



## **Lotus Bakeries Remuneration Policy**

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## Introduction

Lotus Bakeries' remuneration policy sets out the remuneration of the Board of Directors and the executive management of Lotus Bakeries, in line with the Second Shareholder Rights Directive, Directive (EU) 2017/828, Article 7:89(1) of the Companies and Associations Code and the Corporate Governance Code 2020.

## Procedure

This remuneration policy was approved on 24 March 2020 by the Board of Directors, at the recommendation of the Nomination and Remuneration Committee. The policy will be presented to the Ordinary General Meeting of Shareholders of 18 May 2021 and, subject to approval, will apply, from the 2021 financial year, to the remuneration of directors and the executive management.

## Conflicts of interest

All members of the Board of Directors and the executive management are expected, in as far as possible, to avoid acts, positions or interests that conflict with or appear to conflict with the interests of the Company.

Where members of the Board of Directors or the executive management or their permanent representatives are confronted with possible conflicting interests arising from a decision or transaction of Lotus Bakeries, they must inform the Chairman of the Board of Directors or the CEO of this as soon as possible. If Article 7:96 or 7:97 CAC is applicable, directors involved in a personal conflict of interest shall abstain from taking part in the deliberations and in the vote.

The following measures are in place specifically to avoid potential conflicts of interest in relation to Lotus Bakeries' remuneration policy with respect to its directors and members of the executive management:

- The Remuneration and Nomination Committee is composed of at least three directors. All members of the Remuneration and Nomination Committee are non-executive directors and a majority of them are independent.
- The CEO takes part in meetings of the Remuneration and Nomination Committee when it deals with the remuneration or appointment of other members of the executive management. However, the CEO cannot attend meetings about his/her own evaluation or remuneration.
- The Chairman of the Board of Directors shall not attend meetings of the Remuneration and Nomination Committee at which his/her own remuneration is discussed.
- This remuneration policy and any revisions to it shall always be submitted to the General Meeting for approval.

## Remuneration policy for directors

The remuneration policy for directors must be designed so that Lotus Bakeries can attract directors with the relevant skills to achieve its ambitions. Every two years, it is benchmarked against a relevant random sample of listed companies.

### Fixed annual remuneration

The proposed remuneration policy for directors of Lotus Bakeries comprises a fixed remuneration, paid partly in cash and partly in shares in Lotus Bakeries NV and determined in relation to the responsibilities and time commitment of the director and his or her specific role as either Chairman or chairman or member of a Committee.

The director shall keep the shares he or she receives by way of remuneration for at least one year after leaving the Board. Moreover, the shares received by the director by way of remuneration shall be kept for at least three years after allocation.

The fixed remuneration for directors is always submitted to the General Meeting for approval.

### No other remuneration components

The non-executive director does not receive performance-related remuneration such as bonuses, stock-related long-term incentive schemes, fringe benefits, benefits related to pension schemes or stock options.

Lotus Bakeries and its subsidiaries do not grant personal loans, guarantees and the like to members of the Board of Directors.

In addition to the remuneration, board members receive a compensation for all reasonable expenses incurred with the permission of the Chairman of the Board of Directors.

### Agreement with non-executive directors

Members of the Board of Directors are appointed by the General Meeting, at every turn, for a period not exceeding four years. They can be dismissed *ad nutum* (at any time, with no need for justification). There is no provision for notice periods or payment in lieu of notice.

## Remuneration of members of the executive management

The level and structure of the remuneration of the executive management should be such that qualified and expert professionals can be recruited, retained and motivated, taking into account the nature and scope of their individual responsibilities. To this end, every two years, an investigation will be conducted into remunerations in Belgium in order to facilitate an external comparison of the most important functions. When the actual calculation per function is performed, account will be taken of the actual content and implementation of the function within Lotus Bakeries, so that there is an internal logic between the remuneration levels.

For this Lotus Bakeries uses the services of an international HR consultancy firm that assesses the functions and presents the corresponding salary package as commonly awarded in the relevant market. The consultant reports directly to the Remuneration and Nomination Committee and provides verbal explanations.

The remuneration policy describes the various components of the remuneration and sets the right balance between fixed and variable remuneration, and cash and deferred remuneration.

### Fixed remuneration

The fixed remuneration of each member of the executive management is determined according to the process described above:

- nature and scope of responsibilities
- external advice concerning job weighting and usual market remuneration
- discussion in the Remuneration and Nomination Committee
- approval by the Board of Directors

The two-yearly evaluation of the fixed remuneration covers the following factors:

- changes in the nature and scope of responsibilities
- developments in the usual market remuneration for relevant comparison groups
- changes in the scope and activities of Lotus Bakeries Group.

## Variable remuneration

In addition to the fixed remuneration, there is a variable compensation for members of the executive management. An identical methodology applies for the CEO as for the other members of the executive management. The variable remuneration depends on the results of Lotus Bakeries.

The award comprises:

- a short-term bonus (50%) with a one-year evaluation period; and
- a long-term bonus (50%) with a three-year evaluation period.

### Short-term bonus

The criteria for determining the short-term bonus are as follows:

- 1/3<sup>rd</sup> of the short-term bonus depends on the consolidated turnover growth achieved by Lotus Bakeries Group during the past financial year
- 1/3<sup>rd</sup> of the short-term bonus depends on the consolidated recurrent operating result achieved during the past financial year
- 1/3<sup>rd</sup> of the short-term bonus depends on the consolidated recurrent operating cash flow achieved during the past financial year

### Long-term bonus

The criteria for determining the long-term bonus are as follows:

- 1/3<sup>rd</sup> of the long-term bonus depends on the consolidated turnover growth achieved by Lotus Bakeries Group as specified in the multi-year plan in place
- 1/3<sup>rd</sup> of the long-term bonus depends on the consolidated recurrent operating result as specified in the multi-year plan in place
- 1/3<sup>rd</sup> of the long-term bonus depends on the consolidated recurrent operating cash flow as specified in the multi-year plan in place

The long-term bonus is awarded and paid annually, with a settlement of accounts during the third year of the evaluation period.

### No claw back

No agreements or other policies exist entitling Lotus Bakeries to claw back variable remuneration already paid.

## Shareholding requirement

Members of the executive management must each own at least EUR 250,000 worth of shares in Lotus Bakeries NV by the end of 2022, which must be kept so long as they remain a member of the executive management.

## Share option plan

The 2012 Ordinary General Meeting approved the current share option plan under which members of the executive management are allocated options on Lotus Bakeries shares.

Options allocated have a three-year vesting period. This means that they are not normally regarded as acquired finally and should not be exercised within less than three years following their allocation.

Upon early departure, the options not yet exercisable at that time can no longer be exercised. The exercise period extends for five years after the original allocation.

### Pension and other benefits

Those members of the executive management who are subject to a contract of employment enjoy an additional pension plan and other benefits, mainly comprising insured benefits such as guaranteed income and the cost of a car.

Similar arrangements are in place for those members of the executive management who work through a management company.

### Agreement with members of the executive management

The members of the executive management are subject to open-ended agreements.

Those members of the executive management who work through a management company are entitled to a leaving pay equivalent to a maximum of twelve months of the fixed and variable remuneration. The other members of the EXCO are subject to a contract of employment (unless he or she is also a director).