowledge of polyurethane and the polyurethane production process. Each business line is centred around a portfolio of activities focusing on particular customer segments and operating procedures.

#### Flexible Foams

The Flexible Foams business line is organised into three divisions: Comfort, Technical Foams and Composite Foams (Recycling). This business line manufactures, converts, markets and recycles flexible PUR-foams for use in seating and mattresses (Comfort), speciality applications (filtration, airtight and watertight seals, packaging material, acoustic insulation, sponges, etc.) (Technical Foams) and floor covering insulation, car insulation, judo mats, etc. (Composite Foams).

#### Bedding

Recticel is the leading manufacturer and distributor of mattresses and slat bases in Europe. The range of mattresses is built up around three technologies (springs, latex and PUR-foam), which allows Recticel to cater for the entire spectrum of market demand. Slat bases are made in both wood and plastic. A large percentage of the products from Recticel are sold under strong brand names. In addition, products are also made for sale under customers' own brand names (private label).

#### Insulation

Recticel produces and markets rigid foam products for thermal insulation. Insulation activities consist mainly of two segments, named according to the product applications. First, there is the construction industry, for which Recticel produces foam in the form of panels to insulate walls, floors and roofs. Second, there is industrial insulation, for which foam is produced in the form of larger blocks, which are thereafter cut into specific shapes (plates, bends, and segments) to insulate piping in buildings and industrial installations.

#### Automotive

PUR-foam is used increasingly in the automotive industry. In addition to the traditional applications for PUR in cars (such as acoustic insulation, filters, technical foams, etc.), Recticel has in the past focused particularly on Seating and Interior Trim Solutions.

## Legal Organisation

The Recticel Group has more than one hundred and twenty legal entities. While a number of them only deploy activities belonging to one business line, others may develop several activities belonging to several business lines. The reasons may be of a historical nature or practical and legal. The Company itself, for example, located in Belgium, has activities belonging to all four business lines.

The different legal entities are at all times managed in accordance with the local legal requirements, and in furtherance of the local company's object and interests.

The unified Group and Business Line policies are implemented through the presence of Group Executive Managers in the respective local legal entity's management bodies, and/or through the presence – directly or indirectly – at the legal entity's shareholder meetings.

The local managers also form part of steering committees that operate at business line level, providing support and advice to the local managers, hence also ensuring the execution of a unified Group strategy and policies, whilst assisting in the reporting process.

## CHAPTER II: RECTICEL SHARES AND SHAREHOLDERS

### II.1. CAPITAL AND SHARES

#### II.1.1. Capital and shares

The fully subscribed share capital of RECTICEL N.V./S.A. (the "Company") amounts to €70,832,525.

This share capital is represented by 28,333,010 shares without nominal value. The par value amounts to €2.50 per share.

Of these 28,333,010 shares, 27,900,695 are ordinary shares and 432,315 are VVPR shares. Both types of shares carry exactly the same rights and obligations from a corporate legal viewpoint (one vote, equal preference right on capital increases, equal dividend right, equal share in liquidation, etc.). The only difference between ordinary shares and VVPR shares lies in the fiscal treatment of the dividend paid out to the shareholders. VVPR shares benefit from a reduced withholding tax ("verminderde voorheffing/précompte réduit") of 15% (compared to 25% for ordinary shares), thus leading to a higher net dividend. It should be noted that these VVPR shares have not been "stripped", and this right is therefore not separately tradable.

#### II.1.2. Form

Recticel shares may be bearer shares, dematerialised shares or registered shares at the discretion of the shareholders. Physical bearer shares in denominations of 1, 10 and 1,000 shares are available at most financial institutions.

The names and addresses of registered shareholders are recorded in the Company Shareholder Register. Any changes must be notified to the Company, for the attention of the Company Secretary. Registered shareholders may at all times request a certificate regarding their holding.

Shareholders may at any time apply to have their shares converted at their own expense into one of the other forms provided for above.

#### II.1.3. Listing

All the Recticel shares have been admitted to the Continuous Market of Euronext Brussels.

The ordinary share is traded under the symbol REC and has the ISIN number BE0003656676. The VVPR share is traded under the symbol RECV and has the ISIN number BE0005121778.

Information on the Company's share price can be found on the Recticel website ([www.recticel.com](http://www.recticel.com)) or on the website of Euronext Brussels ([www.euronext.com](http://www.euronext.com)).

The ordinary Recticel share is included in the NextPrime segment of Euronext Brussels under the heading "Chemicals – Advanced Materials".

It is included in two share indices, the Euronext NextPrime All index (Recticel share weighting 0.32%) and the Euronext BEL SMALL index (Recticel share weighting 4.18%). Since 2001, Recticel is also included in the investment register for sustainable investments of ETHIBEL.

#### II.1.4. Capital increase and reduction

The authorised capital may be increased or reduced in one operation or from time to time by resolution of the General Meeting of Shareholders passed under the conditions laid down for an amendment of the Articles.

In the case of an increase of capital, the new shares which are to be subscribed in cash shall first be offered to the existing shareholders in proportion to the number of shares in their holding.

However, notwithstanding the foregoing, the General Meeting of Shareholders may, by resolution passed in the interests of the company and under the conditions laid down for an amendment of the Articles, resolve that some or all of the new shares to be subscribed in cash shall be issued without a shareholder's preference right.

The meeting may restrict or disregard this right in favour of one or more identified individuals other than employees of the company or its subsidiaries, under the conditions laid down by Article 596 et seq. of the Code on Companies.

If the preference right is restricted or disregarded, the General Meeting or the Board of Directors, acting as may be within the limits of the authorised capital, may also provide for preference to be given to former shareholders in the allotment of the new shares. In such a case the subscription period shall be ten days.

The Board of Directors may in every case enter into agreements on such terms and conditions as it may notify, with the intention of ensuring that all or part of the shares to be issued are taken up.

#### II.1.5. Authorised Capital

By resolution of the extraordinary General Meeting of 17 May 2005, the Board of Directors was authorised to increase the capital in one or more instalments by a maximum of EUR 70,832,525.

Within these limits, the Board of Directors may decide to increase the capital by way of cash or non-cash contributions, by capitalisation of available or appropriated reserves, share issuance or revaluation surplus premiums, with or without an issue of new shares.

The present authorisation is valid up to 7 June 2008. It is renewable in accordance with the provisions of law.

The Board of Directors may also, acting within the limits of the authorised capital and in the interests of the Company, restrict or disregard the shareholders' preference right, under the conditions laid down by Article 596 et seq. of the Belgian Code on Companies.

Acting within the limits of the authorised capital, the Board of Directors may issue convertible bonds, bonds with warrants, or equity warrants, with or without shareholders' preference rights. In such a case, the preference right may also be restricted or disregarded, under the conditions laid down by Article 596 et seq. of the Belgian Code on Companies.

By resolution of the extraordinary General Meeting of 17 May 2005, the Board of Directors was given special powers, on receipt of notice from the Banking and Finance Commission that notice of a take-over bid for the company's shares had been referred to it, to increase the authorised capital in one or more instalments, by cash subscriptions with restriction or disregard of the shareholders' preference right, or by contribution in kind, within the limits and on the conditions laid down in the Belgian Code on Companies. This authorisation is likewise valid up to 7 June 2008 and is renewable.

In the past, the Company has used similar authorisations on most occasions to satisfy the exercise of stock options granted to members of the Group management, and, on occasion, to remunerate the acquisition of other companies.

On proposal for renewal of the above-mentioned authorisations, the Board drafts a special report for the benefit of the General Meeting of Shareholders explaining why such a renewal is requested.

#### II.1.6. Acquisition of own shares

The Board of Directors has been authorised by the General Meeting of Shareholders to acquire or dispose of the Company's own shares without a resolution of the General Meeting of Shareholders, if such acquisition or disposal is necessary to avoid serious and imminent harm to the Company.

This authorisation is valid up to 7 June 2008 and is renewable.

Where an acquisition or disposal is made in accordance with the foregoing, the Board of Directors shall inform the following General Meeting of the reasons for and purpose of the acquisitions and disposals made, the number and par value, or alternatively the book value, of the shares acquired and disposed of, the proportion of subscribed capital represented by them, and their exchange value.

The Board of Directors is also expressly authorised, without the requirement of prior authority granted by the General Meeting, to dispose of the Company's shares.

In the absence of serious or imminent harm to the Company, the Company is also authorised to acquire or dispose of a maximum of 10% of the Company's own shares outstanding, and this up to 17 November 2006, for a price per share of maximum 20% above or below the

average of the twenty last share price closings preceding the purchase. Such an authorisation is proposed to the General Meeting annually.

Information on purchases or disposals of the Company's own shares is published in the annual report of the Company.

## II.2. GENERAL MEETINGS OF SHAREHOLDERS

### II.2.1. Date and place

The ordinary General Meeting of Shareholders takes place each year on the third Tuesday of the month of May at 15.00 hours in the registered offices of the Company, or any other place as determined in the convocation.

Special and Extraordinary General Meetings of Shareholders may be called by the Board of Directors if deemed necessary. The Board is obliged to convene a Special or Extraordinary General Meeting of Shareholders at the request of one or more Shareholders representing 20% of the issued capital. The request shall specify the agenda items to be included in the convocation.

### II.2.2. Agenda

Agenda items may include typically:

- the appointment or re-election of members of the Board of Directors;
- the review of the annual report of the Board of Directors and the report of the Company's External Auditor;
- the approval of the annual accounts and the appropriation of the result, including the dividend payment;
- the discharge in respect of the exercise of their duties of the Board members and the External Auditor;
- authorisations to the Board to increase the capital, acquire own shares, etc.;
- capital increases or reductions;
- etc.

One or more shareholders, holding a minimum of 5% of the Company's issued shares, may propose items for inclusion on the agenda of the General Meeting of Shareholders, provided that these proposals are submitted to the Board at least 40 days before the ordinary General Meeting will take place.

### II.2.3. Convocation and requirements for participation

In order to attend the General Shareholder Meetings, shareholders are required to indicate their desire to attend.

The Company uses the procedure of a registration date (the "Registration Date"), being the last date on which the Shareholders can indicate their intention to attend the Meeting. This date is usually set at five business days before the date of the General Meeting.

Invitations to attend the General Meeting of Shareholders are sent to all registered Shareholders at least 15 days before the Registration Date.

In accordance with the Belgian Code on Companies and the Articles of Association of the Company, an announcement is published in two Belgian newspapers at least 24 days before the Registration Date, and in the Belgian Official Journal ("Belgisch Staatsblad/Moniteur Belge") at least 15 days before the Registration Date.

Holders of physical bearer shares must lodge their shares at one of the designated financial institutions and holders of dematerialised bearer shares must lodge a notice from a financial institution confirming the non-transferability of their shares up to the Registration Date at 24.00 hours.

Registered Shareholders must inform the Company in writing of their intention to attend the Meeting and indicate the number of shares with which they shall participate.

The Meeting agenda and the requirements for attendance are also published on the Company website.

Any shareholder may be represented at a General Meeting by a special proxy who must himself or herself be a shareholder or the authorised representative of a shareholder and who is himself or herself entitled to attend the meeting. Legal entities however may be represented by an appointed agent who is not a shareholder, and married persons may be represented by their spouses.

In the case of joint ownership of shares, in the broadest possible sense, the owners must appoint a single individual to represent them.

Proxies must also be lodged at the Company at the latest on the Registration Date.

No shareholder or proxy shall be admitted to a meeting until he or she has signed the attendance list stating the identity of the shareholders and the number of shares held by them.

#### II.2.4. Procedure

The General Meeting of Shareholders shall be chaired by the Chairman of the Board of Directors, or, failing him or her, by another Board member appointed by the Board to assume this role.

The Secretary-General or his/her substitute shall act as secretary of the Meeting. The Meeting shall appoint two scrutineers on a motion by the Chairman.

Under the guidance of the Chairman of the Board, the Directors present shall answer the questions put to them by the Shareholders, insofar as the answers would not cause a material prejudice to the Company, its Shareholders or its employees.

The Board of Directors may adjourn any annual or extraordinary general meeting during the session for a maximum period of three weeks. Such adjournment shall cancel all decisions taken at the meeting.

Each voting share confers the right to cast one vote. Abstentions or invalid votes are considered as not having been cast.

Shareholders may enter into agreements on the exercise of voting rights, within the limits fixed by the Belgian Code on Companies.

Except as provided otherwise in the following paragraph, the resolutions of the General Meeting shall be passed by a majority of the votes cast, irrespective of the number of shares represented.

Subject to the binding provisions of the Belgian Code on Companies, decisions regarding:

- 1) an amendment of the Articles of Association;
- 2) an increase or reduction of capital;
- 3) the merger of the Company with other companies;
- 4) the dissolution of the Company;
- 5) the issue of convertible bonds or bonds with warrants or the issue of equity warrants;
- 6) converting the Company into a different kind of company;
- 7) alteration of the company's object;

require the subject matter of the proposed resolution to be specified in the convening notices and a quorum of 50%, failing which a new meeting shall be convened whose decision shall be valid whatever the number of shares represented.

Resolutions on points 1. to 5. above shall be valid only if passed by 75% of the votes cast. Resolutions on points 6. and 7. shall be valid only if passed by 80% of the votes cast.

The minutes of General Meetings shall be signed by the officers of the meeting and any shareholders wishing to do so.

Official copies to be issued to any third party shall be signed by two directors.

### II.3. SHAREHOLDER STRUCTURE – MAJOR SHAREHOLDERS

The following table contains a list of all the shareholders or groups of shareholders who, as of 24 November 2005, held at least 3% of the existing or future voting rights of RECTICEL S.A./N.V.

The table has been drafted on the basis of the transparency declarations received or information obtained later.

Name of the Shareholder	Number of Shares held	% of issued Shares	% of issued and possible future Shares
REC-HOLD N.V.	7,738,874	27.31%	25.12%
REC-LES N.V.	4,039,007	14.26%	13.11%
MERCATOR Verzekeringen N.V.	2,510,630	8.86%	8.15%
RICHELIEU Finance	1,465,727	5.17%	4.76%
REC-MAN & Co S.C.A.	1,033,394	3.65%	3.35%

Note: REC-MAN & Co also owns 1,002,089 warrants allowing subscription to an identical number of Recticel shares. If all exercised, REC-MAN & Co's participation could rise to 6.61%.

All transparency declarations are published on the Company website.

Major shareholders have the same voting rights as other shareholders ("one share, one vote").

As indicated in their joint transparency declarations, REC-HOLD N.V., REC-LES N.V. and MERCATOR Verzekeringen N.V. exercise joint control over the Company.

They are bound by a shareholders' agreement, signed on 3 November 2003, containing the following rights and obligations:

- a lock-up until 31 December 2005;
- a pre-emption right for the other parties in the case of a contemplated sale after 31 December 2005 and until 31 December 2006;
- a right to propose candidates for respectively four Director mandates (Rec-Hold), three Director mandates (Mercator verzekeringen) and two Director mandates (Rec-Les); and
- a procedure to reach a joint voting position at General Meetings.

In order to allow institutional investors to acquire large numbers of Recticel shares, subsequent addenda to the above-mentioned shareholder's agreement in 2004 and 2005 have allowed MERCATOR Verzekeringen to reduce its participation from 18.92% to 8.86% today.

REC-MAN & Co is a company founded by 40 senior Recticel Group Managers in 1998 to manage their shareholdings and warrant holdings in RECTICEL S.A./N.V. Over the years, the number of participating managers has decreased to 22 today, as a consequence mostly of retirements and some resignations.

## CHAPTER III: TERMS OF REFERENCE OF THE RECTICEL BOARD OF DIRECTORS

### III.1. COMPOSITION

#### III.1.1. Size

The Board of Directors (the "Board") has a minimum of five members, while the actual number may vary according to the needs of the Company. The non-executive Directors must form the majority, and there will be a minimum of three independent Directors and a minimum of one executive Director.

The list of the members of the Board shall be disclosed in the Corporate Governance chapter of the annual report.

#### III.1.2. Term of office

In accordance with the Corporate Governance Code, the Board has decided to limit the term for a Director to four years. Independent Directors can serve for a maximum of twelve years in total starting May 2005 or in the year of their first appointment, whichever comes later. The Board may however grant exemptions to this rule in the general interests of the Company.

Non-executive Directors must retire at the first General Meeting of Shareholders after their 70<sup>th</sup> birthday, unless the Board grants an exemption in the interests of the Company.

Executive Directors retire on the first General Meeting after their 65<sup>th</sup> birthday.

#### III.1.3. Criteria for membership

The Nomination & Remuneration Committee, when giving its recommendations to the Board, and the Board of Directors, when proposing candidates for membership to the General Meeting, shall apply the following principles:

- a) Each candidate must be selected on the basis of his or her particular knowledge and/or experience, in order to guarantee that the Board as a whole shall have the necessary competences and qualifications to fulfil its duties;
- b) The Nomination and Remuneration Committee and the Board must ensure that the candidates demonstrate their willingness and availability to the extent required to fulfil their responsibilities as Board or Committee members.

#### III.1.4. Appointment

The Board of Directors submits its proposals regarding the appointment or re-election of Directors to the General Meeting of Shareholders. The Nomination & Remuneration Committee recommends one or more candidates to the Board, 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. The composition of the Board is determined on the basis of the necessary diversity and complementary skills, experience and knowledge.

The General Meeting of Shareholders appoints the Directors of their choice by a simple majority of the votes cast. Directors can likewise be dismissed “ad nutum” by the General meeting by a majority of the votes cast, before the normal expiry of their term of office.

If a position of Director becomes vacant as a result of resignation, incapacity or death, the Board may provisionally fill the vacancy, upon recommendation from the Nomination & Remuneration Committee.

The decision to appoint the independent Directors must state why the Director is considered independent by the Board. In assessing independence, the criteria set out in Appendix A of the Corporate Governance Code shall be taken into account, as well as Article 524 of the Code on Companies and any other relevant law or regulation.

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

## III.2. ROLE AND RESPONSIBILITIES

### III.2.1. Role

The Board is entrusted with the general management of the Company with a view to ensuring its long-term development. It provides entrepreneurial leadership and at the same time assesses and manages the risks of the Company. It takes into consideration the interests of all the stakeholders of the Company, essential to its sustainable development: its customers, its shareholders, its employees and society as a whole.

The Board is accountable to the General Meeting of Shareholders in this respect. The responsibility for the management of the Company rests with the Board as a collegial body, in a one-tier Board structure.

### III.2.2. Responsibilities

The primary task of the Board is to decide on the strategic direction for the Recticel Group and to monitor its business affairs.

The main responsibilities of the Board are as follows:

- Identifying and understanding the strategic challenges and related risks facing the Recticel Group;
- Deciding on the Company’s strategy, its appetite for risk and key policies;
- Evaluating Recticel’s actual market position, and monitoring and evaluating Recticel’s performance compared to its strategic objectives, plans and budget;
- Setting the Recticel values, policies and standards allowing the strategic objectives to be met;

- Ensuring that the necessary financial and human resources are in place for the Company to meet its strategic objectives;
- Reviewing the existence and functioning of the internal control system, including appropriate processes for conducting business in compliance with legislation, regulations, and internal policies and procedures, and ensuring the adequate identification and management of risks;
- Deciding on the Executive Management structure of the Company, determining its role and responsibilities and reviewing the Executive Management's performance;
- Maintaining continuous interaction and dialogue with the Executive Management, in order to ensure a climate of trust and transparency;
- Ensuring the quality and completeness of the disclosed financial information and in particular ensuring the integrity of the financial statements;
- Deciding on the candidate external auditor to be appointed by the General Meeting of Shareholders and supervising the performance of the external auditor and the Group Internal Auditor;
- Performing the role of Audit Committee as specifically provided for in Article 133(6) of the Code on Companies, whereby exemptions may be granted to the External Auditor regarding the level of fees for non-audit services, which in principle should not exceed the fees for audit services;
- Setting and reviewing the Corporate Governance structure of the Company and regularly reviewing its compliance with the provisions of the Corporate Governance Code;
- Deciding on all proposals to be submitted to the ordinary, special and extraordinary General Meetings of Shareholders;
- Deciding on major business policies including the approval of the strategic plan and the annual budget;
- Deciding on any transaction, regardless of the amount, which in the view of the Managing Director should be decided by the Board, based on the nature and/or importance of the risk involved;
- Deciding on the accounting principles used, and the determination of all financial information to be published;
- Evaluating its own performance.

When performing its duties, the Board must at all times act in the interests of the Company. The Board as a whole is accountable to the Company for adequately exercising its powers and responsibilities.

### III.3. REMUNERATION

The Nomination & Remuneration Committee is responsible to the Board for outlining a remuneration policy for the executive and non-executive Directors, to be decided by the Board.

The Company's current remuneration policy for the executive and non-executive Directors is set out in the Remuneration Policy of the Company, annexed as Appendix 2. to the Terms of Reference of the Nomination & Remuneration Committee (Chapter IV.2. of this Charter).

## III.4. CHAIRMAN

### III.4.1. Appointment

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

### III.4.2. Role and responsibilities

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

The Chairman shall take 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 shall promote effective interaction between the Board and the Executive Management. He or she shall establish a close relationship with the Managing Director, providing support and advice, while fully respecting the executive responsibilities of the Managing Director.

Within the Board, the Chairman is primarily responsible for:

- Setting the agenda of the Board meetings, after consultation with the Managing Director and the Secretary-General;
- Ensuring that procedures relating to the 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;
- As the Chairman of the Board is also Chairman of the Nomination & Remuneration Committee, leading the nomination process of Directors;
- Ensuring that the Board appoints Committee members and chairmen;
- Being accessible to the Directors, the members of the Executive Management and the Group Internal Auditor to discuss issues relating to the management of the Company.

The Board may decide at all times to entrust additional responsibilities to the Chairman of the Board.

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

## III.5. ORGANISATION

### III.5.1. Board meetings

In principle, the Board meets at least four times a year. Additional meetings may be called at any time with appropriate notice, when deemed necessary or advisable by one or more members of the Board, to address specific needs for the Company.

Directors are required to attend the Board meetings in person as far as possible, and to devote the required amount of time to their office. Directors who cannot attend are encouraged to give a power of attorney to one of their colleagues. Attendance by phone conference is allowed if authorised by the Chairman.

The number of Board meetings and the individual attendance record of the Directors are disclosed in the Corporate Governance chapter of the annual report.

At least half the Directors must be present or represented in order to have a valid meeting of the Board. Board members can be represented by a signed proxy, sent by mail or fax to the Secretary-General. A Director can only represent one other Director in this way.

The non-executive Directors can meet at least once a year without the Managing Director and the other executive Directors.

Board meetings must be convened in the manner laid down in the Company's Articles of Association.

Except where urgent issues have arisen (as determined by the Chairman of the Board), the agenda of the meeting will be sent to all members of the Board at least seven calendar days prior to the meeting. Every agenda item is accompanied by as much written information as possible on the votes cast by the Board members present or represented at the meeting.

Board meetings are chaired by the Chairman of the Board. In the absence of the Chairman of the Board, the Board members present shall designate another Board member to chair the meeting by a simple majority of the votes cast.

The Secretary-General of the Company, or his/her substitute, draws up minutes of the deliberations of a meeting of the Board. The minutes must sum up the discussions, specify the decisions taken and state any reservations voiced by Directors. The minutes are approved by the Board at the next meeting.

### III.5.2. Board Committees

In order to ensure and improve the efficient execution of its duties, the Board of Directors 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 has set up an Audit Committee and a Nomination & Remuneration Committee.

The role of the Committees is strictly advisory, as the actual decision-making remains at all times the responsibility of the Board.

The Board determines the terms of reference for each Committee, in which the composition, the role and responsibilities and the operation of the relevant Committee are specified. These terms of reference are included in this Charter under Chapter IV.

The Board shall pay particular attention to the composition of each Committee. It must ensure that in appointing the members of each Committee and their Chairmen, consideration is given to the needs and qualifications required for the optimal functioning of that Committee. The Board may dismiss Committee members at all times.

### III.5.3. Secretary-General of the Company

The Board appoints a Secretary-General, who assists the Board and the Chairman in the performance of their duties. All Board members have access to the Secretary-General of the Company for advice and services.

The core responsibilities of the Secretary-General are:

- to ensure that the Recticel corporate bodies comply with their requirements under the law, the Articles of Association, this Charter and any other internal rules and procedures;
- to ensure the continuous development of the governance structure in accordance with the best practices and the long-term needs of the Company;
- to organise the General Meetings of Shareholders;
- to act as Secretary of the Board of Directors.

The Secretary-General is accountable to the Board regarding the above-mentioned responsibilities through the Chairman and the Managing Director.

The Secretary-General of the Company assists the Chairman of the Board in the organisation of matters relating to the Board (preparing meetings, reporting on meetings, information requirements, etc.).

The Secretary-General of the Company is assisted in his tasks by his deputy, the Company Secretary, to whom he may delegate his duties arising under the Charter, in consultation with the Chairman and the Managing Director.

## III.6. INDUCTION AND EVALUATION

### III.6.1. Induction

Newly appointed Directors shall receive an appropriate induction to ensure their early contribution to 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.

For Directors joining Board Committees, the induction process will include a description of the specific role and duties of the Committee.

For Directors joining the Audit Committee, the induction covers the Audit Committee's Terms of Reference and provides an overview of the company's internal control organisation and risk management systems. They are provided in particular with full information on the Company's specific accounting, financial and operational features. This induction also includes a meeting with the external auditor and with the relevant corporate officers.

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. For that purpose, the Company shall make the necessary (financial) resources available, if required.

### III.6.2. Evaluation

In order to promote the continuous improvement of the governance of the Company, the Board shall assess every two years, under the lead of its Chairman, its size, composition, operation and interaction with Executive Management.

This evaluation has four objectives:

- a) assessing the operation of the Board;
- b) checking that the important issues are thoroughly prepared and discussed;
- c) evaluating the actual contribution of each Director's work, the Director's presence at the Board and Committee meetings and his constructive involvement in discussions and decision-making;
- d) evaluating the Board's current composition.

Although the evaluation is a responsibility of the Board as a whole, the Board will be assisted in this evaluation by the Nomination & Remuneration Committee.

If required or desired, an evaluation by external experts can be considered.

The Chairman of the Board will also be evaluated in this process.

In the same process, the Board shall also assess the operation of the Committees every two years. For this assessment, the results of the individual evaluation of the Directors will be taken into consideration. Again, specific attention will be given to the evaluation of the Chairmen of the Committees.

The evaluation will be based on a questionnaire to be filled in by each Board member. The answer forms shall be processed and the results of the evaluation shall be discussed by the Nomination & Remuneration Committee, and consequently by the Board as a whole, on the basis of the Committee's report, commenting on the strengths and weaknesses of the Board and, where appropriate, making proposals to appoint new Directors or not to re-elect Directors.

### III.7. CODE OF CONDUCT

Directors shall adhere to the General Code of Business Conduct as established in Chapter VII of this Corporate Governance Charter.

Each Director shall demonstrate integrity and commitment, and perform his or her duties in an honest, ethical and justified manner.

The Directors shall act at all times in the interests of the Company. Independence of judgement is required in the decisions of all Directors, executive and non-executive alike, whether the non-executive Directors are independent or not.

The Directors are entitled to receive pertinent and accurate information, which they will study carefully so as to acquire and maintain a strong command of the key issues relevant to the Company's business. The Directors shall ask clarification whenever they deem it necessary.

The Directors shall avoid any action, position or interest that conflicts or appears to conflict with the Company's interests. When faced with a conflict of interests, the legal provisions shall apply and the Director in question shall immediately inform the Chairman of the Board. Directors in such a position shall abstain from participating in the Board discussion and decision in accordance with the legal requirements, and the event shall be disclosed accordingly.

Each Director has an obligation to handle the confidential information received in his or her capacity as Director with extreme caution. The Directors undertake not to disclose any confidential information relating to the Company or its affiliates, obtained in the execution of their responsibilities as Director, to third parties, unless he or she has a legal obligation to disclose the information. Disclosure to members of the management of the Company or its affiliates is allowed on a need-to-know basis.

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

## CHAPTER IV: RECTICEL BOARD COMMITTEES

### IV.1. TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### IV.1.1. Composition

The Audit Committee (the "Committee") shall consist of at least four non-executive directors, at least half of whom shall be independent directors in accordance with the Belgian Code on Companies and the Belgian Code on Corporate Governance.

The members shall be elected by the Board of Directors, on recommendation of the Nomination and Remuneration Committee, for renewable four-year terms. They hold office until their successors are elected or until their earlier death, removal or resignation from the Committee, or termination of their respective mandate as member of the Board of Directors. Members must dispose of the relevant expertise in the comprehension of general accounting principles & procedures, and general corporate finance.

The Board elects the Chairman from among the members who are independent directors. The offices of Chairman of the Audit Committee and Chairman of the Board of Directors cannot be combined.

#### IV.1.2. Role & Responsibilities

The Committee is an advisory committee. It assists the Board in the specific areas mentioned hereafter, which are covered in detail and regarding which they make recommendations to the Board as a whole. Only the Board of Directors has the power to take decisions. The Committee discusses significant financial reporting issues with both the executive management and the external auditor.

The Committee shall monitor, review and make recommendations to the Board of Directors regarding:

##### Financial reporting

- the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards used by the Company and the Group, including the criteria for the consolidation of the accounts of the companies in the Group;
- the assessment of the correctness, completeness and consistency of the Company's yearly and half-yearly statutory and consolidated financial information;
- the periodic information before it is made public, i.e. the draft press releases containing the annual and semi-annual results;
- the impact of new accounting rules, and any prognoses.

## Internal control and risk management

- at least once a year, the internal control and risk management systems set up by the executive management, thus ensuring that the main risks (including those relating to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- the statements included in the annual report on internal control and risk management;
- the specific arrangements made, by which staff of the company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters;
- the arrangements made for proportionate and independent investigation of such matters, for appropriate follow-up action and arrangements whereby staff can inform the Chairman of the Committee directly.

## Internal audit process

- the internal auditor's work programme, having regard to the complementary roles of the internal and external audit functions. At least once a year, the Group Internal Auditor is heard by the Committee and it receives his internal audit reports or a periodic summary thereof;
- the effectiveness of the internal audit;
- the internal audit budget;
- the responsiveness of management to the committee's findings and recommendations;
- the selection, appointment, reappointment and removal of the Group Internal Auditor.

## External audit process

- in collaboration with the Chief Executive Officer and the Chief Financial Officer, the selection, appointment and reappointment of the external auditor and the terms of his or her engagement;
- the external auditor's independence, in particular in view of the provisions of the Code on Companies and the Royal Decree of 4 April 2003;
- the nature and extent of non-audit services;
- the formal policy specifying the types of non-audit services a) excluded, b) permissible after review by the Board of Directors, and c) permissible without referral to the Board of Directors, taking into account the specific requirements under the Code on Companies.
- the work programme of the external auditor;
- all issues arising from the audit;
- the effectiveness of the external audit process, and the responsiveness of management to the recommendations made in the external auditor's management letter;
- if the external auditor resigns, the issues giving rise to this resignation;

### IV.1.3. Operation

The Committee meets at least three times a year and whenever a meeting is required for the proper operation of the Committee.

In principle, the meetings of the Committee are called by the Committee Chairman. Each member however may request the convening of a special meeting.

The agenda of the meetings must be sent to all Committee members at least seven calendar days prior to the date set for the meeting. Every agenda item must be accompanied by the relevant documents and information.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, at least one of whom must be an independent director.

Members can give a proxy to another member of the Committee. No member can however represent more than one other member this way.

The Committee Chairman will take the necessary measures to develop a climate of trust within the Committee, contributing to open discussion, constructive dissent and support for the Committee's decisions.

Decisions must be taken by a simple majority of the members present or represented. In the case of equality of votes, the Chairman of the Committee has the casting vote.

The Committee may invite any person to attend its meetings.

The Committee shall meet at least twice yearly with the external auditor and the Group Internal Auditor to discuss all issues falling within the powers of the Committee and any issues arising from the audit process.

The external auditor and the internal auditor can at all times request that the Chairman of the Audit Committee be heard.

The Committee is entitled to receive all information required for the performance of its duties from the Board and the executive management and the company staff. It can request the presence of any senior employee of the Company, the Chief Executive Officer, the Group Internal Auditor, and/or the external auditor.

The Committee is allowed to seek external professional advice, at the Company's expense, about issues that fall within its responsibilities.

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.

Any member of the Audit Committee must immediately inform the Committee of:

- any personal financial interest (except as shareholder) in any matter on which the Committee decides;
- 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 those issues involving such an interest or conflict of interests.

After each meeting, the Secretary-General or his/her substitute drafts a report on the findings and recommendations of the Audit Committee to be submitted to the Board of Directors. All members of the Committee are to be provided with this draft as soon as possible after the meeting in order to allow remarks and corrections to be made, before the report is submitted to the Board of Directors.

The Audit Committee reports regularly to the Board on the exercise of its duties and on any other 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.

The Audit Committee reports annually, or, if necessary, more frequently to the Board on the developments in the relationship with the external auditor, and in particular on the viewpoint of the Committee on the external auditor's independence.

Each member of the Board of Directors shall have unlimited access to the data provided for the Audit Committee and may exercise his or her right through the Secretary of the Committee.

The Audit Committee shall annually check and review the adequacy of these terms of reference and of its own effectiveness and shall report thereon to the Board of Directors, and make recommendations for changes.

The Board of Directors may modify these terms of reference at all times.

It is hereby specifically confirmed that the Audit Committee has no authority to conduct audits itself or to determine whether the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. These duties are the responsibility of the external and internal auditor, and the executive management respectively.

## **IV.2. TERMS OF REFERENCE OF THE NOMINATION & REMUNERATION COMMITTEE**

### IV.2.1. Composition

The Nomination & Remuneration Committee (the "Committee") shall be composed of at least three Directors, all non-executive and more than half of whom shall be independent Directors in accordance with the Belgian Code on Companies and the Belgian Code on Corporate Governance.

The members shall be elected by the Board of Directors, for renewable four-year terms. They hold office until their successors are elected or until their earlier death, removal or resignation from the Committee, or termination of their respective mandate as member of the Board of Directors. Members must dispose of the relevant expertise in the matters treated by the Committee.

The Chairman of the Board is ex officio member and Chairman of the Committee.

Meetings are usually attended by the Managing Director and the Group Human Resources Manager, who acts as Secretary to the Committee. The Committee may invite any other relevant non-member to attend its meetings.

### IV.2.2. Role & responsibilities

The Committee is an advisory committee. It assists the Board in the specific areas mentioned hereafter, which are covered in detail and regarding which they make recommendations to the Board as a whole. Only the Board of Directors has the power to take decisions.

In its role as Nomination Committee, the Committee shall ensure that the appointment and re-election process of Board members and senior executive managers is organised objectively and professionally.

The Committee makes recommendations to the Board of Directors regarding:

- procedures and selection criteria (independence requirements, competence and qualification) to be implemented for the appointment of Board members and Board Committee members;
- procedures to be implemented for the re-election of Board members and Board Committee members;
- the size and composition of the Board and any desired changes;
- issues related to succession planning of the Managing Director and the members of the Executive Management;
- procedures and selection criteria to be implemented for the appointment of members of the Executive Management;
- the evaluation procedure for the Board and the Board Committees.

In its role as Remuneration Committee, the Committee shall advise the Board on the remuneration policy of the Company.

The Committee makes recommendations to the Board of Directors regarding:

- the remuneration of executive and non-executive Directors, members of the Management Committee and Senior Managers. The extent and nature of the remuneration should be in accordance with the function and the benefit to the Company;
- the remuneration policy for the members of the Executive Management, including:
  - the main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
  - the key elements for determining the remuneration, including:
    - the relative importance of each component of the remuneration;
    - the performance criteria applicable to the variable elements;
    - the fringe benefits;
- the individual remuneration of directors and of the members of the Executive Management, relating to bonuses and long-term incentives – whether or not stock-related – in the form of stock options or other financial instruments;
- the disclosure of the remuneration of Directors and the members of the Executive Management in the Company's annual report.

Each year, the Committee shall discuss and set the goals and objectives for the Managing Director, and, on the basis of a proposal by the Managing Director, of the members of the Executive Management, which will subsequently serve as benchmarks of their performance.

#### IV.2.3. Operation

The Committee meets once a year, and whenever a meeting is required for the proper operation of the Committee, or whenever changes to the composition of the Board or the Executive Management are necessary. The dates of the meetings will be fixed as far as possible in advance each year.

The meetings of the Committee are called by the Chairman of the Committee in consultation with the Managing Director where appropriate. Each member however may request the convening of a special meeting.

The agenda of the meetings must be sent to all Committee members at least seven calendar days prior to the date set for the meeting. Every agenda item must be accompanied by the relevant documents and information.

The quorum for a meeting is two members attending the meeting in person or by telephone conference, at least one of whom must be an independent director.

Members can give a proxy to another member of the Committee. No member can however represent more than one other member this way.

The Committee Chairman will take the necessary measures to develop a climate of trust within the Committee, contributing to open discussion, constructive dissent and support for the Committee's decisions.

Decisions must be taken by a simple majority of the members present or represented. In the case of equality of votes, the Chairman of the Committee has the casting vote.

The Committee may invite any person to attend its meetings.

The Committee is entitled to receive all information required for the performance of its duties from the Board, the members of the Executive Management and the company staff. It can request the presence of any senior employee of the Company.

The Committee is allowed to seek external professional advice, at the Company's expense, about issues that fall within its responsibilities, in agreement with the Managing Director or the Chairman of the Board.

The Nomination & Remuneration Committee reports regularly to the Board on the exercise of its duties and on any other matters in respect of which the Committee considers that action or improvement is needed, and may make recommendations as to the necessary steps to be taken.

Each non-executive member of the Board of Directors shall have unlimited access to all data of the Nomination & Remuneration Committee and may exercise his or her right after consultation with the Committee Chairman.

The Nomination & Remuneration Committee shall annually check and review the adequacy of these terms of reference and of its own effectiveness and shall report thereon to the Board of Directors, and make recommendations for changes.

The Board of Directors may modify these terms of reference at all times and revoke the powers granted to the Committee as it sees fit.

## Appendix

### GROUP REMUNERATION POLICY

#### Introduction

On recommendation of the Nomination & Remuneration Committee, the Board of Directors of the Recticel Group determines the remuneration of Directors and the members of the Management Committee (hereinafter referred to as the "Senior Management" or "Senior Managers").

To assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors relevant to the Committee's evaluation of remuneration matters, the Committee may retain the services of internationally recognised remuneration consultants.

#### Remuneration of Directors

The Company's directors are remunerated for their services with a fixed fee per meeting attended. The fixed fee is determined by the Board but may not exceed the maximum amounts set by the annual General Meeting of Shareholders for the following year. The Chairman of the Board shall receive a fee equal to 200% of the individual fee determined for the other Board members.

The Board shall decide on the additional remuneration for Committee members. The Chairmen of the Committees shall receive a fee equal to 150% of the individual fee determined for the other Committee members. Both the amount and structure of the remuneration of directors are analysed on an annual basis.

The Articles of Association of the Company provide in Article 44 that if and when the General Meeting of Shareholders decides to attribute a dividend on the shares, a sum equal to two percent of the net amount of these dividends shall be allocated as gross directors' fees to the Directors, who shall apportion it among themselves according to standing rules.

Non-executive directors of the Company do not receive any remuneration, benefits or equity-linked or other incentives from the Company and its subsidiaries other than their remuneration for their service as director of the Company and/or its subsidiaries. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any Board member.

#### Remuneration of the Senior Management

The remuneration of the Senior Management is designed in such a way as to:

- Ensure that the Company can continuously attract, motivate and retain high calibre and high potential executive talent for which the Company competes in each region and internationally;
- Promote the achievement of Board-approved performance targets, aligned with building shareholder value over the short, medium and long term; and,

- Stimulate, recognise and reward strong individual contribution and solid team performance.

Both the amount and the structure of the remuneration of the Senior Management are analysed on an annual basis.

The remuneration package for the Senior Management combines three integrated elements that are collectively referred to as the “total direct remuneration”. Those integrated elements are base salary, annual incentive bonus and long-term incentive remuneration. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any member of the Senior Management.

When determining the remuneration levels for the Senior Management, the remuneration of executives in Belgian multinationals and medium-sized companies is taken into account along with internal factors. The objective is to establish target remuneration levels that, as a general rule, are at or around the median market level in so far as the performance of the Company can afford it.

#### Base salary

Base salary levels are designed to remunerate the Senior Management for the responsibilities of their position, a particular set of competencies and their experience in the position. Market median levels for comparable positions are targeted for the base salary and these levels are subject to regular annual reviews.

Except for obligatory annual cost of living adjustments, regardless of the economic position the Company finds itself in, there is no mechanism for automatic adjustment.

#### Annual Incentive

The annual incentive bonus recognises and rewards individual performance of a member of the Senior Management. The annual incentive bonus is dependent upon Company achievement against budgeted financial targets. Bonus payments are limited to a certain percentage of the Base Salary, as determined from time to time by the Board of Directors. Currently, annual incentive bonuses shall never exceed the Base Salary.

The targets are divided into two categories. The financial targets are linked to the consolidated net profit of the Group (EAT), the EBITDA of the division for which the Senior Manager is responsible and elements of working capital, such as receivables, payables and stock level management. The non-financial targets are linked to individual objectives which the Senior Manager is supposed to achieve during the year.

For members of the Senior Management not having a direct profit and loss responsibility, being responsible for staff, the weighting of the financial targets and the non-financial targets is different from that assigned to the Senior Line Management members. For lower management levels active at group level, there is also a bonus plan based on the same principles.

## Long-Term Incentive Plans

The Company also offers a long-term incentive plan to the Executive Management and other Group managers. The Company's long-term incentive plan is designed to:

- Encourage and support the creation of long-term shareholder value and ensure that the Executive Managers and the other Group managers, like the shareholders, share in the successes and shortcomings of the Company and the Group;
- Provide the opportunity for the Executive Management and other Group managers to receive, within their total remuneration package, competitive rewards as a result of sustained Company performance over longer periods of time and the growth in value of the Company's shares.

The long-term incentive plan for Executive Management and other Group managers is comprised of stock options ("warrants").

The first edition of the Recticel Stock Option Plan was launched in 1993. Subsequent editions were organised on a yearly basis, with two editions in 1999 following the change in the Belgian law and regulations on the subject.

The stock options granted have a strike price equal to the Company's share price on the working day preceding the offering of the option, or the average price of the Company's share price during twenty days prior to the offering of the option. Each option, if exercised, allows subscription to a newly created ordinary Recticel share at the strike price.

In general, the options have a vesting period of three years and an exercise period of three years (prolonged by another three years for the later series based on a specific Belgian regulation following the negative stock market trend from 1999 to 2002, deemed extraordinary).

The annual status of the Recticel Stock Option Plan (editions, exercises, stock options left, conditions) can be found in the annual report.

As a general rule, the Board has determined that the number of stock options granted by the Company to the Executive Management may in total never exceed 10% of the issued capital. The precise number for an edition is determined by the Board on the basis of a recommendation of the Nomination & Remuneration Committee. The last edition dates from December 2002.

While in the early years, the options were granted to Executive Managers, later series were directed more specifically at the younger management members to encourage their long-term professional relationship with the Company and Group.

In accordance with the guidelines of the Belgian Code on Corporate Governance, the equity incentive plans under which members of the Executive Management are remunerated in shares or share options or rights to acquire or subscribe to shares, shall in future be submitted for approval to the General Meeting of Shareholders.

## Other Remuneration Components – Including Retirement and Severance

Each of the members of the Executive Management and other managers participate in the retirement plans and pension plans in effect in the manager's home country or region.

The plans provide for retirement and post-retirement benefits at levels that are in line with the predominant plans of their kind in each country or region where they are in effect. Other benefits, such as medical and other insurance coverage, and the use of company vehicles, are provided in line with competitive practices in the market where the manager in question is based.

Certain members of the Executive Management have employment agreements with the Company or a subsidiary of the Company that provide for severance payments under certain circumstances in line with applicable law.

## CHAPTER V: TERMS OF REFERENCE OF THE RECTICEL EXECUTIVE MANAGEMENT

### V.1. INTRODUCTION

The Executive Management of the Recticel Group is composed of the Managing Director (or Chief Executive Officer or CEO) and the members of the Management Committee. Their role is to manage the Recticel group in accordance with its values, strategies, policies, plans and budgets, as decided by the Board of Directors.

The Managing Director and Chief Executive officer is in charge of the daily management of the Company and the representation of the Company in this respect. On decision by the Board, he or she may from time to time be entrusted with other general or specific duties and responsibilities. He or she is assisted in all tasks by the Management Committee, chaired by the Managing Director, which has a strictly advisory role. The Management Committee is not an Executive Committee within the meaning of Article 524bis of the Belgian Code on Companies.

The Managing Director/Chief Executive Officer is a member of the Board of Directors.

### V.2. MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

#### V.2.1. Role and Responsibilities

The Board delegates the daily management of the Company in the most extensive sense of the term and the representation relating to the daily management to the Managing Director and Chief Executive Officer and vests him or her with the adequate and necessary authority for the proper exercise of his or her responsibilities.

The Board may from time to time delegate additional powers and responsibilities to the Managing Director. The Managing Director is accountable to the Board for properly discharging the duties and responsibilities entrusted to him or her.

The Managing Director/Chief Executive Officer is appointed by the Board of Directors on the basis of a report prepared by the Nomination & Remuneration Committee. The Nomination & Remuneration Committee also prepares a plan for the succession of the Managing Director, and recommends to the Board the selection and replacement, if necessary, of the Managing Director.

The Managing Director may not concurrently serve as Chairman of the Board.

## V.2.2. Remuneration

The remuneration of the Managing Director is decided by the Board based on a recommendation from the Nomination & Remuneration Committee and in accordance with the Group Remuneration Policy, which can be found in annex to Chapter IV.2. Terms of Reference of the Nomination & Remuneration Committee.

The amount of the remuneration and other benefits granted directly or indirectly to the Managing Director and Chief Executive Officer, by the Company or any other entity of the Recticel group, shall be disclosed on an individual basis in the Corporate Governance chapter of the annual report.

## V.2.3. Evaluation

Each year, the Nomination & Remuneration Committee sets the goals and objectives to be met by the Managing Director in the year ahead and evaluates the performance of the Managing Director in the preceding year. The performance evaluation will allow the determination of the performance-linked part of the Managing Director's remuneration. The Managing Director shall not be allowed to attend the meeting when the Nomination & Remuneration Committee and/or the Board discusses and decides on his or her remuneration.

## V.3. RECTICEL MANAGEMENT COMMITTEE

### V.3.1. Role and Responsibilities

The Management Committee, chaired by the Managing Director, comprises the most important corporate officers of the Company, selected by the Managing Director after consulting the Nomination & Remuneration Committee, and assists the Managing Director in the preparation of the strategy proposals for the Company's Board of Directors, the running of the Company's operational activities and the analysis of the business performance of the Company and the Group.

It will assist the Managing Director in the daily management of the Company, the execution of the decisions of the Board and the responsibilities of the Managing Director set forth above.

The Managing Director may delegate authority to other corporate officers for specific purposes, and has granted such authority to the individual members of the Management Committee as is necessary for the proper exercise of their duties and responsibilities.

While the members of the Management Committee, and any other Company executives to whom the Managing Director delegates authority, are accountable to the Managing Director for the matters entrusted to them, it is the Managing Director who is accountable to the Board for the proper performance by the members of the Management Committee, and any other Company executives to whom the Managing Director has delegated authority, of their duties and responsibilities.

The Management Committee meets at least eight times a year and may decide to pursue tasks requiring a closer follow-up in a reduced composition on a regular basis. Additional meetings may be called by its Chairman, the Managing Director, at any time, with appropriate notice, when deemed necessary or advisable by one or more members of the Committee, to address specific needs for the Company.

#### V.3.2. Remuneration

The remuneration of the members of the Management Committee other than the Managing Director is decided by the Board, based on a recommendation from the Nomination & Remuneration Committee and in accordance with the Group Remuneration Policy, which can be found in annex to Chapter IV.2. Terms of Reference of the Nomination & Remuneration Committee.

The amount of the remuneration and other benefits granted directly or indirectly to the members, other than the Managing Director, by the Company or any other entity of the Recticel Group, shall be disclosed on a global basis in the Corporate Governance chapter of the annual report.

#### V.3.3. Evaluation

Each year, in the presence and on the proposal of the Managing Director, the Nomination & Remuneration Committee sets the goals and objectives to be met by the other members of the Management Committee in the year ahead, and discusses with the Managing Director the performance of the other members of the Management Committee in light of those goals and objectives. The Committee makes recommendations to the Board with respect to the remuneration level of the other members of the Management Committee, based on such evaluations and discussions, and based on a review of remuneration levels for similar positions at comparable companies.

The performance evaluation will allow the performance-linked part of their remuneration to be determined. Apart from the Managing Director, no executive Director or member of the Management Committee shall be allowed to attend the meeting when the Nomination & Remuneration Committee and/or the Board discusses and decides on his or her remuneration.

## CHAPTER VI: SUPERVISION

### VI.1. Legal framework

RECTICEL N.V./S.A. is a public limited company and has the status of a company that has publicly issued listed securities.

As an issuer of listed securities, the Company is subject to the listing requirements of Euronext Brussels.

It is also subject to supervision by the Belgian Banking, Finance and Insurance Commission.

### VI.2. Internal Audit

The Company disposes of a professional internal audit team led by the Group Internal Auditor, reporting directly to the Managing Director.

The Group Internal Auditor also reports to the Audit Committee, which reviews the internal audit's work programme, their internal audit reports or a periodic summary thereof, and the internal audit budget.

### VI.3 External Audit

The 2004 General Meeting of Shareholders commissioned the external audit of RECTICEL N.V./S.A.'s annual stand-alone and consolidated financial accounts from the co-operative limited liability company "Deloitte & Touche, Registered Company Auditors", represented by Mr. William Blomme, until after the ordinary General Meeting of the year 2007.

The Statutory Auditor conducts its audit in accordance with the standards of the Belgian Institute of Registered Company Auditors and certifies whether the company's financial statements give a true and fair view of the assets, financial position and results of the Company.

To this end, the Statutory Auditor meets twice yearly with the Audit Committee to discuss the results of their review of the annual and semi-annual accounts of the Company.

The 2004 General Meeting fixed the External Auditor's annual fees for the audit of the annual stand-alone and consolidated financial statements at 190,000 euros.

Information on fees for non-audit services provided by the External Auditor to the Company can be found in the latest annual report.

## CHAPTER VII. CODES OF CONDUCT

### VII.1. GENERAL CODE OF BUSINESS CONDUCT

#### VII.1.1. Introduction

The Belgian Code on Companies provides a means of settling conflicts of interests that arise within the context of a Director's mandate. This procedure is briefly explained hereafter in point VII.1.2. Legal framework.

In the interests of the Company, the Board of Directors has decided to impose additional obligations on its members and on the corporate officers of the Company and its affiliates. These additional obligations have been written out in point VII.1.3. General Code of Conduct.

Furthermore, the Board of Directors decided to set up some guidelines for Directors on their interaction with the Executive Management and with investors, media and others. These guidelines are explained in point VII.1.4. Interaction.

#### VII.1.2. Legal framework

Article 523 of the Belgian Code on Companies provides that a Director who is faced, directly or indirectly, with an interest of a financial nature that conflicts with a decision or a transaction belonging to the competence of the Board, is required to notify the other members of the Board before the Board takes its decision.

The notification, including the justification of the conflict of interests, is inserted into the minutes of the meeting, and the Director shall inform the external auditor of the Company, with the assistance of the Secretary-General. The financial consequences of the decision shall likewise be mentioned in the minutes.

The Board describes the nature of the decision or transaction and justifies the decision taken, in order to allow the publication in the annual report. The annual report shall include the minutes of the meeting regarding the conflict of interests, in extenso.

The Director in question cannot participate in the discussions and the vote concerning the proposed decision or transaction.

The above-mentioned legal obligations are not applicable to decisions or transactions arising between companies, whereby one of the companies owns – directly or indirectly – 95% or more of the actual voting rights of the other company, or in the case where another company owns 95% or more of the actual voting rights in both companies between which a transaction is contemplated.

The legal obligations likewise are not applicable in the case where the decision regards usual transactions that occur under the conditions and collateral that are customary in the market for such transactions ("arm's length").

### VII.1.3. General Code of Conduct

#### VII.1.3.1. Business integrity and ethics

The Recticel Group has implemented an internal Business Control Guide to establish effective and uniform control procedures. This Guide comprises the corporate policies regarding ethics, safety, health and environment, quality, conflicts of interests, antitrust, etc.

These policies apply to all Recticel Group managers and employees, and will also apply to Directors, if appropriate.

In order to achieve its business objectives, the Recticel Group expects its Directors, Executive Managers and employees to adhere to the highest standards of business integrity and ethics and to respect and comply at all times with all applicable national and international laws and regulations.

No Company officer has the right or the authority to request the execution of any action that would violate compliance with such applicable national or international laws and regulations.

This basic principle is not subject to waiver or exceptions for competitive or commercial reasons, industry customs or other exigencies.

Relationships with customers, suppliers, competitors, employees and governmental authorities and officials must always be based on compliance with all applicable national and international laws.

In this framework, specific attention must be paid to anti-trust and competition laws which truly affect daily business life and which must be respected at all times.

All Recticel Group Directors, Managers and employees must at all times aim to achieve the highest standards of honesty, objectiveness and diligence in the performance of their respective duties and responsibilities. Respect and loyalty should be inherent in all their actions. Knowingly taking part in any illegal or improper activity shall not be accepted.

In order to ensure the integrity, accuracy and reliability of the Recticel Group's books and financial statements, no transaction shall be entered into with the intention of it being documented or recorded in a deceptive manner. No false or artificial documentation or entry shall be made for any transaction.

All funds, assets and transactions must be disclosed and recorded in the appropriate books in accordance with all national and international laws and regulations.

Gifts or favours of any kind, given in order to obtain a personal advantage or to sell products or services or – in general – to influence business, labour or governmental decisions, are strictly prohibited. Reasonable gifts or gratuities consistent with laws and regulations and accepted business practices shall be allowed, provided they are properly recorded in the Company's (or its affiliates') books and records.

#### VII.1.3.2. Additional obligations

Directors and corporate officers undertake not to develop, either directly or indirectly, during the term of their mandate or employment, any activities or perform any actions that conflict with the activities of the Company or its affiliates.

In this respect, the Directors and corporate officers must abstain from the following actions:

- Start up or enter into activities that compete with the activities of the Recticel Group;
- Attempt to encourage staff members of the Company or its affiliates to terminate their relationship with the Company or its affiliates;
- 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 any such relationship in a way that is detrimental to the Company or its affiliates.

Non-executive Directors may not enter into material agreements with companies belonging to the Recticel Group for the provision of paid services (e.g. consulting, accounting, legal services) without express authorisation of the Board of Directors.

Related party transactions shall at all times be conducted at arm's length. It is the responsibility of each Director and corporate officer to promptly notify the Secretary-General or the Company Secretary of any proposed related party transaction as soon as such Director or officer becomes aware of it, and regardless of whether the Director and/or officer is involved in it. Related party transactions are transactions between the Company or any of its affiliates, on one side, and any Director of the Company, any corporate officer of the Company, any close relative (being someone that could have a decisive influence on the Director or corporate officer, such as the partner, children, parents, close friends, etc.) of a Director or corporate officer and/or any legal entity in which a substantial interest in the voting power is owned, directly or indirectly, by one of the above mentioned persons, or that have a member of the Board of Directors in common, on the other.

Any proposed related party transaction, or a series of similar transactions involving the same related parties, and involving an amount of at least one hundred thousand euros (€100,000), must be approved by the Board of Directors if it involves Directors or senior corporate officers, members of the Management Committee. If it involves other corporate officers or employees, the approval must come from the Managing Director.

Related party transactions involving lower amounts do not require prior approval as such, but remain of course subject to legal regulations and the Company policies on conflict of interests.

Related party transactions involving amounts above one million euros (€1,000,000) shall be disclosed in the annual report, in accordance with the legal requirements.

#### VII.1.4. INTERACTION

##### VII.1.4.1. Interaction with management

Non-executive Directors have at all times direct access to the Chief Financial Officer and the Secretary-General and Company Secretary of the Company. In other cases, non-executive Board members are asked to consult the Managing Director prior to contacts with other corporate officers and to use common sense to ensure that these contacts do not distract the contacted officers from their business operations and responsibilities.

##### VII.1.4.2. Interaction with investors, media and others

Directors and corporate officers must refrain from independently contacting investors, analysts or journalists regarding issues concerning the Company or its affiliates. This belongs to the exclusive responsibilities of the Managing Director and the Corporate Communications department. Discretion is the key obligation in this regard.

However, Directors may, on invitation from the Managing Director, participate in communication activities undertaken by the Recticel Group.

Furthermore, Directors and corporate officers are requested to support, in private and in public, the position of the Recticel Group regarding strategy, policies and actions.

## VII.2. CODE OF CONDUCT ON THE PREVENTION OF INSIDER DEALING AND MARKET ABUSE

### VII.2.1. Introduction

The Board of Directors of the Company has drawn up a set of rules (the "Rules") regulating the declaration and conduct obligations regarding transactions in shares or other financial instruments of the Company carried out by Directors and other designated persons for their own account.

The purpose of these Rules is to prevent the illegal use – or the appearance thereof – of inside information by members of the Board of Directors, members of the executive management, employees, shareholders and other designated persons.

These Rules contain preventive measures helping to respect the legal provisions and to preserve the Company's reputation in the market. Indeed, insider dealing will affect the liquidity of the share and could endanger the optimal financing of the Company.

It is to be noted that compliance with the Rules of this Code does not exempt the insider in question from his or her individual liability.

### VII.2.2. Definitions

#### Insider

Any member of the Board of Directors or the executive management of the Company, anyone who participates in the share capital or other financial instruments of the Company or has access to information as a result of his or her employment, profession or duties and is or should reasonably be aware of the fact that the information in question represents inside information and is subject to the Rules, and who has signed these Rules. The legal term for these Insiders is "primary insiders".

#### Secondary Insider

Any person who is not an Insider but who holds information which he or she should know is inside information coming directly or indirectly from an Insider.

#### Inside information

According to Belgian legislation, information is considered "inside information" when the information has the following four characteristics:

- a) The information has not been publicly disclosed.
- b) The information is accurate.
- c) The information relates directly or indirectly to the Company or the Company's financial instruments.

- d) If disclosed, the information would or could have a major influence on the price of the Company's financial instruments.

Based on the above guidelines, mere rumours cannot be considered inside information. However, the information need not necessarily refer to events or facts that have already occurred or that will definitely occur. The probability or the possibility that events or facts could occur can be sufficiently accurate.

Examples of information relating to the Company or its financial instruments are: information relating to the Company results, important contracts, R&D developments, mergers, acquisitions or divestments, movements in the capital, dividend or shareholders, issuances of financial instruments, restructuring, management changes, strategy changes, non-compliance with regulations or contractual obligations, and so on.

The fact that the price was actually influenced or not when the information was later disclosed is irrelevant.

#### Prohibited actions

The following actions are forbidden for Insiders and Secondary Insiders, in Belgium and abroad.

- a) Trading

Acquiring or disposing of – directly or indirectly – (or ordering the purchase or sale of) financial instruments of the Company for one's own account or for the account of a third party. Also trading Inside information is prohibited.

- b) Communicating

Communicating inside information to third parties outside the normal scope of one's work, profession or function.

- c) Tipping off

Recommending a third party to acquire or dispose of financial instruments of the Company.

It is to be noted that a causal connection must (be proven to) exist between holding the Inside information and the performance of the actions defined above. The Inside information must actually have been used for trading in the financial instruments of the Company.

Any attempt to trade financial information on the basis of Inside information is also punishable.

#### Criminal penalties

Persons violating these legal provisions may be sentenced to a prison term for a period of three months to one year and/or a fine of €50 to €10,000 under Belgian law.

In addition, the person in question may be sentenced to a fine equal to a maximum of three times the amount of the profit directly or indirectly realised by the illegal transaction(s).

Whether a profit was made is irrelevant for the purposes of determining liability and punishment.

### VII.2.3. BASIC PRINCIPLE

If a person has access or is given access to inside information within the scope of the normal performance of his or her duties, this person has the important obligation to treat this information confidentially and is not allowed to trade in Financial Instruments of the Company to which this inside information relates, or to communicate this information to others, or to tip off others.

### VII.2.4. CODE OF CONDUCT

The following regulations form the code of conduct for the Company Insiders with regard to Insider dealing and in order to prevent market abuse.

#### VII.2.4.1. Compliance with the Law

In the framework of their professional activities, Company Insiders have access to information they know or should reasonably know to be Inside information.

Pursuant to the relevant Belgian legal provisions it is forbidden:

- To use this Inside information by acquiring or disposing of Financial Instruments to which this Inside information relates or similar financial instruments or by attempting to acquire or dispose of such instruments for one's own account or for the account of third parties;
- To disclose the Inside information to third parties outside the normal scope of one's work, profession or duties;
- To recommend a third party to acquire or dispose of the Financial Instruments to which this Inside information relates or similar financial instruments or to have such instruments acquired or disposed of by other persons on the basis of the Inside information.

#### VII.2.4.2. Compliance Officer

The Board of Directors has appointed the Company Secretary as compliance officer (the "Compliance Officer") of the Company. The Compliance Officer will supervise the compliance of the Company Insiders with this Code. He will further ensure that every new board member, manager and relevant employee of the Company or of its subsidiaries signs or has signed this Code.

#### VII.2.4.3. Closed and prohibited periods

It is absolutely forbidden for Insiders to realise transactions relating to the Company's Financial Instruments during a "closed period" or during any other period (a "prohibited period") that may be considered sensitive and that is indicated as such by the Board.

During the following closed periods no stock-related transactions may be carried out by the Insider:

- a) the period of one month preceding the publication of the annual results as well as one working day following the publication; and
- b) the period of one month preceding the publication of the semi-annual results as well as one working day following the publication.

#### VII.2.4.4. Preventive measures

No speculative trading.

- Speculative trading by Insiders in Financial Instruments of the Company could lead to unlawful conduct and/or – if revealed – creates the appearance of such conduct. It is hence prohibited.

Guidelines to maintain the confidential character of inside information.

In order to maintain as much as possible the confidential character of Inside information, the following non-exhaustive guidelines should be followed by all Insiders:

- Refuse to comment on behalf of the Company on external research by analysts or journalists;
- Use code names for delicate projects;
- Use passwords on the computer systems so as to limit access to the documents in which inside information could be found;
- Limit access to offices where inside information could be found or where inside information is discussed;
- Always store inside information safely;
- Do not discuss confidential information in public areas;
- Mark sensitive documents with the word "Confidential" and use sealed envelopes marked "Personal & Confidential";
- Limit as far as possible the copying of sensitive documents and clearly indicate on the copies for whom they are intended;
- If appropriate, require people who consult confidential information to sign a register;
- Never leave inside information without supervision;
- Always point out the confidential character of the information and the fact that the confidentiality has to be respected to employees who come in contact with inside information;
- Always check the fax number when faxing inside information and verify that someone with access to this information is present to receive this information;
- Avoid sending inside information by e-mail as much as possible or, if not practical, limit the number of addressees, indicate that the e-mail contains confidential information, use encryption or ways to prevent the printing, forwarding or copying of the e-mail.

In any given circumstances all other suitable measures also have to be taken. In case of doubt the Insider should contact the Compliance Officer.

#### VII.2.4.5. Notification of market transactions (intention and effective trade)

##### Notification of the intention to trade

Each Insider wishing to acquire or dispose of Financial Instruments of the Company must notify the Compliance Officer in writing (by letter, fax or e-mail) no later than three business days before the actual transaction. In this notification, the Insider confirms that he or she does not possess any Inside information.

##### Advice of the Compliance Officer

If there is no indication that the intended transaction violates this Code, the Compliance Officer shall give a positive opinion. Should the Compliance Officer have indications that the transaction is not in conformity with this Code or Belgian legislation, he or she shall consult the Chief Executive Officer, and issue a negative opinion, which is to be regarded as an express rejection by the Company of the intended transaction. A copy of the opinions shall also be provided to the Chairman of the Board of Directors. The absence of an opinion from the Compliance Officer cannot be (mis)taken as approval of the intended transaction. A positive opinion does not preclude the application of the Belgian legal provisions in this regard, as also referred to in this Code. A positive opinion hence does not liberate the person intending a transaction from his sole responsibility to comply at all times with the law and regulations in this regard.

##### Notification of the actual transaction

If the transaction takes place, the Insider must inform the Compliance Officer no later than three business days after the transaction took place, with an indication of the number of Financial Instruments traded and the price at which the trade was executed.

#### VII.2.4.6. Publication of trade

Each transaction of the type described above communicated to the Compliance Officer shall be disclosed on the Company website within two months after 30 June and 31 December respectively, whereby:

- the purchase and sale of Company shares will be published as total per category (Non-executive Directors, Executive Management, other persons);
- the awarding of options and or the exercise of warrants or share options will be published individually for Non-executive Directors and in total for Executive Managers.

Transactions that can reasonably be expected to have an influence on the price of the Company shares must be published immediately pursuant to the rules on occasional information distribution.

The annual report of the Company shall also contain an overview of the transactions in the Company Financial Instruments that were communicated to the Compliance Officer pursuant to this Code or of which the Compliance Officer otherwise became aware.

#### VII.2.4.7. Permitted transactions

Certain transactions are always allowed, even if performed during closed or prohibited periods. Exercising warrants or share options is allowed, but the shares resulting from the exercise may not of course be sold during the closed or prohibited periods, not even to cover the exercise price and/or taxes. The acquisition of shares within the context of a distribution of dividends is also allowed, as are transactions executed within the context of discretionary management of capital outsourced to third parties on the basis of a written agreement and for as much as the Insider does not exert any influence on the policy followed by the third party.

#### VII.2.4.8. Duty to report with regard to major participating interests

The Insiders undertake to comply with Article 17 of the Articles of Association of the Company regarding the transparency declarations to be made when passing thresholds by acquiring or disposing of Company shares. It is to be noted that the Company has introduced a system of 3% thresholds on top of the legally obligatory 5% thresholds.

#### VII.2.4.9. Duration

Insiders undertake to comply with this Code up to six months after the end of their relationship with the Company.

#### VII.2.4.10. Changes

The Board reserves the right to change this Code. The Company will inform the Insiders about any changes and will provide copies of the revised regulations which will take effect on receipt.

#### VII.2.4.11. Privacy regulations

The information provided by the Insider pursuant to this Code will be processed by the Compliance Officer pursuant to the Act of 8 December 1992 on the protection of personal data, as amended by the Act of 11 December 1998 ("Data Protection Act") with a view to the prevention of insider dealing. On the basis of the Data Protection Act, every Insider has access to his or her personal data and has the right to correct any errors.

## APPENDIX 1

Articles 2, 1° and 14°, 25 and 40 of the Act of 2 August 2002 on the supervision of the financial sector and on financial services, Belgian Official Gazette, 4 September 2002.